



StarKist

MEMORANDUM

TO: Members of Congress

FROM: Donald J. Binotto, President and Chief Executive Officer

RE: Support the American Samoa Protection of Industry, Resources, and Employment (“ASPIRE”) Act, H.R. 3583

On behalf of the StarKist Company and its employees, I wish to express our wholehearted support for the ASPIRE Act, introduced by Delegate Eni Faleomavaega (D-AS) and ask that you support the legislation as well. With a private economy that is almost completely dependent on the tuna fishing and processing industry, American Samoa faces the imminent loss of nearly all private sector employment, and a near total economic collapse without immediate action by Congress. A combination of uncompetitive cost structures, increased globalization, and diminished incentives for fishing vessels to deliver whole fish to American Samoa has conspired to dislocate a nearly fifty year economic foundation built upon tuna.

➤ **TUNA PROCESSING IS EIGHTY PERCENT OF PRIVATE EMPLOYMENT IN AMERICAN SAMOA**

According to the U.S. Department of Labor in January 2007, the Tuna processing industry and ancillary businesses support 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 of this year and significant employment loss at our own facility.

With the departure of COSI last month, StarKist is the sole remaining 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 has made it too expensive for American Samoa to compete with other southeast Asian countries that can pay workers pennies per hour. Indeed, our own manufacturing in American Samoa has already dropped by nearly 35% due to price competition from Thailand.

➤ **THAI AND OTHER LOW-WAGE COUNTRIES DRIVE PRICE**

It costs StarKist over \$23 million more to manufacture in American Samoa than it would to simply do what our competitors do – buy substantially processed product from Thailand and finish the consumer-ready product using minimal US employment. Much like other manufacturing sectors, the most labor intensive tasks are now being shifted from high-wage locations such as American Samoa, to low-wage locations such as Thailand. With US employment thereby minimized, other manufacturers simply “assemble” the final product using the least workers possible.

By adopting this manufacturing process, Thai-processed tuna has gained a dramatic increase in US market share in just the last two years through low-price competition. The result is that American Samoa recently lost one of the two processing plants that together provided the Territory with 80% of its private sector jobs. If StarKist leaves, there will be practically no private sector jobs remaining in American Samoa.

➤ **LOSS OF DIRECT DELIVERY OF FISH TO AMERICAN SAMOA COMPOUNDS ECONOMIC TRAGEDY**

Diminished incentives for fishing vessels to deliver whole fish to American Samoa is also a tremendous problem. U.S. licensed vessels now find it more advantageous to deliver their tuna catch to huge, centralized transshipment carriers rather than coming to American Samoa to deliver to processors there, because transshipping allows vessels to spend more time fishing. But the American Samoan economy suffers because of the decline in economic activity generated by having boats come into port and use services such as re-fueling, provisioning, stevedoring, net repairs, restaurants, and hotels. This increase in transshipment is also placing a dramatically increased pressure on a diminishing natural resource – the tuna itself. Because vessels that transship can substantially increase their time fishing, they are simply catching more fish.

➤ **\$80 MILLION IN WAGES AT RISK, TAXPAYERS FACE EXPOSURE**

Loss of both processors and the boats that supplied them means American Samoa would no longer have the \$80 million in annual labor income our industry provides to the Territory. The only resource that will remain to make up this \$80 million shortfall will be direct assistance from the U.S. government. And American Samoa must now add the daunting task of dealing with the devastation from the tsunami to the list of challenges ahead. It is clear that Congress must act now to avert an economic disaster in American Samoa. ASPIRE's economic development framework will provide assistance to the tuna industry with the goal of once again making American Samoa globally competitive, and preserving a viable private sector economy.

➤ **ASPIRE LEVELS ECONOMIC PLAYING-FIELD FOR U.S. BOUND PRODUCT**

Specifically, since American Samoa-based processors can no longer compete against those who are able to pay their workers pennies per hour to do the most labor intensive processing work, ASPIRE seeks to level this competitive disadvantage for US-bound consumer-ready products. ASPIRE would help processors alter their cost structure for the better by providing a subsidy for processing whole fish into US consumer-ready products in American Samoa. The legislation also incentivizes fishing vessels to directly deliver their catch to American Samoa by establishing a framework of subsidies and fees to counter the economic incentive to transship and deplete tuna resources.

In summary, we believe ASPIRE gives the tuna processing business and the private sector economy in American Samoa its last, and best, chance at survival.