STATEMENT OF
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BEFORE THE SUBCOMMITTEE ON
INSULAR AFFAIRS, OCEANS AND WILDLIFE
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVE
ON
H.R. 3583, AMERICAN SAMOA PROTECTION OF
INDUSTRY, RESOURCES AND EMPLOYMENT ACT

NOVEMBER 4, 2009
WASHINGTON, D.C.

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 subsides.

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.