

**Testimony of Joe Hamby
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Subcommittee on Insular Affairs, Oceans and Wildlife
Hearing on the American Samoa Protection of Industry,
Resources, and Employment Act, H.R. 3583**

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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 US 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 US 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 economies. 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.

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