

**TESTIMONY OF ALFONSO ‘PETE’ GALEA’I, PLANT HUMANRESOURCES MANAGER-COS SAMOA  
PACKING COMPANY, CHICKEN OF THE SEA INTERNATIONAL**

**BEFORE THE  
HOUSE COMMITTEE ON NATURAL RESOURCES, SUBCOMMITTEE ON INSULAR AFFAIRS**

**OVERSIGHT FIELD HEARING ON  
"THE ECONOMIC EFFECTS OF THE RECENTLY INCREASED MINIMUM WAGE"**

**FEBRUARY 22, 2008**

Chairwoman Christensen, Congressman Gallegly, Congressman Falemavaega, and members of the subcommittee, I am Alfonso ‘Pete’ Galea’i, Plant Human Resources Manager for COS Samoa Packing Company of Chicken of the Sea International. On behalf of Chicken of the Sea, thank you for the opportunity to testify on the economic effects of the recently increased minimum wage. This hearing is not only timely, but it is also very important for the people and businesses of American Samoa. As the Department of Labor reported only three weeks ago, the new minimum wage requirements could result in the closure of the tuna canneries, which would cause severe and widespread damage to the American Samoa economy.<sup>1</sup> While my comments today will focus primarily on the minimum wage, I will also discuss some of the additional economic issues that we face as a business operating in American Samoa. I would be happy to address questions related to any of these economic issues.

Chicken of the Sea has been a partner with the people of American Samoa since 1954. We have nearly 2000 employees in American Samoa, and their welfare and that of their families is very important to us. We understand our responsibilities to the local economy and have worked to maintain operations in Samoa. Unfortunately, changing economies—which include

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<sup>1</sup> U.S. Department of Labor, *Impact of Increased Minimum Wages on the Economies of American Samoa and the Commonwealth of the Northern Mariana Islands*, 17 (Jan. 2008).

high labor costs—have undermined the profitability of tuna canneries in American Samoa.<sup>2</sup> These labor costs decrease our ability to compete with foreign businesses who enjoy significantly lower labor costs in Thailand, Philippines, Ecuador, Mexico, and Papua New Guinea, to name a few. Moreover, as the Department of Labor reported, our competitive disadvantage cannot be offset by increased productivity, reduced profits, or higher prices passed along to consumers.<sup>3</sup>

Our concerns about the increasing minimum wage are well-founded. According to the Department of Labor, "[T]here appears to be genuine cause for concern that, at some point before the escalation to \$7.25 per hour is reached, the rising minimum wage combined with other factors may lead to the closing of both canneries in American Samoa."<sup>4</sup> As you well know, the loss of cannery jobs in American Samoa would devastate the territory's economy. About 7,825 job losses would result from the closure of the two canneries; that is the equivalent of 40 percent of all employment in American Samoa.<sup>5</sup> The Department of Interior predicted that direct wage losses from the closure of the two canneries would amount to \$33.4 million a year.<sup>6</sup> This figure excludes management compensation or the immediate secondary and tertiary losses, including goods and services provided to fishing fleets and crews. According to the Department of Interior, the total loss is "likely to be significantly higher."<sup>7</sup>

The potential cost to the United States government if the canneries shut down are significant. The American Samoa Government (ASG) would lose its primary source of corporate revenues, and "the economic and financial distress caused by such an event would

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<sup>2</sup> *Id.* at 16.

<sup>3</sup> *Id.* at 14.

<sup>4</sup> *Id.* at 18.

<sup>5</sup> *Id.* at 21.

<sup>6</sup> Office of Insular Affairs, U.S. Department of the Interior, *The Economic and Financial Impact of American Samoa Cannery Shutdown on the Territory's Economy, Employment, Public Sector and the Federal Budget*, 3 (July 2006).

result in increased use of Federal assistance."<sup>8</sup> This assistance would take the form of food stamps; temporary assistance to needy families (TANF); women, infants, and children (WIC); and Medicaid. It is estimated that "those affected directly by the cannery shutdown may number as many as 19,189 persons."<sup>9</sup> This means the "total estimated Federal aid can be as much as \$46.3 million a year, twice the amount of the current discretionary Federal grant to the ASG."<sup>10</sup> Over time, the closing of the canneries "would likely result in a \$150 million to \$200 million shortfall in the local government's revenue—revenue that could only be replaced with a federally appropriated subsidy," according to a letter sent from Congressman Faleomavaega and Senators Inouye, Bingaman, and Akaka to the Ranking Member of the Health, Education, Labor & Pensions Committee Michael Enzi.<sup>11</sup>

Given the constantly shifting cost pressures, excess global manufacturing capacity, and uncertainty in labor markets, the American Samoan tuna industry is at significant and immediate risk. Moreover, the exponential and annual increase in labor costs undermines American Samoa's economic viability as a place to continue to do business. Those most hurt by the negative effects of the minimum wage increase are actually the people intended to benefit from the *Fair Minimum Wage Act of 2007*. This reality is recognized by those tasked with protecting the people of American Samoa:

- In a letter to Chairman of the Committee on Energy and Natural Resources Jeff Bingaman, American Samoa Governor Togiola Tulafono requested that the future increases to the minimum wage be conditioned on the Secretary of Labor's determination

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 5.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> Letter from Congressman Eni Faleomavaega and Senators Daniel Inouye, Jeff Bingaman, and Daniel Akaka to the Honorable Michael Enzi, Ranking Member of the Health, Education, Labor & Pensions Committee, 1 (Dec. 13, 2007).

that the increase "economically feasible and will not substantially curtail employment in American Samoa."<sup>12</sup>

- Likewise, Congressman Faleomavaega introduced H.R. 5154, which would amend the *Fair Minimum Wage Act of 2007* and condition further increases in the minimum wage on a determination by the Secretary of Labor that such increases will not have an adverse impact on American Samoa's economy.

On behalf of Chicken of the Sea, I would like to express our strong support for Congressman Faleomavaega's important legislation, as well as Governor Tulafono's efforts to encourage Congress to enact similar measures.

Calibrating the labor costs in American Samoa with the territory's economic viability is only one step in the process of strengthening the island economy. American Samoa is seeking to diversify its corporate economy, attracting new investments and creating new business opportunities.<sup>13</sup> To do that, American Samoa must address additional cost issues, like fuel cost and local taxes. We support the effort to strengthen the American Samoa economy, and Chicken of the Sea would be honored to help Congress develop an economic incentives package geared toward the territory's economic diversification and stabilization.

Thank you for the opportunity to testify before you today. I am happy to answer any questions that you might have.

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<sup>12</sup> Letter from the Honorable Togiola T.A. Tulafono, Governor of American Samoa, to the Honorable Jeff Bingaman, Chairman of the Energy and Natural Resources Committee, 2 (Dec. 27, 2007).

<sup>13</sup> Rick Turner and Adam Stein, *American Samoa Business Opportunities Report*, 1 (July 2007).