

STATEMENT OF THE HONORABLE ENI F.H. FALEOMAVAEGA
BEFORE THE SUBCOMMITTEE ON FISHERIES, WILDLIFE, OCEANS, AND INSULAR AFFAIRS
REGARDING THE IMPACT OF MINIMUM WAGE INCREASES IN AMERICAN SAMOA AND
THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

September 23, 2011

Mr. Chairman, Ranking Member:

The history of minimum wage in American Samoa is not pretty. It is a complex matter that is deserving of this hearing, and I thank you for honoring my request to hold a hearing on the GAO's 2011 report entitled 'Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began in American Samoa and the Commonwealth of the Northern Mariana Islands' and for inviting the Governors of both territories to testify.

For more than 50-years, American Samoa's private sector economy had been nearly 80% 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.

On September 30, 2009, one day after American Samoa was struck by a powerful earthquake which set off a tsunami that left untold damage and loss from which the Territory has not recovered, 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. 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 Lyons, Georgia some \$7.25 per hour, almost twice as much per hour as it ever paid Samoan workers.

Why does this matter? It matters because 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.

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, Chicken of the Sea's then parent 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 in American Samoa may not think this history matters, 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 that workers in American Samoa have been dealing with for 55 years. And over the years, local government leaders were always being pressured not to increase the wages of cannery workers, or else the companies would leave the territory. This is why when there were occasional wage increases they were as small as 2 cents or 3 cents per hour, even though since 1938 the Fair Labor Standards Act (FLSA) has applied to American Samoa.

After enactment of the FLSA, Industry Committees were established for American Samoa and other U.S. Territories for purposes of phasing low-wage industries in to the minimum statutory wage because the U.S. Congress believed that application of mainland minimum wage rates to territorial island industries would “*cause serious dislocation in some insular industries and curtail employment opportunities.*”

While Industry Committees were phased out in other U.S. Territories which eventually paid their workers in accordance with mainland wages, from 1956-2006 minimum wage rates in American Samoa continued to be determined by Special Industry Committees, and ASG is on record voting to accept whatever the management and lawyers for these canneries felt wages for our cannery workers and other low-wage earners should be.

I am on record as voting to increase the wages of our lowest-paid workers because I believe that a Samoan is entitled to the same pay from the same corporation if he/she does the same work as any other man or woman born in any other part of America. Senator Borah of Idaho said it best in the heat of the 1937 Fair Labor Standards debate. He said it was his view that “*whether North or South, East or West, there [is] a standard of American living, and we ought to recognize that and fix a minimum wage upon that basis.*”

Regrettably, ASG is on record, at least with the United Nations, in suggesting that the U.S. federal government over-stepped by increasing minimum wage in American Samoa. This is not the case. American Samoa was exempted from mainstream increases for a period of about 50 years. But when minimum wage was raised all across America in 2006, Congress determined that it was time to raise minimum wage in American Samoa and CNMI which were the only two remaining U.S. Territories which were not up to federal minimum wage standards.

For American Samoa, I supported a one-time increase of \$0.50 cents per hour because our lowest paid workers were barely making above \$3.00 per hour at the time. But because our cost of living is as high or higher than the mainland, minimum wage was increased by \$0.50 cents per hour for a period of three years until the U.S. Congress, at my request, stopped further increases until additional study could be undertaken, given that there were never any comprehensive reports issued regarding the overall

economy of the territory. I ask that a summary of my work on this issue be included for the record (see attachments).

Regarding minimum wage's impact on the tuna industry in American Samoa, I would refer the Subcommittee to a 2010 report issued by the U.S. Government Accountability Office (GAO) which clearly showed that before minimum wage ever went into effect, tuna canneries operating in American Samoa were already operating at about a \$7.5 million loss per year when compared to canneries, like Bumble Bee.

This is because Bumble Bee adopted a business model of outsourcing tuna preparation to cheap foreign labor and then bringing the almost finished product into small U.S. operations for final packaging. Chicken of the Sea followed suit by outsourcing Samoan jobs to Thailand where workers are paid about \$0.75 cents per hour. StarKist, which is the only remaining cannery that cleans whole fish in America, can no longer effectively compete against canneries like Bumble Bee and Chicken of the Sea which outsource American jobs.

On another point, when the South Pacific Tuna Treaty was first negotiated in 1987 it was negotiated for purposes of providing U.S. foreign assistance to the Pacific Island Parties while also providing a tangible benefit to the U.S. By the time the Treaty was renewed in 2002 until now, the U.S. provided the Pacific Island Parties about \$18 million annually in exchange for our U.S. tuna boats to fish in the Treaty area. The U.S. tuna boats also paid a collective, not individual, fixed rate of about \$3 million per year, and above that amount depending on the amount of fish caught and the value of it.

When the Treaty first went into effect, all three major brands of canned tuna in the U.S., including StarKist, Chicken of the Sea and Bumble Bee, purchased their tuna from U.S. tuna boats authorized to fish in the Treaty Area. These boats were 100% U.S. owned and the majority of U.S. boats also off-loaded their fish in American Samoa, i.e. a U.S. port. The fish was then cleaned in the U.S., including American Samoa which was home to the largest cannery in the world because of our close proximity to the fishing grounds.

Today, however, the majority of tuna boats (which are now 51% U.S.-49% Taiwan owned, like those of the South Pacific Tuna Corporation that includes investors from Bumble Bee and Chicken of the Sea) trans-ship the fish they catch in the Treaty Area to Thailand. Thailand then buys the tuna that comes out of the South Pacific Tuna Treaty Area and puts our workers out of jobs because Thailand's fish cleaners directly compete against workers in the U.S. who are paid in accordance with federal minimum wage laws.

So contrary to critics' assertions, the primary factor for the collapse of American Samoa's economy is not our wage rates but the wage rates of foreign countries as well as the shift in the way Bumble Bee and Chicken of the Sea and new tuna boats are doing business. Other factors that also impacted our tuna industry include higher fish costs, higher shipping costs, higher fuel costs, better local tax incentives offered by Lyons, Georgia and Thailand, and the global economic recession.

It should also be noted that a new cannery, Tri-Marine, one of the world's largest fish trading companies, chose to invest in our Territory knowing that American Samoa's wage rates have been increased by \$1.50 per hour which undercuts ASG's argument that minimum wage increases have collapsed our tuna industry or led to ASG's fiscal failure.

In its 2011 report, the GAO openly admits that *'it is difficult to distinguish between the effects of minimum wage increases and the effects of other factors, including the global recession beginning in 2009, fluctuations in energy prices, global trade liberalization.'* The GAO also reiterated that *'American*

Samoa had lower income and higher poverty rates than the mainland US” and found that the “average earnings of workers who maintained employment rose from 2006 to 2009, but available data show that the increase was not sufficient to overcome the increases in prices.’

ASG remained largely unaffected by minimum wage increases because most of its employees earned more than \$1.50 above the local minimum wage set for government workers in 2007, as the GAO stated.

American Samoa’s Current Economic Status

As for the current economic status of the American Samoa Government (ASG), the GAO reported that *‘local government spending exceeded revenues each year from 2005 to 2009.’* The GAO also showed that more than \$240.8 million has been made available for ASG by the U.S. Congress through the American Recovery and Reinvestment Act and that only \$61.6 million had been disbursed at the time of the report.

The GAO also noted that American Samoa has been designated as a *‘high-risk’ grantee* by the U.S. Department of the Interior as recommended by the Department’s Inspector General and GAO. The GAO further noted that *‘the office will remove this high-risk designation once the American Samoa Government demonstrates its compliance with certain fiscal and internal accounting requirements.’*

In private discussion groups, the GAO said *‘private sector employees said they were concerned about the fiscal status of the local government and the possibility of harmful tax increases.’* Private sector employees also *‘generally opposed additional minimum wage increases but said that a number of other factors made it difficult to do business in American Samoa. For example, they said increased in prices of utilities, shipping, and raw materials; an outdated tax structure; low levels of investment; and business licensing problems also make it difficult to establish and do business in American Samoa.’*

Clearly, the issues facing American Samoa’s economy are complex and neither minimum wage nor the U.S. federal government is the driving cause of ASG’s trouble. More importantly, the U.S. is doing its part to help American Samoa, and the amount of federal funding and technical assistance to the Territory from the U.S. underscores this point. In fact, American Samoa continues to be the only State government that continues to receive funding from the U.S. Treasury for the operations of its local government.

Conclusion

Nevertheless, I have pledged to do everything I can to halt further minimum wage increases in order to provide ASG with the time it needs to put an action plan in place. I remain hopeful that ASG will base its plans on the recommendations of the American Samoa Economic Advisory Commission which released its report since 2002, well before the tuna industry was under the threat it is today and long before minimum wage hikes took place in the Territory.

To be clear, in 1999, former U.S. Secretary of the Interior Bruce Babbitt approved my request for \$600,000 to establish the American Samoa Economic Development Study Commission. This was the first time during our Territory’s 106-year relationship with the U.S. that a Commission of this nature was established. John Waihee, former Governor of Hawaii, served as the Commission’s Chair and the U.S. Department of the Interior was the federal agency responsible for the Commission’s oversight.

What made this Commission unique is that its findings were not based on the views of outsiders but rather the research emanated from local input. ASG and community leaders participated in this undertaking and the American Samoa Community College surveyed the public to identify the attitudes,

aspirations and long-range goals of our community. Lieutenant Governor Togiola, at the time, served as a Commission member and I served as an ex-officio member.

This historic study took two years to complete and, in FY 2000, the Commission submitted its report to the Secretary of the Interior and to the responsible Committees in Congress including the House Resources Committee and the Senate Committee on Energy and Natural Resources. Congress still awaits ASG's recommendations.

No doubt it has been difficult for ASG to diversify its economy due to American Samoa's remote location, limited land, and infrequent air and shipping services. Coupled with Chicken of the Sea's closure and StarKist layoffs, American Samoa also has not been able to absorb the rapid minimum wage increases mandated by federal law.

As noted earlier, we are aware that American Samoa cannot indefinitely compete against companies like Bumble Bee and Chicken of the Sea which outsource American jobs and exploit cheap labor in foreign countries to clean and cook their fish. In fact, the GAO notes that American Samoa's competitive advantage is *'dwindling'* because *'current operations in American Samoa were not competitive with other models. Analysis of alternate models available to the industry suggests that moving tuna canning operations – including unloading, loining (cleaning, cooking, and cutting), and canning fish – from American Samoa to another tariff-free country with lower labor costs would significantly reduce cannery operating costs.'*

However, American Samoa does have an advantage when it comes to U.S. government contracts which require tuna to be processed in the U.S. Because StarKist cooks and cleans the bulks of its fish in the U.S. Territory of American Samoa, it qualifies for U.S. government contracting. Bumble Bee and Chicken of the Sea do not qualify because their canned tuna is not American made. However, at some point, this advantage in U.S. government contracting will not be enough.

This is why I am pleased that the U.S. Department of Labor provided a disaster National Emergency Grant (NEG) of \$24 million that could have been expanded to include job re-training for our tuna cannery workers. I continue to be supportive of our tuna cannery workers being re-trained to become nurses, teachers, or whatever else they might want to be because I believe in their future and the future of American Samoa.

On behalf of the people of American Samoa, I thank Chairman Doc Hastings of the Natural Resources Committee and also Chairman John Kline and Ranking Member George Miller of the Education and Workforce Committee as well as Senate Majority Leader Harry Reid, Senator Jim DeMint, Senator John McCain, Senator Daniel Inouye, Senator Tom Coburn, Congressman Jeff Flake, Speaker John Boehner, former Majority Leader Steny Hoyer and others for working so closely with my office during the last Congress to halt minimum wage increases for 2010 and 2011.

I am appreciative of what the U.S. Congress has done, and continues to do, for us and, once more, I ask for your support to halt further increases for 2012. To determine further increases, I recommend that we establish a modified version of Special Industry Committees unlike the previous Committees administered by the U.S. Department of Labor that predetermined wage rates before the hearings began. It is also my recommendation that we establish one minimum wage rate for American Samoa, rather than the 18 different industry rates to which we are needlessly subjected.