

**WRITTEN TESTIMONY OF
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GOVERNOR OF AMERICAN SAMOA
MARCH 2, 2011
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES**

Talofa Mr. Chairman and honored members of this Subcommittee. Please allow me to extend to our warmest greetings from the islands of American Samoa. I am honored to sit before you today to discuss American Samoa's input into the FY 2012 budget of the Department of Interior's Office of Insular Affairs.

Let me begin by providing a snapshot of the economic overview of our Territory. Following the September 29, 2009 tsunami and earthquake in American Samoa, the Territory on the very next day, lost one of its two canneries that employed more than 2,000 employees in the Territory. With the injection of federal FEMA disaster relief and recovery monies, National Emergency Grant monies and census jobs into the Territory, the full effects of the loss of Samoa Packing was mitigated to a certain extent. However, in this new fiscal year, American Samoa is now beginning to feel the impact full force of the loss of Samoa Packing.

In the first quarter of the current fiscal year, ASG began making plans geared toward furloughs of hours and jobs as a result of a significant decline in our revenues. The monthly shortfall just to keep ASG workers employed and the most basic of bills paid was approximately \$600,000 per month. However, the total shortfall annualized for the whole of 2011 is currently projected at close to \$10 million. Beginning on February 6, 2011, employees of the American Samoa Government have been furloughed hours based on their annual salaries with the lowest salaried employees being reduced by 4 hours up to a maximum reduction of 12 total hours for cabinet members. School level employees of the Department of Education are not affected by the furlough of hours. This includes all classroom teachers, counselors, principals and vice principals, bus drivers, school lunch staff, etc.

On top of the furloughed hours, ASG has been working with the Fono in order to increase revenues through the submission of legislation that would institute a 4% wage tax across the board for all residents of the Territory. Increased taxes on beer, alcohol and tobacco have also been submitted to the Fono. Bills to implement a corporate franchise tax and increase the business license fees charged by ASG are also before the Fono for consideration. There is word that the wage tax bill has passed both chambers, but must be conferenced before it can be signed into law.

This is but a snapshot for your consideration, of the pains under which the Territory is operating. I absolutely understand that our story is not unique, and that this is just about par for the course with the rest of the country. I stand before you today and tell you – American Samoa is hurting much the same as the rest of our sister Territories and States.

GDP Project

American Samoa wishes to recognize the efforts of the Office of Insular Affairs and the Bureau of Economic Analysis for their commitment to providing data resources for the Territories. The People of American Samoa have asked for special consideration for years simply based upon our vulnerable economy and the amazing disparity between mainland and island economics. Now we have the hard numbers to back our assertion – by these numbers, American Samoa's per capita real GDP was \$7,874 in 2007 while the rest of the U.S. was \$48,300 for that same time frame.

Undoubtedly, this will assist American Samoa in making our case to funding agencies and organizations that we absolutely need all the help we can get.

2012 Cost Savings

American Samoa is appreciative for the work of the OIA in realizing cost savings in the operation of their offices while not decreasing services to the Territories. We applaud the efforts of the OIA and encourage them to continue to find ways to increase the services to the Territories while realizing efficiencies within their own operations.

CIP Funding

American Samoa is supportive of the newly proposed language which would reward Territories for timely expenditure and completion of CIP funded projects. At current, American Samoa is mobilizing the construction of a full service mental health facility to provide sorely needed mental health services in the Territory. The Territory's need to provide these critical treatment and preventive services to all populations in American Samoa has been underlined by our own High Court and the Executive will see the creation of the venue and the system completed as timely as possible. We ask that you support the funding as outlined in the DOI OIA Budget justifications to speed us on the road to access to adequate mental health care.

ASG is also looking to upgrade the labor and delivery facilities of the LBJ Tropical Medical Center as well as its Intensive Care Unit utilizing CIP funding. This committee is well aware of the challenges that we face in the islands when it comes to adequate medical care. With funding in this current fiscal year falling well below projections, it is likely that our off island medical referral program will need as much local support as it can get. Therefore, your support for these critical infrastructure projects as contained in DOI OIA's 2012 budget is greatly appreciated.

Technical Assistance Funding

Last year, American Samoa was proud to become the latest Territory to collaborate with the National Renewable Energy Laboratory out of Golden, Colorado in order to conduct an initial energy efficiency/renewal energy assessment. That assessment will be completed in the summer of 2011, with a draft to be made available as early as April. We look forward to this extremely important partnership with NREL and DOI OIA to find viable energy efficiency initiatives and renewable energy options that will work for the Territory

Proposals

While American Samoa is grateful for the assistance that it has received and continues to receive from DOI OIA, we still require assistance with our most basic needs such as transportation and support for the tuna industry. The following major projects will be explored in the current fiscal

year and any funding included in the FY 2012 budget in order to pay for these projects would be greatly appreciated.

Market Study: Air Cargo and Air Passenger Services in American Samoa

Annual IGIA reports have noted the need for improved air services in the insular territories. Economic development today requires air service. Without regular and reasonably priced service for both passengers and cargo, business growth is impossible. Frequent, reliable air service is also vital for public welfare and safety. For example, territorial residents who need emergency medical procedures beyond the capacity of the hospital in American Samoa must wait for one of the two weekly flights to Honolulu.

When approached by territorial officials in the past, U.S. air carriers have said that the market demand does not support their entry and service in Pago Pago. This response is puzzling. The territory's growing population as matter of course increases demand for air travel to other parts of the U.S. But due to the limited number of flights, the annual number of passengers leaving and arriving at Pago Pago airport has remained static notwithstanding significant population growth.

Furthermore, the natural demand in the territory for passenger and cargo services between Pago Pago and other U.S. points is increased by similar demand from nearby island nations. Pago Pago serves as the U.S. entry point for the neighboring countries of Western Samoa, Tonga, Fiji, and the Cook Islands. Residents in these countries also desire U.S. travel and U.S. products.

To demonstrate to U.S. air carriers that the market demand in fact exists in American Samoa for their air services, ASG requests a technical assistance grant in the amount of \$500,000. The grant will pay for a marketing report by professional economists on the market for U.S. air services in American Samoa. The surveys and evaluations by market specialists will then document the precise level of demand in the territory for passenger and cargo service between U.S. points and Pago Pago. This will also include the additional demand for such services in Pago Pago coming from the nearby island nations.

The marketing report will enable ASG to persuade U.S. air carriers that the market demand does exist to justify their providing air service in the territory for both passenger and cargo transport.

Assistance to Tuna Industry – Purchase of Cold Storage

Star Kist has dismantled its cold storage facility that occupied ASPA land. Star Kist's loss of its cold storage and the need of the local fishing fleet to have cold storage access due to an emerging new market provides American Samoa with a unique opportunity. Thus, American Samoa proposes to assist its main private sector employer, responsible for nearly 80% of the Territory's private sector economic activity, and at the same time, assist the local fishing fleet by purchasing the 2,400 ton cold storage freezer and relocating it across the bay at the Port Administration site immediately adjacent to the Port warehouse and making it available to the local fishing fleet and the two canneries alike in order to store landed fish.

The assistance to the local fishing fleet has many varied implications for the community. The ability for quicker turn around on fishing trips means more trips. More trips means more expenditure of money in the local economy for the purchase of provisions, fuel, repairs and

manpower. Most importantly, with the revival of the alia fleet, which has largely lain dormant in recent years, ASG's purchase and access to a cold storage unit will assist this renewed industry player which will have much the same benefits as the local longline fishing fleet. However, access would mean much more to the alia community as alia have absolutely no capacity for cold storage on their much smaller vessels.

Because of Star Kist's strategic importance to the Territory, the continued availability of this cold storage capacity to the cannery is vital to their interests. Star Kist will be ramping up operations in March of 2011 in order to increase production pursuant to a significant contract award. Because the cold storage will be owned by ASG, Star Kist will be charged rent for their use of space within the cold storage facility, which will benefit the community through increased revenues for the government.

The cold storage acquisition supports American Samoa's expansion of export markets by providing the capacity for the local fishing fleet, including the Territory's alia fleet, to store fish for market, while maximizing the opportunities to continue fishing. The opening of the Asian market for export of fish from American Samoa provides a new and untapped market for the Territory. This will provide, in turn, greater opportunities for expansion of American Samoa's fishing industry and maximize the use of our resources.

South American/Andean Countries Free Trade Agreements

The Kennedy Administration promoted economic development in American Samoa through trade preferences and tax incentives. Preferential tariff rates and quotas have supported seafood processing in American Samoa.

But the trade preference for territorial products has steadily been diminished by changing American trade policy. Inconsistent congressional action – in narrowing, then repealing, then extending year-by-year the investment incentive only for companies that had qualified in the past – has also undermined the level of economic development in American Samoa.

The expected approval and extension of U.S. Free Trade Agreements with Colombia and the Andean countries are additional steps towards the elimination of trade preferences for American Samoa. Congress and the Administration in prior trade action have addressed the adverse impact on American business and workers. The territory requests that the Administration and Interior Department in the same manner help American Samoa adjust to these trade policy changes. Assistance to develop alternative industries and re-train workers is needed.

Conclusion

In Conclusion, Mr. Chairman, I wish to thank you and your colleagues for your time here today and for considering American Samoa's input into the FY 2012 budget of DOI OIA. Your support for American Samoa's dollars as contained in the 2012 budget is greatly appreciated and your consideration and support for the proposals discussed here today are critical. Thank you.

Soifua ma ia manuia.