

**Statement of Mr. In-Soo Cho
President and CEO
StarKist Co.**

U.S. House Subcommittee on Fisheries, Wildlife, Oceans and Insular Affairs

**Hearing to Review the Impact of Minimum Wage Increases in American Samoa and the
Commonwealth of the Northern Mariana Islands**

September 23, 2011

On behalf of the StarKist Company and its employees, I wish to express our wholehearted gratitude to Chairman Fleming, Ranking Member Sablan, and Delegate Faleomavaega for your interest in the American Samoan economy and the impact of minimum wage increases on the territory's economy and its global competitiveness. As you know, StarKist is the largest private sector employer in American Samoa and we have worked closely with the Congress for the last several years to do everything we can to protect this fragile economy. So, we thank you for your interest in this subject today and look forward to working with you and the Congress to continue to protect the economy of this important U.S. Territory.

With a private economy that is almost completely dependent on the tuna fishing and processing industry, American Samoa's economy is at constant risk of failure due to global cost pressures within this highly competitive industry. Indeed, American Samoa has suffered dramatic reductions in private sector employment since the implementation of automatic wage increases starting in 2007. Current wages in American Samoa are many multiples of the wages in competing nations such as Thailand, where wages have been as low as 60 cents an hour.

According to the U.S. Department of Labor in January 2007, the tuna processing industry and ancillary businesses supported nearly 80% of all private sector employment in American Samoa. Unfortunately, today a substantial portion of that employment has already been lost with the closure of the Chicken of the Sea, Inc. (COSI) processing plant on September 30, 2009 and significant employment loss at our own facility. We have done our best to maintain employment while remaining globally competitive and have even from time to time been able to increase employment on a seasonal or temporary basis, however, our regular employment levels continue to remain significantly lower than our historic levels.

With the departure of COSI, StarKist is the sole remaining full production tuna processor in American Samoa, so we have a unique perspective on the factors contributing to the Territory's loss of global competitiveness. Canned tuna is priced as a global food commodity and has very little elasticity in price. Therefore, a rapidly increasing cost structure in American Samoa makes it increasingly difficult for American Samoa to compete with other southeast Asian countries that can pay workers pennies per hour.

Currently, there are two business models for the manufacture of canned tuna intended for the U.S. market. One is our model which manufactures canned tuna starting with the whole – or

round – fish purchased directly from boats and results in the finished product ready for market. This model requires a significant investment in a U.S. workforce to prepare, cut, clean, cook, and can the product. The other model, used by many of our main competitors, instead outsources the bulk of the manufacturing and the most labor intensive parts of the process to extremely low-wage countries. These companies take advantage of nearly duty-free importation of cleaned and frozen tuna “loin” into the mainland United States for final packaging using the least amount of U.S. labor possible. The cost savings between a fully U.S. manufacturing process and an outsourced manufacturing process is substantial and places American Samoa at a distinct disadvantage vis-à-vis competing economies.

The General Accounting Office as well as the U.S. Department of Labor have both investigated the impact of recent wage increases and have unanimously agreed that these wage increases have had a direct and substantial negative impact on employment in American Samoa and a direct and substantial negative impact on the territory’s ability to remain globally competitive in the tuna industry. In 2010 Congress prudently delayed an automatic increase in the minimum wage scheduled to occur on October 1, 2010. That increase was delayed for two years. Because of the greater certainty provided by this two year delay, the StarKist Company has been better equipped to make longer-term business plans for 2011 and 2012 because we had greater confidence in the underlying cost structure of manufacturing in the territory. This greater certainty allows us to better plan procurement, negotiate supply contracts, more aggressively compete for business, and to stabilize our employment base.

However, as we come closer to the next automatic wage increase, the global cost structure remains the same but our ability to make business plans and to keep our cost structure as lean as possible is comprised. For these reasons we strongly urge the Congress to again delay the next scheduled increase in wages. American Samoa is already at a substantial disadvantage and at risk of the elimination of its economic base. Further, we would urge the Congress to consider the establishment of a more reliable system by which the economics of the territory may be evaluated on a systematic and automatic basis. There have been previous proposals, which we would support, to grant authority to an appropriate Cabinet agency for review of the economic condition of the territory and subsequent decision on any scheduled wage increase to move forward or not. We believe a system such as this would put American Samoa, its businesses, and the government in a more stable position to plan for the future knowing that the review would be automatic and a decision maker would be known and empowered to make a timely decision on any potential wage increase.

Once again, we thank you for your interest and hard work on this subject.