

**H.R. 3583, “AMERICAN SAMOA PRO-
TECTION OF INDUSTRY, RESOURCES,
AND EMPLOYMENT ACT”**

LEGISLATIVE HEARING

BEFORE THE

SUBCOMMITTEE ON INSULAR AFFAIRS,
OCEANS AND WILDLIFE

OF THE

COMMITTEE ON NATURAL RESOURCES

U.S. HOUSE OF REPRESENTATIVES

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LEGISLATIVE HEARING ON H.R. 3583, "AMERICAN SAMOA PROTECTION OF INDUSTRY, RESOURCES, AND EMPLOYMENT ACT"

**Wednesday, November 4, 2009
U.S. House of Representatives
Subcommittee on Insular Affairs, Oceans and Wildlife
Committee on Natural Resources
Washington, D.C.**

The Subcommittee met, pursuant to call, at 2:50 p.m., in Room 1324, Longworth House Office Building, Hon. Madeleine Bordallo [Chairwoman of the Subcommittee] presiding.

Present: Representatives Bordallo, Faleomavaega, Sablan, Christensen, Brown, and Flake.

Also present: Representative Napolitano.

Ms. BORDALLO. Good afternoon. The hearing by the Subcommittee on Insular Affairs, Oceans, and Wildlife will come to order.

The Subcommittee is meeting today to hear testimony on H.R. 3583, the "American Samoa Protection of Industry, Resources, and Employment Act," or the ASPIRE Act, which would provide a subsidy to sellers and buyers of fish delivered to American Samoa.

I would like to make an announcement. I apologize for the delay in this hearing, but there are votes on the Floor. And we of the territories did our amendment voting, but we do have Members that are still down there for final passage.

Also, I would like to say that I will give my opening statement. Mr. Faleomavaega, the author of the bill, will give his opening statement. And then we will recess if our colleagues are not back yet for a short time until they return, and then we will continue with the hearing.

And I apologize to you, Governor and Mr. Pula, for having to begin late. This is life in the U.S. Congress.

STATEMENT OF HON. MADELEINE BORDALLO, A DELEGATE IN CONGRESS FROM THE TERRITORY OF GUAM

Ms. BORDALLO. First, there is no one here who has worked harder to represent and serve the needs of his district than the gentleman from American Samoa. As he and I both know from firsthand experience, it is not always easy to make our colleagues aware of the magnitude of some of the challenges we face in the

territories, given their geographic distance from the continental United States. Mr. Faleomavaega does not let that sway him, however, from his tireless efforts on behalf of his constituents.

Second, there is no question that the tuna processing industry has been a linchpin in the economy of American Samoa for decades. Recent changes in minimum-wage requirements and the ongoing trend toward a truly global economy have threatened the sustainability of the American Samoa tuna industry at a time when they can ill afford it.

Third, the recent tsunami that brought such devastation to the region and to American Samoa, in particular, only increases the urgent need to grow and diversify the economy of these islands to provide a vibrant and a sustainable future for their people.

Today's hearing will give us an opportunity to hear whether the legislation before us provides the tools that American Samoa needs to move its economy forward. I know we have witnesses on both sides of the issue who will provide their views. And, hopefully, in the case of those who do not support the bill, we will hear their suggestions for alternative policies that could provide economic benefits.

We all share the goal of helping Congressman Faleomavaega and the people of American Samoa. The question is whether the policies embodied in H.R. 3583 have the support they will need to navigate the legislative process or whether further discussion will be needed to build consensus. So I look forward to hearing from the witnesses this afternoon on this point and again commend the gentleman from American Samoa for his efforts.

[The prepared statement of Ms. Bordallo follows:]

**Statement of The Honorable Madeleine Z. Bordallo, Chairwoman,
Subcommittee on Insular Affairs, Oceans and Wildlife**

The Subcommittee is meeting today to hear testimony on H.R. 3583, the American Samoa Protection of Industry, Resources and Employment Act, or the ASPIRE Act, which would provide a subsidy to sellers and buyers of fish delivered to American Samoa.

In a few minutes, I will recognize my colleague and good friend, Eni Faleomavaega, to explain his legislation further, but before doing so I would like to make a few observations.

First, there is no one who has worked harder to represent and serve the needs of his district than the gentleman from American Samoa. As he and I both know from firsthand experience, it is not always easy to make our colleagues aware of the magnitude of some of the challenges we face in the territories given their geographic distance from the continental United States. Mr. Faleomavaega does not let that sway him, however, from his tireless efforts on behalf of his constituents.

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the support they will need to navigate the legislative process or whether further discussion will be needed to build consensus. I look forward to hearing from the witnesses today on this point and again commend the gentleman from American Samoa for his efforts.

Ms. BORDALLO. And now I would like to introduce my colleague and my friend, Eni Faleomavaega, to explain his legislation further. The Senator from American Samoa—or the——

Mr. FALEOMAVAEGA. I just got promoted.

Ms. BORDALLO.—Congressman from American Samoa.

Mr. FALEOMAVAEGA. No, you can call me Senator.

Ms. BORDALLO. It is good to promote.

**STATEMENT OF HON. ENI F.H. FALEOMAVAEGA, A DELEGATE
IN CONGRESS FROM THE TERRITORY OF AMERICAN SAMOA**

Mr. FALEOMAVAEGA. Madam Chair, I sincerely thank you for your leadership and especially for calling this hearing on this bill that is very, very critical and important for the economic development of my district. And I sincerely thank you and the members of the staff for putting this hearing together and inviting our guests to testify, whether for or against the provisions of the proposed bill.

Madam Chair, for more than 55 years, American Samoa has been the backbone of the U.S. tuna fishing and processing industries, just like for years Puerto Rico and the Virgin Islands were the backbone of the rum industry. Today, the U.S. tuna processing industry includes three major brands of canned tuna: StarKist, Chicken of the Sea, and Bumble Bee.

StarKist is headquartered in Pittsburgh, Pennsylvania, and has about 1,800 employees in the Territory of American Samoa. StarKist is a U.S. corporation that pays U.S. taxes. StarKist is also a subsidiary of the Dongwon group, a leader in the food, beverage, and fisheries industries in South Korea. And this Dongwon group recently purchased StarKist from Del Monte for some \$363 million.

Chicken of the Sea is a subsidiary of Thai Union, the world's largest producer of canned tuna, located in Bangkok, Thailand. Chicken of the Sea has about 200 tuna cannery workers in Lyons, Georgia, and also has corporate offices in San Diego, California.

In 2004, Bumble Bee was sold off to Connors, a Canadian company. And, only recently, Bumble Bee was purchased by a group of U.S. investors. Mr. Lischewski, who will be testifying as the President and CEO of Bumble Bee, now personally owns a significant share of Bumble Bee.

Bumble Bee claims to employ some 1,800 workers in the U.S., but how many of its U.S. workers are tuna cannery workers is undetermined, though I intend to ask the questions concerning this issue. The bulk of Bumble Bee's employees are not U.S. workers, but thousands of foreign cannery workers who clean and cook the fish and then ship the tuna as cooked loins to the United States for canning and then sell to the U.S. consumer market.

As many members of this Subcommittee know, more than 80 percent of American Samoa's private-sector economy is dependent either directly or indirectly on two of the three major brands,

StarKist and Chicken of the Sea, which until recently employed more than 74 percent of our private-sector workforce.

What you may not know, Madam Chair, is that 1 day after American Samoa was struck by the world's most powerful earthquake and tsunami in the year 2009—it set off a tsunami that was some 20 feet, and untold damage and human lives were lost—Chicken of the Sea closed down its operations in American Samoa, leaving more than 2,000 workers without jobs. Chicken of the Sea left without the courtesy of even discussing departure, either with me or the Governor of American Samoa, although Samoan workers made Chicken of the Sea one of the most profitable brands of canned tuna in the United States.

On the issue of minimum wage, Madam Chair, Chicken of the Sea left for Lyons, Georgia, where it now employs a skeleton crew of some 200 workers. Chicken of the Sea pays its workers in Georgia some \$7.25 per hour or more. And yet, from 1954, Madam Chair, when Chicken of the Sea's then parent company, Van Camp, first arrived in American Samoa, the company set about to suppress the wages of Samoan workers—yes, suppress the wages of the workers by demeaning their worth and work.

In 1956, the company testified before the U.S. Senate Committee on Labor and Public Welfare, urging consideration of the legislation for the exemption of American Samoa from the wage and hour provisions of the Fair Labor Standards Act of 1938.

So while you will hear much about minimum wage from those who oppose ASPIRE or this bill, including a think-tank witness that, in my opinion, is somewhat naïve—anything but naïve, let me share with you our history regarding equal pay for equal work so that my colleagues may know the truth about minimum wage in American Samoa, which has now barely reached \$4.76 an hour after some 50 years of presence of our tuna industry in the territory.

Let's begin with a statement from Chicken of the Sea's then parent company, Van Camp, commenting on its company's desire to pay Samoan workers 27 cents per hour as opposed to the prevailing minimum wage rate at the time of \$1 per hour. This is what the company officials testified before the Senate committee, and I quote: "Samoans are Polynesians. They are not American citizens." And about the women of American Samoa, according to the company, "We now employ 300 Samoans, mostly women. The wages range from 27 cents per hour for the women who clean the fish to \$1 per hour for one employee who is a technician."

"The difference in labor costs is attributed to the lower production output in Pago Pago, where we have found that it takes from three to five Samoans to produce what one Stateside employee can produce." Mr. Collins, the legal counsel for Van Camp, also put it this way: "The company found that it takes from three to five Samoan workers to perform what one continental worker in the United States will do. It is therefore felt that this justifies a lower rate for Samoans."

Forgive me for pausing here, Madam Chair, but what company in good conscience would suppress wages in a U.S. territory in the mid-1950s and claim that the more than 300 Samoan women clean-

ing fish in American Samoa for 27 cents an hour were somewhat inferior to the Stateside employees being paid \$1 an hour?

While some in the room may think this does not matter, it does, and it does to me, especially when 55 years later Chicken of the Sea shut its doors in American Samoa and immediately pays Stateside workers in Lyons, Georgia, twice as much as they were currently paying our men and women in American Samoa. Different year, same Chicken of the Sea.

And, yes, I would say that the U.S. tuna industry has exported well over \$40 billion worth of canned tuna from American Samoa to the U.S. for the past 50 years, at tremendous profits, on the backs of the low-paid Samoan workers. Some say it is cheap labor; I say it borders on slave labor.

This is the kind of prejudice and gender inequality we have been dealing with for 55 years in American Samoa. Quite frankly, Madam Chair, I think this is so unfair, and treats the people of my territory somewhat like second-class citizens.

On the question of loins, testifying before this Subcommittee there will be two competing tuna canneries, Chicken of the Sea and Bumble Bee, both of which oppose this proposed bill. The current business model of having their tuna cleaned in low-wage countries where they pay workers 75 cents per hour or less and then employ skeleton crews in the U.S.—California, Georgia, and Puerto Rico, to be exact—pack and clean tuna or loin in order to take advantage of the duty-free treatment. I call this the outsourcing business model.

This business model is based on loins. A loin is a fish already cleaned and cooked. And because 90 percent of labor employment costs come in the cleaning of the fish, the outsourcing business model maximizes profits but will severely reduce jobs in a U.S. territory like American Samoa, while increasing employment in low-wage countries. This is why both Chicken of the Sea and Bumble Bee employ more workers outside the United States than we do in the U.S.

In my opinion, Madam Chair the outsourcing business model, as I have indicated, is an un-American way of doing business. And I believe if the American public knew what is really going on in the U.S. tuna industry, it would not support these kinds of practices.

Nike and Gap are already under fire for adopting a similar business model in the garment industry and in other industries where low-wage workers in foreign countries are paid only 50 to 60 cents an hour and, by the time that Nike shoe reaches the American market, they charge \$125.

So that there is no misunderstanding about this, Madam Chair, I will be asking Chicken of the Sea to state for the record how many tuna workers are employed in Lyons, Georgia, versus how many tuna workers in its parent company, Thai Union, whose employees clean the bulk of the tuna Chicken of the Sea now puts in its cans. The answer will be something to the effect of 200 workers in Lyons, Georgia, versus, I would say, some 20,000 fish cleaners or cannery workers that work in Bangkok, Thailand.

I will also ask Chicken of the Sea to tell us how much it pays its workers in Lyons, Georgia, how much it paid its workers in American Samoa, and how much its parent company, Thai Union,

pays its workers in Thailand. The answer to this question will be \$7.25 per hour in Georgia, and barely reaching \$4.76 per hour in American Samoa, and 75 cents per hour in the canneries in Thailand.

While Bumble Bee touts before this Subcommittee that it employs a thousand U.S. workers, I would ask Bumble Bee to make it plain for the record how many actually are working in the tuna industry.

As a matter of record, I will ask Bumble Bee to inform the Subcommittee how many tuna workers it employs in Puerto Rico and California versus the number of workers in Fiji and Papua New Guinea that clean the bulk of the tuna Bumble Bee puts in its cans. Members of this Subcommittee will learn that Bumble Bee employs about 325 workers in Puerto Rico, perhaps even less in California, both with the price of cheap labor, again, at 70 cents or less per hour in foreign countries.

I will also ask Bumble Bee how much it pays its workers in Puerto Rico and California versus how much workers in Fiji or Thailand or Papua New Guinea are paid by contractual agreement. I hope my colleagues will understand more clearly the outsourcing business model that is now employed by these two canneries, and they couldn't care less about StarKist trying to reestablish a viable tuna industry in my district.

The bottom line, Madam Chair, is that neither Chicken of the Sea nor Bumble Bee makes mention of their low-wage contractual agreements with Fiji and Papua New Guinea and Thailand on their company Web sites. In my opinion, Bumble Bee whitewashes its way of doing business by stating that—and I quote—it “works continuously to drive higher production efficiencies and lower operating costs in an effort to maintain profitability.” That is just another way of saying Bumble Bee's ideal efficiency is offshore American jobs to low-wage countries just to increase its profits.

One only has to look at the thousands of workers Bumble Bee laid off in Puerto Rico and California in the past decade, and its way of doing business speaks for itself. And Chicken of the Sea is following the same procedure as Bumble Bee is doing now, and that is: Buy tuna loins at very cheap prices from foreign countries and then in the United States bring them in duty-free to a skeleton crew in California, Puerto Rico, and Georgia—thus maximizing its profits in terms of that price differential.

As much as I oppose the outsourcing business model, Madam Chair, I do not blame Bumble Bee or Chicken of the Sea for their businesses practices. Because the fact is, none of our U.S. tuna companies can compete against low-wage countries which clean fish cheaper than workers in my district.

That is why we are here today. And today we are here to bring the U.S. tuna industry back to America, hopefully, by offering grants to any company that wants to clean its fish in the Territory of American Samoa. The idea behind this bill is not much different than the rum excise tax we provide for Puerto Rico and the U.S. Virgin Islands. And I completely support this benefit that Puerto Rico and the Virgin Islands continue to get through the rum tax.

Concerning the U.S. tuna fishing fleet, Madam Chair, the U.S. tuna fishing fleet is currently made up of 39 purse seiner vessels,

with one license still unavailable. About 14 of these vessels are 100 percent U.S.-owned. The other 25 tuna boats are newer vessels built in foreign countries, with 51 percent U.S. ownership and 49 percent foreign ownership.

Most of the foreign-built boats are part of the company known as the South Pacific Tuna Corporation. Mr. Lischewski, the CEO and President of Bumble Bee, is a part owner of the South Pacific Tuna Corporation and also a majority owner of Bumble Bee. Chicken of the Sea and its parent company, Thai Union, is also a part owner of these foreign-built tuna boats that make up the South Pacific Tuna Corporation.

The American Tunaboat Association, which represents all of the 39 tuna boats, both U.S.- and foreign-built, was invited to testify today but unfortunately declined because not all the U.S. tuna boat owners agree with the South Pacific Tuna Corporation, as you will be hearing different opinions from the tuna boat owners.

I want to note for the record, Madam Chair, that there is an obvious conflict of interest here in this proceeding. Both Mr. Lischewski of Bumble Bee and Chicken of the Sea/Thai Union have financial interests or ownership of these foreign-built purse seiners that make up the South Pacific Tuna Corporation.

And, because of this, that South Pacific Tuna Corporation has been allowed to testify, I have asked that Mr. Renato Curto now be allowed to testify also on behalf of the U.S.-built tuna boats, of which he owns most as President of Cape Fisheries.

I have also asked that Mr. Joe Hamby be invited to testify on behalf of Tri Marine. Tri Marine is one of the largest tuna supply companies in the world and has a contractual argument with StarKist. Neither StarKist nor Tri Marine has financial ownership in each other.

On the point of our U.S. tuna fishing fleet, Madam Chair, whether U.S.- or foreign-built, all 39 tuna boats, or the entire U.S. tuna fishing fleet, fishes under the auspices of the South Pacific Tuna Treaty, a treaty between the United States and 16 Pacific island nations. Under the terms of the treaty, the U.S. Government pays out \$18 million annually to the South Pacific parties in return for the right of our U.S. tuna boats to fish in the exclusive economic zones of these Pacific island nations.

The U.S. tuna boats also pay the Pacific island parties approximately \$3 million or more per year, depending on the amount of tuna they catch. According to the U.S. Department of State, the landed value of the catch last year was in excess of \$200 million, but the value of the tuna, as it moves through the processing and distribution chain, may be worth as much as \$400 million to \$500 million a year.

Madam Chair, on the question of the whole fish, this is an aspect of doing business. In my opinion, ASPIRE is the American model for doing business; it is based on whole fish. For now, StarKist is the only major-brand canned tuna that follows the whole-fish business model, and it is the last remaining tuna cannery in American Samoa.

In American Samoa, StarKist is about greater economic development, and the bottom line is jobs. Jobs are created when the cannery chooses to clean the whole fish rather than pack tuna loins

that have been cleaned elsewhere. As I stated previously, 90 percent of the value of the tuna is associated with any tuna cannery that is in the business of cleaning whole fish.

While Chicken of the Sea and Bumble Bee have opted to outsource their fish-cleaning jobs to low-wage countries, StarKist has chosen to clean whole fish in American Samoa and thereby create more jobs for our workers in the territory. And this has put StarKist in a competitive disadvantage.

StarKist cannot hold out much longer in American Samoa, giving an unfair trade advantage to Chicken of the Sea and Bumble Bee, which are using cheap labor to get ahead, when our U.S. tuna boats are selling off U.S. tuna to foreign countries rather than making direct deliveries to American Samoa.

If these unfair trade practices force StarKist to leave American Samoa and adopt the Chicken of the Sea and Bumble Bee model of cleaning fish in low-wage countries, I submit, Madam Chair, American Samoa's economy definitely will collapse. It is as plain and simple as that.

To prevent a complete economic meltdown that will lead to nearly full unemployment, I ask my colleagues to act quickly if we are to save American Samoa's jobs and economic development and if, more broadly, we are to bring the U.S. tuna industry back to U.S. shores.

StarKist employs more than 1,800 workers in the territory. And while some may say that this hearing will try to discredit our workforce, let's be straight about this: While many of our workers are from the neighboring islands of Samoa, they are legal residents, married to U.S. nationals—the same culture, the same language. Their children are also U.S. Nationals, and they are just as much a part of the family, unlike in other given situations.

StarKist also abides by U.S. labor and environmental laws. Like, I don't know, I question seriously the canneries in Thailand and Fiji in supplying Bumble Bee and Chicken of the Sea.

What may not be so readily known, Madam Chair, is that American Samoa is a single-industry economy, entirely dependent on the tuna fishing and processing industries, just as Puerto Rico and the Virgin Islands were once solely dependent on the rum industry.

Because of the fragile state of our economy, especially in the aftermath of a devastating earthquake and tsunami, if we lose our one remaining private-sector employer, it will be next to impossible for us to rebuild. If StarKist leaves, American Samoa will be left with no private-sector base.

And while some of my colleagues and our so-called experts trivialize the situation by suggesting that we just need to adjust the minimum-wage rates, I am hopeful that my testimony has made clear the complexities of this matter. Whether or not minimum-wage rates are \$3 per hour or \$7.25 an hour in American Samoa, the entire U.S. tuna industry, including Chicken of the Sea, Bumble Bee, and StarKist, can no longer compete against low-wage-rate nations that pay their fish cleaners 75 cents or less per hour, which means the increase of minimum-wage rates in American Samoa only accelerated a process that was already under way the day Bumble Bee and Chicken of the Sea decided to outsource American jobs to foreign countries.

While Bumble Bee will testify that we just need to be like Guam in developing tourism, I would suggest that Mr. Lischewski take a hard look at American Samoa's location in relation to Asia and also take a look around at our lack of land. American Samoa is not Guam. We are not benefiting from a \$15 billion infusion into Guam's economy as a result of troop transfer of some 8,000 Marines and their families from Okinawa to Guam. American Samoa is situated in the middle of the world's best tuna grounds. Tuna is our main industry. Tuna is our past and our future.

And while Bumble Bee will try and convince you today that, if ASPIRE is enacted, we will have to worry about U.S. trade violations, nothing could be further from the truth. Our Federal Government currently subsidizes almost every agricultural product made in the U.S., including sugar and corn and dairy products. And because the rule is, as long as American products are homegrown and headed for the U.S. market, which is where American Samoa's canned tuna goes, there is no trade violation in this respect.

So, despite the hype you will hear today, I am asking my colleagues to consider the facts and support ASPIRE or this proposed bill. The proposed bill is good for our tuna industry, and it is right for American Samoa.

The U.S. cannot afford to sit idly by while American Samoa's economy collapses and while members of the U.S. tuna fishing fleet sell hundreds of millions of dollars' worth of tuna to foreign nations while the American taxpayer, in my humble opinion, gets nothing in return.

For those Members of Congress from the States, respectively Hawaii, Alaska, California, or others who may have concerns about the fishing fleet, the proposed bill does not impact any other fishing fleet except the 39 tuna boats that fish in the U.S. South Pacific Tuna Treaty area. Because there was a technical error, this has been corrected. I just want for the record to make that known, Madam Chair.

Finally—and I am sorry that I am taking this long, but I felt it is absolutely necessary that I share this with my colleagues—the question of how we are going to pay for this. For the Administration and a Congress that wants to know how this proposed bill will pay for itself and to address the false claim made by Republicans that this bill is a bailout that puts the American taxpayer on the hook, it estimated that the program would cost about \$23 million per year and would increase by \$2 million per year depending on Federal minimum-wage rates, about \$11.2 million per year would be offset by the 6.25 tax on the value of the 180,000 metric tons of tuna now being transshipped to foreign nations by these tuna boats. If, however, the tuna boats offload more often in American Samoa, the offset would decrease.

And approximately \$4.2 million would be made available by the \$250,000 licensing fees for tuna boats that do not make three direct deliveries to American Samoa per year. This figure is based on the current number of tuna boats that transship their fish to foreign countries. However, if more tuna boats direct-delivered to American Samoa, then this offset would also decrease.

Madam Chair, while the American Samoa Government would need to provide input, I would be supportive of a cost-share ar-

rangement between the Federal Government and the local government if ASG began to see revenues from the multiplier effect. In the discussions with the U.S. Department of the Interior, we are also looking at the possibility of the \$10 million of the CIP projects that we get each year maybe as a means to encourage and support private-sector development, especially for the only major industry we now have in the territory, and that is the tuna industry.

Long term, Madam Chair, it would be my hope that my colleagues in the Congress would establish a PAYGO plan modeled after the Caribbean Basin Economic Recovery Act, which provides a special rule for excise taxes collected on rum imported into the United States from any country. Such excise taxes are covered over to the treasuries of Puerto Rico and the Virgin Islands. And there is no reason why a similar program could not be established for tuna imported into the U.S. from foreign countries possibly.

And while ASPIRE may not be perfect, Madam Chair, in the aftermath of the earthquake and tsunami that has left American Samoa teetering on the brink of economic collapse, we need action, and we really need it now.

I continue to be open to make the necessary adjustments that would make this a win-win situation for the entire U.S. tuna industry, but I am not open to doing nothing. Nothing is not an option for the more than 68,000 residents of the territory who need and deserve support of our Nation.

I believe, Madam Chair, that, as fellow Americans, we deserve equal treatment under the law. This is why I ask my colleagues to stand with us the same way we have stood with you, especially in the defense of our Nation. And, as has already been reported to Congress, the sacrifices of American Samoan soldiers in the Iraq war was tremendously disproportionate to the territory's small size, approximately 138 percent, far higher than any State or territory, according to the USA Today report that was issued in March of this year. And I want to share that with my colleagues.

For my Republican friends who have cheapened our sacrifice at this hearing by issuing a press release, which I would like to include for the record, calling this bill a "tuna bailout" before even listening to both sides of debate, I say, shame on you. Shame on you for trivializing our sacrifices, and shame on you for making a mockery of our call for help. While the color of our skin may be dark, our blood still runs red, white, and blue.

And, finally, in response to the Republicans' misinformation about minimum wages in the American Samoa, it was a Republican who introduced an amendment to the Iraqi Accountability Appropriation Act of 2004, which required the minimum wage in American Samoa to be increased in a phased manner until it reached the same level of the rest of the United States.

So if the policy is a failure, it is a failure on the part of my Republican colleagues. The Republicans should also make it right, and not by asking Samoans to ride in the back of the bus, but by supporting legislation that puts American Samoa back to work.

My people are not begging or asking for handouts, Madam Chair. We just want to work. And I think that this is the best possibility that we have, by this proposed legislation. And, again, I urge my colleagues to support this proposed bill.

Thank you, Madam Chair.
 [The prepared statement of Mr. Faleomavaega follows:]

**Statement of The Honorable Eni F.H. Faleomavaega, a Delegate in
 Congress from American Samoa**

Madam Chair, Ranking Member:

I thank you for holding this hearing on ASPIRE, the American Samoa Protection of Industry, Resources, and Employment Act, or H.R. 3583, a bill I introduced to put American Samoa back to work and to put the U.S. tuna industry back in America.

Before I begin, I would like to ask that the following letters of support be included for the record.

For more than 55 years, American Samoa has been the backbone of the U.S. tuna fishing and processing industries, just like for years Puerto Rico and the Virgin Islands were the backbone of the rum industry.

Today, the U.S. tuna processing industry includes three major brands of canned tuna—StarKist, Chicken of the Sea and Bumble Bee.

StarKist is headquartered in Pittsburgh, Pennsylvania and has 1,800 employees in the U.S. Territory of American Samoa. StarKist is a U.S. corporation and pays U.S. taxes. StarKist is also a subsidiary of the Dongwon Group, a leader in the food, beverage and fisheries industries in South Korea.

Chicken of the Sea is a subsidiary of Thai Union, the world's largest producer of canned tuna. Chicken of the Sea has about 200 tuna cannery workers in Lyons, Georgia.

In 2004, Bumble Bee was sold off to Connors, a Canadian company, and only recently was Bumble Bee purchased by a group of U.S. investors. Mr. Lischewski, who will be testifying as the President and CEO of Bumble Bee, now personally owns a significant share of Bumble Bee. Bumble Bee employs about 1,000 workers in the U.S. but how many of its U.S. workers are tuna cannery workers is undetermined, though I intend to ask during the course of this hearing. The bulk of Bumble Bee's employees are not U.S., but foreign employees.

As many members of this subcommittee know, more than 80% of American Samoa's private sector economy is dependent, either directly or indirectly, on two of the three major brands—StarKist and Chicken of the Sea—which until recently employed more than 74 percent of our private sector workforce.

What you may not know is that one day after American Samoa was struck by the world's most powerful earthquake of 2009 that set off a tsunami that left untold damage and loss, Chicken of the Sea closed down its operations in American Samoa, leaving more than 2,000 workers without jobs.

Chicken of the Sea left without the courtesy of discussing its departure either with myself or the Governor of American Samoa, although Samoan workers made Chicken of the Sea one of the most profitable brands of canned tuna in the U.S.

Minimum Wage

Chicken of the Sea left for Lyons, Georgia where it now employs a skeletal crew of about 200 workers. Chicken of the Sea pays its workers in Georgia some \$7.25 per hour.

Yet from 1954 forward, when Chicken of the Sea's then parent company, Van Camp, first arrived on American Samoa's shores, the company set about to suppress the wages of Samoan workers by demeaning their worth and work. In 1956, the company testified before the U.S. Senate Committee on Labor and Public Welfare, urging consideration of legislation for the exemption of American Samoa from the wage and hour provisions of the Fair Labor Standards Act of 1938.

So while you will hear much about minimum wage from those who oppose ASPIRE including a think-tank witness whose naive testimony is anything but expert, let me share with you our history regarding equal pay for equal work so that every Member of Congress may know the truth about minimum wage in American Samoa which has now barely reached \$4.76 per hour for our tuna cannery workers.

Let's begin with this statement from Chicken of the Sea's then parent company, Van Camp. Commenting on his company's desire to pay Samoan workers 27 cents per hour as opposed to the prevailing minimum wage rate of the time at \$1 per hour, the company said:

"The Samoans are Polynesians. They are not American citizens."

About the women of American Samoa, the company said:

"[We] now employ 300 Samoans, mostly women". [W]ages range from 27 cents per hour for the women who clean the fish to \$1 per hour for 1 employee, who is a technician...

The difference in labor costs is attributed to the lower production output in Pago Pago, where we have found that it takes from 3 to 5 Samoans to produce what 1 stateside employee can produce.”

Mr. Collins, legal counsel for Van Camp, put it this way:

“The company has found that it takes from 3 to 5 Samoan workers to perform what 1 continental worker in the United States will do. It is therefore felt that this justifies a lower rate for Samoans.”

Forgive me for pausing here but what company, in good conscience, would suppress wages in a U.S. Territory on the claim that the more than 300 Samoan women cleaning fish in American Samoa for 27 cents an hour were somehow inferior to the stateside employees being paid \$1 per hour?

While some of you may think this does not matter, it does, especially when 55 years later, Chicken of the Sea shut its doors in American Samoa and immediately paid stateside workers in Lyons, Georgia twice as much as they were currently paying our women and men in American Samoa. Different year, same Chicken of the Sea.

This is the kind of prejudice and racism and gender inequality we have been dealing with for 55 years in American Samoa and, frankly, we are tired of being treated like second class citizens and we are fed up with the attitude that is now permeating the U.S. tuna and fishing processing industries.

Loins: The Outsourcing Business Model

Testifying before this Subcommittee are two tuna canneries, Chicken of the Sea and Bumble Bee, both of which oppose ASPIRE because ASPIRE opposes their current business model of having their tuna cleaned in low wage countries where they pay workers \$0.75 cents and less per hour and then employ skeletal crews in the United States—Georgia, California and Puerto Rico, to be exact—to pack the cleaned tuna, or loin, in order to take advantage of duty-free treatment.

I call this the outsourcing business model. This business model is based on loins. A loin is a cleaned fish. Because 90% of labor costs and employment come in the cleaning of the fish, the outsourcing business model maximizes profits and decreases employment in America, while increasing employment in low-wage rate countries. This is why both Chicken of the Sea and Bumble Bee employ more workers outside of the U.S. than in the U.S.

In my opinion, the outsourcing business model is an un-American way of doing business, and I believe if the American public knew what is really going on in the U.S. tuna industry it would not support these kinds of practices. Nike and the GAP are already under fire for adopting a similar business model in the garment industry, and there is not a Member in this room that supports off-shoring American jobs to low-wage countries.

So that there is no misunderstanding about this issue, I will be asking Chicken of the Sea to state for the record how many tuna workers it employs in Lyons, Georgia versus how many tuna workers its parent company, Thai Union, employs to clean the bulk of the tuna Chicken of the Sea puts in its cans. The answer will be something to the effect of 200 workers in Lyons, Georgia versus thousands in Thailand.

I will also ask Chicken of the Sea to tell us how much it pays its workers in Lyons, Georgia, how much it paid its workers in American Samoa, and how much its parent company, Thai Union, pays its workers in Thailand. The answer to this question will be \$7.25 per hour for Georgia workers, barely reaching \$4.76 for workers in American Samoa, and about \$0.75 cents per hour for Thai workers.

While Bumble Bee touts before this subcommittee that it employs 1,000 U.S. workers, I will ask Bumble Bee to make it plain for the record how many of these workers work in the tuna industry. Bumble Bee and I both know that it does not employ 1,000 tuna workers in the U.S., and its testimony is misleading on this point.

As a matter of record, I will ask Bumble Bee to inform the Subcommittee how many tuna workers it employs in Puerto Rico and California versus the number of workers in Fiji that clean the bulk of the tuna Bumble Bee puts in its cans. Members of this Subcommittee will learn that Bumble Bee only employs about 325 workers in Puerto Rico, less in California, and thousands in foreign countries.

I will also ask Bumble Bee how much it pays its workers in Puerto Rico and California versus how much workers in Fiji and/or Thailand are paid by contractual agreement. When Members of this Committee receive this information, they will understand more clearly the outsourcing business model.

Because neither Chicken of the Sea nor Bumble Bee is proud of the outsourcing model they have adopted, neither company makes mention of their low-wage contractual agreements with Fiji and Thailand on their company websites.

Instead, before this Subcommittee, Bumble Bee whitewashes its way of doing business by stating that “it works continuously to drive higher production efficiencies and lower operating costs in an effort to remain profitable.” That’s just another way of saying that Bumble Bee’s idea of efficiency is to off-shore American jobs to low-wage countries just to increase its profits. One only has to look at the thousands of workers Bumble Bee laid off in Puerto Rico and California in the past decade, and its way of doing business speaks for itself. The same can be said of Chicken of the Sea.

However, as much as I oppose the outsourcing business model, I do not blame Bumble Bee or Chicken of the Sea for their business practices because the fact is none of our U.S. tuna companies can compete against low-wage countries which clean fish cheaper than American workers.

That is why we are here today. Today, we are here to bring the U.S. tuna industry back to America by offering grants to any company that wants to clean its fish in the U.S. Territory of American Samoa. The idea behind this bill is not much different than the rum tax we provide for Puerto Rico and the U.S. Virgin Islands, which brings us to the issue of our U.S. tuna fishing fleet.

The U.S. Tuna Fishing Fleet

The U.S. tuna fishing fleet is currently made up of 39 vessels, with one license still available. About 14 of these vessels are 100% U.S. owned. The other 25 tuna boats are newer vessels, built in foreign countries, with 51% U.S. ownership, and 49% foreign-ownership. Most of the foreign-built boats are part of a company known as the South Pacific Tuna Corporation (SPTC).

Mr. Lischewski, CEO and President of Bumble Bee, is a part-owner of South Pacific Tuna Corporation, and owns a significant share of Bumble Bee. Chicken of the Sea and/or its parent company, Thai Union, is also a part-owner of the foreign-built tuna boats.

The American Tunaboat Association (ATA), which represents all 39 tuna boats, both U.S. and foreign-built, was invited to testify today, but declined.

Given that the South Pacific Tuna Corporation only represents the foreign-built boats and also because Chicken of the Sea and/or Thai Union and Mr. Lischewski of Bumble Bee own financial interest in the foreign-built boats, I asked that SPTC be removed from the witness list so that there would be no conflict of interest, especially since Mr. Lischewski did not disclose his ownership in the SPTC, but only noted that he “owns a minority position in a U.S. tuna fishing company.”

However, because SPTC has been allowed to testify, I asked that Mr. Renato Curto now be allowed to testify on behalf of the U.S.-built tuna boats, of which he owns most, as President of Cape Fisheries.

I have also asked that Mr. Joe Hamby be invited to testify on behalf of Tri Marine. Regarding Tri Marine, Tri Marine is one of the largest tuna supply companies in the world, and has a contractual arrangement with StarKist. Neither StarKist nor Tri Marine has financial ownership in each other.

On the point of our U.S. tuna fishing fleet, whether U.S. or foreign-built, all 39 tuna boats, or the entire U.S. tuna fishing fleet, fishes under the auspices of the South Pacific Tuna Treaty, a treaty between the United States and 16 Pacific Island nations. Under the terms of the Treaty, the U.S. government pays out \$18 million annually to the Pacific Island parties in return for the right of our U.S. tuna boats to fish in the exclusive economic zones (EEZ) of the Pacific Island parties to the Treaty. The U.S. tuna boats also pay the Pacific Island parties about \$3 million or more per year, depending on the amount of tuna they catch.

According to the U.S. Department of State, the landed value of the catch in 2008 was in excess of \$200 million but the value of the tuna as it moves through the processing and distribution chain may be as much as \$400 to \$500 million.

Of the approximate 300,000 metric tons of tuna that is caught, which is referred to as whole fish, about 120,000 metric tons is direct-delivered to American Samoa per year. Direct delivery means the tuna boats actually pull into American Samoa’s port and offload their catch. Given Chicken of the Sea’s closure, the amount of tonnage direct-delivered to American Samoa is now less.

Nonetheless, for purposes of this hearing, let us go ahead and consider that on average, 120,000 metric tons of tuna is direct-delivered to American Samoa. What happens to the other 180,000 metric tons, given that American Samoa has the capacity to process up to 280,000 metric tons with room for growth?

Let me tell you. Remember the foreign-built tuna boats I spoke of earlier, the tuna boats owned by the South Pacific Tuna Corporation which Bumble Bee and Chicken of the Sea and/or Thai Union have part ownership in? These tuna boats are the last puzzle piece to the outsourcing business model because these are the

very tuna boats that transship their catch to foreign nations where the tuna is cleaned, or loined, for \$0.75 cents and less per hour.

In other words, 25 members of our very own U.S. tuna fishing fleet sell off their catch to foreign nations and then send the cleaned tuna loin back to Bumble Bee and Chicken of the Sea so that these two tuna canneries can maximize their corporate profits while off-shoring American jobs. These 25 members of the U.S. tuna fishing fleet do this despite the fact that they fly the U.S. flag and are subsidized by the American taxpayer to the tune of \$18 million per year to fish in the South Pacific Tuna Treaty Area. And what does the American taxpayer get in return? A depleted tuna stock, that's what we get.

In the time it takes to make 3 direct-deliveries, the new foreign-built tuna boats can make 5 transshipment deliveries by off-loading their catch to a big mother ship meaning that they can return more quickly to the South Pacific Tuna Treaty fishing grounds where they can catch more and more tuna at a more maddening pace.

For conservation reasons, too, we must change the way our tuna boats behave by rewarding tuna boats that direct-deliver their fish to the U.S. Territory of American Samoa or by taxing the value of the tuna which is transshipped to foreign nations, and by requiring a license fee for tuna boats that don't direct-deliver at least 3 times per year.

And this is why I have introduced ASPIRE. ASPIRE brings the U.S. tuna industry back to America and, above all, puts American Samoa back to work.

Whole Fish: The American Model

ASPIRE is the American model of doing business. It is based on whole fish. For now, StarKist is the only major brand of canned tuna that follows the whole fish business model and is the last remaining tuna cannery in American Samoa.

In American Samoa, StarKist is about jobs, jobs, jobs. Jobs are created when a cannery chooses to clean whole fish rather than pack tuna loins that have been cleaned elsewhere. As I stated previously, 90% of the labor associated with any tuna cannery is in the cleaning of the whole fish. While Chicken of the Sea and Bumble Bee have opted to outsource their fish cleaning jobs to low-wage countries, StarKist has chosen to clean whole fish in American Samoa and thereby create jobs for our workers.

And this has put StarKist at a competitive disadvantage. StarKist cannot hold out much longer in American Samoa, given the unfair trade advantages of Chicken of the Sea and Bumble Bee, which are using cheap labor to get ahead and when our U.S. boats are selling off U.S. tuna to foreign countries rather than making direct deliveries to American Samoa.

If these unfair trade practices force StarKist to leave American Samoa and adopt the Chicken of the Sea and Bumble Bee model of cleaning fish in low-wage countries, American Samoa's economy collapses. It's as plain and simple as that.

To prevent a complete economic meltdown that will lead to nearly full unemployment, Congress must act quickly if we are to save American Samoa's jobs and economy and, if more broadly, we are to bring the U.S. tuna industry back to America.

StarKist employs more than 1,800 workers in American Samoa, and while some at this hearing will try to discredit our workforce, let's be straight about this. While many of our workers are from the neighboring island of Samoa, they are legal permanent residents, married to our U.S. nationals and citizens, and their children are also U.S. nationals, which make them a part of us.

StarKist also abides by U.S. labor and environmental laws, unlike tuna canneries in Thailand and Fiji, which are supplying Bumble Bee and Chicken of the Sea.

While StarKist has an operation in Ecuador, which are opponents will also try and use against us, let's be clear about this, too. StarKist does not can any tuna in Ecuador. In Ecuador, StarKist produces pouch tuna under the provisions of the Andean Trade Agreement. And pouch tuna has nothing to do with ASPIRE. ASPIRE is about canned tuna, not pouched tuna, and Chicken of the Sea and Bumble Bee know this full well.

What may not be so readily known is that American Samoa is a single-industry economy, entirely dependent on the tuna fishing and processing industries just as Puerto Rico and the Virgin Islands were once solely dependent on the rum industry. Because of the fragile state of our economy, especially in the aftermath of a devastating tsunami, if we lose our one remaining private-sector employer, it will be next to impossible for us to rebuild.

If StarKist leaves, American Samoa will be left with no private sector base. And, while some of my colleagues and our so-called experts trivialize the situation by suggesting we just need to adjust the minimum wage rates, I am hopeful that my testimony has made clear the complexities of this matter. Whether or not minimum wage rates are \$3.00 per hour or \$7.25 per hour in American Samoa, the entire U.S.

tuna industry, including Chicken of the Sea, Bumble Bee and StarKist, can no longer compete against low-wage rate nations that pay their fish cleaners \$0.75 cents and less per hour which means the increase of minimum wage rates in American Samoa only accelerated a process that was already underway the day Bumble Bee and Chicken of the Sea decided to outsource American jobs to foreign countries.

While Bumble Bee will testify that we just need to be like Guam and develop tourism, I would suggest that Mr. Lischewski take a hard look at American Samoa's location in relation to Asia and also take a look around at our lack of land. American Samoa is not Guam. We are not benefiting from troop realignment or proximity to Asia.

American Samoa is situated in the middle of the world's best tuna grounds. Tuna is our oil. Tuna is our past and our future. And while Bumble Bee will try and convince you today that if ASPIRE is enacted, we will have to worry about U.S. trade violations, nothing could be further from the truth.

America subsidizes almost every agricultural product made in the U.S.A. including sugar, corn, dairy, etc., because the rule is, as long as American products are home-grown and headed for the U.S. market, which is where American Samoa's canned tuna goes, there is no trade violation.

So despite the hype you will hear today, I am asking Congress to consider the facts, and support ASPIRE. ASPIRE is good for America and right for American Samoa.

The U.S. cannot afford to sit idly by while American Samoa's economy collapses and while members of the U.S. tuna fishing fleet sell off hundreds of millions of dollars worth of tuna to foreign nations while the American taxpayer gets nothing in return.

Nor can we turn a blind eye to the depletion of our tuna stock in the Western Pacific Tropic.

It is time for Congress to act, and to act quickly.

For those Members of Congress from Hawaii, Alaska and California, or others who may have concerns about their fishing fleet, ASPIRE does not impact any other fishing fleet except the 39 tuna boats that fish in the South Pacific Tuna Treaty Area. Because there was a technical error on page 7, line 11, of H.R. 3583, with use of the word "or" which should have been "and", I have asked that we strike the reference to the Western Pacific Regional Fishery Management Council so as to avoid any further confusion about the Hawaii fishing fleet which will not be impacted at all once this correction is made before final passage.

PAYGO

Finally, for an Administration and a Congress that want to know how ASPIRE will pay for itself, and to address the false claims made by Republicans that this bill is a bailout that puts the American taxpayer on the hook, it estimated that the program would cost about \$23 million per year, and would increase by \$2 million per year depending on federal minimum wage rates.

About \$11.25 million per year would be offset by the 6.25% tax on the value of the 180,000 metric tons of tuna now being transshipped to foreign nations. If, however, the tuna boats offload more often in American Samoa, the offset would decrease.

About \$4.25 million would be made available by the \$250,000 licensing fees for tuna boats that do not make 3 direct-deliveries to American Samoa per year. This figure is based on the current number of tuna boats that transship their fish to foreign nations. However, if more tuna boats direct-deliver, then this offset would also decrease.

However, it is expected that if more tuna boats direct-deliver their whole fish to American Samoa rather than transship U.S. tuna to foreign nations, then the presence of these tuna boats in American Samoa would create a multiplier effect in the economy as the boat owners would have need to purchase fuel, food, and lodging while in port.

While the American Samoa Government (ASG) would need to provide input, I would be supportive of a cost-share arrangement between the federal government and the local government if ASG began to see revenues from the multiplier effect. In discussions with the U.S. Department of the Interior, we are also reviewing the possibility of restructuring the \$10 million Congress already provides the Territory for Capital Improvement Projects as a means to encourage and support private sector development.

Long-term, it would be my hope that Congress would establish a PAYGO plan modeled after the Caribbean Basin Economic Recovery Act which provides a special rule for excise taxes collected on rum imported into the United States from any country. Such excise taxes are covered over to the Treasuries of Puerto Rico and the

U.S. Virgin Islands, and there is no reason why a similar program should not be established for tuna imported into the United States from any country. Tuna excise taxes, including those on any and all loins, would be covered over to the Treasury of American Samoa, making ASPIRE a fully pay-as-you-go program.

While ASPIRE may not be perfect, in the aftermath of a tsunami that has left American Samoa teetering on the brink of economic collapse, we need action and we need it now. Still, I continue to be open to making the necessary adjustments that would make this a win-win for the entire U.S. tuna processing and fishing industries, but I am not open to doing nothing. Nothing is not an option for the more than 65,000 residents of American Samoa who need and deserve the support of our nation.

We need help rebuilding our economy in a way that is as fair for American Samoa as the rum tax is for Puerto Rico and the Virgin Islands, or sugar subsidies are for Louisiana, or beef and dairy subsidies are for the heartland.

As fellow Americans, we deserve equal treatment under the law. This is why I ask you to stand with American Samoa the same way we have stood with you. As has already been reported to Congress, the sacrifice of American Samoa in the Iraq war was disproportionate to the territory's small size, as residents of the territory were 15 times more likely to be killed in action in Iraq than residents of the United States as a whole.

For my Republican friends who have cheapened our sacrifice and this hearing by issuing a press release—which I would like to include for the record—calling this bill “a tuna bailout” before listening to both sides of the debate, I say, “Shame on You.” Shame on you for trivializing our sacrifice and shame on you for making a mockery of our call for help. While the color of our skin may be dark, our blood still runs red, white and blue.

And finally, in response to the Republican's misinformation about minimum wage in American Samoa, it was the Republicans who introduced an amendment to the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 which required the minimum wage in American Samoa to be increased in a phased manner until it reached the same level as the rest of the United States. So, if the policy is a failure, it is a Republican failure, and the Republicans should make it right, not by asking Samoans to ride in the back of the bus, but by supporting legislation which puts American Samoa back to work and ends the outsourcing of American jobs to foreign countries.

Enough is enough. Support H.R. 3583.

Ms. BORDALLO. I thank the gentleman from American Samoa, the author of H.R. 3583.

And I would like, at this time, to welcome my colleagues, The Honorable Donna Christensen, representing the Territory of the Virgin Islands, and Mr. Kili Gregorio Sablan, representing the CNMI.

I would now like to ask for just a very brief recess to allow our colleagues in the minority who are still voting, and also the majority, to make their way back here. I understand it will be just probably another 10, 15 minutes.

Mr. FALEOMAVAEGA. Madam Chair?

Ms. BORDALLO. Yes?

Mr. FALEOMAVAEGA. I just wanted to have something inserted into the record, if I may—

Ms. BORDALLO. Yes.

Mr. FALEOMAVAEGA.—ask unanimous consent that I have several letters that I have received in support of the proposed bill from about 10 to 15 companies, business interests in American Samoa to be made part of the record.

Ms. BORDALLO. On behalf of the gentleman from American Samoa.

Mr. FALEOMAVAEGA. Also, a copy of USA Today newspaper dated March 18, 2009, concerning the contributions of the American

Samoan soldiers in the defense of our Nation, especially the war in Iraq.

And, also, a copy of this press release that was just issued yesterday, entitled, "A Fish Too Big to Fail," issued by our friends from the other side of the aisle. I want to make that as part of the record.

[NOTE: The information submitted for the record has been retained in the Committee's official files.]

Ms. BORDALLO. There is no objection to adding these to the record. So ordered.

Mr. FALEOMAVAEGA. Thank you.

Ms. BORDALLO. So we will recess just very briefly, if you don't mind, before we begin hearing from our first panel. And, again, my apologies to the Governor of American Samoa and Mr. Pula.

[Recess.]

Ms. BORDALLO. I would like to resume the hearing of the Insular Affairs, Oceans and Wildlife Subcommittee.

And, again, I apologize to the Governor of American Samoa for having to wait this long—I am very sorry, sir—and also to Mr. Pula, representing the Department of the Interior.

On the first panel of witnesses, of course, is The Honorable Togiola Tulafono—was that good, Governor?

Governor TULAFONO. Perfect.

Ms. BORDALLO. Well, Eni helped me out.

—the Governor of America Samoa and Mr. Nick Pula, the Director of the Office of Insular Affairs, United States Department of the Interior.

Ms. BORDALLO. And I would now like to welcome you, Governor, back before the Committee and invite you to testify for 5 minutes.

And, Eni, would you mind if we just go ahead, because we are running so very late.

Mr. FALEOMAVAEGA. Madam Chair, I just apologized to the Governor in his Samoan language for his patience, and he has accepted our apology.

Ms. BORDALLO. Thank you. Thank you very much.

And so, Governor, you are welcome to begin with your testimony. And you can take as much time as you wish.

**STATEMENT OF HON. TOGIOLA T.A. TULAFONO,
GOVERNOR OF AMERICAN SAMOA**

Governor TULAFONO. That is quite all right.

Talofa and greetings to you, Madam Chairwoman Bordallo and the honorable members of the Committee.

Special greetings to our Congressman Faleomavaega.

I greatly appreciate this opportunity to testify before the Committee on the urgent need for passage of H.R. 3583, the American Samoa Protection of Industry, Resources, and Employment—the ASPIRE—Act.

But before I begin my testimony with respect to that, I wish to address an important issue that has received much attention owing to a recent three-part CNN story on the tragic September 29, 2009, earthquake and tsunami disaster. I feel that a statement on behalf of the American Samoa government is timely, as the story has cre-

ated a cloud of suspicion that affects the way that we are viewed as a government and as a people.

On September 29th, as you all know, we suffered the effects of a destructive tsunami, so large that no one in the South Pacific has any living memory of a similar event. There has been no natural disaster in our region with which to compare this event in both loss of life and severe damage to property.

The single issue of the absence of a territory-wide alert system for such a disaster was chosen as an issue for the media story. Clearly, it was not American Samoa's choice to be without such an alert system nor was it our choice to be without Federal funding to run our emergency coordination and preparedness programs. These were situations borne out of a most unfortunate situation that we have been trying to resolve with Federal counterparts over several months of hard work and difficult decisions.

Just weeks before the disaster, however, we were informed by Federal officials that our funding, which was frozen for some time, was just being released. This was the culmination of a long and arduous process whereby the American Samoa government had to come to terms with the fundamental flaws with our local programs as well as severe staff problems.

With the help of our Federal funding agency and our new local staff, we were able to work through our challenges and set a new action plan for bringing our programs in line with Federal requirements encouraging accountability and transparency. In opportunistic fashion, however, reports about our funding freeze as a link to a delayed, territory-wide alert system was seized upon.

The simplistic portrayal of an island without an island-wide alert system leading to deaths was sensational, this, even more so with the mention of public corruption. However, the report mentioned nothing of the work done by the Territory's Department of Homeland Security in preparing our islands for such disasters.

Without our Federal funding for full-scale emergency planning and preparedness, our local agency worked long and hard in public outreach and education. With significant portions of our population living within close reach of the coastline, there is little doubt that without the public outreach and preparedness education efforts, American Samoa would have lost countless more lives. However, nothing in the media report suggests that this was ever done.

Further, there was no discussion with current American Samoa Department of Homeland Security officials who are most informed about the issues involved. And at every turn in the report there is the implication that had there been a territory-wide warning system in place, there would have been no deaths and widespread damage would have been avoided altogether. This was highly speculative and irresponsible.

In a recent study conducted by the Australian Tsunami Research Center in the aftermath of the recent tsunami, where they engaged the help of 96 scientists, they found that the partnerships of the government and local village communities to react to earthquakes without waiting for an official tsunami warning worked to save many more lives in Independent Samoa.

Ultimately, the question was asked, could a more effective warning system have saved more lives in this incident? The conclusion

was “no.” In quote, their report states, “The detection, monitoring and warning systems worked well and could not have done anything different. The earthquake that caused the tsunami occurred so close to the coast of Samoan islands that there simply was not enough time to process the seismic data and issue an effective warning.” The distance between the two islands was about the same from the epicenter of that earthquake.

The American Samoa government takes issue with the report, and we look forward to presenting our case with regard to these and other issues once our recovery is substantially complete.

We recognize that mistakes have been made, but when those mistakes have been made, we have worked hard to correct them and to ensure that they are not repeated. This is not the sign of a government that is rampant with corruption.

At the outset of my comments, now turning to H.R. 3583, let me be very clear, the American Samoa government, including our leadership and our Office of Samoan Affairs, supports this legislation in its current form, and we respectfully request and look forward to a favorable report out of your Committee, ma’am.

As of September 30, 2009, one of our tuna canning plants, Chicken of the Sea, discontinued its tuna canning operations in the Territory. Samoa Packing has roots in the Territory dating back to 1959; Samoa Packing directly employed over 2,000 residents. Together with StarKist, Samoa Packing was directly and indirectly responsible for over 80 percent of employing American Samoa’s private sector and approximately 46 percent of employment as a whole.

Together, the tuna canning industry canneries were responsible for infusing approximately \$80 million into the American Samoan economy. These numbers are contained within our DOI-funded report, American Samoa’s Economic Future and the Cannery Industry, by McPhee & Associates. Copies of this report have been submitted to both the Subcommittee and the Department of the Interior. I would be glad to provide the report to any of the members of the Subcommittee or the witness panel gathered here today.

As you may be aware, over the past 2 months the American Samoa government has been engaged with Samoa Packing in discussions to purchase the assets in the canning operation located in the Territory. We are informed that the American Samoa government purchase may have an ill effect on this important legislation. As such, these discussions have been suspended. Nonetheless, the American Samoa government’s explanation of this move should be understood by this Committee.

The purchase of the assets was explored with one motivation in mind: to keep the operation whole. ASG was convinced that the maximum potential of the business assets may only be achieved if the operation remains a whole, self-contained tuna canning plant. The prospect of a turnkey operation is much more attractive than a collection of assets that do not support a whole operation. This was the intent of the discussions with Chicken of the Sea Samoa Packing to protect the future possibility of a tuna canning operation.

We see H.R. 3583 as an integral part of carrying out our intent, which is why we are here today. At present, we understand that

Samoa Packing has the operational capacity to produce at least four product lines with their current assets remaining in American Samoa.

As this Subcommittee may also be aware, my administration has had some serious discussion with our Congressman over this legislation which may require some explanation with regard to our position. To be clear, my administration has never disagreed with the main intent of the bill, which is to provide much-needed assistance to our tuna cannery and our fishing fleets.

The main concern that we have had with H.R. 3583 is the minimum wage provisions, namely section 3(w)(1)(A)(i) of the bill, which provides for an automatic adjustment of the assistance offered by this bill should the minimum wage escalate every year per the current U.S. minimum wage law for American Samoa.

It has always been the American Samoa government's position that minimum wage increases must be based in economic reality. Before the recent change, which provides for mandatory increases annually, there was a careful economic analysis that took place every 2 years conducted by the Secretary of Labor and presided over by a special industry committee. These committees would take into consideration the positions for all industries, as well as the state of the economy in American Samoa. Only after careful consideration of whether increases would result in a substantial curtailment of employment did the committees make their decisions as to the final minimum wage for each industry in American Samoa.

The belief in the U.S. Congress, which resulted in the mandatory escalators, was that the committees were artificially depressing the minimum wage in American Samoa. However, it is our position that mandatory increases with no basis in economic conditions of the Territory are even more dangerous. Thus, the inclusion of the provision noted above in this legislation was for ASG, akin to lending credence to a process that we have been diametrically opposed to from its inception. Furthermore, ASG viewed this provision as a wedge issue that would effectively remove the canneries from supporting the common view that the minimum wage escalators were arbitrary and without any economic foundation.

We have since, however, changed our view in light of the worsening global and local economic conditions. We also have placed much trust and faith that a workable resolution to the minimum wage issue may result from the current General Accountability Office study that is currently being conducted and which will be presented to Congress in early 2010.

And having said that, it is my testimony today, madam, that we are in full support of the bill as submitted and as proposed by our Congressman.

And, last, I would like to thank the members of the Committee and the individual members of the witness panel for their wonderful support for the Territory owing to the September 29, 2009, earthquake and tsunami disaster in American Samoa. Your prayers, thoughts and condolences during this difficult time have made a lasting impression on all of American Samoa's residents. During the whole ordeal we have never felt that we faced any of it alone; for this, we are grateful to all of you.

We also thank you for your donations and man-hours for cleaning cleanup activities, monetary donations to relieve the suffering of our disaster victims and your overall support for our general recovery.

As recovery efforts are continuing in American Samoa—and it looks to be a long time before we reach true recovery—we ask that you continue to keep us in your prayers.

Madam Chairwoman and members of the Committee, I thank you once again for allowing me to express our thoughts on this important legislation. I thank Congressman Faleomavaega for his leadership and his foresight in introducing this legislation. And I look forward to your favorable report of this legislation out of Committee.

I also ask for your support of H.R. 3583 to The Honorable Chairman Rangel and members of the House Ways and Means Committee, which also has jurisdiction over this bill. I remain available to the Committee and to individual Members to discuss this legislation and other matters affecting the Territory.

Thank you again for the opportunity. Soifua.

[The prepared statement of Governor Tulafono follows:]

**Statement of The Honorable Togiola T.A. Tulafono,
Governor of American Samoa**

Talofa and greetings Madame Chairwoman Bordallo and honorable members of the Committee. I greatly appreciate this opportunity to testify before the Committee on the urgent need for passage of H.R. 3583, the American Samoa Protection of Industry, Resources and Employment (ASPIRE) Act. This legislation would provide much needed assistance for American Samoa to stabilize its current employment base and in turn, to shore up our ongoing economic development efforts.

At the outset, let me be as clear as possible—the American Samoa Government, inclusive of the Fono leadership and the Office of Samoan Affairs which represents local government, supports H.R. 3583 in its current form, and we look forward to a favorable report out of this subcommittee.

As of September 30, 2009, one of our tuna canning plants, Chicken of the Sea (COS) Samoa Packing discontinued its tuna canning operations in the Territory. COS Samoa Packing has roots in the Territory dating back to the 1959. Samoa Packing directly employed over two thousand residents. Together with StarKist Samoa, COS Samoa Packing was directly and indirectly responsible for over eighty percent of employment in American Samoa's private sector and approximately forty six percent of employment as a whole. Together, the tuna canning industry canneries were responsible for infusing approximately \$80,000,000 into the American Samoa economy. These numbers are contained within our DOI funded report American Samoa's Economic Future and The Cannery Industry, by McPhee and Associates. Copies of this report have been submitted to both this Subcommittee and the Department of Interior. I would be glad to provide the report to any of the members of the Subcommittee or the witness panel gathered here today.

As you may be aware, over the past two months the American Samoa Government has been engaged with Samoa Packing in discussions to purchase the assets of the tuna canning operation located in the Territory. We are informed that the American Samoa Government purchase may have an ill effect on this important legislation. As such, these discussions have been suspended indefinitely. Nonetheless, the American Samoa Government's (ASG) explanation of this move should be understood by this Committee. The purchase of the assets was explored with one motivation in mind—to keep the operation whole. ASG was convinced that the maximum potential of the business assets may only be achieved if the operation remains a whole self-contained tuna canning plant. The prospect of a turn-key operation is much more attractive than a collection of assets that do not support a whole operation. This was the intent of the discussions with COS Samoa Packing—to protect the future of possibility of a tuna canning operation. We see H.R. 3583 as an integral part of carrying out our intent, which is why we are here today. At present, we understand that COS Samoa Packing has the operational capacity to producing at least four product lines with their current assets which remain in American Samoa.

As this Subcommittee may also be aware, my administration has had some very serious discussions with the Congressman over this legislation which may require some explanation with regard to our position. To be clear, my administration has never disagreed with the main intent of the bill, which is to provide much needed assistance to our tuna canneries and our fishing fleet. The main concern that we have had with H.R. 3583 is the minimum wage provisions namely Section 3(e)(1)(A)(i) of the bill, which provides for an automatic adjustment of the assistance offered by this bill should the minimum wage escalate every year per the current U.S. minimum wage law for American Samoa.

It has always been the American Samoa Government's position that minimum wage increases must be based in economic reality. Before the recent change which provides for mandatory increases annually, there was a careful economic analysis that took place every two years conducted by the Secretary of Labor and presided over by a Special Industry Committee. These committees would take into consideration the positions of all industries as well as the state of the economy in American Samoa. Only after careful consideration of whether increases would result in a substantial curtailment of employment did the committees make their decisions as to the final minimum wage for each industry in American Samoa.

The belief in the U.S. Congress, which resulted in the mandatory escalators, was that the committees were artificially depressing the minimum wage in American Samoa. However, it is our position that mandatory increases with no basis in the economic conditions of the Territory are even more dangerous. Thus, the inclusion of the provision noted above in this legislation was for ASG, akin to lending credence to a process that we have been diametrically opposed to from its inception. Furthermore, ASG viewed this provision as a wedge issue that would effectively remove the canneries from supporting the common view that the minimum wage escalators were arbitrary and without any economic foundation.

We have since changed our view in light of the worsening global and local economic conditions. We also have placed much trust and faith that a workable resolution to the minimum wage issue may result from the current General Accountability Office study that is currently being conducted and which will be presented to Congress in early 2010.

The one concern that we have regarding funding of this initiative is whether the fees contemplated in Section 3(e)(2)(A) are the sole funding source for this assistance. If so, then I am unsure as to whether this would be sufficient for paying for the trust fund by itself. Further, I would ask whether with this new law, fishing vessels contemplated by the provision are expected to continue in their current status? Would reflagging be an issue and would this affect the funding stream available for the trust fund? These answers and others would be helpful in understanding further H.R. 3583, a measure which is highly welcome and very timely.

While the growth of the fish canning industry boosts employment and spurs development in the territory, such a heavy reliance on this single industry however is not economically sound, and my administration with assistance from the Department of Interior continues to pursue opportunities to diversify the territory's economy. The territorial government has actively promoted business investment opportunities in agriculture, fisheries, tourism, call centers, electronic information processing, and earlier this year, the installation and launching of a fiber optic cable connection for American Samoa. The premise of the fiber optic cable connection was to expand telecommunications technology sectors in the Territory, encourage new business and to attract high-tech businesses to American Samoa, especially call U.S. call centers. If American call centers can operate in India and Guatemala, they should certainly be able to operate in American Samoa.

There remain challenges to setting up call center operations in the Territory. One of these challenges is the constantly increasing minimum wage for industries in the private sector. However, while we may be able to work through these challenges, stability in the single largest private sector industry is critical to these efforts. The failure of one of our canneries has created a precarious position for the Territory, whereby the ASG will have to forego millions of dollars in revenue as well as general economic activity that COS Samoa Packing once contributed to our economy. H.R. 3583 would go a long way toward shoring up the activities of our remaining tuna cannery Starkist Samoa, as well as creating an environment that would encourage the entry of any one of a number of canneries to do business in the Territory.

Lastly, I would like to thank the members of this committee and the individual members of the witness panel for their wonderful support for the Territory owing to the September 29, 2009 earthquake and tsunami disaster in American Samoa. Your prayers, thoughts and condolences during this difficult time have made a lasting impression on all of American Samoa's residents. During the whole ordeal, we

have never felt that we faced any of it alone. For this, we are grateful to all of you. We also thank you for your donations of man-hours for clean up activities, monetary donations to relieve the suffering of our disaster victims and your overall support for our general recovery. As recovery efforts are continuing in American Samoa and it looks to be a long time before we reach true recovery, we ask that you continue to keep us in your prayers.

Madame Chairwoman and members of this committee, I thank you once again for allowing me to express our thoughts on this important legislation. I thank Congressman Faleomavaega for his leadership and his foresight in introducing this legislation and I look forward to your favorable report of this legislation out of committee. I also ask for your support of H.R. 3583 to Honorable Chairman Rangel and members of the House Ways and Means Committee, which also has jurisdiction over this bill. I remain available to the committee and to individual members to discuss this legislation and other matters affecting the Territory.

Soifua ma ia manuia.

Ms. BORDALLO. I thank you very much, Governor. And, again, I wish to apologize on behalf of the Subcommittee for having to have you wait so long when you have traveled so far to be here. So thank you, again, very much for your testimony.

And before we begin, before I introduce Mr. Pula, I would like to introduce another one of our Members, Mrs. Grace Napolitano, who is a Subcommittee Chair on Natural Resources as well. And she hails from California.

So thank you, Grace, for being with us.

Mr. Pula, please go ahead.

STATEMENT OF NIKOLAO I. PULA, JR., DIRECTOR, OFFICE OF INSULAR AFFAIRS, U.S. DEPARTMENT OF THE INTERIOR

Mr. PULA. Thank you. Madam Chair and members of the Subcommittee, thank you for the opportunity to discuss H.R. 3583, the American Samoa Protection of Industry, Resources, and Employment Act.

The prospects for the American Samoa economy have been of concern for some years now. For a substantial time, there have been predictions that the two tuna canneries would leave the Territory. Now Chicken of the Sea has left. Until this year, the two tuna canneries operating in American Samoa since the 1950s have shipped virtually all their finished products to the United States as if it were manufactured in the 50 States.

The canneries have been the backbone of the Territory's private sector. In 2007, the two canneries employed 4,600 workers, about 27.2 percent of total employment in the Territory. The canneries also have supported a wide range of activities directly and indirectly, including most of the local trade and services sector.

A GDP estimate for American Samoa was 483.1 million for 2007. The value of manufacturing output in American Samoa, nearly all tuna, was 22.3 percent of the total GDP.

An important part of the financial mix that sustained the canneries over the decades has been tax and economic activity credits allowed under Federal tax rules. Other key factors contributing to financial viability of the canneries have been local financial incentives, duties on U.S. imports of canned tuna and relatively low wages.

Ending years of speculation, one of the canneries, Chicken of the Sea Samoa Packing ended its operation in September of this year. It appears that the unique mix of factors—low-cost labor, duty-free

export to the United States and tax and other credits from the Federal Government and the American Samoa government—that sustained canneries for more than 50 years is no longer sufficient for financial viability. Also, in a larger context, moving the basic labor-intensive manufacturing activities to low-cost labor markets has been a trend in the United States and other industrial countries for some years now.

It is reasonable to say that American Samoa lost some comparative advantage in financial viability after it became subject to minimum wage, Federal minimum wage rules in July 2007. What makes the loss of even one cannery so critical is the proportion of the economy that is eliminated. There is no economic activity on the horizon to replace a cannery's economic value.

With the loss of over 2,000 jobs, or 12.7 percent of total employment, American Samoa will lose roughly 21.7 million in annual wages. That would be 10.7 percent of the Territory's total wage bill under normal conditions.

Wage losses in other economic activities will depend on the degree of their dependence on the canneries. All together, the immediate losses in wages following a shutdown of one of the canneries may amount to an estimated 31.5 million a year. This amount represents 15.6 percent of the Territory's total estimated wages of 202.5 million.

Whether it is the loss of workers or wages, loss of one of the canneries and the activities it supports directly and indirectly is the equivalent of a major economic disaster. If the other cannery follows suit, it would mean at least double the economic and financial losses.

H.R. 3583 is intended to support the remaining tuna cannery in American Samoa. The Administration is supportive of efforts to strengthen the economy of American Samoa, but has some concerns regarding the implementation of H.R. 3583.

First, the Administration is actively working in the WTO to strengthen the rules regarding fisheries, and the proposed legislation may have implications for that effort. Finally, the Administration notes that the bill increases mandatory spending which would need to be fully paid for in this congressional session out of the Administration's pay-as-you-go proposal as provided for in H.R. 2920.

The Obama Administration appreciates the magnitude of the current problems faced by American Samoa, including the potential departure of the tuna canneries and the impact of the Federal minimum wage requirements. The Administration would like to work with this bill's sponsors and the American Samoa government to address these significant economic problems in the near future.

Thank you.

[The prepared statement of Mr. Pula follows:]

**Statement of Nikolao I. Pula, Jr., Director, Office of Insular Affairs,
U.S. Department of the Interior**

Madam Chair and members of the Subcommittee, thank you for the opportunity to discuss H.R. 3583, the "American Samoa Protection of Industry, Resources, and Employment Act."

The prospects for the American Samoa economy have been of concern for some years now. For a substantial time, there have been predictions that the two tuna canneries would leave the territory. Now, Chicken of the Sea has left. ASPIRE, with its proposed aid for tuna processors and fishing vessels, is an attempt to strengthen

conditions for retaining the other cannery, StarKist. While we support the ultimate goal of preserving jobs and protecting the remaining economy of American Samoa, the Administration has significant concerns related to PAYGO requirements. Also, the United States is working to eliminate practices in ongoing World Trade Organization (WTO) negotiations that have for decades led to over-capacity and over-fishing, particularly with regard to the build-up of foreign fishing fleets. This legislation could have implications for that important effort.

BACKGROUND

Until this year, the two tuna canneries operating in American Samoa since the 1950s have shipped virtually all their finished product to the United States as if it were manufactured in the fifty states. The canneries have been the backbone of the territory's private sector. In 2007, the two canneries employed 4,633 workers, 27.2 percent of total employment in the territory, according to American Samoa Statistical Yearbook 2007. The canneries also have supported a wide range of activities directly and indirectly, including most of the local trade and services sector. This includes retail stores, restaurants, car repair shops and other service providers. The two canneries have paid more than half of American Samoa's corporate taxes, which, in turn, support a large number of American Samoa Government (ASG) workers, as well as benefitting the American Samoa Power Authority.

An unofficial GDP estimate for American Samoa was \$483.1 million for 2007. The value of manufacturing output in American Samoa, nearly all tuna, was 22.3 percent of total GDP. The American Samoa Government followed the canneries with a 19.8 percent share of GDP. Local retail trade was in third place with 14.1 percent. Other important contributors were agriculture, including subsistence production, and information and business services with a 9.6 percent share each. In fifth place was wholesale trade, with 8.2 percent. These five sectors of the economy made up 83.8 percent of GDP.

Financial Viability of the Canneries

An important part of the financial mix that sustained the canneries over the decades has been tax and economic activity credits allowed under Federal tax rules. Other key factors contributing to financial viability of the canneries have been local financial incentives, duties on U.S. imports of canned tuna, and relatively low wages.

Ending years of speculation, one of the canneries, Chicken of the Sea Samoa Packing, announced in May 2009 that it would end its tuna canning operations in American Samoa at the end of September 2009. According to media accounts, the parent corporation of COS Samoa Packing, a Thai seafood conglomerate, has moved the labor-intensive part of its fish processing (cleaning) to Vietnam where the cost of labor is about 70 cents an hour. That wage contrasts with the roughly \$5.10 minimum wage paid in American Samoa today, after three consecutive 50-cent raises of the minimum wage rate since July 2007. The mechanical part of fish processing (sorting, canning and handling) of the American Samoa operations is being accommodated in Lyons, Georgia, with a highly automated plant that processes frozen fish arriving in pouches from Vietnam and delivers canned fish to U.S. consumers via American supermarkets.

It appears that the unique mix of factors (low-cost labor, duty-free export to the United States and tax and other credits from the Federal Government and ASG) that sustained the canneries for more than 50 years is no longer sufficient for financial viability. Also, in a larger context, moving the basic, labor intensive manufacturing activities to low-cost labor markets has been a trend in the United States and other industrial countries for years now. It is reasonable to say that American Samoa lost some comparative advantage in financial viability after it became subject to Federal minimum wage rules in July 2007.

It is important to note the losses the American Samoa economy is enduring and potential future losses it may further endure. There are economic, financial and social losses. What makes the loss of even one cannery so critical is the proportion of the economy that is eliminated. There is no economic activity on the horizon to replace a cannery's economic value.

Potential Wage and Work Losses

According to a letter the Governor of American Samoa wrote to the Secretary of the Interior on May 14, 2009, a total of 2,172 jobs were estimated to have been lost with the closing of COS Samoa Packing. The two canneries, according to the Governor, account for 60 percent of all economic activity in the territory. With the loss of 2,172 jobs or 12.7 percent of total employment, American Samoa will lose roughly \$21.7 million in annual wages. That would be 10.7 percent of the territory's total wage bill under normal conditions.

Excluded from these figures are the immediate, secondary and tertiary losses resulting from the shutdown. These would include goods and services provided to fishing fleets and crews and other suppliers of the canneries. After accounting for all wages, salaries and benefit losses directly connected to the cannery, the total loss is likely to be significantly higher than the \$21.7 million in lost wages.

Given the proportion of American Samoa's economic activity that depends on the canneries, indirect job losses resulting from the shutdown may also be substantial. The ASG Department of Commerce estimated in 2006 that ASG would lose 700 "local government" workers following a closure of both canneries.

Wage losses in other economic activities will depend on the degree of their dependence on the canneries. While it is currently not known whether a shutdown of both canneries would lead to large losses in the retail trade sector, anecdotal evidence suggests that this area depends heavily on the canneries, and major losses may be incurred in the near future. This sector, according to the U.S. Department of Labor data, employed 964 workers in 2006. If the shutdown of one cannery causes the layoff of half of that total, wage losses to the retail sector could approach \$5.4 million a year. Also, one cannery's closure may eliminate half of the shipping and transport workers, and could eventually cause losses in a wide range of activities, from printing and publishing to construction. Altogether, the immediate losses in wages following a shutdown of one of the canneries may amount to an estimated \$31.5 million a year. This amount represents 15.6 percent of the territory's total estimated wages of \$202.5 million.

Unlike the loss of wages, the loss in the number of workers is likely to be greater as a percent of the total because most of these workers are in the lower-wage brackets. Still, the immediate loss in payroll employment directly and indirectly attributable to the cannery's closure could approach 2,954 workers, or 17.3 percent of total employment in the territory.

Whether it is the loss of workers or wages, loss of one of the canneries and activities it supports directly and indirectly is the equivalent of a major economic disaster. If the other cannery follows suit, it would mean at least double the economic and financial losses. In that case, the American Samoa economy would likely never recover to pre-closure levels in our lifetimes.

CANNERY CLOSURE AND FEDERAL OUTLAYS

For many years, observers have been predicting that the canneries in American Samoa will leave the territory, and that without the canneries, American Samoa would become even more dependent on Federal largesse than it is currently. By a substantial amount, the Federal budget outlays as a consequence of cannery closure would likely surpass, by a substantial amount, the \$25 million authorized in H.R. 3583 as aid for tuna canneries and vessels. For example, taking into consideration Federal aid for residents of American Samoa and their families, those who may move to Hawaii or the mainland United States, and Federal programs such as the Supplemental Nutrition Assistance Program (formerly food stamps), TANF, WIC and Medicaid, the Federal cost would likely surpass the amount contemplated in the bill.

While the bill involves costs for the Federal government, those costs could be less than Federal cost for remedial aid to the territory.

H.R. 3583

H.R. 3583 is intended to support to the remaining tuna cannery in American Samoa.

H.R. 3583 would amend the insular areas technical assistance program to provide:

- payments to canneries in the amount of \$200 per metric ton for whole tuna processed in American Samoa (which amount shall be adjusted annually according to the following ratio: increase in Federal minimum wage applicable to American Samoa over the Federal minimum wage applicable in American Samoa during the prior year),
- payments to specified fishing vessels in the amount of \$200 per metric ton of tuna delivered in American Samoa for processing,
- payments to such specified fishing vessels that are U.S.-documented in the amount of \$100 per metric ton of tuna delivered in American Samoa for processing,
- payment of an annual fee of \$250,000 by all such vessels to the United States treasury, which fee shall be waived if the vessel has made not less than three direct deliveries of whole tuna to processors in American Samoa during the year for which the fee is paid,

- payment of a fee by each U.S.-documented vessel in the amount of 6.25 percent per metric ton for each delivery it makes to another vessel or non-American Samoa location for the purposes of transshipment, which is expected to generate approximately \$15 million a year that can be used as aid for tuna canneries and vessels,
- deposit of all fees in an "American Samoa Economic Development Trust Fund" to be administered by the Office of Insular Affairs for the benefit of the territory of American Samoa, and
- authorization of \$25 million for Fiscal Year 2010 and such sums as may be necessary thereafter for the aid to the American Samoa canneries and vessels.

INTERIOR POSITION

The Administration is supportive of efforts to strengthen the economy of American Samoa, but has several concerns regarding the implementation of H.R. 3583. First, the Administration is actively working in the WTO to strengthen the rules regarding fisheries, and the proposed legislation may have implications for that effort.

Finally, the Administration notes that the bill increases mandatory spending, which would need to be fully paid for in this congressional session under the Administration's pay as you go proposal as provided for in H.R. 2920.

The Obama Administration appreciates the magnitude of the current problems faced by American Samoa, including the potential departure of the tuna canneries and the impact of the Federal minimum wage requirements. The Administration would like to work with the bill's sponsors and the American Samoa government to address these significant economic problems in the future.

Ms. BORDALLO. Thank you very much, Mr. Pula.

And I would like to ask unanimous consent that Congresswoman Napolitano be allowed to participate in the hearing.

Hearing no objection, so ordered.

And now I would like to introduce the Ranking Member of our Committee, who just came from the Floor after voting, The Honorable Henry Brown from South Carolina and also The Honorable Jeff Flake from Arizona.

Henry, if you would like to begin.

STATEMENT OF HON. HENRY E. BROWN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. BROWN. Thank you, Madam Chair. And I apologize for the inconsistency in our scheduling. We have no control over when we might vote, but we certainly appreciate the witnesses being here.

Madam Chairwoman, I will give my formal statement.

The loss of 2,000 jobs, when one of only two tuna canneries in American Samoa moved its operation, was a tremendous loss to the economy of American Samoa. To then be hit by a tsunami has been a one-two punch that has been economically disastrous to my friend from American Samoa's district. I completely understand his interest in trying to maintain a vibrant, stable economic base in American Samoa and understand his interest in trying to bring back those canneries that have abandoned American Samoa.

Unfortunately, I have strong reservations about the direction this legislation takes to address this problem. While I understand the need to maintain jobs in American Samoa, I will have a hard time telling my constituents why their tax dollars should be used to prop up just one company.

I am afraid I also have concerns with manipulating the market by requiring all U.S.-flag vessels, even those vessels that have never delivered to American Samoa, to deliver to one company or be charged an annual fee and a percentage of their earnings.

Madam Chair, I would like to help my friend from American Samoa, but I cannot support this legislation. Having said that, I would like to ask our witnesses to help us come up with some more innovative way of addressing this problem and to find ways to not just maintain, but to create jobs in American Samoa.

I look forward to hearing from our witnesses, and I look forward to working with you, Madam Chair, and my great friend from American Samoa.

Thanks. I yield back.

[The prepared statement of Mr. Brown follows:]

**Statement of The Honorable Henry E. Brown, Jr., Ranking Republican,
Subcommittee on Insular Affairs, Oceans and Wildlife**

Madam Chairwoman, the loss of 2,000 jobs when one of only two tuna canneries in American Samoa moved its operations was a tremendous loss to the economy of American Samoa. To then be hit by a tsunami has been a one-two punch that has been economically disastrous to my friend from American Samoa's district.

I completely understand his interest in trying to maintain a vibrant, stable economic base in American Samoa and I understand his interest in trying to bring back those canneries that have abandoned American Samoa.

Unfortunately, I have strong reservations about the direction this legislation takes to address this problem. While I understand the need to maintain jobs in American Samoa, I will have a hard time telling my constituents why their tax dollars should be used to prop up just one company. I'm afraid I also have concerns with manipulating the market by requiring all U.S.-flag vessels—even those vessels that have never delivered to American Samoa—to deliver to one company or be charged an annual fee and a percentage of their earnings.

Madam Chair, I would like to help my friend from American Samoa, but I cannot support this legislation. Having said that, I would like to ask our witnesses to help us come up with some innovative ways of addressing this problem and to find ways to not just maintain, but to create, jobs in American Samoa.

I look forward to hearing from our witnesses and I look forward to working with you, Madam Chair, and the Gentleman from American Samoa.

Thank you.

Ms. BORDALLO. I thank the gentleman from South Carolina for his opening statement.

And now we are going to go to the Members, alternating between the majority and the minority. And I am going to have to tell you, I am going to hold on to a 5-minute limit very strictly, because we do have two panels after this, and I am going to put the two panels together.

So those on the third panel, be ready; we will put you all together for the next panel.

So at this time I would like to introduce the author of the bill, Mr. Faleomavaega from American Samoa.

Mr. FALEOMAVAEGA. First of all, Madam Chair, I do want to thank our distinguished Ranking Member for his comments. And I totally respect his concerns about some of the provisions of the bill.

If I may just restate the very beginning, the advent of—the purpose of the bill is not just to help the only remaining cannery that we have. Basically, it is to reestablish our tuna industry. And this is just to benefit StarKist, because StarKist is the only one that we have, but it is also to encourage other tuna processing companies to come and be part of the industry as we have it.

The unfortunate situation to my good friend from South Carolina that—I have been a member of this Committee for 20 years, and

it is a real challenge knowing that the tuna industry are never together or unified. Under most conditions, they are constantly at each other's backs or cutting each other's throats, I would best say, about competition.

And as I have said from the very beginning, as I was trying to meet with as many members of our tuna industry—both the fishing boats as well as the processors—was that I am open to any suggestion so that everybody could mutually benefit from the proposed bill.

My situation, to my friend from South Carolina, is that—as I have said earlier in my statement, is that the whole U.S. tuna industry has changed—some 55 years now, has completely changed from what it was 50 years ago. Now we are getting much greater competition from foreign countries. And as it is, three brand names are now in place where some 20—80 percent of the tuna consumer in the United States is produced by these three brand names—StarKist, Chicken of the Sea and Bumble Bee.

I had hoped that we would come up with some kind of a compromise where everybody would mutually benefit. But I am sad to say that this has not been the case in my experience in trying to figure out how we can best work together so that everybody would mutually benefit.

So, with that—also, Madam Chair, I just want to say I am sorry that the Governor had left, but I do want to thank him for his support of this proposed legislation.

And I also want to say that his earlier comment about the CNN video controversy that was brought to bear, I think it is a real sad commentary on how the media has taken issues, especially something that is so important in my own territory. I was interviewed by CNN for 15 minutes; and when this video was shown, I was given, I think, only 30 seconds of the 15-minute part. And I was trying to explain about the situation with the grant programs; and this issue, totally taken out of context, in my opinion of how this whole thing has come about, and giving a real bad name for the Territory.

And basically what I have said is true with all Territories and States: Federal agencies are responsible for each of these grants and funding; and they have oversight responsibility, and if something goes wrong, they are then to report it to the FBI and let the U.S. Attorney prosecute the people and put them in jail.

And we have had cases like that in the Territory where people who violate the law go to jail. But it is unfortunate that the way they come out and say that there is total corruption down there, that people are stealing blind. I just really am saddened that this is the state of how we—the media in our day have taken issues that are so important, and yet twist it, take it out of context and put it in such a bad—there is no question it has been an embarrassment to my people.

And the sad part about it is, there is no way we can return the favor by saying, can we have another source that we can explain in a better way the accusations that were made.

I know my time is up, Madam Chair, and I haven't even had a chance to thank and to welcome Mr. Pula, from the Interior Department. And I do look forward to working with him to see how

we can better strengthen this bill. I am open to any suggestions by our processors, as well as in the tuna boat industry. And I will take very seriously the suggestions and the concerns that my good friend from South Carolina has said.

Thank you.

Ms. BORDALLO. I thank the gentleman for his statements.

And now I would like to turn to the Ranking Member from South Carolina, Mr. Brown.

Mr. BROWN. Thank you, Madam Chair. And I want to let my good friend know—I mean, having visited you all and experienced the hospitality of your great people, certainly my compassion is for you and them as you were inflicted by the tsunami the other day. And I am sure some of the same people that we met on our visit were impacted by the tsunami.

Coming from South Carolina, not many years back we were confronted with a similar—not a tsunami, but we were confronted with a similar economic situation where we were very heavy in textiles. And we have lost, I guess, 120,000 or more jobs in the textile industry, that has now been exported to some of the other countries that you are having to compete with today.

I know we met with some of the cannery people that have actually exited you all; and their wage base—from where the minimum wage has taken you, which is something—I don't know whether anybody has addressed that or not.

Is there anything that can be done to not mandate the minimum wage on your people?

Mr. FALDOMVAEGA. Will the gentleman yield?

Mr. BROWN. Yes, sir.

Mr. FALDOMVAEGA. I just want to say that the way the whole tuna industry has now taken a turn is that rather than having U.S. workers clean the fish—90 percent of the value of the tuna comes from cleaning and processing the fish in their country. But what has happened is that foreign countries now clean the fish at 60 cents an hour or less.

So with the higher wages—it is the same way that the textile industry was lost. What has happened is that some of our tuna processors have gone on to these foreign countries to buy loins that were produced by workers at 60 to 70 cents an hour, and then bring it duty free, and then just hire maybe 200 to 300 people in the United States just to can it and then—just sell it then to the consumers.

So the disproportionate pricing because of the labor costs is what makes these—Bumble Bee as an example, as well as Chicken of the Sea; that is finally what Bumble Bee is going to do. This is the only way that they can offset or increase their profit margins is by letting these poor countries do the cheap labor and then bring it in and then increase it.

Just like how we produce Nike shoes, 25 or 50 cents an hour in Third World countries, and by the time it reaches the U.S. market, it is \$125 a pair. So this is where we are having the problem right now with it.

Mr. BROWN. Well, I am certainly interested in the dollar. I know we try to reach as much, I guess, input as possible so that we can make the best solution we can. We even talked about trying to re-

tool and try to become, in a manufacturing environment, different from the tuna market. And I am not sure exactly how that would work, but we are looking to help with the problem. We just don't think that this solution is going to be a long-lasting solution.

Ms. BORDALLO. I thank the Ranking Member, Mr. Brown, from South Carolina.

Now I would like to recognize the gentlelady from the Virgin Islands, Mrs. Christensen.

Mrs. CHRISTENSEN. Thank you, Madam Chair. And I am sorry that the Governor had to leave. I did convey my sympathy for what the people of American Samoa had to go through, in private; but on the record I wanted to say to my colleague here that, having been there several times, my heart really and our prayers from all of my community have gone out to the people of American Samoa. And we hope that you have received some of the goods that we have sent over there from the Virgin Islands.

Mr. Pula, welcome back to the Committee. You list two areas that—or two reasons why the Administration doesn't support the bill as it is, but is willing to work with the Committee and the Congressman from American Samoa.

The first one is cost. Just why is it that every time it is a territorial issue cost, \$25 million, becomes a problem? We have gone through this with health care reform and here we are again.

You have already said in your testimony that cost may be even more with the closure to support WIC, Medicaid and all of the other—TANF, and all of the other programs that may come into play. So that the funding that might be needed in the event the cannery closes, the last remaining cannery closes, the cost to the Federal Government may be more.

So isn't it better to help support the industry and economic development to teach the people to fish rather than give the fish, so to speak?

Mr. PULA. I thank the Congresswoman for the question.

Yes, it is true. The question on funding, as I stated in our testimony, has to deal with the PAYGO situation here.

But based on your question about, is it better to teach the people to fish, I totally agree.

Mrs. CHRISTENSEN. And the other one is a WTO issue.

Somebody in another—on the next panel made a suggestion, if I remember correctly, about maybe the excise tax on imported fish loins being lower here than other places.

Are there other proposals being considered, like raising the tax on tuna loin, if that is a proper term, imported from outside the United States or any other way that you might be able to assist the tuna industry in the absence of the outlay of \$25 million?

Mr. FALEOMAVAEGA. Will the gentlelady yield?

Mrs. CHRISTENSEN. I would be glad to yield.

Mr. FALEOMAVAEGA. Currently, it is my understanding that on oil-packed tuna, imported—coming from foreign countries, we put a 25 percent tariff on it. And if it is a water-packed tuna, I believe it is 13 to 15 percent tariff that we put on it. And the money goes into Uncle Sam's Treasury, of course. But this is the way the situation is being placed at now.

Mrs. CHRISTENSEN. OK. Like I said, that answers my question.

I don't have any further questions, Madam Chair. I don't have any further questions.

Ms. BORDALLO. I thank the gentlelady.

And now I would like to recognize the gentleman from Arizona, Mr. Flake, for any questions he may have.

Mr. FLAKE. Just a brief question. You had mentioned that the Administration supports the goal, obviously, of improving the economy of American Samoa, but has some issues with this legislation.

Can you spell out specifically some of the issues that you have with, as you mentioned, implementation of the legislation?

Mr. PULA. Like, I think, the other departments within the Administration dealing with WTO issues with the USTR, I have concerns about that. And I think it is something that we had mentioned to the Congressman that we would be willing, the Administration, to work with the sponsors of the bill regarding these issues.

Mr. FLAKE. But—that is in relation to other international obligations or agreements that we have, but do you have any specific concerns about the legislation itself or expenditure of these monies? Or is that—

Mr. PULA. No, not necessarily. It is mostly on that issue and the PAYGO issue, looking for funding for that.

Mr. FLAKE. All right. Thank you.

Ms. BORDALLO. I thank the gentleman.

And now I would like to recognize Mr. Sablan, the Representative from CNMI.

Mr. SABLAN. I don't have any questions. Thank you.

Ms. BORDALLO. The gentlelady from California, Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Madam Chair. I wish the Governor would have been able to sit through it a little bit more.

But, Mr. Pula, there are a lot of questions, and I agree and associate myself with the remarks of my colleagues in regard to the impact it has in our U.S. cannery. I have the only U.S.-owned—privately owned cannery in my district, Bumble Bee.

They produce—I have been there twice. I visit them; I know intimately how they operate and how they affect my local economy. So the 200 and almost 300 workers in my area and \$200 million worth of economy in my area would be gone, essentially they would disappear, because this would give unfair advantage to American Samoa. And there has got to be a better way to be able to help, be more cognizant of how we can get that economy recovered in American Samoa so that we do not affect U.S. jobs.

My area pays \$13.75 an hour. There is no way you can compete with outside interest.

So it is a subsidy that sounds great, but we would actually be targeting one individual company for assistance, and to the detriment of U.S. jobs, the U.S. economy and U.S. sites.

That would put in jeopardy the possibility opening the Georgia site. I have spoken to my colleague Mr. Pierluisi from Puerto Rico, and he is adamantly opposed to it. So is the Governor of Puerto Rico.

Again, we need to sit at the table and figure out how best we can actually help the area without—to the detriment of U.S. jobs and U.S. economy. I am very sympathetic to the plight, and somehow

we do neglect our brothers and sisters away from this area, and we should be more cognizant of how their plight really affects us.

I understand the Department of Labor is undertaking a study on the impact of the minimum wage law on the American Samoa economy, but that won't be done until sometime in April of 2010. That study probably will provide some insight as to what can be done to assist or provide some of the answers that might be able to help the area.

But I totally, totally oppose it; and I hope that we are able to work together to assist in any other way except taking the bread from the mouths of my constituents, very simply. There has got to be a better way, and somehow—I am more than happy to sit with anybody and try to figure out how do we support recovery in a better way in a way that will help that economy in American Samoa without hurting ours in the United States.

Thank you, Madam Chair.

Mr. FALEOMAVAEGA. Will the gentlelady yield?

Mrs. NAPOLITANO. Yes, sir.

Mr. FALEOMAVAEGA. I just want to say that I share the gentlelady's concerns, and I have no intention whatsoever of trying to cause the loss of jobs in your district or our good friend from Puerto Rico or others.

I just wanted to bring up that this is where the tuna industry is faced with. And the problem here is that I am in real dire straits as far as, if nothing is done, that this is—another area that I wanted to share with my good friend, this is not just to help StarKist. The bill is to propose in trying to reestablish—our tuna industry, as it has now, realistically, been taken. And basically, if I don't get any assistance—this is just for StarKist or any other tuna cannery that may want to show presence—then our economy collapses. That is the bottom line.

And I would like to work with the gentlelady to see how we can resolve this.

Mrs. NAPOLITANO. I would be happy to, and I will reclaim my time.

I am looking at a report that StarKist is owned by Dongwon of Korea and Chicken of the Sea, by Thai Union Frozen of Thailand.

Bumble Bee a private U.S. company. You know where my thoughts are.

Thank you, Madam Chair.

Ms. BORDALLO. I thank the gentlelady from California.

And I have one quick question before I release you, Mr. Pula. You pointed out that until recently the tuna packing industry was responsible for 80 percent of private sector employment and 46 percent of employment as a whole. However, it appears this may not be a sustainable employment model.

What could the Administration and the Congress do, then, to help diversify the American Samoa economy? I guess I am kind of following up on Congressman Flake's question.

Mr. PULA. In the recent past, in particular for American Samoa, we funded out of the Department of the Interior an economic commission. And out of that the report produced several options for the government of American Samoa. As in any community, diversification of the economy is a good thing, and that is what the Depart-

ment of the Interior has been trying to do in working with all our territories. In such—and some of you have attended and know that we have done business conferences, we try to attract U.S. businesses to go to the U.S. territories. We have done different things and provided some technical assistance grants, perhaps smaller than the scale we are talking about with the canneries, to try to help the different industries like tourism and a variety of things that were done.

It is a challenge, especially for American Samoa in this particular instance because its major private sector is a one-industry tuna cannery. But we have been working along with all the U.S. Territories in terms of trying to diversify their respective economies. Of course, they all have challenges in locations, distance and such, but it is an ongoing, continuing battle to deal with that.

Ms. BORDALLO. Thank you very much, Mr. Pula. And you can be excused now. Thank you very much for your statement and answering our questions here.

Mr. PULA. Thank you.

Ms. BORDALLO. And please extend our apologies again to the Governor of American Samoa.

Mr. PULA. Will do so.

Ms. BORDALLO. And now I would like to call on our second and third panels to come up to the table. Would the staff please arrange more chairs?

We have on this panel Mr. Donald—if you would, sit in according to the way I am going to call you—Mr. Donald Binotto, President and Chief Executive Officer of StarKist Company; Mr. John Sawyer, Senior Vice President for Sales and Marketing, Chicken of the Sea International; and Mr. Chris Lischewski, President and Chief Executive Officer of Bumble Bee Foods.

And following those witnesses we have Mr. Joe Hamby, Managing Director of the Tree Marine Global Tuna Supply; Mr. James P. Walsh, Legal Counsel, South Pacific Tuna Corporation; Mr. Renato Curto, President of Cape Fisheries; and Ms. Diana Furchtgott-Roth, Senior Fellow and Director, Center for Employment Policy, the Hudson Institute.

Ms. BORDALLO. I want to thank you all for being here today, and to remind you again that we are on a tight time frame here. I understand there are going to be further votes on the Floor, so if you would keep your statements to 5 minutes or less.

And we will begin with Mr. Binotto.

Mr. Binotto, you can begin.

**STATEMENT OF DONALD J. BINOTTO, PRESIDENT AND CEO,
STARKIST CO.**

Mr. BINOTTO. Thank you. Madam Chair, Ranking Member and members of the Subcommittee, thank you for inviting me today to testify. My name is Don Binotto, and I began my career in the tuna industry with StarKist more than 20 years ago. I am proud to be their President and CEO today.

As you know, American Samoa was recently struck by a tsunami, and I witnessed this devastation 1 week later; and the impact on our employees, their families and the community was immense. Words cannot describe what will happen if we are forced to leave

and the impact it will have on the already fragile economy, yet that is why we are here today. American Samoa faces the imminent loss of its tuna industry which employs 80 percent of all private sector employment.

A little bit about StarKist Seafood. We are a U.S. Corporation, we are headquartered in Pittsburgh, Pennsylvania; and we have more than 1,800 U.S. employees and we pay U.S. taxes. StarKist is also a U.S. subsidiary of the Dongwon Group, headquartered in Seoul, South Korea.

I am here today, fighting to save the jobs of our American Samoa workers and the very economic foundation of this U.S. territory. I am asking the Committee to quickly pass this critical economic stabilization proposal. You will hear testimony from our competitors about the threat ASPIRE supposedly poses to the U.S. tuna industry. They will tell you it favors one company at the expense of another. But I caution you to listen very carefully, because when you strip away the rhetoric, the reality is, this proposal is about two starkly different ways of doing business.

The difference is quite simple. They use a business model that outsources the most labor-intensive jobs to foreign countries which pay as little as 60 cents per hour.

My company is resisting that business model, but we need your help. My competitors also want all the privileges of a U.S.-flag tuna fleet, so that they can utilize our fishing license and prime fishing grounds only to exploit these resources to benefit foreign economies.

ASPIRE seeks to change that behavior so that the benefit of these U.S. resources return back to the U.S. workers and territories.

StarKist operates a full-scale tuna cannery that begins with the whole tuna fish. It is known as the round fish. This fish is cleaned; it is then cooked and then it is packed into a can or a pouch. This cleaning and preparation process accounts for 80 percent of the total labor process.

In contrast, our competitors outsource this labor-intense aspect, the cleaning and preparing of the tuna itself, to low-wage countries. Having outsourced most of the jobs, they then import frozen tuna loins into the U.S. where they operate small loineries that use minimal U.S. employment to pack the final product for destination. They are proud to admit that they have stripped nearly all the labor cost from their products.

I have been asked a dozen times, why doesn't StarKist just do the same. The answer is really simple. It is about preservation of jobs. If we were to outsource these jobs, it would leave this important U.S. Territory with a wrecked economy; it will have greater than 50 percent unemployment and virtually no hope to attract a replacement industry.

Equally problematic for American Samoa is the fact that the majority of U.S.-flag vessels now deliver to the nearest transshipment carrier bound for foreign countries. Today, direct deliveries to American Samoa are less than one-third of what they were just 15 years ago.

Direct delivery, they create jobs. When a boat delivers fish directly, they refuel, they buy nets, they buy fuel, they buy food and

they spend hundreds of thousands of dollars per trip. The decline in direct deliveries creates a downward drag on the economy.

If American Samoa loses both tuna processors, the industry will be reduced from having contributed \$80 million in wages from 5,000 jobs to contributing almost nothing. The only resource to make up for this shortfall would be direct assistance from the U.S. Government.

In my view, it would be more prudent to make a modest investment to create real jobs than face sending mere subsistence checks to a territory that has lost nearly all employment.

ASPIRE seeks to level the competitive playing field against outsourced, low-wage labor. It doesn't pick any winner or loser, and it is not really singling out StarKist, but it does help anyone wanting to create employment in American Samoa by providing a grant for processing whole fish directly delivered by a U.S. fleet. This encourages processors to remain and employment to return, thus establishing what we would see as a viable, long-term economic stimulus and improved tax base.

ASPIRE encourages boat owners to make direct deliveries and it is also creating disincentives for transshipping, a practice that results in vessels spending more than 80 percent more time fishing. It is also fully consistent with U.S. Policy directed at improving fishery sustainability. Quite plainly, more direct delivery means fewer fish that will be caught.

In summary, StarKist supports ASPIRE. We believe it gives Samoa, American Samoa, its last if not its best chance at survival; and we urge you to support ASPIRE as well.

Ms. BORDALLO. I thank the gentleman, Mr. Binotto.
[The prepared statement of Mr. Binotto follows:]

**Statement of Donald J. Binotto, President and Chief Executive Officer,
StarKist Co.**

On behalf of the StarKist Company, I want to thank Chairwoman Bordallo, Ranking Member Brown, and the Members of the Subcommittee for inviting me to discuss the importance of the American Samoa Protection of Industry, Resources, and Employment ("ASPIRE") Act to our company and its employees in American Samoa. I also want to thank Representative Eni Faleomavaega for his dedication to American Samoa and his leadership in introducing this important economic stabilization proposal.

My name is Don Binotto, and I began my career in the tuna industry with StarKist more than twenty years ago as a member of the Company's finance department. Since then, I've worked in operations, marketing and sales for StarKist, and am proud to now lead a team of several thousand dedicated U.S. employees as President and CEO.

As you know, American Samoa was recently struck by an earthquake and subsequent tsunami, which devastated the island. I know and can speak to that devastation first hand because I traveled there less than a week later to offer StarKist's support and to assess the damage to our own facilities. The impact on our employees, their families and communities was immense; I saw first hand the lives and homes lost to this catastrophe. I will be forever moved by the plea of one of our workers asking to borrow money to bury her young children. But however destructive the tsunami was, this natural disaster is going to be quickly matched by a rapidly moving economic disaster that is already developing.

It is not hyperbole to say that when Chicken of the Sea closed its factory doors and took 2,000 jobs away on September 30th, leaving my company as the only remaining large employer in American Samoa, it was the economic equivalent of the earthquake that gave rise to the tsunami. And now, if we were to have to close our doors, it would be like another wave washing across the island to complete the economic devastation. Over eighty percent of the private employment would be wiped away, with no apparent replacement anywhere on the horizon.

American Samoa faces the imminent loss of what remains of its tuna industry—the island’s economic engine—due to massive competition from low-wage countries and diminished incentives for fishing vessels to deliver whole fish to American Samoa. I believe ASPIRE’s economic development framework will provide the modest assistance to the Territory that is necessary to address these issues. And I believe ASPIRE has the clear and achievable goal of once again making American Samoa globally competitive. StarKist, therefore, wholeheartedly supports Congressman Faleomavaega’s efforts to preserve a viable private sector economy in American Samoa.

About StarKist

StarKist is a leading manufacturer, distributor, and marketer of shelf-stable seafood products in the United States, best known for our tuna products and our beloved icon Charlie the Tuna. We are a U.S. corporation headquartered in Pittsburgh, Pennsylvania, we have more than 1,800 employees in the United States, and we pay U.S. taxes. StarKist is also a subsidiary of the Dongwon Group, a leader in the food, beverage and fisheries industries in South Korea. Our plant in Pago Pago, American Samoa is our largest processing facility.

Our biggest challenge to remaining in American Samoa is a supply chain profile that is no longer competitive on a global basis. Consequently, we continue to lose market share to low-cost, foreign-manufactured products that come in the form of private label tuna on U.S. store shelves. “Private labels” are the store-brand products you see at your grocery chains. In shelf-stable tuna, private label has grown more than any other brand over the past three years, and private label is the only brand with positive sales during that period. Private label’s share in one of our core category segments (chunk light halves) is up 57 percent to date versus 2004. Private label competes mostly on one metric: price.

StarKist in American Samoa

Our company’s long history in American Samoa provides some insight into why the island and its people are important to us, and why we are working hard to stay. Tuna canneries first arrived in American Samoa in the early 1950s. StarKist’s facility was built in the early 1960s, and we have been there ever since. It was American Samoa’s prime location in the heart of the most prolific fishing ground in the world that drew processors to the island initially. The advantages that come with being a U.S. territory also drew processors; specifically, the ability to send finished tuna product to the mainland U.S. duty-free. Because of these and other factors such as wages, American Samoa offered a favorable cost structure for many years.

It was in this environment that the tuna industry thrived, growing to be the island’s largest source of private sector employment by far. Until the closure of the Chicken of the Sea facility September 30th, tuna processing accounted for 80 percent of American Samoa’s private sector employment. It is also important to note that most of the other private sector employers in American Samoa are dependent on the tuna industry, as their businesses consist of providing goods and services to us, the fishing vessels that come into port to supply us, and to our employees. StarKist alone employed 40 percent of the island’s private sector workers. StarKist has employed generation after generation of American Samoans, and we value the dedication the island’s people have demonstrated to StarKist for decades. We recognize that our success has in many ways been due to their hard work and commitment.

While these factors have historically combined to attract whole-fish processors to American Samoa, in today’s global economy, the fierce foreign competition faced by U.S.-based processors means that mere proximity to fish and a favorable trade status are no longer enough to make American Samoa competitive.

Changes in the Tuna Processing Business

Two Different Business Models

The increasingly global nature of the tuna business has enabled the industry to shift operations from one location to another, allowing producers to adjust more easily to supply and demand and the changes in input costs and prices. An example of this dynamic is the shift made by my competitors to outsource the most labor intensive aspects of tuna processing to low-wage countries, and then make final product and packaging from imported frozen tuna loins. The loin is the light, meaty, edible part of tuna.

In a full scale tuna cannery, such as the cannery we (and until recently, Chicken of the Sea) operate in American Samoa, the manufacturing process starts with a whole fish—known as a “round” fish—and ends with a consumer-ready product in a can. Upon delivery to our dock, the whole fish is cleaned, cooked, combined with

other ingredients and packaged into cans by our American Samoan workforce. We then ship those cans directly to the U.S. mainland and distribute throughout the country for sale.

In contrast, the alternate business model adopted by my competitors is the use of outsourced foreign labor for nearly all of the tuna preparation and then a small domestic loinery for final product packaging. In their business model, they have outsourced the most labor intensive aspect of tuna processing to extremely low wage countries. In these mostly South Asian factories, workers making as little as sixty cents per hour clean, prepare, and cook the whole tuna fish and transform it into a tuna loin. That loin is then frozen and exported to the United States nearly duty free. Having removed nearly 80 percent of the labor expense, my competitors then take the frozen loin and use minimal U.S. employment to place the product into cans for consumers. To illustrate the impact, Chicken of the Sea was able to replace its 2,000 person workforce in American Samoa with fewer than 300 workers in Georgia.

As you can see, two different business models have emerged in the tuna industry. One model involves outsourcing the bulk of the labor-intensive work to low-wage countries, using as little U.S. labor as possible to create the finished product and avoid import duties. The other model—the model we are trying to preserve in American Samoa—uses more U.S. labor to manufacture a can of tuna. The owners of loineries in the United States have already maximized their competitive advantage by using an outsourced labor approach.

I have frequently been asked why StarKist simply does not do the same thing its competitors have done. The answer is simple—jobs. We prefer to not cut our personnel to the minimal number needed for processing frozen tuna loins, leaving the American Samoan people with two or three thousand fewer jobs than currently are available to them today. The citizens of American Samoa have been committed to us for more than fifty years, and we owe it to them not to give up on the island without working to preserve these jobs. In order to do this, however, we need a mechanism, such as has been outlined in ASPIRE, to level the competitive playing field between American Samoa and the lower-wage frozen loin processing model that has already taken so many jobs away.

Imbalances Created by Transshipping Tuna to Foreign Ports

At the same time, the economics of the tuna fishing industry have evolved such that fishing vessels are finding that it benefits them to deliver their catch to huge, centralized transshipment carriers rather than come to port in Pago Pago and deliver the fish to a cannery there. By transshipping, the vessel spends less time at a port, more time out fishing, and is able to catch more fish. The unfortunate culmination of all of these changes is that boats do not have to come into American Samoa as often, or at all. Today, our direct deliveries of fish from U.S.-flagged vessels are less than one-third of what they were fifteen years ago. The decline in direct deliveries of course creates a ripple effect on American Samoa's economy, since it depends on fishing vessels to generate much of its economic activity.

Transshipping also creates a more fundamental imbalance. Fishing vessels that enjoy the advantages of flying a U.S. flag, and have access to waters secured by a U.S. treaty, send their catch to foreign countries, whose ports and labor force reap the benefits. In this scenario, the United States is not receiving the maximum benefit of its resources, especially when it comes to jobs. We believe it is more fair that the U.S. resources in American Samoa be directed toward a program that will result in maximum number of jobs and the strongest overall economic stimulus.

A Perfect Storm Affecting American Samoa's Tuna Industry

In light of the tsunami that struck American Samoa last month, to say that a "perfect storm" is affecting American Samoa is an unfortunate metaphor. Yet it aptly describes what has happened to the tuna industry on the island:

- First, because there is very little elasticity in what consumers will pay for canned tuna, processors confronted with comparatively high manufacturing costs in American Samoa are extremely limited in how much they can charge for their product. In contrast, our competitors who have adopted outsourcing as a business model simply lower their shelf price below our cost, making it very difficult for us to compete. In fact, it now costs us over \$23 million more, after duties, to manufacture in American Samoa than if we were to adopt the same business model as our competitors.
- Second, the duty advantages that American Samoa historically enjoyed are gone. They have been more than offset by globalization and open trade policies. As markets continue to open, it has become easier for domestic processors to

outsource labor-intensive work away from places like American Samoa and into low-wage countries such as Thailand.

- Third, the current trend in the tuna fishing industry is to have vessels transship their catch via carriers rather than coming into port to directly deliver it, stunting tuna production on the island and igniting a downward economic cycle among supporting businesses, which then makes it even less attractive for boats to come to port.

These factors have combined to create an environment where it is too cost-prohibitive for processors of whole fish to operate in American Samoa without assistance, and where the boat owners are losing any incentives to deliver whole fish to the island. We have already seen Chicken of the Sea leave American Samoa. Under these conditions, it should come as no surprise that StarKist's operation in American Samoa is not viable, and that we have been forced to lay off nearly 1,000 workers in the last 18 months.

We continue to do everything in our power to make the economics work in American Samoa. If StarKist is forced to leave, there will be almost no private sector jobs left on the island. The tuna industry has already gone from employing almost 5,000 people in 2004 down to fewer than 1,700 today—more than 3,000 jobs lost.

With the loss of both processors and the boats that supplied us, American Samoa's tuna industry will be reduced from having contributed \$80 million of the Territory's annual labor income, as the Department of Labor recently reported, to contributing almost nothing. The only resource that will remain to make up this \$80 million shortfall will be direct assistance from the U.S. government. And American Samoa must now add the daunting task of dealing with the devastation from the tsunami to the list of tremendous challenges ahead.

How ASPIRE Addresses the Challenges We Face in American Samoa's Tuna Industry

ASPIRE's economic development framework will provide assistance to American Samoa's tuna industry to counteract the biggest challenges to the industry's existence—an uncompetitive cost structure and diminished incentives for fishing vessels to deliver whole fish to American Samoa.

Since American Samoa-based processors can no longer compete against those that are able to pay their workers substantially less for the most labor intensive phase of tuna processing, ASPIRE seeks to level this competitive playing field. ASPIRE would help us improve our cost structure by providing a grant for processing whole fish in American Samoa. It should be noted that the grant is specifically limited to processing whole fish rather than frozen tuna loins. This will ensure that the grant goes only to entities that carry out their most labor-intensive work, hence creating the greatest number of jobs, in American Samoa.

By providing some minimal income replacement grants for vessels willing to directly deliver to American Samoa rather than make more lucrative transshipment deliveries, ASPIRE also incentivizes a fishing practice that is more sustainable, while providing a huge economic boost to American Samoa as well. Each vessel delivering directly to American Samoa provides several hundred thousand dollars' worth of direct economic activity, setting off an important economic multiplier effect for related businesses.

We believe that with these incentives, and continued hard work on the part of our management and employees, we can help make the whole-fish processing business in American Samoa globally competitive once again, and re-establish American Samoa as a hub for the tuna industry.

Conclusion

Starkist supports ASPIRE because we believe it gives American Samoa's fifty year "whole tuna" processing business a chance at survival. It benefits the entire island by creating jobs and a viable tax base. American Samoa has already experienced one natural disaster. And it is on the brink of suffering a complete economic disaster with the loss of the tuna processing industry. Therefore, we urge you to support ASPIRE as well.

Ms. BORDALLO. And now I would like to recognize Mr. John Sawyer, Senior Vice President of Chicken of the Sea International.

**STATEMENT OF JOHN SAWYER, SENIOR VICE PRESIDENT,
SALES AND MARKETING, CHICKEN OF THE SEA
INTERNATIONAL**

Mr. SAWYER. Good afternoon, Chairwoman Bordallo, Ranking Member Brown and members of the Subcommittee. My name is John Sawyer. I head up the Sales and Marketing Department for Chicken of the Sea.

I appreciate the opportunity to testify on H.R. 3583; but because H.R. 3583 is harmful to the tuna industry and, specifically, Chicken of the Sea, we oppose this legislation.

Chicken of the Sea dates back to 1914. Chicken of the Sea brand—

Ms. BORDALLO. Would you move a little closer to the microphone, Mr. Sawyer?

Thank you.

Mr. SAWYER. Chicken of the Sea dates back to 1914, and the brand has been worldwide known since 1952. We provide a variety of seafood products—canned, pouched, frozen, as well as refrigerated.

Chicken of the Sea recently closed a plant in American Samoa after 55 years of operation. We had a tremendous relationship with the island, its community, as well as our workforce. We struggled to be profitable, fueled by increased transportation cost, utility and injury cost, as well as increased labor cost as of recent years. We have made numerous attempts on numerous occasions to work with the Samoan government, as well as the U.S. Government, unsuccessfully coming up with a resolution. Thus, we were forced to move from Samoa to Lyons, Georgia.

We are excited about repatriating jobs in Lyons, Georgia. The Lyons plant is in Congressman John Barrow's district. It employs just over 200 employees with future plans to expand.

We support efforts related to American Samoa and economic development; however, we believe diversifying the economy is critical versus subsidizing one profitable tuna category leader.

H.R. 3583 subsidizes sellers and buyers delivering tuna to Samoa; and its intentions are to stabilize employment and promote economic development. We understand that. But the bill does not consider international competition related to the industry.

The bill has a number of objectionable outcomes. First of all, minimally, it would cost the taxpayers approximately \$25 million and north. This would subsidize, at this point in time, one company, which happens to be the number one tuna branded company. This \$25 million could either be applied to the bottom line or essentially put into the marketplace as a competitive disadvantage versus the remaining part of the industry.

In addition, the tuna fleet potentially will be impacted—U.S.-flagged fleet—through incremental fees, inconvenience costs, penalties—which would really encourage the relocation of the fleets to other parts of the world. In addition, the Hawaiian longliners could also be impacted through expensive \$250,000 fees, face taxes on their earnings and, thus, could potentially put boat owners out of business.

And last, we believe that this bill puts Chicken of the Sea at a complete competitive disadvantage.

We have invested a lot of capital in Lyons, Georgia. We are proud of repatriating positions here on mainland USA. It puts at risk our further investment in those positions moving forward. It subsidizes the number one brand. And it puts us at a competitive disadvantage related to pricing, which essentially could mean Chicken of the Sea downsizing or, essentially, brand elimination within the marketplace in years to come.

So we encourage the Subcommittee to explore more efficient ways to help American Samoa and the economy. We are empathetic related to the situation. And we are willing to help in that endeavor.

Thank you very much for allowing me to share my views.

Ms. BORDALLO. I thank you very much, Mr. Sawyer.

[The prepared statement of Mr. Sawyer follows:]

**Statement of John Sawyer, Senior Vice President, Sales and Marketing,
Chicken of the Sea, International**

Chairwoman Bordallo, Ranking Member Brown, and members of the Subcommittee, my name is John Sawyer, Senior Vice President for Sales and Marketing at Chicken of the Sea, International. I appreciate the opportunity to testify on behalf of Chicken of the Sea on H.R. 3583, the American Samoa Protection of Industry, Resources and Employment Act. Because of H.R. 3583's harmful impacts to the tuna industry in general, and to Chicken of the Sea specifically, Chicken of the Sea opposes this legislation.

Introduction

Chicken of the Sea's history dates back nearly a century, when fishermen referred to the white albacore tuna as "Chicken of the Sea" because of its white color and mild flavor. Since 1952, the Chicken of the Sea brand and iconic Mermaid logo have been known worldwide. With more than 90 years of experience in the self-stable seafood business, Chicken of the Sea provides consumers a variety of canned, pouched, frozen, and refrigerated seafood products.

We are headquartered in San Diego, California and have a processing facility in Lyons, Georgia where we employ more than 200 people. We opened our processing facility in Lyons, Georgia in Congressman John Barrows' District within the last 6 months. It employs more than 200 people and has sufficient space for expansion in the future. This is an exciting trend for us, as we have been successful in repatriating to the mainland United States some of the many jobs that have moved offshore.

After 55 years of operation in American Samoa, Chicken of the Sea closed its tuna processing facility in September of this year. We enjoyed a tremendous relationship with the island, community and our workforce, as demonstrated recently with our donation of more than \$200,000 of food, labor and medical supplies to the island community in the aftermath of the tragic earthquake and tsunami. Despite being a part of this close knit community, we struggled to remain profitable, due to the high costs of operating there, including increasing transportation, packaging, utilities and specifically labor costs in recent years. Although we have attempted on numerous occasions to work with the government of American Samoa as well as the U.S. Federal Government to address these issues, we ultimately were unsuccessful. Consequently, we had no choice but to close the facility and relocate.

We are very supportive of efforts to enhance economic development in American Samoa and provide answers to the economic and employment challenges there. However, we urge caution in trying to simply subsidize our way out of the problem instead of diversifying the economy of the island for a successful future. This is especially true when the one processing company that would benefit from this subsidy has stated that it will not stay in Samoa if ASPIRE does not pass. Creating a monopoly by legislation is a dangerous precedent which is made even more onerous if it is done under a threat.

H.R. 3583

H.R. 3583 creates a subsidy to sellers and buyers of fish that deliver directly to American Samoa, with the intention of stabilizing employment and promote economic development, including "incentives for the continued operation and development of American Samoa's tuna processing industry." Unfortunately, the legislation,

which completely ignores the international competitiveness of the tuna industry, has several objectionable outcomes.

With a minimum cost to the United States taxpayers of approximately \$25 million annually, H.R. 3583 virtually ensures that the one remaining tuna processing plant operating in American Samoa remains profitable by providing its owner with financial hand-outs, thereby affording that company an unfair market advantage. This bill appears to be tailored to ensure the success of the leading tuna brand in the U.S. This legislatively imposed windfall discourages competition and encourages waste, with limited benefit to the American Samoan workforce and economy. Nearly 80 percent of those working in the tuna canning industry are Western Samoans temporarily residing in American Samoa. Furthermore, the needs of American Samoa are to diversify, which is distorted by putting all the subsidy dollars in one company in only one industry.

The U.S. tuna fleet will also suffer under the bill. Tuna boats could be compelled to relocate to other areas as boat owners are forced to abandon the U.S. flag due to the fees that the legislation will impose. In addition, a limited number of U.S. flagged tuna boats are able to deliver their catch to American Samoa. Thus, in addition to significant financial penalties, boat owners will also be subjected to severe inconvenience and additional costs as they attempt to comply with the terms of the legislation by delivering their catch to the one cannery operating in American Samoa.

Moreover, American Samoa's only cannery does not have the capacity to handle the amount of tuna delivered, should processors and fishermen make deliveries there as encouraged under the bill. Finally, Hawaiian long-line fishing could be harmed due to the requirement to deliver fish to American Samoa, or face taxes on their catch and \$250,000 annual fees, which would put many if not most of these owners out of business. H.R. 3583 also puts at a competitive disadvantage Chicken of the Sea's newly-opened facility in Lyons, Georgia affecting the livelihood of its 200 employees and discouraging further expansion there. The bill subsidizes the number one tuna brand, giving it a monopolistic position on tuna supply in addition to the already strong competitive advantage in the marketplace. The bill in turn will severely punish Chicken of the Sea, which left American Samoa for legitimate business reasons, and has made a significant investment in developing a facility in Georgia, bringing jobs back to the U.S. mainland.

The competitive advantage provided by H.R. 3583 to the one remaining American Samoa-based tuna processor could force competitors both Chicken of the Sea and Bumble Bee to downsize or even close domestic U.S. operations, with no guarantee of either increasing jobs of the economic welfare of the island. We encourage the Subcommittee to explore more effective ways to help the economy of American Samoa without harming the other participants in the U.S. tuna processing and fishing sector. We stand ready to assist with that effort.

Thank you for the opportunity to share Chicken of the Sea's views on H.R. 3583.

Ms. BORDALLO. And now I would like to recognize Mr. Chris Lischewski, the CEO of Bumble Bee Foods.

**STATEMENT OF CHRIS LISCHEWSKI, PRESIDENT AND CEO,
BUMBLE BEE FOODS, LLC**

Mr. LISCHEWSKI. Thank you, Chairman Bordallo, Ranking Member Brown and Committee members.

My name is Christopher Lischewski. I am the President and CEO of Bumble Bee Foods. I have held this position for 10 years, and I have held senior positions in the tuna industry for more than 20 years.

Before I start my testimony, I would like to clarify a few statements made by the Congressman for the record:

One, I have a minority ownership stake in Bumble Bee, not a majority ownership stake.

Two, I have absolutely no ownership stake, management role or any other stake in SPTC, which will be testifying on its own behalf. I do own a minority 5 percent stake in 12 American vessels man-

aged by SPTC, but is purely a passive interest for which I receive financial statements and have no other operating interest.

Going forward, Bumble Bee is the last significant tuna processor that is U.S.-owned. Over the last 10 years, we have grown to be the largest branded seafood company in North America. In addition to the tuna, we offer a full line of canned salmon, sardines, clams and specialty seafood products. We are committed to U.S. operations and employ more than 1,000 workers in the seafood processing facilities in California, Louisiana, Maine, New Jersey, Puerto Rico and Washington.

Like StarKist in American Samoa, we operate in an extremely competitive global marketplace with major competitors in Southeast Asia. We respond to that by driving higher production efficiencies in our factories, introducing new technologies and continually innovating our processes.

We do not come to Congress to ask for handouts and are surprised that ASPIRE, which is asking U.S. taxpayers to subsidize a foreign-owned company that employs predominantly non-Americans is even being considered by this Subcommittee.

H.R. 3583 creates a new fishery subsidy program that generally benefits StarKist. As the last remaining tuna processor in American Samoa, StarKist has forced the introduction of ASPIRE with a threat to shut down their operation and move to Thailand if they don't receive substantial taxpayer-funded subsidies.

H.R. 3583 is built upon the false premise that the only solution for retaining a tuna processing sector in American Samoa is for U.S. taxpayers to subsidize an inefficient processing operation. This operation with a workforce that is more than 80 percent foreign has refused to adapt to changing global economic conditions, which companies like Bumble Bee have done successfully. This is in spite of the fact that they already benefit from a minimum wage 31 percent below the Federal level, obtain preferential fish costs, are eligible for duty-free importation into the U.S. and obtain substantial Federal tax benefits.

The unfair competitive advantage that would be provided to StarKist under ASPIRE would force Bumble Bee to downsize or even close our domestic U.S. processing operations. More than 1,000 U.S. processing jobs would be lost, along with an equal number of jobs in related support industries. As a U.S.-owned and -operated company, we simply cannot compete against this type of preferential treatment.

Passage of H.R. 3583 would also have damaging international trade ramifications. The direct payment of incentives by the United States to process tuna in American Samoa would be viewed as a specific subsidy, actionable under the WTO. This would invite the imposition of countervailing import duties on all U.S. tuna exports.

Another major concern is that none of the monies being questioned by ASPIRE are targeted for the people of American Samoa or the other private sector businesses. Furthermore, none of the funds are to be utilized to improve education or development of the American Samoa economy. Rather than expend its efforts to justify taxpayer subsidizes in support of a company that has a history of threatening to leave, I might recommend that American Samoa examine how it can more effectively utilize the direct grants it al-

ready receives from the U.S. Federal Government to improve its local economic situation. CNN has recently reported that American Samoa has received more than \$2 billion in direct Federal grants since 1995. This level of funding that American Samoa already receives should provide adequate resources to help attract and develop new, sustainable businesses.

In closing, it is our expectation that ASPIRE will not receive support from the Subcommittee for the following reasons:

The bill only benefits one company in American Samoa with less than 20 percent of its employees actually being from American Samoa;

It includes a \$25 million to \$40 million escalating price tag to U.S. taxpayers without a commensurate revenue-generating offset. Importantly, it should be noted that if the massive benefits provided under ASPIRE drive more tuna production in American Samoa, as will be suggested in the public testimony of what are the upcoming panel members, the price tag to U.S. taxpayers could quickly spiral to greater than \$100 million;

Third, there are no incentives to develop new industry or jobs that can support the future economic independence of American Samoa; and

The bill potentially destroys domestic tuna processing operations in California, Puerto Rico and Georgia.

Based on my experience, I know that American Samoa can be a competitive player in the global tuna industry, but it must be prepared to change. Creating a new taxpayer-funded subsidy program to maintain obsolete and uncompetitive processing practices is not the answer.

Thank you.

Ms. BORDALLO. I thank the gentleman for his testimony.

[The prepared statement of Mr. Lischewski follows:]

**Statement of Christopher D. Lischewski, President and
Chief Executive Officer, Bumble Bee Foods, LLC**

Chairwoman Bordallo, Ranking Member Brown and Committee Members, my name is Christopher Lischewski and I am the President and CEO of Bumble Bee Foods, LLC. I have been in my current position for 10 years and have held senior management positions in the tuna industry for more than 20 years.

Bumble Bee Foods, an American owned company, is North America's largest branded shelf-stable seafood company offering a full line of canned and pouched tuna, salmon, sardine, clam and specialty seafood products. In the U.S. our products are marketed under leading brands including Bumble Bee®, Brunswick®, Beach Cliff® and Snow's® and in Canada under Clover Leaf®. Bumble Bee Foods has invested heavily in fishery production facilities and employs more than 1,000 workers in the U.S. and 3,000 globally. In the U.S. we currently own and operate:

- Two of the last three U.S. canned tuna production facilities in Santa Fe Springs, California and Mayaguez, Puerto Rico,
- One of the last two U.S. canned clam facilities located in Cape May, New Jersey,
- The last U.S. canned sardine production facility located in Prospect Harbor, Maine
- A research and development facility in Violet, Louisiana, formerly the last shrimp canning factory in the U.S., which was rebuilt after hurricane Katrina without any federal or state aid and,
- A salmon labeling operation in Kent, Washington.

We have continuously shown a commitment to maintaining our U.S. facilities and U.S. jobs in the face of extremely competitive, low cost, foreign competition. And we are succeeding.

Relevant to today's hearing is that Bumble Bee, with its headquarters and operations center located in San Diego, California, is America's last significant U.S. owned shelf stable tuna company. Despite our North American leadership position, we work continuously to drive higher production efficiencies and lower operating costs in an effort to remain profitable in an intensely competitive global environment.

I would like to thank you for the opportunity to address our concerns with and opposition to H.R. 3583, the American Samoa Protection of Industry, Resources and Employment Act. Because others on the panel will discuss the concerns of U.S. tuna boat owners, my comments will be limited to the likely destructive impacts of the legislation on the U.S. tuna processing industry, and specifically on Bumble Bee.

H.R. 3583 creates a new fisheries subsidy program for the benefit of only one tuna processing company, Korean-owned StarKist, which is the last company operating a tuna processing facility in American Samoa. The bill, with a minimum annual cost of \$25 million—and potential cost of more than \$40 million—to U.S. taxpayers, is ostensibly designed to offset the increased cost of labor at StarKist's tuna processing factory due to the recent application of the U.S. minimum wage law to American Samoa and make the company competitive with Southeast Asian tuna processors. In reality, the bill represents a last ditch effort to continue an uncompetitive way of doing business while ignoring the international competitiveness of the global tuna industry. Furthermore, the \$25 to \$40 million price tag is based on a benchmarking "study" prepared by StarKist comparing its cost of doing business in American Samoa with the alternative of shutting down and moving its production to Thailand. No one with knowledge of the tuna industry (outside of StarKist and its Korean parent company) has seen or vetted this purported "study" other than the Congressman from American Samoa. As someone who has been in the tuna industry for more than 20 years, I find these numbers to be highly suspect.

While it can be argued that increasing the minimum wage from \$3.50 an hour in 2006 to \$5.00 an hour in 2008 is significant, the reality is that the minimum wage in American Samoa remains 31% below the federal minimum wage level of \$7.25 an hour. The current minimum wage in American Samoa compares to average hourly wage rates of \$13.75 an hour and \$7.75 an hour being paid by Bumble Bee to its hourly employees at its California and Puerto Rico tuna canning plants, respectively. And we are not asking for a subsidy.

In evaluating the cost of tuna processing, it becomes clear that wages represent a small fraction of the total cost of production. If we dissect the cost of a can of lightmeat tuna, about 65% of the cost is represented by fish with another 20% represented by cans and packaging materials. The balance of 15% is made up of overhead costs and labor with labor representing less than 10% of the cost.

With a work force estimated at about 2,000, we project the total cost impact on StarKist related to the wage increase between 2006 and 2009 to have been about \$5.8 million per year. This represents a total cost increase of about 1.5% relative to our estimate of total StarKist production costs in American Samoa of about \$400 million. If we look at this on a cost per can basis, our estimate is that this has impacted their cost by less than 1 penny per can—a can which is currently selling in U.S. supermarkets for about \$0.90. The actual cost impact of the minimum wage increase is far less than the \$25 to \$40 million subsidy that is being requested and is a cost increase that could be offset if the American Samoa-based tuna processor were prepared to change its operating methods—like Bumble Bee has done—to become more cost competitive.

Another issue to be highlighted is that it is estimated that about 80% of the workers at the StarKist tuna processing facility are not citizens of American Samoa. Most of the workers come from the neighboring island of Samoa and a substantial portion of their wages are sent back home to their families. In effect, much of the \$25 to \$40 million subsidy being requested for American Samoa's tuna processing industry would not benefit American Samoans at all—rather it would benefit inhabitants of the neighboring island of Samoa.

To appreciate the potential lethal impact of the bill on Bumble Bee's domestic operations, it is important to understand the global nature of the canned tuna market. Canned tuna is a global commodity traded in all the major world markets and the industry is extremely competitive. U.S. tuna companies must compete with companies in low-wage countries who benefit from lower production costs as they are not required to adhere to the food safety, employee safety, regulatory, environmental and conservation measures required of companies operating in the U.S. Some pay hourly wages as low as \$0.50 an hour. Based on these global competitive realities, U.S.-based tuna processors have been forced to adapt the way they do business in order to survive and retain U.S. manufacturing jobs, such as we have done in Puerto Rico and California.

Today, successful U.S. tuna canneries undertake the initial labor intensive cleaning of fish (loining) in areas closer to the fishing grounds and then ship the cleaned frozen tuna (loins) back to the U.S. for canning. Canning is the most sensitive step in the processing cycle in terms of food safety and quality and retaining this capacity in the U.S. helps to ensure a safe and high quality product. Having our fish cleaned and loined outside the U.S. has allowed Bumble Bee to continue to pay excellent wages to our plant workers in the U.S. as demonstrated earlier. While we would prefer to undertake all of the fish cleaning and loining in our U.S. facilities, it simply isn't feasible if we are to remain economically competitive with foreign producers.

H.R. 3583 is built upon the false premise that the only solution for retaining a tuna processing sector in American Samoa is for U.S. taxpayers to subsidize a foreign owned private company that continues to utilize inefficient and uncompetitive processes. This, in addition to the fact that they already benefit from a minimum wage 31% below the federal minimum wage level, obtain preferential fish costs from vessels delivering to American Samoa, are eligible for duty-free importation to the U.S. and are exempt from many regulatory statutes required of companies operating in the U.S.

Imagine if the federal government adopted the approach of subsidizing uncompetitive businesses across our country. Are we prepared to subsidize every company that has a labor disadvantage versus Thailand or China and refuses to modify its business processes? I doubt such proposals would ever be considered by Congress. In today's global economy, companies must continuously improve their operating efficiencies and cost competitiveness if they are to survive. We cannot expect the U.S. tax payer to subsidize our inefficiencies.

Unfortunately, H.R. 3583 embodies the philosophy that the U.S. taxpayer is expected to bail out inefficient companies by creating a new \$25 million fisheries subsidy program that only benefits one private, foreign tuna processor, a processor who has shown no willingness to change other than to threaten to leave American Samoa if it does not receive at least \$25 million in U.S. taxpayer subsidies.

I note that none of the funds authorized by the bill are targeted for the people of American Samoa or the other private sector businesses. Furthermore, none of the funds are to be utilized to improve education, health care or develop new domestic industry. Despite the recent quote by the Congressman from American Samoa thanking Chairman Rahall for "moving quickly to hold a hearing on this important piece of legislation, which I introduced to create jobs and rebuild our economy", the reality is that the requested processor subsidy program is designed to benefit the Island's one remaining, foreign-owned, tuna processor and its factory workforce, 80% of who are not citizens of American Samoa.

Of concern is that the legislation includes no incentives for tuna processing companies on the Island to diversify, change their mode of operation or become competitive. To the contrary, the bill's processor subsidy is only provided to companies that process whole tuna delivered directly to American Samoa. In other words, the bill actually prevents innovation by requiring that subsidy recipients continue to operate in a manner proven to be unsuccessful in today's global economy. What's equally concerning is that the subsidy level is increased annually by an amount equal to the percentage increase in the federal minimum wage in Samoa. In sum, the sole tuna processor currently operating in American Samoa is guaranteed increased subsidy payments (as the minimum wage increases to U.S. federal minimum wage levels) without having to make any changes to become more efficient or competitive.

The competitive advantage provided to the American Samoa-based tuna processor through this new subsidy program is so great that it could force Bumble Bee, and most likely Chicken of the Sea, to downsize or even close our domestic U.S. operations. More than 1,000 U.S. processing jobs in those canneries could be lost, along with an equal number of jobs in related support industries—all of whom currently adhere to (or exceed) U.S. minimum wage requirements. As a private U.S. company, we simply cannot compete against an American Samoa producer who pays no import duties, receives significant federal subsidies and does not absorb the cost of federal minimum wage requirements.

Passage of H.R. 3583 would also have damaging international trade ramifications. The direct payment of incentives by the United States to process tuna in American Samoa would be viewed by our international competitors as a "specific subsidy" actionable under the General Agreement on Trade and Tariffs ("GATT"). This would invite the imposition of countervailing duties by our customer countries on all U.S. tuna exports (not just those from the subsidized company), because of its distortion of international trade. As mentioned previously, tuna is a very competitive international market that is sensitive to any force that distorts the market.

We risk damaging our entire domestic industry by subsidizing one Korean owned company.

The reality is that for the tuna industry in American Samoa to survive, it must adapt its business processes like the rest of the U.S. tuna processing and fishing sectors have been forced to do. While this may result in the loss of cannery jobs, it won't necessarily affect American Samoan jobs since about 80% of the tuna industry work force is not from American Samoa. Furthermore, it does not need to result in any less production from the canneries (in terms of cases of tuna produced) if new operating strategies are adopted. By adapting to changing global business dynamics, the American Samoa tuna industry can regain its competitive cost position and can retain high levels of employment. Asking the U.S. taxpayer to provide annual subsidies in excess of \$25 million is not the answer.

A further concern is that none of the monies being requested in this subsidy provide for the long-term growth or development of the American Samoa economy. Clearly the location of American Samoa in the south Pacific Ocean makes economic development difficult and the long-term ability to remain competitive against low cost foreign tuna processors is questionable. Accordingly, support for American Samoa should be to improve education and offer incentives for the development of new, more sophisticated growth industries that create new jobs and improve the quality of life of American Samoans. Guam provides a great example of how an island nation can prosper by working to win government contracts, expand tourism and develop local industry. Without a focus on new industry development, American Samoa will not have an economy capable of supporting its population a generation from now.

Lastly, I would like to direct a comment to the people of American Samoa. As an organization and as part of the global tuna industry, Bumble Bee shares a strong affinity and deep concern for the islands and the people of American Samoa in the aftermath of the recent tragedy. We operate in many remote global locations and can appreciate the great losses suffered by so many and the challenges that they will face as they rebuild. As a demonstration of our support for the people of the islands, our Company and employees have made a donation of \$100,000 in cash and food to assist in the rebuilding effort.

In closing, it is our expectation that ASPIRE will not receive support from this sub-committee. The bill:

- Would only benefit one, foreign owned tuna processor in American Samoa
- Includes a \$25 to \$40 million price tag that is not justified nor supported
- Includes an escalation cause that will allow the subsidy to increase annually
- Includes no provision for performance improvement by the American Samoa tuna processor and actually provides a disincentive for process and cost improvement
- Provides significant benefits to foreign workers who are not from American Samoa
- Does nothing to improve education or health care and provides no incentive to develop new industry or new jobs
- Potentially destroys domestic tuna processing operations in California, Georgia and Puerto Rico
- Would have damaging international trade ramifications
- Sets a dangerous precedent that U.S. tax payers should be responsible for bailing out uncompetitive business operators

Based on my more than 20 years of experience in the tuna industry, I believe American Samoa can remain a major player in the global tuna industry so long as it is willing to change. Creating a new \$25 to \$40 million fisheries subsidy program for one Korean-owned company in American Samoa to retain non-competitive business practices—to the detriment of all the other U.S. companies involved in the tuna business—is not the answer.

Along with my testimony, I submitted a document to the Subcommittee to provide additional information on the background of the tuna industry. It illustrates the global reach of the tuna industry and the importance of tuna to the U.S. market.

Thank you, Madame Chairwoman, for inviting me here today to share my views with the Subcommittee. I trust I have demonstrated the detrimental effects H.R. 3583 would have on the U.S. tuna processing industry and why Members of this Subcommittee should not support it. Rather we encourage you to seek more effective ways to support and diversify the economy of American Samoa and I would be pleased to assist you in that endeavor.

Ms. BORDALLO. And now I would like to call on Mr. Joe Hamby, Managing Director of the Tri Marine Global Tuna Supply Company.

**STATEMENT OF JOE HAMBY, MANAGING DIRECTOR,
TRI MARINE GLOBAL TUNA SUPPLY**

Mr. HAMBY. Good afternoon. Thank you, Madam Chair, Chairperson, Ranking Member, and members of the Committee. Thank you for inviting me to testify today.

This legislation provides an excellent opportunity for Congress to define public policy regarding the U.S. tuna industry and, should Congress choose to support it, to save American Samoa's private-sector economy, as well as to increase the relevance of the United States in the global tuna industry, particularly in regard to issues of sustainability and resource management.

My name is Joe Hamby. I am from San Pedro, California. San Pedro was the tuna capital of the world in the 1950s and 1960s, but times have changed. All those canneries have closed, and the business has moved from there. They moved because the costs of production in San Pedro was higher than competing sources of canned tuna supplying. First it was Puerto Rico, then American Samoa; now it is Thailand. There is no mystery. It is cheaper to buy imported canned tuna or import tuna loins and can it in the United States than to produce it in American Samoa.

When I was a kid growing up in San Pedro and people lost their cannery jobs, people like my father, there was anxiety, but there was also hope that they could find jobs in other industries. That is not the case in American Samoa. Samoa is part of a hugely diversified Southern California economy. American Samoa has only 2 main resources: a deepwater harbor and canneries located not far from productive fishing grounds. There is talk about diversifying the territory's economy, but, without the resources, it is going to be difficult.

The company I work for is one of the largest tuna supply companies in the world. And, as the person in charge of our global tuna supply business, I have the opportunity to study and understand comparative delivered costs of tuna products produced all over the world for every major tuna market.

I am a Stanford MBA, and I love quantitative analysis almost as much as watching Stanford beat USC in football. Our experience and our knowledge of the global tuna industry tells us that, without some action by Congress, action that changes the current tuna paradigm with respect to the U.S. market, the tuna industry in American Samoa will not survive.

I don't intend to talk about the minimum wage. It is obvious that the higher your labor costs relative to your competitors, the harder it is for you to compete, especially when your competitor enjoys advantages in packaging, utility, and other manufacturing costs.

Something has to level the playing field. Historically, duty and raw material supply advantages have helped to keep the American Samoa tuna processing industry competitive. However, there is no significant duty on cooked and cleaned tuna loins. Chicken of the Sea will replace the production from its closed plants in American

Samoa with production from a more automated plant in Georgia that uses loins instead of whole round tuna.

If it is cheaper to supply the U.S. market with canned tuna made from loins—and cheap is the target—then there is no need for the tuna processing plants in American Samoa. And there is no demand from those tuna processing plants for the U.S.-flag fishing boats that are based in American Samoa.

I spend a lot of time traveling in the South Pacific, and I can tell you that there has been a major shift in the politics there. The attitudes of the parties to the Nauru Agreement countries have changed. They see tuna as one of their only available resources, and they are going to force a change in the current practice of selling access—I am talking about fishing access—for a small percentage of the value of the catch and allowing distant water fishing nations to send all the tuna to Bangkok for processing.

Now is not the time to abandon American Samoa. Maintaining American Samoa as a large-scale tuna processing center makes the U.S. a major stakeholder in the changing tuna world and strengthens and enhances its role in the South Pacific. Without the tuna processing industry in American Samoa, the United States will likely lose its seat as a relevant party around the table that decides future tuna conservation policy.

Tuna is a global industry driven by the economics of business. The economics, however, are determined by government policies. I urge to you provide U.S. public policy that will make it economical for the tuna industry to remain a leading and vital part of the American Samoan economy and providing the U.S. with a strong position for future advocacy in the international debate regarding tuna conservation and management. Adopting the ASPIRE legislation will do just that.

Thank you for the opportunity to talk about this important matter.

[The prepared statement of Mr. Hamby follows:]

**Statement of Joe Hamby, Managing Director, Global Tuna Supply,
Tri Marine International**

Thank you Chairwoman Bordallo, Ranking Member Brown, and Members of the Subcommittee for inviting me to discuss the American Samoa Protection of Industry, Resources, and Employment (“ASPIRE”) Act. And thank you Congressman Faleomavaega for the timely introduction of this legislation. It provides an excellent opportunity for Congress to define public policy regarding the U.S. tuna industry and, should Congress choose to support it, to save American Samoa’s private sector economy as well as increase the relevance of the United States in the global tuna industry, particularly in regard to issues of sustainability and resource management.

The ASPIRE Act ensures that American Samoa will continue to be a large scale tuna processing center employing thousands of workers and a vibrant support base for U.S. flag tuna boats fishing in the world’s most abundant tuna fishing grounds—the tropical waters of the Western and Central Pacific Ocean.

About Tri Marine

Tri Marine is one of the largest tuna supply companies in the world handling about 600,000 tons of tuna annually, about 20% of the global trade in tuna for the canning industry. It is headquartered in Bellevue, Washington and has offices and operating companies in 14 countries around the world. It owns, operates, and/or contracts fishing boats and processing plants to serve the global tuna industry including the major brands of tuna in the U.S.

I am a first generation American. My grandfather emigrated from the island of Brac in present day Croatia to this great country when my mom was a young girl.

He became a tuna fisherman in San Pedro, California where I was born and raised. In the 50's and 60's San Pedro was the tuna capital of the world with 14 canneries employing over 10,000 workers. While my grandfather would fish, my grandmother would clean tuna in the canneries working for the minimum wage. I was fortunate and received a good education, including a MBA from Sanford. Today, I am the Group Managing Director of Tri Marine's Global Tuna Supply business. I have worked for Tri Marine for over 20 years.

A large part of Tri Marine's business is identifying optimum supply chain solutions for our customers. Everyone wants the low cost, but least risky source of supply. This requires that we understand the dynamics of costing each major source of production for every major market. It is this knowledge of the global tuna market upon which I am basing this testimony.

Then and Now

Today tuna is no longer packed in San Pedro. The industry left in search of lower cost sources of supply. What happened in San Pedro is also happening in American Samoa. Chicken of the Sea closed its tuna plant there because they believe that by doing so they could lower their cost of doing business.

We know that tuna is a global business and if cost reduction to achieve international competitiveness is the goal, then I can understand why Chicken of the Sea made the decision to close their plant and send 2,000 workers home. This change in their business practice makes a lot of economic sense for them, but not necessarily for American Samoa.

Frankly, I would not be surprised if StarKist followed their economic nose and also decided to leave American Samoa. While that would be tragic for American Samoa, unless Congress changes the playing field, that is what the numbers say will happen.

Import Duty

Tuna is a global industry with fishing, processing and trade flows driven by economic results. Of course, the economics are a function of policies. Fishing access agreements and import duties play significant roles in determining where tuna is caught and processed for the world tuna markets. The European Union, for example, imposes a 24% duty on imports of canned tuna and tuna loins. Much of the processed tuna imports into the E.U. come from countries that have been granted duty exemptions under different programs and/or treaties.

By comparison the U.S. duty is only 6 to 12.5% for most of the canned tuna imports, and it is virtually zero on cooked and cleaned tuna loins. American Samoa competes not only with canned tuna, but also with tuna loins processed in countries where labor is much cheaper than the U.S. As long as there is negligible duty on cooked and cleaned tuna loins, this policy supports the export of the labor intensive part of the tuna canning process.

Tuna canned in American Samoa is obviously not subject to import duty. This duty advantage is an important part of the economics of canning tuna in American Samoa.

Access to Fishing Grounds

Access to the Western and Central Pacific fishing grounds for the U.S. tuna purse seiner fleet is provided by the Multilateral Treaty on Fisheries between the U.S. and certain Pacific island countries. Without this treaty the U.S. tuna purse seiner fleet would have limited access to the Western and Central Pacific fishing grounds and it would probably be substantially smaller in number. In the recent past we have seen a rapid growth of the U.S. tuna purse seiner fleet operating under the Multilateral Treaty. In fact, in 2006 there were only 12 boats operating under that Treaty. In 2009 there are 39. This rapid growth of the U.S. fleet and its relevance to American Samoa is explained later in this testimony. What is important to notice right now is that the U.S. policy to maintain duty on canned tuna imports and to provide the Multilateral Treaty for fishing access for the U.S. fleet has had a substantial impact on the tuna industry and, in particular, on the canning tuna industry in American Samoa.

Sustainability of the Tuna Resource

There is growing concern regarding the sustainability of the world's tuna resources. People often ask me if tuna is being overfished. They don't know if they should feel good about eating tuna for its excellent nutritional value or avoid eating tuna because it may be being fished in an unsustainable manner. As you may know, tuna fishing in all oceans is managed by regional fisheries management organizations (RFMO's). For the Western and Central Pacific, the U.S. is a signatory to the Convention on the Conservation and Management of Highly Migratory Fish Stocks.

This Convention ensures management of the tuna fishery in accordance with the 1982 United Nations Convention on the Law of the Sea and the 1995 UN Fish Stocks Agreement. It establishes a Commission or RFMO for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean. The Convention Area includes the waters around American Samoa.

As a Member of the Western and Central Pacific Fisheries Commission (WCPFC), the U.S. has the opportunity to participate in the management of the tuna fishery and to address and advocate the sustainability of the tuna resource. The relevance of the U.S. in the WCPFC was being threatened, however, by the decline in the U.S. flag purse seiner fleet.

In its annual report to Congress on the Distant Water Tuna Fleet a.k.a. U.S. Purse Seine Fleet of March 2009 the U.S. Coast Guard reported that the fleet had declined from 39 vessels in 1998 to only 14 vessels in 2006. Of these 14 vessels only 12 were fishing under the aforementioned Multilateral Treaty.

This is confirmed by the U.S. 2007 annual report to the WCPFC which states:

Resolution on the Reduction of Overcapacity (Res. 2005-02)

In 1999, a total of 38 U.S. purse seine vessels were licensed to fish under the South Pacific Tuna Treaty. In 1999, the fleet total hold capacity was approximately 45,000 mt. The current (2006) 12-vessel fleet total hold capacity is approximately 15,500 mt. No new vessels entered the fleet from 1999 through 2006. Most vessels leaving the Treaty have been sold and are no longer flagged by the United States. They are believed to be fishing in the eastern tropical Pacific Ocean.

With the reduction in the size of its fleet, the U.S. was no longer one of the leading tuna fishing countries operating in the Western and Central Pacific. The U.S. was becoming less relevant and there was concern that we would lose the opportunity to powerfully influence debates and policy formation regarding fishery management issues.

Increasing Aspirations of Pacific Island Countries

During this time when the U.S. was becoming less important in this fishery, the countries that are Parties to the Nauru Agreement (PNA) were increasing their demand to participate more equitably in the economic benefits of the tuna industry. They argue that the tuna caught in their exclusive economic zones (EEZ's) belongs to them and they are no longer going to be satisfied with receiving an access fee as their share in the value of the fishery.

More than half of the tuna supply for the global canned tuna industry comes from the Western and Central Pacific and about 60% of this is caught in the EEZ's of the PNA countries (Nauru, Palau, Federated States of Micronesia, Republic of Marshall Islands, Solomon Islands, Tuvalu, Kiribati and Papua New Guinea). They are an important subset of the Pacific Islands States that are parties to the Multilateral Treaty with the U.S. This treaty is currently under renegotiation.

The PNA countries have changed their policy relating to fishing access. They are now focused on economic development, not access fees. They are using restricted access to negotiate commitments from fishing companies to develop their domestic fishing and fish processing industries. Essentially, they are saying, "If you want to fish in our waters, you must help develop our economies". Their governments are changing the model. This is a good example of how sovereign rights and the will of policy makers dictate the best business practice.

The U.S. Multilateral Treaty in its current form does not restrict access to the boats fishing under it. This is contrary to the PNA's new policy which limits the number of days each boat would be allowed to fish (Fishing Day Scheme). It is mainly for this reason that the U.S. purse seine fleet grew rapidly since 2006. Boats could enter the fishery and fish without limitation under the U.S. Treaty.

Conflicts with PNA Countries

Of the 25 boats that were added to the U.S. fleet during the past 3 years, 17 of them were built in Taiwan since 2002. Not one of these 17 boats has ever called at American Samoa even though all but one of them lists Pago Pago, American Samoa as their home port. These boats transship their catch to refrigerated carriers in ports near the fishing grounds. While this may optimize the economics of the fishing operation, it certainly does not help the American Samoa economy. Additionally, one may wonder whether the newly built, highly productive, boats which remain in the fishing grounds and transship all the time are putting undue pressure on the resource, complicating conservation efforts, not to mention frustrating the development aspirations of small island states.

The PNA view is that the U.S. fleet is using fishing days that could otherwise be used by the PNA countries in negotiating for the development of their own econo-

mies. Due to this conflict with the PNA's new policy, there is considerable risk that the Treaty may not be renewed in its current form. In a world of limited access, the PNA countries will prioritize fishing access to countries or fishing companies willing to support their economic development, including construction and operation of tuna processing facilities and may require that all or part of the catch be processed in these island based plants. The PNA do not care if the cost of processing tuna in their island based economies is more expensive than elsewhere.

Direct Delivery of Tuna to American Samoa

This is analogous to the situation now faced by American Samoa except that the U.S. government policy of supporting a large U.S. purse seiner fleet by providing a Treaty for fishing access does not help American Samoa unless the boats call at American Samoa. As it is, the U.S. fishing fleets have no incentive to unload at American Samoa. The cost of navigating from the fishing grounds all the way to Pago Pago and back again to the fishing grounds is a huge disincentive. The ASPIRE legislation fixes this.

While Tri Marine is supportive of the proposed ASPIRE legislation, I would like to point out that we do not particularly favor the penalties provided in the Bill against those boats that do not directly deliver their catch to American Samoa. I believe that the incentive provided in the ASPIRE legislation is a sufficient stimulus for the vessels to call at American Samoa for unloading. There should be no need to penalize boat owners in order to motivate them.

The boats that transship typically catch an additional 60% or more fish than the purse seiners that deliver their catch directly to Pago Pago. Boats that transship earn more revenue, have a lower cost of catch and use more fishing days than those that deliver their catch directly to American Samoa.

As this legislation will reduce transshipment operations and increase the number of direct deliveries to American Samoa, there will be a reduction in fishing effort and catch by the U.S. purse seine fleet operating in the Western and Central Pacific.

Multiplier Effect

The boats delivering their catches to American Samoa will need locally provided stevedoring, repair, supplies, logistics, and other services. This is an important component of the economic stimulus being provided by this legislation.

The change in the operating methodology from transshipping to direct delivery would resonate with the PNA and other Pacific island countries as they would see that the fish being caught by U.S. boats is being processed in American Samoa resulting in job creation for the people of American Samoa and other islanders living and working in American Samoa.

This is a key element to the ASPIRE legislation. The processing of whole round tuna in American Samoa is labor intensive, and it is an integral part of the tuna canning process while it drives the majority of the economic benefits created by tuna processing. Importantly, there would be no need for the fishing boats to call American Samoa if the tuna processing plants there cannot handle whole round fish.

Making American Samoa Competitive

The ASPIRE legislation will make the canneries in American Samoa competitive with other major sources of canned tuna for the U.S. market. As American Samoa would be one of the low cost sources of supply for the U.S. market, we would expect that there will be substantial demand from U.S. buyers for all available processing capacity. In this regard we estimate that the existing installed capacity of the two tuna plants in American Samoa is approximately 1,000 tons per day, or 250,000 tons per year.

Currently, the tuna plant in American Samoa owned by Chicken of the Sea is idle. If the ASPIRE legislation is approved, we expect that that plant will soon be back in operation and it will resume purchasing fish from the U.S. purse seiner fleet calling at Pago Pago. The plant would make its production capacity available for the market, and it will be the U.S. market, not one company, and not just the American Samoa economy that will benefit from ASPIRE.

I also believe that this realignment in the policy of the U.S. to support the American Samoan economy will have a positive effect on the renegotiation of the Multilateral Treaty. The U.S. fleet will need fewer fishing days and the PNA and other Treaty countries will see that the U.S. is sensitive to the need to support the island economies. Maintaining the Multilateral Treaty and a strong U.S. fleet will ensure that the U.S. will have an important voice in the management of the Western and Central Pacific fisheries.

Tuna is a global industry and is driven by the economics of the business. The economics, however, are determined by government policies. I urge you to provide U.S.

public policy that will make it economical for the tuna industry to remain a leading and vital part of the American Samoan economy and providing the U.S. with a strong position for future advocacy in the international debate regarding tuna conservation and management. Adopting the ASPIRE legislation will do just that.

Thank you for the opportunity to testify on this important topic.

Ms. BORDALLO. I thank you, Mr. Hamby.

And now I would like to recognize Mr. James Walsh, Legal Counsel of the South Pacific Tuna Corporation.

**STATEMENT OF JAMES P. WALSH, LEGAL COUNSEL,
SOUTH PACIFIC TUNA CORPORATION**

Mr. WALSH. Thank you, Madam Chair, members of the Committee.

I first must apologize that I am a former Senate staffer. I hope you will welcome me with kindness. I have been involved with the tuna industry and with ocean policy and fishery policy in this country since 1972 when I went to work for Senator Warren Magnuson.

I am currently a lawyer, a business lawyer, and a litigator, and I have practiced law out in the Pacific for the last 10 years. And I have represented the tuna industry perhaps for 28 years.

I only have a few points, so I will just offer my testimony for the record. And let me begin with the first point.

First of all, the term “level playing field” is a cliché. It doesn’t apply in this case. There is a level playing field, and that is there are fishery resources in the Pacific, there are canning facilities at some location, and there is a canned tuna market. The players are on the field. This legislation changes the rules. Stanford wouldn’t have beaten USC if the rules had changed.

The boats that I represent—14, plus seven additional; I represent the majority—they see no purpose in saying, “You must go to deliver your 300,000 tons of tuna to a plant that might only take 100,000 tons of tuna, and it may already have contracts in place for 60,000 tons of tuna.” Imagine, if you would, the StarKist plant with 39 boats lined up in a row, waiting to offload. Imagine the monopolistic power of the processing facility who says, “You want to move up in the line? You might want to drop your price.”

That is one of the big problems with this legislation, is that I can tell you, in my time looking at fishery policy, I have never seen anything so unusual as this proposal.

One could argue that it is in the national interest that we create processing facilities from tuna caught in our waters. These are not tuna caught in our waters. This is tuna caught in foreign waters pursuant to a treaty, sitting side by side, foreign flag, long line and purse seiner vessels, who are just as efficient as we are. They didn’t used to be, but they are now.

So what has happened is the fleet has gone, from the time I have seen it, from 139 vessels to 11 or 12, back to 39. And it is because we provided for the ability to compete in the world market, accepting the level playing field we all have to face, but making sure that we can play by rules that we work by.

The social engineering that is tried here is certainly, because of the circumstances of American Samoa, heartfelt and deserving. It is a wonderful place. But the fact is that my clients would be pe-

nalized if they didn't go there. You would be taxing Peter to pay Paul, even though they are in the same game.

We urge you not to pass this legislation. I suggest that there must be another way. It seems to me that, drawing on my experience as a former deputy administrator of NOAA, I would look at this as a territorial policy issue, not as a commercial policy issue, not as a foreign policy issue, but as a territorial policy issue.

And it seems to me there have to be ways to help American Samoa deal with their problems without asking, forcing a large number of vessels to go to a fixed market which may go away tomorrow and you still have to pay the fees. There is no club here to keep StarKist there; they could leave tomorrow. And my clients would have to break all their contracts for delivering tuna at other locations and would then hope that they could deliver.

As a litigating lawyer—and I currently am handling some major legislation on the West Coast involving the ground fish fishery—I look at this litigation from the litigators' standpoint. And it seems to me that this is filled with the kinds of things that you could bring to a Federal judge.

The basic fundamental rule of American legislation is, basically, all you need is a rational basis to regulate economically. This seems—and most legislation involving fisheries doesn't, but this legislation is one of those where I would have a very good argument before a Federal judge to say, "There is no rational basis why the boat owners, who doesn't catch fish in the United States, who don't deliver this port, who have no contract, should be penalized with a fee and a tax."

Thank you very much for your time.

[The prepared statement of Mr. Walsh follows:]

**Statement of James P. Walsh, Davis Wright Tremaine LLP,
on behalf of South Pacific Tuna Corporation**

Chairwoman Madeleine Bordallo, Ranking Member Henry Brown, and Members of the Subcommittee:

My name is James P. Walsh and I am a partner in the law firm of Davis Wright Tremaine LLP, in its San Francisco, California Office. I am appearing today on behalf of the South Pacific Tuna Corporation (SPTC), based in San Diego, California, which manages a fleet of 14 U.S.-flag tuna purse seine vessels that operate in the Pacific Ocean pursuant to licenses issued under the South Pacific Tuna Treaty (the "Treaty"), representing 36% of the entire U.S. fleet operating under the Treaty. Our firm has assisted SPTC since its formation in 2007. SPTC appreciates the opportunity to appear today and express its views on H.R. 3583, the American Samoa Protection of Industry, Resources, and Employment Act, or ASPIRE. In addition, I have been authorized by Tradition Mariner LLC of Tampa, Florida, which operates 5 U.S. flag vessels under the Treaty, to state that they are in support of SPTC's testimony.

The provisions of the proposed bill, if enacted in present form, would have a direct and profound effect on the SPTC fleet by increasing the cost of operations, without any concomitant benefit to the fleet, thereby making the fleet's tuna harvests less competitive in the world market. In essence, H.R. 3583 attempts to legislate markets rather than letting cost, price and efficiency be the guide to where fish harvests are landed. At the same time, the bill lacks any real forward-looking incentive for landing the SPTC fleet's catches in American Samoa. The meager "landing" subsidy (\$100 per metric ton for SPTC vessels) provided for in the bill is not an attractive incentive for SPTC vessels, given the cost of "direct delivery" of tuna catches to American Samoa from distant fishing grounds where the vessels fish. The ocean area covered by the Treaty exceeds 10 million square miles and SPTC vessels operate in ocean areas far from American Samoa. Legislation such as H.R. 3583 also cannot provide any guarantee that SPTC vessels would realize the proposed subsidy because the price paid to our vessels would likely be discounted by the processor.

Moreover, the processing capacity currently operating on American Samoa is quite limited. SPTC has no marketing agreement with the processing company still operating there, so our vessels—unlike other U.S.-flag and Korean-flag vessels—have no market in American Samoa.

In my testimony today, I will (1) provide some general background about the Treaty and the SPTC fleet, including where the fleet currently lands its fish catches; (2) place the proposed legislation in the context of the ever-changing and highly competitive business of catching and landing tuna in the Pacific Ocean; and (3) address the specifics of the bill and indicate the reasons why SPTC must oppose the legislation. In summary, H.R. 3583 is misguided public policy. The bill lacks an understanding of fundamental market economics, the global nature of the tuna fishery, and the competitive realities in which U.S. companies and vessels must operate. The bill was written in a manner that unfairly favors one processor and one segment of the U.S. fleet over their competitors.

The South Pacific Tuna Treaty

A license issued pursuant to the South Pacific Tuna Treaty is the essential ticket to the SPTC's fleet operations in the Pacific Ocean. Without it, U.S. tuna vessels would probably not operate at all in the region. Entered into first in 1988, the Treaty has just been renewed for the third time. The parties to the Treaty are: Australia, the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, the Marshall Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, the United States, and Vanuatu. The Treaty will continue in force until June 1, 2013, unless renewed again.

According to a 2008 NOAA Report, the U.S. purse seine fishery in the region accounted for 79% of the total U.S. catch of highly migratory species in 2007. The estimated value of this catch in 2008 was in excess of \$200 million. For the Subcommittee's reference, attached as Exhibit 1 is a chart (Figure 1) showing the geographic distribution of the U.S. purse seine effort in 2007. It should be noted that the prime fishing grounds of the U.S. fleet are thousands of miles distant from American Samoa. Furthermore, it should also be understood that the SPTC fleet is not eligible to fish in U.S. navigable waters or the U.S. Exclusive Economic Zone (EEZ), including around American Samoa. Fishing by the fleet may only occur in the waters open to tuna purse seining under the Treaty or in waters of the high seas, outside the 200-mile EEZ of any nation.

The Treaty includes an obligation by the United States to provide \$18 million annually to the Pacific Island nations that subscribed to its terms, through an Economic Assistance Program. In addition, the U.S. industry provides other payments to these nations, based on licensing arrangements and the price of fish caught, that total approximately \$5.7 million. For this year, each of the 14 vessels in SPTC's fleet paid a Treaty license fee to the Pacific Island nations of \$130,000. Each vessel is also obligated to comply with strict conservation and management measures, monitoring requirements (including observers on vessels), regular fishing data reporting, and full-time vessel monitoring using a satellite-based system. In addition, each vessel is subject to U.S. licensing and ocean resource management regulations. The treaty area in question is a major source of tuna that is used for the world canned tuna market. Access to the fishing grounds in the Treaty area is essential to the U.S. tuna industry, in particular to the SPTC fleet.

General Background on the SPTC Fleet

As noted by other witnesses, the United States Government, the Pacific Island Treaty nations, and the U.S. tuna industry became quite concerned when the number of U.S. flag tuna purse seine vessels operating under the Treaty began to decline earlier in this decade. Competition with foreign-flag fleets is intense and the U.S. fleet, which had started out in 1988 with 50 Treaty licenses available and in use, dwindled to as few as 11 vessels in 2005. As in many other industries competing in the global market, U.S. vessels had to figure out a way to reduce operating costs in order to remain competitive and the SPTC fleet is trying to do that.

Each vessel in SPTC's fleet is documented under 46 U.S.C. §§ 12103 and 12111 (registry) of the Vessel Documentation Act and not under § 12113, which provides for fishery endorsements that are general licenses to fish in U.S. waters. Consequently, all of the tuna purse seine vessels in the SPTC fleet are owned by American companies in which U.S. citizens own 51% of the interests. The remainder of the equity investment is provided by foreign investors.

Today, the overall U.S. fleet operating under the Treaty consists of 39 vessels, but by agreement cannot exceed 40. The Treaty nations have been discussing further limitations on fishing opportunities through something called the "Vessel Day Scheme", which would allocate a limited number of days for fishing under the Tre-

ty to licensed vessels. Obviously, the existing Treaty system is subject to change, with potential new limits on fishing opportunities that will bring new competitive challenges.

Over the last several years, as part of the international cooperation fostered by the Treaty, the U.S. fleet has been developing business networks in the Pacific Island Treaty nations, including the following ports and nations: Majuro, Republic of the Marshall Islands; Rabual, Papua New Guinea; Kiribati; Pohnpei, Federated States of Micronesia, Palau; Honiara, Solomon Islands; Vanuatu; and Papeete, Tahiti. The transshipping arrangements in these countries have been essential to the overall success of the Treaty.

The Impact of H.R. 3583, ASPIRE, on the SPTC Fleet

SPTC has great sympathy for the current plight of those who live on American Samoa because of the recent tsunami. For many years, representatives of the U.S. tuna fleet have had close personal bonds with the people of American Samoa and its Congressional leaders. We would like to do more to help. However, given the powerful economic forces of the world economy, with more changes on the horizon, SPTC has no choice but to strongly oppose H.R. 3583.

The difficulties facing the tuna canneries on American Samoa also appear to stem from economic forces affecting their ability to compete in the world market, including a high minimum wage requirement relative to other global processing locations. The Findings section of the bill focuses on the shore-side processing component of the industry and admits that the U.S. tuna fleet no longer directly delivers to American Samoa. What the Findings fail to recognize is that using a U.S. tuna purse seine vessel as a transport for its own catch over long distances just to deliver to American Samoa makes no economic sense. Fishing time is at a premium and using SPTC's vessels for both fishing and transport would take the vessel off the fishing grounds for long periods of unproductive time. SPTC estimates that the cost (lost fishing time and fuel) of making a single vessel delivery to American Samoa under the bill would be prohibitive and make SPTC vessels non-competitive in the world market.

Despite the economic realities in the tuna business, H.R. 3583 proposes a system of fees, taxes, and subsidies to either lure (or force) the U.S. tuna fleet operating under the Treaty to deliver their catches to American Samoa. First, in Section 3, each of SPTC's fleet would have to pay a new \$250,000 fee to the United States Government for the benefit of economic development in American Samoa. This annual fee is nearly double the license fee currently being paid under the Treaty. The fee would be waived if a vessel makes not less than three deliveries per year to shore-side processors in American Samoa. This fee would be applied regardless of whether the SPTC's fleet had any nexus to, or did business in, American Samoa. Second, the SPTC's fleet would be subject to a punitive tax of 6.25 percent per metric ton of fish delivered if a vessel "delivers tuna to another vessel or other location for the purposes of transshipment." The proposed language in the bill amending 48 U.S.C. § 1469d(d) with respect to the 6.25 percent fee is confusing because the words "ad valorem" are not included. But the intent appears to be a tax on the value of a metric ton, not the weight. All of SPTC's vessels currently make such transshipment deliveries. Finally, if the SPTC's fleet decides to deliver to shore-side processors in American Samoa, the fixed \$250,000 fee and the ad valorem tax of 6.25 percent per metric ton would be waived and, for each ton so delivered, a subsidy of \$100 per metric ton would be paid.

Our conclusion is that a main purpose of the fees and taxes in H.R. 3583 is simply to generate a fund to offset the cost of providing a subsidy to the only processing plant still operating in American Samoa. Further evidence for this conclusion is the fact that the longline fleet based in Hawaii is also subject to the bill's system of fees and taxes. That fleet has never delivered to American Samoa and probably never will, regardless of any incentives for "direct delivery."

The only currently operating tuna processing plant on American Samoa is owned by the StarKist Seafoods, a wholly-owned subsidiary of Dong Won, a Korean company. That company's capacity for processing round light meat tuna is estimated at around 100,000 tons per year. It would be the only market for deliveries of tuna under H.R. 3583. The current yearly harvesting capacity of the entire U.S. fleet operating under the Treaty is approximately 300,000 tons per year. Thus, this stark mismatch between the market for accepting deliveries (or demand for raw fish) and the mandated direct deliveries (or the supply of raw fish) created by the bill makes the entire theory of the legislation irrational. Moreover, there is no requirement that the Starkist plant should remain open or that the mandated fees and taxes should expire if the plant closes. Finally, the only plant in town would surely be able to

dictate price to those vessels that must make "direct delivery" in order to avoid the fees and taxes of H.R. 3583.

Therefore, because of inadequate capacity for processing and the possibility of no processing capacity, H.R. 3583 would serve only to pressure all, or a substantial part, of the U.S. fleet to land their catches at American Samoa simply for transshipment to a processing plant located somewhere else in the world. Moreover, the bill would also provide monopolistic pricing power to the only processing plant on American Samoa relative to those who must make direct deliveries, assuming any capacity is available.

SPTC does not believe that the measures in H.R. 3583 can effectively (and artificially) create a shore-side processing industry in American Samoa. If there is no such industry in American Samoa, or if bill is unexpectedly successful but only at maintaining a limited capacity, H.R. 3583 is written in such a way that the SPTC fleet would still be hit with punitive fees. Our client's business simply cannot withstand these kinds of government-ordered fees and remain competitive. Moreover, the subsidy of \$100 that would apply to SPTC's vessels is so low as to be a meaningless carrot in light of the cost of using a purse seine vessel as a transport and the associated loss of fishing time. Therefore, SPTC believes that the bill, as written, would not achieve its objectives and would punish important segments of the U.S. tuna fleet.

We believe there is a host of other legal problems with the proposal, in particular the possible treatment of the program by other countries under international trade laws. For example, would the subsidies for direct delivery of fish be grounds for anti-dumping measures by other countries? Anti-dumping laws allow for other nations to impose trade restrictions or duties to offset government subsidies to a particular industry. We have not investigated these issues in detail but suggest that they should be examined before any action is taken on H.R. 3583.

Finally, while this Subcommittee is properly concerned about policies toward the Territory of American Samoa, it must be kept in mind that the purpose of the South Pacific Tuna Treaty is to benefit the United States as a nation, including all of its interests, particularly its foreign policy interests with respect to the Pacific Island nations that are party to the Treaty. Enacting H.R. 3583 for the purpose of helping American Samoa would quite likely result in the transfer and reflagging of the U.S. fleet, thereby undercutting an essential commitment of the United States in the Treaty to provide payment of vessel permit fees to the Pacific Island nations.

In conclusion, we urge the sponsor of the bill to look to other ways to assist American Samoa that would not be so deeply harmful to the U.S. tuna fleet.

I would now be pleased to try to any questions the Subcommittee may have.

Ms. BORDALLO. I thank you, Mr. Walsh, for your testimony before the Committee.

And now I would like to recognize Ms. Diana Furchtgott-Roth, Senior Fellow and Director, Center for Employment Policy, Hudson Institute.

**STATEMENT OF DIANA FURCHTGOTT-ROTH, SENIOR FELLOW
AND DIRECTOR, CENTER FOR EMPLOYMENT POLICY,
HUDSON INSTITUTE**

Ms. FURCHTGOTT-ROTH. Thank you very much. I would like permission to submit my written testimony for the record and just summarize it.

And, before I start, I just wanted to clarify for the record, Mr. Faleomavaega said that I was a naïve think-tank economist. I want to say for the record, I am a senior fellow at the Hudson Institute. From 2003 to 2005, I was chief economist at the U.S. Department of Labor. From 2001 to 2003, I served as chief of staff of the Council of Economic Advisors at the White House. I have also served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush and an economist on the Council of Economic Advisors of President Ronald Reagan.

I would like to say that ASPIRE has very good intentions, but there is a simpler way to fix the problem: Allow American Samoa to set its own minimum wage.

The island is having economic problems because our government has doubled, or more than doubled, wages in a 2-year period, beginning in 2007. If Congress passed a law that said that my salary was doubled as a senior fellow at the Hudson Institute, I can assure you I would not have my job tomorrow. Hudson Institute would not pay twice my wage level.

And that is what is happening to workers in American Samoa. Chicken of the Sea closed. StarKist is perhaps thinking of leaving. Other workers are also affected.

In 2007, the American Samoa Governor, Governor Tulafono, who was testifying here before, stated that increasing the minimum wage would kill the economy. And Mr. Faleomavaega said that it would devastate the local tuna industry.

Last May, I spoke to Representative Vaito'a Hans A. Langkilde of the Ma'oputasi District 10, which represents the villages of Leloaloe, Satala, and Atu'u, whose district is home to both StarKist and Chicken of the Sea until Chicken of the Sea left.

Mr. Langkilde told me, "Over the past 50 years, the industry provided massive job opportunities for unskilled labor. The 2007 law that increased the minimum wage was the beginning of the end for the tuna industry and the cause of massive job losses for our already fragile economy. The only way to resolve the trend toward total economic disaster is for Congress, at its soonest opportunity, to reverse its position and either exempt American Samoa from the American minimum wage or to allow it to set its own minimum wage."

ASPIRE does not solve this problem. It encourages only certain tuna processes and shippers without the development of any other industry. U.S. Government funding doesn't provide any certainty because another Congress could just withdraw it. It costs \$25 million at a time when we have deficits here.

There are plenty of countries with low wage rates that have built up their economies to be very successful, such as Hong Kong, China, Singapore, to name just a few. If these countries had had the U.S. minimum wage imposed on them, they would probably not be in the successful position that they are now.

American Samoa needs to move beyond tuna canning and a one-industry economy and explore other industries. You asked for concrete suggestions, and, Madam Chairman, I have a concrete suggestion for you.

One idea is to develop community colleges in American Samoa to train nurses and other health care workers to work in the United States. The education in the health care sector is the only one in the United States that has been creating jobs month after month here in the United States during the recession. Many hospitals have a shortage of the nurses and health care workers. American Samoa could become the educational hub of the region, with community colleges to train nurse and other health care workers.

If Congress could facilitate immigration from American Samoa for these graduates of the community colleges into the United States to be placed in jobs, this might be a real possibility for an

educational opportunity, to help American Samoa develop its educational industry as a substitute or a parallel with the tuna canning industry.

Thank you very much for allowing me to appear before you today.

[The prepared statement of Ms. Furchtgott-Roth follows:]

Statement of Diana Furchtgott-Roth, Senior Fellow, Hudson Institute

Chairman, Members of the Committee, I am honored to be invited to testify before your Committee today on the subject of The American Samoa Protection of Industry, Resources, and Employment Act, known as the ASPIRE Act, H.R. 3583. Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush and an economist on the Council of Economic Advisers under President Ronald Reagan.

We think that our economy here in the United States is in poor shape, but American Samoa's economy is doing even worse. In 2005, the latest data available, before the increase in minimum wage, the unemployment rate stood at 30 percent, according to the Department of Interior's Office of Insular Affairs. The ASPIRE Act clearly identifies the cause of the problem. In Section 2 (a) (4), the bill states:

"Due to low-wage labor rates of 0.60 cents and less per hour for tuna cannery workers in competing countries, increased transportation and energy costs, decreased volumes of direct-delivered fish to American Samoa, recent Federal minimum wage policy changes that have resulted in mandatory annual wage increases, heavy foreign competition for United States market share in the tuna industry, and a number of other issues, one of American Samoa's tuna canneries has announced that it will shut down by September 2009. This closure will result in job loss for nearly 40 percent of the territory's private sector employees, as well as increased energy, shipping, and food costs for the remaining businesses and public entities because the canneries help subsidize the costs of these industries."

In response, the ASPIRE Act seeks to pay tuna shippers and processors in American Samoa amounts ranging from \$100 to \$200 per metric ton in order to persuade the canneries to stay open and shippers to continue to use the island.

This is the wrong approach. It does not address the fundamental issue—that Congress has priced American Samoan labor too high to be globally competitive. It is a poor use of funds, at the time when the United States has one of the largest deficits in history. It makes American Samoa dependent on federal grants for the existence of its economy, and future Congresses could easily cut back on the grants. Rather than the ASPIRE Act, Congress should exempt American Samoa from the U.S. minimum wage and allow it to set its own wages to attract businesses.

Over two years ago, in January 2007, the House of Representatives initially exempted American Samoa from the increase in the hourly minimum wage to \$7.25, but then the bill was changed.

In 2007 the legislation originally did not include American Samoa, perhaps because Del Monte, at the time the parent company of StarKist, was headquartered in Speaker Nancy Pelosi's district. Until then, the Labor Department had set wage rates in American Samoa every two years, following an extensive study on economic conditions on the island. But before final passage, Congress included American Samoa.

There should have been general rejoicing in American Samoa on hearing that everyone would get a raise. But not so. American Samoa Governor Togiola Tulafono stated that increasing the minimum wage "would kill the economy" and Congressional Samoan Delegate Eni F.H. Faleomavaega said that it would devastate the local tuna industry.

A quick look at American Samoan local wage rates in 2007 tells us why the increase in the minimum wage was so damaging. Back then, the hourly minimum wage for fish canning and processing was \$3.76. The minimum wage for government employees, who undoubtedly have an easier job than tuna canners, was \$3.41. Shipping had the highest minimum wage, at \$4.59. Garment manufacturers had the lowest, at \$3.18 an hour.

Fans of minimum wage increases say the increases have no effect on the economy or on jobs, but American Samoans are smarter. In 2007 they knew that industries would go elsewhere if they had to pay \$7.35 an hour. With higher unemployment

in American Samoa, the U.S. taxpayer would be called upon to come to the rescue. It did not make sense, and it still does not make sense.

Fast forward to 2009. There is no better illustration of the consequences of well-intentioned policy-making than recent events in American Samoa. In May, Chicken of the Sea, the tuna company, announced that it would close its canning plant in American Samoa in September.

Chicken of the Sea laid off more than 2,000 employees—12 percent of total employment, almost half of all cannery workers. The 2,700 workers at StarKist, the other American Samoa tuna canning company and Chicken of the Sea's rival, are probably concerned that their jobs are the next to go.

American Samoa lost not only the 2,000 jobs at the Chicken of the Sea canning plant, but also secondary jobs from the ripple effect of loss of income—stores and eateries that cater to cannery workers, shops that mend fishing nets, shipyards, and buses that transport workers.

American Samoa's loss is Georgia's gain. Chicken of the Sea will move to Lyons, Georgia, (2007 population 4,480) employing 200 people in a new \$20 million plant on a more capital-intensive production line.

Last May I spoke to Representative Vaito'a Hans A. Langkilde of the Ma'oputasi District #10, representing the villages of Leloaloe, Satala and Atu'u, whose district is home to both StarKist and Chicken of the Sea.

Mr. Lankilde told me, "Over the past 50 years the industry provided massive job opportunities for unskilled labor. The 2007 law that increased the minimum wage was the beginning of the end for the tuna industry and the cause of massive job losses for our already fragile economy. The only way to resolve the trend towards total economic disaster is for Congress at its soonest opportunity to reverse its position."

Furthermore, with the United States facing a deficit, it does not make sense to spend taxpayers' money subsidizing tuna production in American Samoa. The approximate cost of more than \$25 million per year could be more usefully spent elsewhere.

A grant given by one Congress could easily be withdrawn by the next. Hence, the ASPIRE Act would not provide permanent security either for the tuna industry or for the island, because it could vanish in the future.

Besides, the grant just helps the tuna industry. The goal should be for American Samoa to diversify its economy. Other types of companies, such as call centers or community colleges to train nurses, could conceivably locate in American Samoa and help the economy. These companies will not choose American Samoa if its wage levels are artificially high. Rather, they will choose some other location.

Rather than having to accept direction from a government thousands of miles away where they have no voting representation, residents of American Samoa should be given the power to decide on their own minimum wage. It makes no sense for Congress to insist on a minimum wage that is far above the competitive wage in the area, and drive business away from the local economy.

Thank you for allowing me to testify today. I will be glad to answer any questions.

Ms. BORDALLO. I thank you, Ms. Diana Furchtgott-Roth, for your testimony.

And now for our final witness on the second panel, Mr. Renato Curto, President of Cape Fisheries.

**STATEMENT OF RENATO CURTO, PRESIDENT,
CAPE FISHERIES, LLC**

Mr. CURTO. Madam Chair, members of the Subcommittee, I had to change "good afternoon" to "good evening," so good evening. And thank you very much for allowing me to appear before you today to present my testimony in connection with this hearing of H.R. 3583, ASPIRE.

My name is Renato Curto, and I am testifying in my capacity as President of Cape Fisheries Holdings, LLC, owner and operator of a fleet of eight large United States flag tuna purse seiner vessels based in American Samoa.

I support ASPIRE because it offers a concrete and meaningful way to guarantee the survival of that same tuna industry that has

provided for many years for the livelihood of thousands of families in American Samoa.

I also support ASPIRE as I consider it a means for the United States of America to continue to participate and to maintain its leadership role in those international fora which deal with matters so important as the protection of the environment, the conservation of a well-balanced marine ecosystem, and the sustainability of the fishing resources.

American Samoa is the base for our fleet. Almost everything the boats need is sourced there. Besides our office, we have a warehouse where we store supplies, spares, and other necessities for our vessels. We purchase in American Samoa everything that is available there, from fuel to lubes, to salt, provisions, parts, et cetera. We use local mechanics to assist our own team of port engineers, and the local shops take care of the repairs that are needed. To unload the vessels, we need local stevedores. Our people and our crews use the local establishments, including bars and restaurants.

In sum, it is not just what the vessels do for themselves, but there are a lot of induced benefits to the local economy for the simple fact that we are there. If we leave, all those additional benefits will be lost for American Samoa.

The presence of Chicken of the Sea and StarKist in American Samoa has been the main reason for the United States tuna fleet to be based in Pago Pago. It would probably make no economic sense for United States boats to cull American Samoa if they did not have the opportunity of delivering their catches directly to the canneries there. If no canneries will remain in American Samoa, we will probably change our operation and become Taiwanese style, and we will establish our base somewhere else in the South Pacific, closer to the fishing grounds.

Our method of operation is much different from the method used by other fleets operating in the western and central Pacific Ocean, mainly Taiwanese, Chinese, and Korean. Those vessels remain on the fishing grounds for as long as a full year, sometimes more. And as soon as the vessels are full, they transship their catches regularly on refrigerated carriers utilizing ports that are close to where they are fishing, thus maximizing their fishing efficiency and their volumes of catches.

While the information on the catches landing in American Samoa by the American Samoa-based fleet is readily available to anyone, we do not have information on the actual volume of catches of these other fleets. But based on some numbers that we have been able to access unofficially, we estimate that their average catch is close to double the average catch of the American Samoa-based fleets.

I personally believe, as an American, in the right of Americans to conduct their business in any way that is legally permitted to do. The incentive that the H.R. 3583 is considering is not to help the canneries or the fleet; it is to help American Samoa.

There is undeniable evidence that the vessels based in American Samoa are burdened with additional operating costs and are, in general, less productive than the foreign-based fleets operating in the same general area. The difference, again, is operating style. To mitigate the higher costs of operating out of American Samoa, the

vessels need the grants proposed in H.R. 3583. And I am thankful to Congressman Faleomavaega for proposing that.

The grants will not cause an increase in catch. On the contrary, they will produce less catch, while they would be better managed and more controllable. The vessels cannot continue to operate in American Samoa if the canneries are gone. The canneries need to receive grants in order to be able to compete with the cheaper products coming from overseas. And they also need vessels to deliver fish to them on a regular basis. Two canneries, of course, is better than one, because the vessels always need options. We hope that someone will take over the cannery left vacant by Chicken of the Sea.

By the way, if there are no canneries, there will no longer be the large container vessels that bring the cans back to the United States from Pago Pago and go back to Pago Pago empty and, therefore, have a chance to bring to American Samoa all the things that they need at a very reasonable cost. Everything in American Samoa will become more expensive, and it would be tragic for that to happen while most of the island population would be unemployed.

I do support ASPIRE, but I would like to work with Congress to see if an amendment to the tax bill can be made to eliminate the fees and penalties. We believe in the freedom of the entrepreneurs to choose how they operate. If everybody gets a fair chance to make use of these grants and there are no penalties for those who choose to operate away from American Samoa, there is no reason why any American would not want to support the great people of American Samoa.

ASPIRE is the right step in the right direction.

Ms. BORDALLO. Excuse me—

Mr. CURTO. I don't know if American Samoa should diversify its economy by attracting other activities. I only know the tuna business. And I know that, within our tuna industry, we have a concrete chance to make a difference by saving jobs that have just been lost and creating new ones. I am talking about thousands.

[The prepared statement of Mr. Curto follows:]

Statement of Renato Curto, President, Cape Fisheries Holdings, LLC

Chairwoman Bordallo, Ranking Member Brown, Members of the Subcommittee on Insular Affairs, Oceans and Wildlife, good afternoon, and thank you for allowing me to appear before you today to present my testimony in connection with this Hearing on the American Samoa Protection of Industry, Resources and Employment Act, H.R. 3583 (ASPIRE).

My name is Renato Curto and I am testifying in my capacity as President of Cape Fisheries Holdings LLC, owner and operator of a fleet of 8 large U.S.-flag purse seine tuna vessels based in American Samoa (F/V Cape Breton, F/V Cape Cod, F/V Cape Elizabeth, F/V Cape Ferrat, F/V Cape Finisterre, F/V Cape Hatteras, F/V Cape May, and F/V Cape San Lucas). I am the majority owner of our fleet.

I support ASPIRE because it offers a concrete and meaningful way to guarantee the survival of that same tuna industry that has provided for many years for the livelihood of thousands of families in American Samoa. I also support ASPIRE as I consider it a means for the United States of America to continue to participate and to maintain its leadership role in those international fora which deal with matters so important as the protection of the environment, the conservation of a well balanced marine eco-system and the sustainability of the fishing resources.

Background

I was born and raised in Rome, Italy in 1944. After graduating at the University of Rome in Economics and Commerce and after serving the Italian army for 18 months, I worked in Arthur Andersen for 3 years before I was contacted by a major Italian Tuna manufacturer and brand. My journey in the Tuna World started in 1973, when I left my country and moved to Mexico to manage a tuna fishing joint venture for my employer.

In 1979, from Mexico, I moved to San Pedro, California, to help start a tuna trading company, named Tri Marine International Inc. Tri Marine is today one of the largest tuna trading companies in the world. In addition to being President of Cape Fisheries Holdings, I am now the majority shareholder and Chairman of the Tri Marine Group of Companies.

The establishment of our company in San Pedro was an easy choice: together with San Diego, it was, at the time, the center of the U.S. Tuna Industry. We thought it would be a good idea to be in the proximity of the major tuna processors and brands in order to better cater to their needs.

I became a U.S. resident in 1980. In 1985 I was offered the opportunity to acquire Tri Marine together with my partners in a management buyout. This was a major step in my life. I was finally embracing my "American Dream", which culminated in the year 2001 when I proudly became a U.S. citizen, and I was finally in a position to fulfill my aspiration of also being a U.S. boat owner. In May of that year we concluded the purchase of a tuna fleet of 8 vessels.

During my 36 years of active work in the tuna industry, I directly participated in the ownership and management of companies operating in different areas, from fishing, to trading, to processing, to marketing, including a joint venture ownership in 1996 of the only remaining cannery in the Continental U.S., (Pan Pacific Fisheries) based in Terminal Island, California. A year later, in joint venture with the same partners, we acquired one of the three main U.S. brands of tuna: Chicken of the Sea. The two companies were merged one year later. In 2001 we sold our interest to the current owners, Thai Union.

I believe I can say that I have been able to acquire a fair knowledge of the U.S. tuna business.

Use of American Samoa as a Tuna Fishing Base

The presence of Chicken of the Sea and Star Kist in American Samoa has been the main reason for the U.S. tuna fleet to be based in Pago Pago. It would probably not make economic sense for the U.S. boats to call at American Samoa if they did not have the opportunity of delivering their catches directly to the canneries there.

The closure, on September 30th, of the Chicken of the Sea plant, has been reason for serious concern for all the boats based in American Samoa. The recent devastation caused by the tsunami has further demonstrated how difficult it is for the U.S. boats to operate efficiently if they do not have the possibility of a prompt unloading of their catch.

Besides the need to have good sales options for our fish, we have a number of logistical reasons for wanting to stay in American Samoa:

For one, we believe in the right of our crews to take a break after each fishing trip, to allow our U.S. fishing masters and captains to fly home and visit their families before starting a new trip.

We also have the need to take care of repairs and maintenance work to be done on our vessels. We need a place where we can consolidate the shipment of supplies, spare parts, fishing gears, electronic and mechanical equipment, and other materials that may be needed on board.

By using Samoa as a base, we also allow our fleet managers and our team of Samoa-based engineers and technicians, to go onboard our vessels, discuss any potential issues with the captains, deck bosses and chief engineer, make sure that the crews are fine and nobody got injured, and then undertake to properly outfit and supply the vessel for the next trip.

There is undeniable evidence that the vessels based in American Samoa are burdened with additional operating cost and are in general less productive than the foreign-based fleets operating in the same area: but the difference, again, is operating style.

Alternative Operating Method—Transshipment

Our method of operation is much different from the method used by other fleets operating in the Western and Central Pacific Ocean (mainly Taiwanese, Chinese and Korean). Those vessels remain on the fishing grounds for as long as a full year (sometimes even more). As soon as their vessels are full, they transship their catches regularly on refrigerated carriers, utilizing ports that are close to where

they are fishing, thus maximizing their fishing efficiency and their annual volume of catches.

While the information on the catches landed in Samoa by the Samoa-based fleets is readily available to anyone, we do not have information of the actual volume of catches of these other fleets, but, based on some numbers we have been able to access unofficially, we estimate that their average catch is close to double the average catch of the Samoa-based fleets.

I personally believe, as an American, in the right of Americans to conduct their businesses in any way that is legally permitted.

Why We Need ASPIRE To Be Enacted

For the reasons explained above, I am here today to request your support for the proposed ASPIRE legislation, H.R.3583.

At the same time, I would welcome the opportunity to work with Congress in order to find ways to eliminate the fees and penalties that the current text of the ASPIRE legislation is contemplating. I do not believe it is necessary to punish boat owners for choosing not to go to American Samoa to unload. I believe that the U.S. boat owners should be free to decide where to go fishing, where to unload their catches, and in which markets to sell their fish.

The Samoa-based vessels and canneries need an incentive in order to continue to operate there, and I believe that this incentive (in the form of a grant) should be made available to each and every one of the U.S.-flag tuna purse seiners operating in the Western Pacific under the South Pacific Tuna Treaty, and it should also be made available to each and every U.S. citizen who decides to own and/or operate a tuna cannery in American Samoa. This incentive is not for Star Kist. The proposed ASPIRE Act provides for the grants to be available to anyone. For example, Chicken of the Sea could come back to Pago Pago if the ASPIRE legislation is adopted, and Bumble Bee could very well establish their own canning operation in American Samoa if they see that it is a convenient location and there is enough economic incentive to do so. Our hope is that, in any event, someone would come up and take over the Chicken of the Sea Cannery: we all need more than one buyer for our tuna.

Chicken of the Sea closed their factory in Pago Pago and moved to Georgia, for valid business reasons that are consistent with what I am saying. In their new facility they will put in cans tuna loins that they can source from around the world at the cheapest available prices. Bumble Bee has been doing the same thing for many years already at their plant in Santa Fe Springs, California. It was their choice and their prerogative, not their obligation.

While Star Kist's situation may not be much different from that of Chicken of the Sea, for the time being, they are still in American Samoa processing raw tuna, although they have apparently downsized their workforce. Star Kist deserves a chance to survive in American Samoa and to be competitive with the canneries that produce and export cheap tuna to the U.S. We, as boat owners based in American Samoa welcome the decision of Star Kist to remain there, and we hope that the proposed ASPIRE legislation will be a sufficient incentive for Chicken of the Sea, Bumble Bee and/or others, to use American Samoa as their production headquarters, processing mainly raw tuna caught by U.S. flag purse seiners.

ASPIRE is the right step in the right direction. I don't know if American Samoa should diversify its economy by attracting other activities like tourism or high tech businesses or call centers, as I have heard for the past several months. I only know the tuna business and I know that, within our tuna industry, we have a concrete chance to make a difference by saving jobs that have just been lost and by creating new ones. I am talking about thousands of jobs, not hundreds.

If Star Kist were to decide to also abandon their canning operation in American Samoa, we would probably be forced to change our style of operation and do what most of the other fleets do: transship frequently, increase our volume and be competitive. Or, perhaps, we would sell our fleet to foreign interests. If the other Samoa-based boats think like me, the unfortunate result would be for American Samoa that their tuna industry, which has been providing thousands of jobs for the over half a century, will completely disappear. With it, a lot of other businesses, suppliers of goods and services to the tuna vessels and the carriers calling at Pago Pago, may be forced out of business, thus putting virtually all of the population of American Samoa out of a job.

And the large container ships which transport Star Kist and Chicken of the Sea canned tuna to the continental United States will no longer be available, on their empty return trips, to bring back to Samoa much of what the Island needs. The cost of fuel in American Samoa will most likely increase a lot due to the much reduced volume that will be required after the departure of the canneries and the fleet. The same would happen with a lot of other necessities for the Island that may be priced

on volume usage. The cost of living would dramatically increase for all the citizens of American Samoa while, at the same time, there would be the highest unemployment ever.

In summary, there is a symbiotic relationship between the boats based in American Samoa and American Samoa itself. Boats need American Samoa as much as the American Samoa economy needs the boats. The boats need services and supplies. More importantly, they need a market for their fish. If there are no canneries, or no buyers for their catch, the boats will lose the market for their fish. We cannot allow that to happen. And we cannot allow the American Samoa people to remain without a job.

I urge you consider the ASPIRE legislation as a means to accomplish the goal of keeping the tuna industry in American Samoa.

Thank you for your patience and for your allowing me to testify in support of this legislation.

Ms. BORDALLO. Thank you. Thank you very much, Mr. Curto.

Mr. CURTO. I apologize for being longer.

Ms. BORDALLO. That is all right. I do want to remind the witnesses that your full written statement will be entered into the record.

Mr. CURTO. Thanks.

Ms. BORDALLO. So we are just trying to hold on to time. We have lost a few more Members again because there are votes. But because we only vote in the Committee of the Whole, we still have the territories present here.

So I would like now to thank all of you, and we will recognize the members of the Subcommittee for any questions they may wish to ask. And we will begin with the author of the bill, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

And I do want to thank the members of the panel, representing their various interests as far as the U.S. tuna industry is concerned. Quite obvious, Madam Chair, we have quite diverse opinions, in terms of the issue.

And I would just say, with all the respect that I have in Mr. Binotto; Mr. Lischewski, whom I have known and respect his opinion as one of our great leaders and experts as far as the tuna industry is concerned. And, Mr. Renato, good to see you, as well.

Ms. Roth, I did not mean to suggest that you are not an economist. I was only saying you are being naïve in terms of how American Samoa ended up where we are, as far as the minimum wage has been. And I don't know how else to say that, for 50 years, I just think that our people have not been given the fair treatment, as far as proper wages. And here, again, it is an economic issue. And our friendly canneries have always been competing and cutting each other's throats in every way possible. And so it is true with the fishing fleet. So my problem is, how can I possibly bring our friendly tuna processors and our friendly tuna fleet to work together so that we can all mutually benefit?

And the problem that I wanted to share with you, StarKist is the only remaining cannery that I have left in the territory. And I would like to ask Mr. Binotto, do you see that you will also be doing the same thing that Chicken of the Sea and Bumble Bee is going to be doing, if there is no playing field given to your problems, just in terms of the price and the wages and the higher costs of living?

And, by the way, the minimum-wage issue is another issue in itself, but I just want to say: The wages are down, but the cost of living continues to go up. And my constituents are very concerned about that. But that is a different issue.

But I would just like to ask Mr. Binotto quickly, do you actually think that you are going to follow what Chicken of the Sea and Bumble Bee is doing now if nothing gets done to help our tuna industry in American Samoa?

Mr. BINOTTO. Good Congressman, as you probably know, StarKist was sold last October 6th, actually a year ago from now, a year and a little bit.

I can assure you right now, despite—well, we are a private company, not to share the financials that we have, but Del Monte didn't sell StarKist Seafood because they made a lot of money. Profitable companies don't get sold. That is just a fact.

And so, as you know, when I came onboard on October 6th and took a look at the financial situation of the StarKist business, it was really apparent that the company is having a very difficult time competing against low-wage countries and against those processors who have made, I believe—and it is not a criticism of what Bumble Bee and Chicken of the Sea have done—they made a logical choice, a logical economic choice, and that was to bring third manufacturing process onto the United States. But they do that by employing low-wage countries to do all the labor to process the fish.

We can do the same. It is not a secret. That is what the whole testimony was about today. I don't want to do that. We have been there for 50 years. The American Samoa people have built the brand and business. They are as largely responsible for the success of StarKist tuna as the management team is.

And I think, when you came to us with the bill that you sponsored, it offered us a solution, an opportunity. It wasn't picking out StarKist; it doesn't pick out just StarKist. It is saying, if you want to stay in American Samoa, we have an option for you to help you lower your costs so that you can compete not only against the domestic groups who made a very good, wise decision, but also against the low-wage countries that produce tuna much lower than we can.

I didn't come here to tell you the day that I was going to resign from American Samoa. That was not the purpose of this testimony. I don't want to do that. I want to come here to see if there is a way that we can stay.

But I can tell you personally, if you were to take a look at the financial statements that we have and the financial statements that we had last year, time is of dire—we are in dire straights right now. We need something to compete against low-wage countries.

I hope that helps answer the question.

Mr. FALCOMA. I appreciate that.

I will wait for the second round. Thank you, Madam Chair.

Ms. BORDALLO. I thank the gentleman from American Samoa. We will have a second round.

I would like to recognize the gentlelady from Virgin Islands, Ms. Christensen.

Mrs. CHRISTENSEN. Thank you. I am going to ask just one question, and then I will yield to the gentleman from American Samoa, if he would like.

I would also like to ask Mr. Binotto: Several of the people who have testified have made reference to the increase in the minimum wage in American Samoa. And I would like you to tell me how big a factor that is in the whole picture of all of the things that are going on.

Is the increase in the minimum wage a major factor that you think would cause your company to have to move?

Mr. BINOTTO. It would be silly to say it wasn't. The big issue is the gap. It is the gap between what we pay American Samoans and the wage that is being paid to those in lower-wage countries, which—

Mrs. CHRISTENSEN. But it is not specifically because we have raised the minimum wage in American Samoa, is it?

Mr. BINOTTO. The higher wages that we have in American Samoa is obviously a huge challenge for us to be profitable. It is without question.

Mrs. CHRISTENSEN. Sure, I understand that 70 cents an hour compared to \$5 an hour is a huge gap. But I did not think that the small increase that we have imposed on American Samoa had created the problem.

Mr. BINOTTO. Let me give you a quick number. I am an old CPA, so one number rolls through my head.

Next year, the next wage increase, we will go up to approximately to \$5.60 an hour. And you will understand, I hope, why I explained the gap. We are competing against countries that are being paid 50 to 60 cents. Every one of us testified to that number. If you were to take the 2,000 employees we basically have in American Samoa times 2,080 hours, times that gap, it is not a magical number; it comes up to \$23 million.

So I think you can quantify it very easily, to those who don't believe or understand the significance of it, it is important. Because let me state one last fact to it. Selling tuna in the United States—the reason why two competitors are here is because they know it is an extremely competitive business. I don't have an issue with them testifying to what they are saying, but I do want you all to understand: It is an extremely competitive situation.

We don't make \$2 a case on chunk light halves. On some of the businesses that we have, the margins are razor thin. Pennies then become extremely important. So, yes, higher wages, the example I just gave you which sites the \$23 million, I think you can start to understand how important it is, especially when this company was sold last year and it lost money. Just a fact. Those records are public.

Mrs. CHRISTENSEN. I would like to yield the rest of my time to the gentleman from American Samoa.

Mr. FALCOMA. I thank the gentlelady for yielding.

I just want to say to Mr. Sawyer, I have always held Chicken of the Sea with the highest regard. And, over the years, I thought we had a good working relationship.

But I want to note for the record, Madam Chair, that at no time did any of the Chicken of the Sea officials ever tell me that they

were very concerned about these issues and that there were any plans about leaving. They only told me the day that they leaving.

And I just went to say that I was very disappointed and saddened by the fact that I had hoped and thought that there would be some consultations or give us a warning bell or something to say that we have some serious problems here. You just stood up and left and just said goodbye. And I just want to say that there were no consultations with my office about your prior plans to leave at any time. And I just want to say that.

To my good friend, Mr. Lischewski, I have the utmost respect for you as a dear friend. And you know the industry as well as anyone here, with Mr. Binotto and others. And you know we had discussions about this issue.

And I wanted to ask you, what would be your suggestion in helping the tuna industry in American Samoa? I have no intention of wanting to hurt the workers in Puerto Rico or California or even in Georgia. My only intent is just try to figure how can we help the tuna industry.

Your suggestion about a grant to education and all this other stuff is nice and good, but I am looking at the reality. We have been dealing with this industry for 50 years, and we have the expertise, we have the ability to grind out or produce some \$40 billion worth of canned tuna that has been exported to the United States. I think that speaks well with the ability of the Samoan people to work diligently.

But I would like to ask your suggestions, how can we improve this bill?

Mr. LISCHEWSKI. Congressman, I don't know, in our opinion, if there is a way to improve the bill. I think you know that I am on record, and I would probably disagree with Mr. Binotto, that I believe it is up to the companies themselves to ensure that they are competitive.

We have never counted on the U.S. Government in a free-enterprise system to subsidize our business or make us competitive. We also used to have—

Mr. FALEOMAVAEGA. Well, let me just—you are saying—

Ms. BORDALLO. Let the witness finish.

Mr. LISCHEWSKI. We also, at a time, had 1,500 jobs in Puerto Rico. We had a lot of jobs in Hawaii. And based on the reality of the competitive environment we dealt with, we were forced to reduce those jobs. We have moved our loining offshore, as you have mentioned, but we have retained U.S. processing operations.

We believe American Samoa can continue to be extremely competitive without the benefit of subsidies if they were to move to a loining strategy. It is clearly a far lesser employment number than what you have today, but it retains an industry, it retains the can-making industry, it retains the shipping industry, it retains the infrastructure of American Samoa.

But giving an advantage, to the extent that you are talking about, the amount of dollars, gives our competitor, as Don mentioned, in an extremely competitive environment, an unfair competitive cost advantage which we just cannot survive.

Mr. FALCOMA. Well, I just wanted to say, Chris, that you are currently getting an \$18 million subsidy to help our fishing fleet to fish in the South Pacific island nations.

Now, that is perfectly OK to get a subsidy to do fishing, but it is not OK to get some kind of assistance to help the only tuna cannery left that we have that produces whole tuna and not just loins in the way that Chicken of the Sea and your company currently operates?

Mr. LISCHESKI. Again, I think you would have to speak with the State Department on the U.S. tuna treaty in the South Pacific. I would not characterize it as a subsidy. I would characterize it as U.S. Foreign policy in the South Pacific. It enables the entire U.S. tuna fleet—and that means any U.S. individual that wants to get in the tuna fishing fleet today that can get one of the limited licenses we have—gives them multilateral access to the fish grounds of 17 island nations.

The State Department has maintained that treaty for some time. And, again, I do believe they would consider it foreign trade—I mean, not foreign trade, but foreign policy rather than a subsidy.

Ms. BORDALLO. I thank the gentleman from American Samoa.

I would like to give an opportunity now to the gentleman from CNMI, Mr. Sablan.

Mr. SABLAN. I wasn't going to ask any questions, I was going to be nice, until Ms. Roth testified.

Truly, Ms. Roth, I don't know what planet you came from that lower wages make everyone successful.

But I will go to a—I come from a low-wage district. So, Mr. Walsh, if I may ask—and this is probably related to the question Eni just asked of Mr.—I will call you Chris. You testified that the U.S. Government should not subsidize the tuna processors. And I can't say you got this in the Senate, because, you know, I used to work there too. But yet the U.S. Government pays over \$450,000 annually to secure fishing rights for its U.S. tuna fishing boats while each boat pays \$75,000.

So, again, is it OK to subsidize your boats but not the processors, if I may?

Mr. WALSH. The question was intended for me and not for my colleague here.

Mr. SABLAN. Mr. Walsh, yes.

Mr. WALSH. I think the answer to the question is just exactly as Mr. Lischewski has answered it. When the U.S. tuna fleet had to depart the Eastern Tropical Pacific, there simply was not enough tuna available in U.S. waters to support the fleet. So we had to have an access agreement.

And it was very clear that, if we compared the licenses that had to be paid by other countries, Japan and Korea, it was very unlikely that our boats could compete. It is also true, quite frankly, that the islanders would prefer to deal with U.S. vessels, they would prefer to deal with the U.S. Government. And so, as a consequence—

Mr. SABLAN. Mr. Walsh, I only have 5 minutes.

Mr. WALSH. As a consequence, the State Department said there is a foreign policy reason for paying \$18 million. And that has been the case ever since the treaty was signed.

Mr. SABLAN. OK. So it is OK to subsidize the boat but not the processors. That must be the answer.

I was really was going to be nice until Ms. Roth testified. I am not talking to—you don't have to answer that, Ms. Roth.

Ms. FURCHTGOTT-ROTH. It is OK. I can answer any question you like.

Mr. SABLAN. Mr. Sawyer, Chicken of the Sea, we understand that you do not support the economic development—the proposal in ASPIRE. So what do we do with the people of American Samoa? Do we just walk away from them? Leave them no jobs and probably put them on food stamps and Medicaid for every Samoan who lives in American Samoa? What do we do with them?

Mr. SAWYER. Well, I think that we need to diversify—

Mr. SABLAN. They are Americans that go to work so that you and I can sit here and discuss, argue over this economic issue. What do we do with these people?

Mr. SAWYER. Re-educate them—

Mr. SABLAN. Oh, really?

Mr. SAWYER. When you specialize the economy, you need to diversify.

Mr. SABLAN. Right. Like having nursing home training there, like Ms. Roth suggested. Take people from the East Coast, send them there for nursing education, and then send them back after they get their degrees.

What do we do with them, truly, in the present reality?

Mr. SAWYER. I don't have a solution. I don't have a recommendation.

Mr. SABLAN. So we leave them alone. Thank you.

Ms. FURCHTGOTT-ROTH. Oh, I wasn't suggesting sending them from the East Coast.

Mr. SABLAN. It is my time.

Ms. FURCHTGOTT-ROTH. I was suggesting sending them from surrounding areas.

Mr. SABLAN. It is my time, please.

Chris, you said that you pay some of your workers as much as \$13 an hour. I would like to know some more about your workforce. How many workers get paid \$13 an hour? What do they do exactly? And where are they; are they outside the United States or in the United States?

Mr. LISCHEWSKI. In the United States. We have 220 workers in our canning operation in Santa Fe Springs, California. The average hourly wage is \$13.75. They are engaged in the canning of tuna.

Mr. SABLAN. And you still make money?

Mr. LISCHEWSKI. Yes, we do.

Mr. SABLAN. And you were paying your workers less in American Samoa.

Mr. LISCHEWSKI. Bumble Bee has never been in American Samoa.

Mr. SABLAN. All right. But, so, the canneries in American Samoa pay their workers less, and they are losing money also.

Mr. LISCHEWSKI. I can't speak for that.

Mr. SABLAN. All right. How much do you pay the workers who clean and process the fish into loins?

Mr. LISCHEWSKI. We don't have any operations involved in the cleaning of loins. We buy fish and the finished loins.

Mr. SABLAN. The finished loins. So those fish are—

Mr. LISCHEWSKI. I will tell you, to your question, while we are not involved and these are not our employees, the factory we operate in Fiji pays around \$2.80 an hour, and the factory in Trinidad around \$3.15 an hour. But, again, those are not our employees.

Mr. SABLAN. I understand that. So the finished product has no one, in your opinion, that process anything before they get to California, got paid \$13.25 an hour. Probably no American citizen.

Mr. LISCHEWSKI. I am not aware of anyone getting paid that rate to process round tuna.

Mr. SABLAN. All right. Thank you.

Madam Chair, thank you very much.

Ms. BORDALLO. I thank the gentleman from CNMI.

I have a few questions, and then we will end up with the author of the bill again, Mr. Faleomavaega. I am sure he has more questions.

All right. For Mr. Binotto, StarKist, what guarantees do we have that, even if this bill were to pass, that you wouldn't pull your operations out of American Samoa once the next minimum-wage increase kicks in?

Mr. BINOTTO. Madam Chair, one of the things I can tell you about—let me give you just a little bit of background and then I will answer your question specifically.

Historically, American Samoa, StarKist American Samoa, used to employ approximately anywhere from 2,400 to 2,600 employees annually—or at any one given time, excuse me. And, in the last several months, actually in the last 18 months, we have taken that employee count down from 2,500 people to less than 1,700, which it is today.

I will look you straight in the eye and I will assure you of one thing for sure. If ASPIRE was to get passed, we believe we would have an opportunity to bring it back to the historical levels. And if ASPIRE was to get passed, it would provide us at least the ability to go—as it is written today, it would give us the ability to go forward and stay into American Samoa through the foreseeable future.

Ms. BORDALLO. And if the next minimum-wage increase kicks in, would your company still—

Mr. BINOTTO. The way ASPIRE is written right now, it does have a wage escalation clause, which basically keeps the gap from us to the low-wage countries. That is why the importance of that clause is in there.

Ms. BORDALLO. All right.

Mr. BINOTTO. As long as that clause is in there, I can assure you we will stay in American Samoa through the foreseeable future.

Ms. BORDALLO. OK. The next question is, would you support a provision in the legislation that would require a minimum time commitment for any company which receives the subsidy?

Mr. BINOTTO. Absolutely.

Ms. BORDALLO. OK.

And then I have a question for Bumble Bee, Mr. Lischewski. One of the issues addressed in your testimony is that tuna processors

like Bumble Bee will not receive any of the proposed subsidies unless they operate in American Samoa. I heard that in your testimony.

Then why not simply open a plant in American Samoa?

Mr. LISCHEWSKI. I think the cost of opening a plant entails a very high cost of capital. Bumble Bee has made significant capital investments over the last 10 years to establish a processing network which includes the factories in Puerto Rico and California. Forcing us to pick up and move and build a new factory because of a government subsidy program we think is not part of the U.S. system.

Ms. BORDALLO. Mr. Sawyer, to follow up on a question that Mr. Faleomavaega asked, can you expound on your statement that you attempted, over the years, to work with the U.S. Federal Government to address the issues with operating in American Samoa but were ultimately unsuccessful? Did you make specific proposals, and can you recall what they were and what the responses were?

Mr. SAWYER. I, personally, was not involved in any of the discussions. In fact, I have never met the Governor that was here earlier or the congressman. And we have had a number of leadership changes.

However, my understanding is that our leadership team has diligently worked through both a American Samoa team as well as a U.S. Government. I do not have any recollection of what the details were related to those programs because I was not intimately involved with it.

Ms. BORDALLO. All right.

Then for Mr. Walsh, the ASPIRE legislation appears to be built on the premise that, if you charge the boats that don't currently deliver to American Samoa, they will change their behavior and encourage greater deliveries. Your testimony contends this won't be the case. Would you please expand on this point?

Mr. WALSH. Well, I think—let me make one point. I think all the boat representatives here today said that the additional fee and the taxes seem not to be sensible. The question then would be whether there would be sufficient enticement through the subsidy—and, for my clients, it would be \$100 a ton—to offset the issue of simply turning these fishing boats into transport vessels and cold storage facilities.

We just simply do not believe that that number, given the reality of the business of having to deliver, is going to come anywhere close to taking care of the extra cost of taking fishing vessels away from what they should be doing, which is fishing, and instead taking them into transport vessels.

I provided a map with my testimony, and it is a very stark indication of where the tuna fishing grounds are for the fleets. And they are a fair distance away from American Samoa. And they run all the way across, 10 degrees north, 10 degrees south. And that is where the good fishing is.

And they need to get their boats empty so they can go back to do what they are supposed to do, which is fishing. And this whole legislation would simply say, "We are going to make you into a transport vessels, and you may or may not break even with a subsidy."

Ms. BORDALLO. Thank you very much.

I will now refer to the author of the bill, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

I just want to make an observation. Ms. Roth, you had made a statement about a simple way to fix this is to allow American Samoa to set up their own minimum wages.

Well, I just want to share with you an experience. These are my Republican friends who have come up and complained to me and said, "Eni, why should American Samoa be treated differently from us?" If my district has got 19 percent unemployment—so why should American Samoa be treated with smaller wages than what our national government provides for both States as well as territories?

Ms. FURCHTGOTT-ROTH. Well, your Republican friends are wrong. Here, the U.S. Congress, our government, is putting American Samoa and its workers out of business. As I said before, if Congress said my salary should be doubled, had to be doubled, I would be fired tomorrow.

And if you just look at the example of teenagers in the United States, when the minimum wage here went up to \$7.25, unemployment hit 26 percent among American teenagers—

Mr. FALEOMAVAEGA. Reclaiming my time, Ms. Roth. And I see where you are driving at, but here is my concern. We went through the system under the auspices of the Department of Labor, and they came up with recommendations: 2-cents-an-hour increase in wages, 3-cents-an-hour increase in wages.

What can you possibly do with an increase in wages at 24 cents a day when the cost of living continues to go up? This is what my constituents complain to me about; the wages just are not commensurate with the cost of living. This has been the problem with us for all these years. And I just wanted to note that.

Mr. Walsh, you had indicated that there needs to be some kind of a more comprehensive foreign policy about the whole tuna industry, and I agree with you. But I think, to Mr. Lischewski, about this idea that it is OK to subsidize our tuna fishing fleet with \$18 million, but it is not all right to put some kind of a subsidy for our processors.

Now, in fairness, obviously, we have three of our main tuna processors here this afternoon having a totally different operation in terms of how this thing has now been done for the past 50 years.

Where we are now, would you recommend that StarKist should also leave and be part of the trend that we are to take advantage of the cheaper labor out there for gutting and processing the fish, rather than in a U.S. territory like American Samoa?

Mr. WALSH. I don't think I can give you any recommendation with regard to the processing facilities. I really don't. That is not my portfolio here today.

I do know that in other places in this country in fisheries policy, for example in Alaska, because they had a very large pollock resource, Congress, led by the Representatives of Alaska, said that 10 percent of all the pollock went to the native tribes in Alaska. Many of them had become multimillionaires as a result of it. It is considered a very wise public policy for the natives in that area. They have made great use of that.

And that is a good policy if you are dealing with your own fishery resource. But if you are not dealing with your own fishery resource, it is hard to say that people who catch fish overseas should pay a fee or a tax into a domestic program in the United States.

Mr. FALEOMAVAEGA. All right.

Mr. WALSH. If there is no \$18 million, you know what is going to happen better than anyone, Congressman. You work out there all the time. I have practiced law in Yap and Guam. There won't be any U.S. tuna fleet if there is no treaty like that.

Mr. FALEOMAVAEGA. Well, I will say that there is absolutely no question about the changes coming about from the Pacific island nations that. The Nauru Agreement that is now pending, where they are going to want to control the pricing of the tuna, the fish days, requirements are now being discussed.

Mr. Renato, thank you so much for coming. And I just wanted to ask you, did you think that your friends from the South Pacific Tuna Corporation, are they being truly disadvantaged with this offering in trying to bring our tuna fleet to help us revive the tuna industry in American Samoa?

Mr. CURTO. Congressman, I think I said in my testimony that I believe that the only part of your proposed legislation I would like to work on is the issue of the fees and the penalties.

The SPTC and our group, other boat owners that are not here today, belong to an association which is called the American Tuna-boat Association; and we share the meeting rooms and we share the same common problems that we have. So it is not pleasant to consider in the same group to say, OK, you are going to pay for me to get the subsidy.

So if the subsidies are eliminated, what I said is that I see no reason, without the subsidies and the fees, why any boat under U.S. flag would oppose this legislation.

Mr. FALEOMAVAEGA. I am sorry. My time is up, Madam Chair. Thank you.

Ms. BORDALLO. I thank the gentleman.

And returning from voting we have Grace Napolitano, the gentlelady from California. You are recognized.

Mrs. NAPOLITANO. Thank you, Madam Chair. I am sorry I missed, but then we had to run to the Floor and do our duty.

I am not sure what I missed while I was gone. I am sure there is a lot of other testimony that was presented, and I think a lot of it has already been asked.

One of the things that if the bill were to pass is, how do you believe—and this is for Mr. Lischewski—that would impact the jobs in my district, in your Santa Fe Springs cannery, and if you have any information about what it would do to Puerto Rico and the proposed plant in Georgia.

Mr. LISCHEWSKI. Speaking for Puerto Rico, it would clearly put us in a very strong position to leave Puerto Rico. And Santa Fe Springs would be absolutely borderline. We would really have to look at whether it makes sense to stay in the U.S. at all or move all of our operations offshore.

I can't speak for Georgia.

Mrs. NAPOLITANO. You have two tuna canning facilities in the U.S., and both pay higher than minimum, California paying the higher \$13 an hour.

Both receive loins. And I may add, and I think I mentioned to you before, when I visited the plant, that I have a son who worked in the seafood industry, so I have a little more knowledge about the loin issue. Both canneries receive loins that have been processed overseas to produce the finished product.

When did you first begin operating under this system? And is it cost competitive, and do you think this business model could succeed in American Samoa?

Mr. LISCHEWSKI. Bumble Bee first started into loining probably about 15 or 16 years ago and converted to a 100 percent loining operation around 2001. We believe it is a very competitive cost model. We believe it allows us to be cost competitive with imports from Southeast Asia, as demonstrated by our own profitability and our market share, and we believe it is something that can be replicated in American Samoa.

As you mentioned, we pay \$13.75 an hour average wage in California and \$7.75 in Puerto Rico; and again, those are all high-quality positions, very stable, year-round positions, and again it does give us a very competitive cost structure.

Mrs. NAPOLITANO. But you have been able to restructure, or your infrastructure has been updated and upgraded and otherwise made more efficient.

Mr. LISCHEWSKI. We continue to invest in high-speed technology, whether it is fillers, seamers, our whole labeling and packaging lines. So, you know, clearly we recognize that a solution for us in the global competitive environment that we operate in is not just to add jobs. We recognize that we live in a zero-inflation environment, so as labor rates go up, we need to offset that with increases in efficiency, and a lot of that is through capital spending in our facilities.

Mrs. NAPOLITANO. And you have been able to compete and still stay in business even though there is a marked difference between your operation and others' and the wages.

Mr. LISCHEWSKI. Yes, we have been able to show regular increase in profitability from year to year.

Mrs. NAPOLITANO. You also mention the need to understand the global nature of the canned tuna market. And are these factors, outside of the extremely low foreign hourly wages, that we should further understand?

Mr. LISCHEWSKI. Again, I think a couple of things.

You know, there are some trade factors that benefit American Samoa. Canneries from Thailand that we have talked about do benefit from significantly lower labor costs, but they also pay 12.5 percent import duty on their canned products into the U.S., which we would argue would offset part of the wage discrepancy. Tuna loins carry a very low import duty, and that is why we are able to run that model.

So, you know, there are trade factors that clearly have to be considered. Labor, by itself, is only about 10 percent of the product cost, so even when we talk about a 30 or 40 percent increase in

labor, again, the cost of our product is the fish and the cans; that is 65 to 70 percent of the product cost.

That is clearly one of the factors we focus on. And then import duties from non-U.S. countries make up another major cost component.

Mrs. NAPOLITANO. Thank you for your testimony.

And, Madam Chair, that is all the questions I have. But I do pledge to my colleague to sit and work with him on finding another suitable way to be able to help his area and help their economy. That is not a problem. It is just I don't want it at the expense of our U.S. jobs.

Thank you.

Ms. BORDALLO. I thank the gentlelady from California.

And now I would like to recognize for final questioning, the author of the bill, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. And I sincerely want to assure my good friend, the gentlelady from California, that this was never my intention, to put her constituents out of work.

The basis of what I am trying to figure out, and hopefully, that our friends from the tuna industry will be more constructive in their efforts in trying to see how we can best work this thing out to be helpful.

Mr. Binotto, I know you have been characterized as the sole beneficiary of this proposed bill, if it passes, and I just wanted for you to elaborate. Is this really to the benefit only of StarKist?

Because my whole effort was trying to, yes, to be helpful to you because of the cost factors but, at the same time, to invite other tuna canneries or processors also to participate in this effort—as well as our tuna fishing fleet to come and deliver whole fish to our canneries so that we can process and export it to the U.S., as we have done for all, how many, 50 years now.

Would you care to comment on that?

Mr. BINOTTO. Sure I would.

I have read the bill several times, Congressman. I don't recall anywhere in that bill that it stipulates the benefits were only allotted to StarKist Seafood.

The intent of the bill is very simple. It is to entice the boats to come back into the harbor, deliver fish direct to the processor, for the processors to take it and be able to process that fish so that it levels the economic playing field of us being able to process fish into loins at a similar cost of what is being done overseas by low-wage countries. That is as simple as it gets.

So, as far as it being designated only to StarKist, I don't think so. I think it is a matter of choice. There are other companies outside, there are companies that can make the same decision as we would to stay, to come to American Samoa and utilize the good island and its good resources that have both a U.S. license, U.S. boats, U.S. processors.

To me, it just makes some sense that we should have the ability to lure back the resources that are being drug away from us right now and being exploited by low-wage countries. The fish that we need to produce, I can't get.

I would like to correct one statement that our good friend, Mr. Walsh, has stated with regards to us not being able to utilize all

the fish that would come into there. Let me be very specific about that; it is a misleading fact.

There are 39 boats. And if those boats all fish in a transshipment method, it is, of course, being able to harvest 300,000 tons.

Now, if those 39 boats were to utilize the direct delivery method, that tonnage decreases in half. You know that. I know that. Those are facts.

We are not requesting all 39 boats to come in 100 percent of the time. We are only requesting them to come in three times. And, frankly, I can take all that tonnage tomorrow.

So excuse me for the emotion. It is not slated for just StarKist Seafood.

Mr. FALEOMAVAEGA. Is it also one of the problems, Mr. Binotto, in our tuna fishing activities that, in actuality, we produce—I mean, we process about 120,000 tons; but then the 180,000 tons that are being caught by our fishing fleet are sold to foreign countries?

Mr. BINOTTO. Exactly right.

Mr. FALEOMAVAEGA. Am I correct on this? I just wanted to make sure we are clear on the record.

Mr. BINOTTO. You are 100 percent correct.

Mr. FALEOMAVAEGA. Mr. Walsh, I don't mean to pick on you.

Mr. WALSH. That is all right. I was a Senate staffer. It is quite all right.

Mr. FALEOMAVAEGA. And God bless you for that.

I just wanted to say that—a little bit of history—as I recall, one of the reasons why our tuna fishing fleet had some very serious problems was because of this belief that because tuna was a highly migratory fish, they can fish anywhere they want to go.

Well, lo and behold, they came to the zones of Latin American countries and they took possession of our fishing boats. And they got away from the eastern Pacific; then they went to the south Pacific and what happened? The Jeanette Diana was confiscated by the Solomon Islands, and then the whole world was up, where Secretary Shultz had to say, We have to do something about this.

And this is how we got the tuna fishing treaty to help get the Pacific Island nations to work with us, allowing us to do the fishing grounds.

Now, our foreign policy is something that is a very good question. What really is the U.S. foreign policy toward the whole fishing industry? If we can make protective actions on our corn, our dairy products and our subsidies, can we also possibly do the same for the tuna?

Mr. Walsh.

Mr. WALSH. Well, there are a lot of questions there. And you and I probably should talk about this some time later on, because I can tell you about the fact that the U.S. tuna policy was put into the Magnuson-Stevens Act. I put it in the bill in order to exclude tuna; and then eventually, of course, we discovered that the rest of the world did not support us.

And it led to seizures. But the seizures began before then because they began in Peru; and thank God for John Negroponte, who got some of our boats out. So that goes even farther back.

But we should talk about this.

Mr. FALEOMAVAEGA. I know, because he was the one instrumental in doing the tuna treaty.

Thank you, Madam Chair. I want to thank all the members of our panel for taking the time from their busy schedule to come and give their expert testimony to this Subcommittee. Thank you.

Ms. BORDALLO. I thank the gentleman from American Samoa, the author of the bill.

And I do appreciate the witnesses for their participation in the hearing today. You spent many hours here, and I do appreciate it; and I am sure the members of the Committee also appreciate your testimonies. And remember that your full written statement will be entered into the record.

Members of the Subcommittee may have some additional questions for the witnesses, and we will ask you to respond to those in writing. The hearing record will be open for 10 days for any other information that witnesses or other interested parties would like to submit.

And if there is no further business before the Subcommittee, the Chairwoman again thanks the members of the Subcommittee and our witnesses. And the Subcommittee now stands adjourned.

[Whereupon, at 5:42 p.m., the Subcommittee was adjourned.]

