Written Testimony of Brett Butler

Del Monte Foods

General Manager, StarKist Samoa

Before the

Subcommittee on Insular Affairs

Committee on Natural Resources

U.S. House of Representatives

February 22, 2008

Good morning. I am Brett Butler, General Manager of StarKist Samoa, a subsidiary of Del Monte Foods. Thank you for inviting me to testify on the subject of the economic effects of the recently increased minimum wage.

As you know, the matter we are here to discuss today - mandatory minimum wage increases - is of great interest and importance to the American Samoan economy and the businesses who have chosen to locate here. Through Del Monte Foods, StarKist has been working with the U.S. Department of Labor as well as Congressman Eni Faleomavaega to ensure the federal government and decision makers in Washington fully understand the gravity of the current mandatory wage increases.

I began my employment with StarKist Samoa in 1995 as a Capital Appropriations Clerk, and have held several supervisory and management positions prior to becoming Plant General Manager in 2005. I was born and raised in American Samoa, where I attended elementary and high school. I received a Bachelor of Arts degree from Pomona College in 1993.

Let me begin by informing the Committee of Del Monte's most recent involvement in this issue. As indicated by the United States Department of Labor, Office of the Assistant Secretary for Policy, Del Monte employees were interviewed on multiple occasions by the authors of the recent report on this subject, issued on January 25 of this year, and provided further information in writing as requested by the authors. From the sources cited in the report, the information provided by Del Monte was indeed included in their analysis.

In addition to the Federal study, Del Monte provided responses to the questions asked by Malcolm D. McFee & Associates, for inclusion in their recent report on the subject prepared for the

Department of Commerce, American Samoa government. It should be noted that the United States Department of Labor incorporated the report prepared by Malcolm D. McFee & Associates in its report.

With specific regard to American Samoa, we noted in our discussions with both teams of researchers that constantly shifting cost pressures, excess global tuna manufacturing capacity, and uncertainty in labor markets means that the American Samoan tuna industry is at significant and immediate risk. Additionally, the continued uncertainty in the tax code - both Federal and local, dramatically shifting energy costs, and exponentially increasing labor costs annually mandated by law conspire to create a significant detriment to American Samoa's economic viability as a place to continue to do business.

The mandatory annual $0.50/hour wage increases that are scheduled to continue in May, and each year thereafter, creates the most significant new uncertainty and rapidly adds to the attraction of competing manufacturing locations in pursuit of our industry.

While the Department of labor report correctly notes that fully 85% of the American Samoan economy is derived from Tuna processing, American Samoa supplies less than 15% of the world's canned tuna supply. American Samoa only serves the US market, and primarily with commodity canned tuna products. Industry growth products (such as pouch and other value added products) are produced elsewhere, like Ecuador. However, to date StarKist has remained committed to diversifying American Samoan production into these products if economically feasible.

It is important to understand, however, that the US "Commodity Tuna" market is declining. Indeed, from 2004 – 2007, the overall U.S. tuna market declined by 8%. Furthermore, significant excess tuna processing capacity exists globally, primarily in nearby, low labor cost countries such as Thailand, the Philippines, and Fiji who are eager to absorb this production. Furthermore, competitive trade advantages previously enjoyed by American Samoa no longer exist. Tuna processing countries in North and Central America are now completely duty free under CAFTA and NAFTA and in Africa are duty free currently under AGOA. Wage rates in these countries are considerably lower than American Samoa's.

U.S. foreign tuna imports from 2003 – 2005 were the highest level ever, and in 2004 to 2005 these foreign imports officially surpassed total domestic production. Despite a 12.5% duty, importers from low wage countries are still making a profit. These imports are split among Thailand (47%), Philippines (22%), Ecuador (14%) and Indonesia (9%).

Even with this rapid growth in U.S. foreign tuna imports, there remains significant excess capacity to absorb more production in these countries. As stated in the Department of Labor Report, on page 20, "…there are forty canneries in Thailand, and that nothing would have to be built or moved. To implement a production transfer, the companies would simply place more orders with existing plants…It has been reported that the world tuna processing has an excess of production capacity on the order of 20 to 40 percent."

I read the following statement from Congressman Eni F.H. Faleomavaega, "By way of our mutual cooperation and based on the findings of the DOL study, I am confident that the Governor, Fono, and I will send a unified message to Congress requesting enactment of legislation which will put an end to automatic increases in minimum wage and which will empower the DOL, in consultation with the Secretary of the Interior and the American Samoa Government, to conduct economic assessments every two years to determine when and if our economy can absorb future increases." Del Monte supports the resolution outlined in this statement and we pledge our support and assistance to the Governor, Fono and Congressman to achieve this outcome.

Thank you again for the opportunity to appear here today.