

STATEMENT OF ALEXANDER A. SABLAN,
STRATEGIC ECONOMIC DEVELOPMENT COUNCIL
BEFORE THE COMMITTEE ON NATURAL RESOURCES
SUB-COMMITTEE ON INDIAN, INSULAR AND ALASKA NATIVE AFFAIRS
HOUSE OF REPRESENTATIVES,
THE UNITED STATES CONGRESS

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Hafa Adai, Tir'ow Wa'ami, Greetings, Chairman Young and distinguished Members of the Committee. I am Alexander Sablan, Vice President, Corporate Business Development of Tan Holdings Corporation, Board Secretary of the Saipan Chamber of Commerce and the Chair, Labor and CW Taskforce for the Honorable Governor Ralph Dlg. Torres', Strategic Economic Development Council.

I thank Chairman Bishop, Chairman Young of this Sub-Committee, Ranking Member Kilili Sablan and distinguished members for the invitation and privilege to submit testimony representing a unified position shared by the CNMI's leading civic business organizations. With me today in the gallery is Velma Palacios, President of the Saipan Chamber of Commerce; Gloria Cavanaugh, Chairwoman of the Hotel Association of the Northern Mariana Islands; and Marian Aldan-Pierce Co-Chair of the Governor's Strategic Economic Development Council.

Unfortunately, not with us today but an additional business organization who has extended their full support of my testimony today is the Society of Human Resource Management CNMI Chapter, whose Past President and Senior Advisor, Josephine Deleon Guerrero Mesta and Frank Gibson, are unable to make it to this hearing.

I am honored to provide our testimony before this Subcommittee on “... the impacts for the implementation of the Commonwealth-only worker program in the Northern Mariana Islands under Public Law 110-229.”

INTRODUCTION

At the outset, Mr. Chairman and members, I wish to acknowledge the assistance and support extended to the CNMI by the Department of Homeland Security and, more specifically, the United States Citizenship and Immigration Service (USCIS), since implementation of Public Law 110-229, the Consolidated Natural Resources Act (CNRA), in November 2009, seven years ago. Through their support and our joint efforts we have made great strides in implementing the CW program within the confines of existing regulations and federal laws. Our relationship with USCIS has been positive and productive toward fulfilling the intent of Congress in the CNRA to transition the CNMI workforce from what was previously largely non-resident to a US eligible workforce. We believe our transition efforts are pointed in the right direction with labor data indicating significant improvement since 2009 in the CNMI’s workforce mix. As Governor Torres mentions in his testimony, for the first time in decades the number of US citizens or US-eligible workers in the labor force now exceeds non-US workers. The business community remains committed to continuing the transition, however, seeks additional time beyond 2019 to complete the transition. I would like to spend my the remainder of my time discussing the opportunities the business community sees in improving tools needed for a successful transition and offer possible solutions for consideration, not as a criticism of any particular agency of government or the transition itself but to provide the Committee insight as

to the unintended consequences related to implementing P.L. 110-229 and the effects on our economy.

BACKGROUND ON TRANSITION

A brief background on the transition, on November 28, 2011 the CNMI controlled Immigration system officially ended after a two year transition, 29,700 CNMI Immigration Umbrella Permits were issued to foreign nationals of which 22,417. In 2009, USCIS set the “numerical limitation” to 22,417 for CW-1 eligible visas for all eligible Foreign National Workers.

By 2012 there were 10,856 the significant reduction in FNW was attributable to the loss of the apparel industry and the pull out of Japan Airlines in the same timeline the CNMI community shared in the brunt of a steadily weakening economy. For nearly 12 years the CNMI had been in recessionary economic downturn due to global and regional impacts of wars, pandemics, economic instability in source markets and shifts in federal policies that once provided the CNMI the needed economic tools, to some extent, control its economic destiny. This created a perfect storm that reduced our economy by more than half and left living wage job opportunities limited for many years.

The collective hard work and unrelenting efforts of the Marianas Visitors Authority, the Administration, the CNMI Legislature, and our partners in the tourism industry helped mitigate the impact of these events on our tourism industry. However, the CNMI Gross Domestic Product dropped yearly by around 5.7% between 2002 and 2013, necessitating the need for implementation of severe austerity measures in the government; reduction of work hours in government offices and the curtailment of certain public services; loss of jobs across the

economy and out migration of many of our residents; and closure of the former Hotel Nikko, Plumeria Hotel, and literally hundreds of other businesses. In 2012, after many years of working toward diversifying our tourism source markets, the CNMI finally started seeing positive signs of resurgence in our economy with increased visitor numbers from Korea, China and Russia. Tourism arrivals climbed from our low of 340,957 FY2011 to 478,592 visitors in FY2015.

In 2014 the CNMI Leadership created and signed into law a Casino Gaming Act for Saipan, the impetus for the law being largely to avoid bankruptcy and collapse of the CNMI government pension plan. In the short span of less than two years since the Casino Act was implemented we have seen additional resurgence in economic activities. These have already had a tremendous positive impact on multiple fronts for resident citizens, local real estate market, workforce and investors.

The Casino Game Act for Saipan has spurred renewed interest in investment into the CNMI with new investors now developing more hotel rooms to meet the demand by interested airlines and additional source markets to travel to the CNMI. Currently there are 1,190 rooms coming online by the first quarter of 2017 with a projected 4,000 to 6,000 additional rooms in the pipeline between Saipan and Tinian.

CW-1 TRANSITIONAL WORKER VISA

The Governor's Strategic Economic Development Council (SEDC), Co-Chaired by Robert H. Jones, CEO of Triple J Enterprises and Marian Aldan Pierce, President of DFS Saipan. The SEDC is a collaborative group of representatives from government and a broad cross section of

the private sector. In addition to the Governor's Office, the CNMI Labor Department, the CNMI Department of Commerce, the Commonwealth Development Authority, the Northern Marianas Trades Institute, the CNMI Casino Commission, and other critical CNMI permitting and regulatory offices, other key members of SEDC include large local business enterprises, the Saipan Chamber of Commerce, the Hotel Association of the Northern Mariana Islands, the Marianas Visitors Authority, and the Society of Human Resource Managers. We meet monthly to discuss economic issues and more specifically overall development in the CNMI.

At the request of Governor Torres, SEDC spent months deliberating and analyzing key hotel projects currently underway and anticipated to commence over the next few years, with extensive discussion regarding labor requirements and current and projected availability of US Citizen and US-eligible workers. Following our deliberations and discussions the SEDC estimated needing approximately 18,000 CW workers over an extended 10 year transition period through 2029.

We completely understand that the CNMI cannot continue to allow building for the sake of building we realize the CNMI has limited infrastructure and human resources this is why we will continue to analyze, discuss and encourage our government to implement managed and planned development to ensure we right size our economy to account for these limitations.

The CNMI economy is currently on a strong upswing and while we recognize the CNRA requires a zeroing out of foreign workers through the CW-1 program we kindly ask that we be given additional time in which to grow the economy further, encourage stateside CNMI residents, Freely Associated State citizens in Micronesia, Republics' of the Marshall Islands and

Palau to come to the CNMI to an improved economy so we can lessen the overall dependence on FNW.

TRANSITION RECOMMENDATIONS AND CNMI INPUT

After many years and significant impacts related to the implementation of P.L. 110-229 the business community has come to realize several issues need addressing and we have some recommendations to assure transitioning minimizes to the least possible extent an adverse impact on our businesses and economy overall.

Early on in the transition period CW-1 applications received for renewal were creating a backlog in the USCIS processing center in California as employers were submitting applications within the then required 90 day rule to USCIS. This created huge bottlenecks and delays at the processing center and subsequently an adjustment to USCIS recommended submission rules which allowed applications to be received within 6 months of renewal. While we recognize this rule was implemented to assist employers meet the mandates of the USCIS renewal regulations, locally it has made it difficult to entertain applicants that are literally applying for a job that does not come available for more than 6 months and for employers to truly comply with the intent and spirit of local and federal laws.

Another issue that has come to light and has impacted many businesses, especially small mom and pop operations, is the loss of an estimated 3,670 or more operational positions in the CW-1 workforce by the end of 2016. These 3,670 operational personnel are accountants, janitors, bakers, hotel employees, aircraft mechanics, engineers many critical vocations and this loss has been caused by more than 7,524 current and new construction worker applications

filling the CW-1 visa pipeline this year. The impact has been real and the effects across the social fabric and economy of the CNMI will continue to reverberate throughout the remainder of FY2017 and beyond if a fix is not instituted.

Many of the estimated 3,670 operational personnel have lived in the CNMI for years if not decades. One such family has a daughter, born in the CNMI, she enlisted in the United States Army, this recruit's parents are FNW and were required to depart within 10 days of the expiration of their CW-1 permit in early June. The Army recruit was left to care for her two minor U.S. citizen siblings but her orders were to ship out for boot camp within weeks of her parents' departure from the CNMI. This recruit was left with the difficult decision to leave her minor siblings with friends of the family in order to faithfully serve our Country. This and hundreds of other heart wrenching stories of FNW families torn apart has created chaos among many in our community.

We believe that in order to prevent these catastrophic events from occurring and to properly transition U.S. Citizen and US-eligible workers into the workforce the CNMI needs some degree of input in the labor certification process. To assuage the social and economic instability created by the aforementioned scenarios we recommend allowing for some degree of input by CNMI Department of Labor in the processing of CW and H visas. It has been apparent that certain USCIS adjudicators recognize there is a Job Vacancy announcement and CNMI Labor certification process. CNMI labor law requires the hiring of at least 30% U.S. Citizen Workforce and some applications are returned from USCIS with a Request for Evidence (RFE) notating the lack of a CNMI labor certification.

Reaching our numerical cap in FY16 with a disproportionate number of CW-1 visas in the construction industry has been a rude awakening underscoring the fragility of the CNMI economy. An increase in the numerical limitation and an extension in the CW-1 program is welcomed. However, in order to better manage the program effectively and meet Congress' intended transition goals, we suggest a substantive degree of participation of the CNMI Department of Labor in the management of the program. Governor Torres and his Secretary of Labor, Ms. Edith Guerrero, have indicated their full support of the suggestion and along with them and their representatives, we in the business community will be happy to further discuss and craft the specifics and mechanics for joint management.

MINIMUM AND PREVAILING WAGES

The business community made the difficult but necessary request to stagger federal minimum wage in \$.50 increases in years 2013 and 2015. It was our contention in that period, as businesses were impacted by a depressed economy and excessive fuel costs, that until such time our economy truly rebounded we needed relief from wage increases which by 2010 saw an 86% increase since the implementation of the Fair Minimum Wage Act of 2007.

Recently the CNMI's leading civic business organizations met to discuss the real issue of wage suppression in the CNMI. Given consistent economic growth over the last two to three years, we now support the Governor's and Legislature's proposal to increase the minimum wage to reach par with US minimum wage levels ahead of the legislated staggered increases.

We further support the intent to apply CNMI prevailing wages to the CW visa program, much like the H visa, this ensures parity in the labor system and does not continue to arbitrarily

suppress mid-high level jobs that are currently prevalent among CW vocations and that eligible U.S. citizens could and should garner given the increased education and training provided in the CNMI.

WORKFORCE DEVELOPMENT

I am pleased to acknowledge that the Public School System, Northern Mariana College, Northern Mariana Trades Institute, Latte Training Academy, G4S and many more institutions, over the course of the last four years have ramped up efforts to educate and train our U.S. citizens for viable jobs in the CNMI. Financial resources are scarce but I commend them all for the extreme effort and cooperation they have achieved by not duplicating their curricula and utilizing their limited resources to offer a variety of vocational training.

Some hoteliers and specific businesses with skilled labor also have had to step up their own efforts and create cooperative education incubators within their establishments to ensure they are hiring and training high school aged students for the workforce.

CONCLUSION

In closing, the CNMI is well on its way to economic recovery we have it within our community to properly grow our economy, to employ many more U.S. citizen workers into good paying jobs but two years will not be sufficient time to ensure this occurs.

We again would kindly ask this committee to support Representative Kilili Sablan's legislation to extend and expand the CW visa program and to provide the CNMI the necessary tools and input to jointly manage this program.

Si Yu'us Ma'ase, Olomwaay and Thank you