

U.S HOUSE OF REPRESENTATIVES
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TO Ms DONNA M CHRISTENSEN
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“THE ECONOMIC EFFECTS OF THE RECENTLY INCREASED
MINIMUM WAGE”

MADAME CHAIRWOMAN

THE ORIGINS OF THE FEDERAL MINIMUM WAGE APPLYING TO AMERICAN SAMOA APPEAR TO HAVE BEEN MOTIVATED BY POLITICAL POINTS SCORING RATHER THAN A GENUINE CONCERN FOR THE PEOPLE AND THE ECONOMY OF AMERICAN SAMOA.

THE ORIGINAL MINIMUM WAGE BILL AS APPROVED BY THE DEMOCRATS AT THE BEGINNING OF JANUARY 2007 EXEMPTED AMERICAN SAMOA FROM THE MINIMUM WAGE INCREASE PROPOSAL. IT WAS NOT UNTIL THE REPUBLICANS MADE AN ISSUE OF THE FACT THAT THE HEADQUARTERS OF DEL MONTE, THE OWNERS OF THE STARKIST TUNA CANNERY, ARE LOCATED IN MRS NANCY PELOSI'S ELECTORATE IN SAN FRANCISCO, THAT THE BILL WAS AMENDED TO INCLUDE AMERICAN SAMOA.

THE AMENDMENT APPEARS TO HAVE BEEN MADE WITHOUT ANY SERIOUS DEGREE OF PRIOR ECONOMIC RESEARCH ON THE IMPACT AND THE POTENTIAL NEGATIVE OUTCOMES THAT WOULD ARISE FOR AMERICAN SAMOA AND WITHOUT THE APPROPRIATE LEVEL OF CONSULTATION WITH THE GOVERNOR AND SENIOR GOVERNMENT OFFICIALS.

THE IDEA THAT THE LOCAL MINIMUM WAGE IN A SMALL PACIFIC ISLAND COUNTRY SHOULD BECOME CONSISTENT WITH ONE OF THE WORLD'S LARGEST ECONOMIES SEEMS QUITE ABSURD.

AT THE TIME THE CHAMBER OF COMMERCE REQUESTED THAT AMERICAN SAMOA NOT BE INCLUDED IN THE MINIMUM WAGE BILL. THE CHAMBER FELT THAT THE ESCALATOR CLAUSE INCLUDED IN THE BILL WOULD HAVE SIGNIFICANT IMPACTS THAT WOULD BE DETRIMENTAL TO THE ECONOMY OF AMERICAN SAMOA. NAMELY:-

- THE TWO CANNERIES WHOSE OPERATIONS WOULD BECOME UNCOMPETITIVE IN THE GLOBAL TRADING ENVIRONMENT AND THEY WOULD EITHER SCALE DOWN THEIR OPERATIONS OR EVEN DECIDE TO LEAVE
- THE GOVERNMENT AS THE LARGEST EMPLOYER COULD EMBARK ON A RETRENCHMENT PROGRAM
- THE PRIVATE SECTOR WHO WOULD RETRENCH STAFF AND IN SOME CASES BE FORCED TO CLOSE THEIR BUSINESS
- THE GENERAL WAGE SCALE PARITY IN THE TERRITORY UPSET BY WAGE COMPRESSION
- THERE COULD BE MASS UNEMPLOYMENT
- IT COULD CAUSE A CONSIDERABLE OUTFLOW OF CAPITAL
- IT WOULD CAUSE THE BANKS TO FORECLOSE ON DELINQUENT ACCOUNTS
- IT WOULD CAUSE AN INCREASE IN CRIME RATES
- PROPERTY VALUES WOULD DECLINE AS VACANCY RATES SOAR

THE POSITION OF THE CHAMBER REMAINS THE SAME TODAY, IN THAT THE INITIAL INCREASE TO THE MINIMUM WAGE WAS MANAGEABLE BUT ANY FURTHER INCREASES SHOULD BE DECIDED IN A YEARLY REVIEW. THIS REVIEW WOULD TAKE INTO ACCOUNT THE POSITION OF THE ECONOMY TO ACCEPT ANY INCREASE; A POSITION THAT IS GLARINGLY MISSING FROM THE CURRENT LEGISLATION.

THE OVERALL EFFECT OF THE ESCALATOR CLAUSE IN THE BILL WILL TOUCH ALL FACETS OF THE ECONOMY AND QUALITY OF LIFE FOR THE POPULATION OF AMERICAN SAMOA.

THERE WOULD BE A REDUCED COLLECTION OF CORPORATE AND PERSONAL INCOME TAX ADDING PRESSURE TO THE GOVERNMENT BUDGET AND THE FEDERAL GOVERNMENT WOULD HAVE TO INCREASE IT'S FINANCIAL SUPPORT AS DEPARTMENTS SUCH AS THE TREASURY, HEALTH AND EDUCATION WOULD ALL BE SHORT OF FUNDS.

THERE WOULD NOT BE ANY MUCH NEEDED NEW INVESTMENT AND DEVELOPMENT PROJECTS – INCREASED WAGES WOULD MAKE US LESS COMPETITIVE WITH OTHER PACIFIC COUNTRIES COMPETING FOR INVESTMENT DOLLARS.

THERE WOULD BE A SIGNIFICANT TIGHTENING OF CREDIT AND LENDING FROM OUR RETAIL BANKS.

SEA FREIGHT COSTS WOULD INCREASE AND SHIPMENTS WOULD BE LESS FREQUENT CAUSING SHORTAGES OF BASIC FOOD ITEMS. COST INCREASES WOULD BE PASSED ON TO CONSUMERS CAUSING UNSUSTAINABLY HIGH INFLATION.

ESSENTIAL SERVICES AND UTILITIES SUCH AS THE POWER AUTHORITY, THE TELEPHONE COMPANY, THE HOSPITAL AND PUBLIC WORKS WOULD SUFFER DUE TO LACK OF FUNDING.

OUR CONGRESSMAN FALEOMAVAEGA HAS RECENTLY INTRODUCED A BILL TO PUT AN END TO AUTOMATIC RISES FOR AMERICAN SAMOA AS TO CONTINUE IS TO CAUSE ECONOMIC DEVASTATION TO OUR ECONOMY. THE CHAMBER IS FULLY SUPPORTIVE OF THIS INITIATIVE AS IT IS VITAL THAT THE ESCALATOR CLAUSE IS REMOVED.

TIME IS AGAINST US AS THE NEXT \$0.50 CENTS INCREASE IS DUE ON 25 MAY AND IF THIS AUTOMATIC INCREASE IS NOT STOPPED IT IS THE CHAMBER'S OPINION THAT IT WILL CAUSE THE CANNERIES TO MAKE SOME SERIOUS PRONOUNCEMENTS ABOUT THEIR IMMEDIATE AND LONGER TERM FUTURE HERE WHICH WILL HAVE A SIGNIFICANT AND DETRIMENTAL EFFECT ON OUR ECONOMY.

MADAME CHAIRWOMAN, THE CHAMBER OF COMMERCE URGES YOU AND YOUR SUBCOMMITTEE TO DO EVERYTHING IN YOUR POWER TO ENSURE THAT THE ESCALATOR CLAUSE IS REMOVED FROM THE MINIMUM WAGE BILL SO THAT WE HAVE SOME TIME TO ENCOURAGE NEW INVESTMENT INTO OUR ECONOMY AND WE RETURN TO A REGULAR ASSESSMENT OF THE NEEDS OF OUR PEOPLE ON THE MINIMUM WAGE ON AN ANNUAL REVIEW BASIS AND ACT TO INCREASE THEIR WAGES IN LINE WITH PREVAILING ECONOMIC CONDITIONS AT THE TIME .