

Dear Governor Togiola,

We submit for your review the Economic Advisory Council (EAC) report on Policy Reform, covering issues and recommendations for your consideration.

Being mindful of the highly competitive global economy, American Samoa must ensure that our environment is commercially attractive and as friendly as possible; that potential investors will give us serious consideration and gain a level of comfort from our investment parameters, cultural requirements, statutes and codes that will assist them with making positive investment decisions in our favor.

It is the view of the EAC that such reforms are deemed necessary to encourage economic development and investment by non-US companies.

We look forward to the opportunity to discuss the contents of this report with you, and in due course, working with the relevant government entities, to addressing and implementing policy changes as they become necessary and appropriate.

Sincerely,

Oreta M. Togafau
Co-chair

David Robinson
Co-chair

REPORT ON POLICY REFORM

Economic Advisory Council

Pago Pago, American Samoa

June 2008

The concept of policy reform can be both simple and difficult. In its simple format, policy reform may entail no more than a simplification of procedures designed to make doing business with the American Samoa Government easier. For the purposes of this paper we are assuming the role of non-US overseas investors that intend to establish a manufacturing operation in American Samoa to service the US market. To ensure a balanced view of each issue, substantial discussions have been held with the various government departments and where practicable their comments have been incorporated in recommendations that have been made. Areas of concern are:

Business Licenses

As it currently stands it could take up to 6 months for new investors to navigate the cumbersome business license application process and that assumes that the investors have employed a competent person to guide them through this complex process.

Corporate Tax Policy

Serious investors will consider the tax environment that they will operate under and they will quickly identify that American Samoa tax rates are some of the highest in the world and by far the highest tax rates in the South Pacific. In addition they will be expected to pay; withholding tax on any dividend payments made to the parent company after payment of the high income tax; withholding tax on any interest payments on borrowings from non-US based banks and on any management fees paid to the parent, and; withholding tax on payments to any non-US based contractor or service provider. They will also be faced with high and inconsistent levels of Import Excise Tax on all fixed assets and raw materials sourced from off-shore. This can add up to an effective tax rate in excess of 65%. The investors may be told that they can apply for a Tax Exemption from the Tax Exemption Board; however this provides little comfort as it is not guaranteed and could change depending on the whim of politicians and/or a change of government.

Personal Tax Policy

This can be an issue for all taxpayers; however, as all workers will be subject to local tax policy it will appear unusual that the tax policy for employees was frozen in December 2000, therefore representing an older tax scale than that which currently applies in the USA. This may not be an issue, except when you consider the benefits that US taxpayers have enjoyed subsequently, none of which have been passed on to the American Samoan taxpayer, This is a major concern when attempting to employ mainland Americans.

Immigration Policy

Given the small population of American Samoa, it is inevitable that some specialized roles cannot be filled from existing resources, and in the case of lower paid jobs, such as tuna canneries, it has proven problematic, at best, to recruit from the local population. However, immigration reform should not favor expatriate workers over American Samoan workers. Immigration reform should seek to reform the guest worker renewal process, and modify the permit timeframes to match contract time periods. Small changes like these two recommendations can have big results in the area of immigration reform.

POLICY REFORM ISSUES AND RECOMMENDATIONS

1. Business Licenses

One of the major problems recognized by the private sector is that the process by which a business license application is reviewed and approved or disapproved is lengthy and cumbersome. This may discourage an applicant from establishing a small business, and possibly pose a threat to the individual's livelihood and income. The average time for processing a business license in American Samoa is said to be at least six months. This cannot compete with other countries around the world where anything more than one week (provided all documents are in order) would be deemed poor service.

In addition, the current practice by ASG, as required by law, is that a license be obtained for any and all activity added to an already established business. This means that a business is unable to operate more than one business under the same corporation, without obtaining a further business license. One example is where an individual required a separate license to run a computer repair operation and a sewing machine repair operation. We propose that this provision be removed or an amendment be made to the statute, because it only makes the process longer and frustrating for both ASG and the applicant.

In reality, provided an investor is prepared to abide by the law and commit capital to establish a business, the process should be very simple. It is acknowledged that this concept does not extend to more regulated industries such as telecommunications insurance and banking where industry specific licenses are required.

As it stands, the Territorial Planning Commission (TPC) is the entity that gives the final call on a business license application before being forwarded to the Governor for approval/disapproval. Prior to the TPC, the application is required to obtain approvals and signatures from seven other agencies. The Council suggests that TPC statutes & rules be revisited to help alleviate the business licensing process and ensure fairness in decisions made.

The Department of Commerce was recently awarded a Technical Assistant Grant by the U.S. Department of Interior to set up a "One-Stop Shop" type of system for permitting and business licensing in American Samoa. The Council is in full support of this effort and wishes that the needs of the private sector be considered and met when designing this project. This "One-Stop Shop" system will ease up the permitting and business licensing process, and will encourage entrepreneurs and outside investors to establish and conduct business in the Territory. This will most definitely be beneficial to the local economy.

2. View of the Department of Commerce (DOC)

Discussions held with DOC generally supported the recommendations made here and the Council was delighted to hear that the "One-Stop Shop" concept remains a focus of DOC moving forward. The procurement process on this project has started in which the project will be carried out in two phases. First phase will be the e-permitting and computerizing of basic information and the second part will be connecting all involved agencies.

3 Business License Recommendations

The Council makes the following recommendations in regard to Business License applications:

- Revise the existing TPC Statutes and Rules with a strong view to simplification.
- Ensure only one agency is required to approve an application or at most two agencies where special requirements exist (e.g. Department of Health, in the case of Food Vendors).
- Enable only be one business license in instances where multiple but similar operations exist. e.g., only one license should be issued for a retailer, not separate licenses depending on what is being retailed.
- Establish a maximum acceptable time frame for completion of the process and implement the required change to ensure this standard is met. This Council recommends one week as the standard to be reduced to one day over time.
- Pursue the One-Stop Shop concept as a matter of urgency.

4 Tax Reform

Tax reform, and all its connotations, is the largest and most complex of the issues dealt with in this paper and it is acknowledged that wholesale changes to the tax act as it currently applies can be a difficult matter. Nevertheless, the Council considers the current tax structure to be the largest single deterrent to foreign investment and for that reason alone, it deserves to be addressed immediately. Whether the canneries stay or go, foreign investment is vital to the economic future of American Samoa and all efforts should be directed towards welcoming investors.

The taxation issues faced by our theoretical foreign investor are complex, cumbersome and negative. They include:

Corporate Tax Rate

The current tax rates are:

Up to and including \$50,000	15%
\$50,001 - \$75,000	25%
\$75,001 - \$650,000	34%
Greater than \$650,000	44%

These are among the highest corporate tax rates in the world and are well in excess of tax rates that apply to neighboring countries, for example:

Samoa	29%
Asia Pacific region average	30%
Guam	35%
New Zealand	33%
CNMI	18%

It may be seen as a necessary evil by the Government, as corporate taxes are a substantial contributor to local revenue (19%); however in countries where taxes are lower, corporate taxes contribute much more than this, as corporations are less worried about minimizing tax and more concerned about making money.

Corporate Withholding Tax

Current contentious withholding tax rates are:

- Dividend Withholding Tax – payable on all dividends paid to non-US parent companies 30%
- Interest Withholding Tax – payable on all interest payments to non – US financiers (e.g. parent) 30%
- Management Fee Withholding Tax – payable on all management fees, royalties etc. paid to either parent entities or franchisees or similar. 30%
- Service Fee Withholding Tax – payable whenever non-US service providers provide services in American Samoa (e.g. off-island auditors) 30%

The concept of withholding tax in its simple form is to tax revenue that is not captured under the normal tax collection process; however, in the first two of these instances that is not the case:

Dividends are only paid from after tax income, meaning the company has already paid tax on net profit and is then asked to pay tax again as the profit is distributed to the company owners. Interest paid on money borrowed from a local or US bank or financier/parent does not attract this tax. In both cases the expense remains a tax deduction; however, the source of the borrowing should have no impact on the tax paid. It appears that this is designed to tax the revenue of the financier; however, it is not the financier who is paying the withholding tax; it is the borrower, as a deduction of 30% withholding tax from any interest payment would inevitably result in a monetary default under the loan agreement. The end result, assuming a 100% dividend repatriation, can be an effective tax rate of over 60%. This is very restrictive and only applies to non-US companies whereas the USA only applies withholding taxes in these instances of between 0 – 5% depending on the tax treaty negotiated with the country of ownership.

Import Excise Tax

In the absence of a Sales Tax, Goods and Services Tax or Value Added Tax, Import Excise Tax (IET) can be a suitable alternative provided that rates applied are both fair for all concerned and evenly charged.

Unfortunately, IET has become a simple source of Government funding for various projects and has seen IET increased on an ad hoc basis, such as the unpopular soda tax or alcohol tax. In isolation these may not matter much; however, potential investors can be confused by the complexity and worried about the potential of IET increasing on goods they import.

Most successful economies have effectively removed IET and relied more on a sales based tax, despite the difficulties involved in policing this. It is the view of this Council that this should be pursued further, despite the apparent complexities in policing. It may well be appropriate to employ additional tax officers to enforce collection which will be funded from the increased revenue that it attracts.

Personal Tax Rates

It is expected that an investor will need employees and while it is expected most would be local, often foreign labor is required for specialized roles. These employees will no doubt need to compare taxation rates with those currently paid to ensure they are earning an equivalent or better salary. As a result of the freezing of the American Samoa tax code to mirror the US tax code of December 31, 2000, benefits that have subsequently been enjoyed within the USA, such as reduced tax rates and family allowances, have not been passed on locally.

In addition, a more attractive personal tax code would benefit S-Corporations and sole/joint proprietors that all pay effective tax at the personal rates.

Tax Exemption Board

When faced with such a complex tax regime, the potential investor may take comfort in the Tax Exemption process; however, traditionally, investors are not in favor of exemptions as they are often temporary by nature, can be dependent on the whim of politicians or altered as a result of a change of a government.

These concerns are only heightened in American Samoa. Applying for an exemption can be a time consuming and frustrating process as exemptions are not granted evenly or easily, despite promises that may have been made during initial discussions with government representatives. The worry of existing exemptions being overturned in the future exist as well as uneven playing fields being created should competitors obtain more attractive exemptions, particularly IET exemptions.

Most investors would prefer to see a fair, reasonable and consistently applied corporate and personal tax system that will provide comfort without the reliance on government support.

The key factors potential investors look for in the tax structures are: fair and reasonable tax rates; consistent application of tax with penalties for non-compliance; no exemption process, particularly one that is not consistently applied; competitive tax rates, particularly with neighboring areas; and, simplicity.

One of the many reasons that Hong Kong became a major financial center, despite no real natural resources, was a very simple tax code and a reasonable rate of 18% that was fairly applied.

5 View of Tax Office

Meetings were held with Tax Office representatives in American Samoa during the preparation of this report, together with the newly appointed ASG Treasurer. It is fair to say that the Tax Office supports tax reform in essence; however, it expresses concerns regarding the change process and the ability of the existing Tax Office employees' structure to police any changes. These concerns stem, in part, from the existing frustrations experienced with policing the existing tax code, such as:

Cash & Off-Shore Payments

While sympathy was held for the plight of the foreign investor in regard to withholding tax, this does not extend to the recipients of the cash economy, particularly as it relates to non-American Samoa corporations that are contracted to provide a service to American Samoa (e.g. a construction project). Inevitably the payments for this project are made either direct to the country of origin of the contractor or in cash. As a result no local tax is often paid on revenue earned in the Territory.

Frustrations were voiced regarding the propensity of this to occur as well as the inability of the Tax Office to police this. In other countries this problem is enforced by either a robust and well policed Goods & Service Tax (GST) or by a requirement for only locally registered contractors to contract for such jobs, requiring also that being a locally registered entity, they must file a tax return and pay appropriate taxes.

Non Filers

Frustrations were raised regarding the lack of resources available to the Tax Office to police non-filers. Detailed statistics are not available; however, based on known numbers of registered corporations as advised by the DOC, less than 40% are actually lodging tax returns. The Council believes all businesses should pay their correct tax by filing a tax return and supports any efforts in policing non-filers.

This can be a further deterrent to new investment if it is deemed un-penalized common practice not to file, as investors like to operate in level playing fields.

Compliance

Frustrations were raised regarding the lack of skilled resources in the Tax Office and the impact this has on tax revenue.

Withholding Tax Payments

Despite the negativity that this tax causes for potential investors, the reality is that many companies are not paying it, either out of: a lack of understanding of the tax act, a willful avoidance of the tax or, in the case of the dividend withholding tax, by not striking a dividend. Based on estimates only for the 2007 tax year, approximately \$7million was raised from withholding tax, although it was stressed that the vast majority of this was paid by very few corporations and mainly related to tax on royalties, which is potentially more acceptable as these are tax deductible expenses and therefore not taxed by other means.

Based on this rough analysis, removal of the withholding tax on dividends and off-shore interest only will have minimal negative impact on tax revenue and a very positive impact on foreign investment.

Lost Revenue from Tax Reform

There is little doubt that any tax reform that is beneficial to foreign investment will result in reduced taxation revenue. The Council believes that such a reduction will be temporary in nature as it will be off-set in due course by increased investment, resulting in increased tax revenue, even though there will no doubt be a dip in revenue that will need to be managed or financed.

In addition, the Tax Office advised that the tax revenue for 2007 was stronger than recent years and that the Tax Office is doing all it can to maximize tax collection in the future in an attempt to fund a government that struggles fiscally. Any proposed reduction in revenue will not be welcome and would need to be carefully managed. This should also be considered in light of the current economic climate. As minimum wage hikes seem to be continuing, canneries continue to struggle to recruit employees and threaten to leave the territory and the US economy enters a recession, the likelihood that tax revenues will reduce over the ensuing years as businesses struggle to maintain previous levels of profitability is real.

Despite all of this, there was reasonable support from Tax Office for a gradual reduction in the top corporate tax rate. At the moment only a handful of companies are paying the top corporate tax rate of 44%; however, the tax paid by these companies is approximately \$10 million, compared to approximately \$20 million from other forms of taxation including IET. As a result, these corporations are paying a disproportionate contribution. Names were not provided; however, it is expected that these few companies are representative of the larger employers in the Territory. It should also be stressed that the \$10 million paid by the few also includes tax paid at the lower scales also. It is estimated that a reduction in the top corporate tax rate from 44% to 35% for example, may only result in a reduction in tax paid of \$1.5 – 2.5million.

Specific details of the sources of tax revenue were sought from the Tax Office but were not provided due to disclosure issues.

Discussion was held around privatization as a means to fund any potential shortfall in tax collection; however, this was not something that the Tax Office was comfortable discussing.

In addition they did not want to see tax treaties form part of this paper as the USA has spent many years negotiating its existing treaties and they were not comfortable that American Samoa was in a position to unilaterally adopt similar treaties.

Tax Recommendations

The Council recommends the following in regard to tax reform:

- **An initial reduction in the corporate tax rates:**

An initial reduction in the corporate tax rates from 44% to perhaps 35%, with a subsequent review to progressively reduce them further in possibly 3 – 4 years when the impact of the initial reduction is known. It is the view of this Council that the corporate tax rate should more closely mirror that of personal taxpayers as well as being competitive within the South Pacific region. This should entail a reduction in the corporate tax rate to below 30% and this Council recommends 25% as a reasonable target. This would ensure competitiveness as well be seen as a reasonable rate by taxpayers in turn leading to improved tax ethics.

- **Removal of the unpopular dividend withholding tax:**

It is a double taxation, being paid after payment of corporate taxes; it is not providing much revenue in any event and is a major negative for foreign investment.

- **Removal of the interest withholding tax:**

Similarly, it is not providing much revenue (if any); however, it restricts the ability of non-US based corporations to raise money in a cost effective manner for the purposes of foreign investment here. Bearing in mind that it can be difficult for foreign investors to raise debt from the local banks as they do not usually have a proven track record and / or a sound collateral base from which to secure debt. The intent, being to tax the recipient of the interest, is not being achieved as the lender will not allow withholding tax to be deducted without calling a monetary default on the borrower.

Removal of the Tax Exemption Board (preferable):

This includes cancellation of all existing exemptions provided, or a substantial revision of the tax exemption process. It is acknowledged that exemption removals may need to be progressively introduced as some corporations are only able to remain competitive as a result of incentives currently in place; however, for this reason alone, the board should be disbanded as level playing fields should be encouraged at all times.

Should a revision of the tax exemption process be considered, then it should include extremely clear guidelines that must be met before an exemption is provided, such as:

- required levels of investment or equity
- required local employment levels
- a clearly defined and non-competitive market. This is essential to ensure that existing market players are not suddenly disadvantaged due to a new entrant with an attractive tax exemption.
- clear evidence of economic benefit, or
- clear evidence of an uneven playing field with the tax exemption request designed to rectify the anomaly.
- **Personal Tax rates should be aligned to US tax rates at a maximum, possibly even lower**

The difficulties of this are acknowledged by this Council as the US tax code is very complex and difficult to administer, which is probably the reason why the code was frozen in December 2000. Nevertheless, the American Samoan taxpayer is paying a rate higher than mainland USA and higher than neighboring countries.

Traditionally lower salary levels relate to lower taxation and this is not occurring in American Samoa at present. Ideally, a simplified tax code is adopted, similar to other Pacific Island countries; however, this has not been researched in any great detail in the preparation of this report, as it is deemed out of scope.

6. Immigration Policy

Attracting new and possibly foreign investment dollars will necessitate a review of our current immigration practices to see how new investors in our community can cope with a process that will be proactive in assisting to employ the expatriate or guest workers who may be needed. It should be stressed here that the intent of any immigration reform should not favor expatriate workers over American Samoan workers and existing policy that requires evidence that the role could not be filled from existing American Samoan resources as part of an Entry Permit application is encouraged and should be retained.

There, then, needs to be a method of matching the immigration term with the term of the asset invested. For example, in the case of the manufacturing investors, it is likely they will see this asset as a 10 year plus asset, yet they will face the existing arrangement of one year entry permits for both the investor and the managers of the investment that must be renewed each year. One suggestion is to provide "investment entry permits" that will allow the investor to remain in the territory for either the term of the employment contract or the perceived term of the investment (depending on the level of the investment), on the proviso that the applicant maintains a clean criminal record.

This and other areas where improvement is needed in the immigration process was detailed in the 2006 American Samoa Private Sector Assessment prepared by the Department of The Interior Office of Insular Affairs and the Council believes that these areas are still those most in need of urgent attention. They include:

The Attorney General should delegate the administrative task of reviewing applications to an administrator within the Department of Immigration with the idea of expeditiously moving applications forward, provided all required criteria are met.

As the Immigration Board consists of political appointees, assigning a legal specialist, an immigration specialist, and a private sector representative to the Immigration Board to support the Board in moving forward on applications should assist in streamlining the process.

Changing the present practice of one year renewals for workers who are in American Samoa in connection with their employment contract. Work permission should be granted for 2 or 3 years instead of the current 1-year practice. This is a major issue for expatriates who often need to bring families with them, yet can obtain no more than a one year work permit.

Even if 2 – 3 year entry permits are made available, the process of obtaining a renewal should be simplified. The existing process of obtaining a renewal is cumbersome, time consuming and necessitates time off work and school to attend hearings and renewal arrangements. Provided the applicant has a clean criminal record and intends working for the same corporation, renewal should be a simple matter and should extend to the term of the employment contract. This is not to say that American Samoan employment should not be protected where possible; however, in instances where foreign employment is inevitable, then a simplified process is in order. The USA recognizes this and offers visa terms in excess of three years in certain circumstances.

Clearly the community's need for economic development must be addressed in a way to be sensitive to our culture and laws. The Council recommends working towards immigration processes that are fair, transparent and efficient.

Another aspect of immigration policy should be to review our educational system to see what is being done to promote vocational education to have more American Samoans skilled in the trades like electricians, plumbers, diesel mechanics, refrigeration technicians and other trades which the local business community is currently employing from beyond American Samoa.

The existing Guest Worker program is a step in the right direction; however, based on discussions with both canneries, it does not appear to have solved the problem, with both canneries experiencing difficulty in attracting labor.

7 Immigration Recommendations

The Council believes there are two specific areas that should be targeted in relation to immigration reform:

- Streamlining the Immigration Renewal Process
- Delegating the task of renewal applications and simplifying the process by excluding involvement of senior immigration officials other than for more complex issues.
- Assigning a legal/immigration specialist to the immigration board to support the board.
- Simplifying the process. The existing process is very detailed and requires multiple visits to the immigration office. Provided all documentation is in order this should not be necessary.
- Review the existing sponsorship program. Currently it is seen as an income generating exercise for many, Employees should have more ability to sponsor workers.
- If an immigrant has a steady job and a clean police record, then renewal should be a simple process.

Revise Existing Immigration Policy

- For investors who are committing capital for the benefit of the economy of American Samoa, Entry Permit terms that are reflective of the life of the asset invested should be pursued. For example, a building company under a specific contract should have an Entry Permit for the life of the contract, whereas a manufacturing investor that is building a factory should receive a longer term Entry Permit – say 5 – 10 years.
- For contract employees, the Entry Permit should reflect the term of their contracts (and be sponsored by the employer).

In both instances above, a process could be established where an annual confirmation certificate is provided which states that the conditions of entry remain and that a clean police record is held. If that is the case, then the file is noted with no need for renewal to occur. If that is not the case, the immigration status could be revoked.

June 2008

Dear Governor Togiola,

On behalf of the Economic Advisory Council (EAC), we submit for your review and consideration our first report – “A Focused Collaborative Approach to Economic Development.” This document reflects the expressed thoughts, experiences and recommendations of the private and public sectors as represented in the Council’s membership.

As mandated by Executive Order 014-2007, the purpose of EAC is to bring closer collaboration between the private and government sectors in economic development. This collaborative approach empowers both entities to come together to develop effective projects in the short term that will have a positive long term impact on the American Samoan economy.

The EAC consists of five working groups – Agriculture and Fisheries Development; Light manufacturing Industry and Ship Repairs; Privatization and Policy Reform; Education, Technology and Workforce Development and Environment, Energy, Recycling and Tourism. Members of each group come from diverse backgrounds in business and government.

Since its inception nearly six months ago, the EAC has met five times, and five EAC working groups committees have held 18 meetings to address specific, doable projects that will stimulate the economy.

In the past decade, the American Samoa Government has received many plans and studies that address the need for economic development. While these documents describe what and why, they failed to say how. The EAC has taken the initiative to review these existing plans and studies and prioritizing the goals and policies that exist in these documents to form a long – term strategy. Through this process, the EAC has charted a number of short term usable action plans, that tell how to implement and achieve sound economic growth.

We acknowledge the hard work of the Department of Commerce staff for the technical and professional support in the compilation of this report. This document is not the conclusion of our work, but is the introduction to process for results-driven ideas and projects.

Sincerely,

Oreta M. Togafau

Co-chair

David Robinson

Co-chair

A Focused Collaborative Approach to Economic Development

**Economic Advisory Council
First Report to the Governor**

June, 2008

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INTRODUCTION

As part of the 2002 private sector survey studied by the Council members, business leaders were asked what sort of industries or new directions they believed were good fits for American Samoa. They were specifically asked their opinion on the recommendations made in 2002 by the American Samoa Economic Advisory Commission, which identified five promising sectors: tourism, light manufacturing, information technology/call centers, agriculture and fisheries.

The work of the Council focuses on many of these same industries, but the difference between the 2002 private sector survey and the Council, is focuses on action that can be taken in both the public and private sectors to produce effective, positive results for the American Samoan economy.

American Samoa's small size requires a focused approach instead of trying to pursue all possible avenues for economic diversification...¹ In this spirit, the Council committees recommended only a few projects, but those projects were found to be "do-able" in the short term, to produce long term results.

¹ An example of one idea that did not fit into one of those five categories was off-shore banking, but that is not considered a realistic idea by the consultants. Other suggestions that were disregarded included forestry (not feasible or environmentally appropriate) and hosting a U.S. Navy base (probably not feasible given American Samoa's small size and non-strategic location).

THE ACTION PLANS

Agriculture and Fisheries

Priority Projects

Secure funding sources for larger alia boats
Develop an animal feed operation (feed mill)

The work of the Agriculture and Fisheries Committee focused on developing action plans for three specific categories: Revitalizing Agriculture, Upgrading Fisheries Capacity, and Cannery Development. The strategies from the Agriculture and Fishers Committee category follow.

Revitalizing Agriculture

The Revitalizing Agriculture plan focuses on making agriculture an important sector of the American Samoa economy by collaboration with the farming community, the ASCC Land Grant, the Department of Agriculture and villages. Strategies for successful implementation of this plan include the following:

- **To complete within 6 months**
 - Incorporate the use of tariffs on imports of agricultural products that could be produced locally.
 - Revise the Point of Entry Form (POE) to collect needed data on the origin, types, and amounts of goods brought into the Territory.
 - Train customs inspectors to catalog information regarding imports.
 - Increase involvement of local farmers involved in the school lunch program by identifying new foods that could be grown locally.

- **To complete within 6-12 Months**
 - Improve the analysis capabilities for agriculture. A comprehensive user analysis is needed to determine the current extent of the import market.
 - Hire additional staff at DOC for statistical research specifically for agriculture.
 - Support Department of Agriculture and the Land Grant collaboration for agriculture development programs in villages and for training extension/agriculture staff for community outreach programs.

Upgrading Fisheries Development Capacity

The plan for Upgrading Fisheries Development Capacity is to improve the operating arena of the local fishing industry by providing adequate financing, infrastructure and on-shore support facilities; and, to increase the capability to market and sell fish on the local scene and in off-shore markets. Strategies for accomplishing this include the following:

- **To complete within 6 Months**
 - Include fish in the school lunch program
 - Change policies regarding fuel costs for marine diesel. Small boat owners and family boats currently pay a higher diesel price.
 - Revise the Point of Entry Form (POE) to collect needed data on the origin, types, amounts and destinations of bottom fish brought into the Territory.

- **To complete within 6-12 months**
 - Train customs inspectors to catalog information regarding imports.
 - Improve DMWR enforcement of illegal fish sales (e.g. off the side of boats).

- **To complete within 1-2 Years**
 - Improve the analysis capabilities for fisheries by developing a comprehensive database/information program for public and private sectors.
 - Increase financing opportunities for fishing, including loan programs for bigger boats and equipment.
 - Support aquaculture development and the development of an aquaculture co-op on the Island.

Canneries Development

Canneries Development is the second goal to upgrading fisheries development Capacity. The goal for Canneries Development is to continue to support efforts to address the concerns of the canneries regarding wage and tax issues. The canneries are a cornerstone of the American Samoan economy and improving business opportunities for the canneries will have a positive effect throughout the economy. Strategies for achieving this goal include the following:

- **To complete within 6 Months**
 - Increase effort to eliminate or reduce the minimum wage increase.
 - Support collaborative programs between ASPA, ASG and the Canneries to offset utility costs/fuel costs, including research into renewable energy sources.

- **To complete within 6-12 Months**
 - Reform immigration policies to ease the complicated process for recruiting and retaining cannery workers by assigning immigration officers specifically for the canneries.
 - Reform immigration policy regarding contracted workers - visa should be valid for the contract time, not for one year only.
 - Reform the Department of Health policy/procedures for health programs for cannery workers.

- **To complete within 1-2 Years**
 - Collaborate with the ASG workforce development, the DOC and the ASCC to develop programs to recruit, train and retain skilled workers.
 - Increase efforts to recruit workers skilled in trades
 - Establish a scholarship program for students to train at the National Institute in Samoa.

As a part of the action plan development process, the Committee developed an analysis of the strengths, weaknesses, opportunities and threats to improving agriculture, fisheries and cannery activities in American Samoa.

Table 1: Committee #1 SWOT Analysis

FISHERIES	
<i>Strengths</i>	<ol style="list-style-type: none"> 1. Existing facilities/skilled labor force supports fish product development. 2. Pelagic fish stocks in AS EEZ are strong and under-utilized. 3. Aquaculture potential is good if supplied with technical support.
<i>Weaknesses</i>	<ol style="list-style-type: none"> 1. High processing costs due to federal wage & operating standards. 2. Reduced competitiveness occurring in local canned tuna industry. 3. Lack reef areas to support expanded commercial reef fishing. 4. Restrictive limitations on vessel size (50') limits local production. 5. Lack local testing for safe fishing methods of marine imports. 6. Low local health standards for procuring imported meats/fish. 7. Lack local specialized marine market meeting health standards. 8. Lack adequate import statistics to gauge quality/quantity of imports.
<i>Opportunities</i>	<ol style="list-style-type: none"> 1. Use School Lunch Program to provide funds for fishing development. 2. Expand fishing vessel size to improve local deep sea fishing catches. 3. Support better funding to expand fishing industry projects/programs.
<i>Threats</i>	<ol style="list-style-type: none"> 1. By-catch from commercial fishing boats undermine local fisherman. 2. Length limits (50") on local fishing boats restrict fishing ground use. 3. Unregulated and unenforced roadside fish/marine sales threaten health.
AGRICULTURE	
<i>Strengths</i>	<ol style="list-style-type: none"> 1. Underserved local consumers create market for fresh produce. 2. Productive soils/climate exists to support expanded production. 3. Programs exist (ASCC & Land Grant) but needs more coordination.
<i>Weaknesses</i>	<ol style="list-style-type: none"> 1. Limited productive soils in proximity to potential consumers. 2. Lack key DOA extension program indicators to monitor progress. 3. Lack ASG policies to reduce imports & expand local production. 4. Lack government support for local produce in School Lunch Program. 5. Lack proactive DOA administration to push local agriculture.
<i>Opportunities</i>	<ol style="list-style-type: none"> 1. Expand demand by increasing agricultural produce/meat product range. 2. Demand for local, fresh products reduces costly import dependence. 3. Use the School Lunch Program to expand farms & improve supplies.
<i>Threats</i>	<ol style="list-style-type: none"> 1. Weather & pests can limit production & threaten crops. 2. High transportation costs & isolated location in Pacific - overseas export & locally for Manu'a farms.

Manufacturing, Industry, and Ship Repair

Priority Projects

Develop a shell building for manufacturing incubator
Identify joint manufacturing ventures
Develop Malaloa area marina and marine facilities upgrades

Manufacturing

To improve American Samoa's manufacturing sector, it is necessary to promote the production of consumer and producer goods for domestic and overseas markets. Ways to accomplish this are as follows:

- **To complete within 1-2 Years**
 - Attract foreign capital, technology, management and marketing expertise for joint-venture industrial activity; Policy reform will be necessary.
 - Supply suitable public land and infrastructure for industrial development;
 - Increase knowledge of new production technology through educational programs in science and engineering;

Industry

Developing the economy in the territory means utilizing the limited resources to generate more local revenues. One way to accomplish this is through the development of primary industries. A unique program underway in ASG involves the development of "micro-industries". The program focuses on export-oriented, and solely American Samoan owned and operated businesses. ASG programs like the "micro-industries" development capitalize on the large export market in the region for both products and other potential goods and services. Examples of projects in pre-planning and proposal stage include a slaughterhouse operation, cardboard manufacturing plant, watch assembling plant, fish hook factory, rum distillery, brewery and a shoe manufacturing/repair shop. The micro-industries program is spearheaded by the Office of the Governor and the Department of Commerce.

Additionally, economic development can also benefit the community when government can promote efficient land use and resource management.

Recommended actions include the following:

- **To complete within 6-12 months**
 - Provide for government programs to encourage appropriate redevelopment and rehabilitation of primary Pago Bay Area commercial areas. Rehabilitation of this area will provide efficient accommodation particularly, those activities that require close proximity to the port and waterfront activities.
 - Additionally, government should provide guidance and policy for the orderly concentration of other commercial activities in appropriate areas of the Tafuna-Nuuuli Plains area.

Ship Repair

Because of American Samoa's location in the Pacific, Pago Pago Harbor's, naturally deep water port, and existing port facilities, ship repair is a natural focus for economic development activities. From 1997 until 2007 there was a steady decline in fishing vessels coming into American Samoa. Reasons given by the vessels for leaving were high fuel prices, the cost of local commodities, fish prices at the canneries at an all time low, and port costs. This trend remained until late 2007 when the catches and price of fish started rising. With the fluctuation in the fishing industry, it is apparent that the ship repair facilities can not depend on the fishing fleet alone for a consumer base. Expanding the ship repair sector will require marketing and training for employees. Additionally, the harbor must become a hub for other water craft.

One way to accomplish this is through the development of a marina. A new marina would be a key project to move forward the revitalization of the Inner Bay. This project can also serve as a catalyst for economic development for supporting industries and creating a vision of positive development for the community. A new marina would increase the number of berths and expand the market for supplies and services such as waste removal, water, fuel, and electrical hook-up at the slips. Presently, small boats and yachts do not have facilities for sewage disposal or easy access to trash disposal or electrical hook-ups. A plan to develop a new marina is underway. The following are possible individual project ideas for investors to support and enhance the marina area:

- **To complete within 6-12 Months**
 - Shoreline Improvements - off-shore underwater, on-shore land, shoreline protection improvements and utilities would need to be constructed.
 - Paved Parking Improvements - Construction of a parking lot with capacity for more vehicles. This could also be developed in phases.
 - Moorage Improvements - berthing slips and the small boat pier would need to be purchased, installed, and have utilities extended to them. These could be developed in phases.

- **To complete within 1-2 Years**
 - Marina Based Facilities - A building or buildings would need to be constructed to house rest rooms, showers, laundry, office and related business spaces to serve the marina. A land allowance (or building space) would be made for the development of a yacht club.
 - The bureaucratic approval process for a marina development is formidable and every time consuming. The lengthy delays in securing all the required approvals will add significantly to the overall cost and make acceptable economic return on investment difficult to achieve. Fast tracking of approvals is required otherwise project implementation will be in doubt.

Table 2: Committee #2 SWOT Analysis

MANUFACTURING	
<i>Strengths</i>	<ol style="list-style-type: none"> 1. Clothing manufacturers available 2. Can manufacturing plant. 3. Fish Canning plant 4. Fish Processing companies 5. Management capabilities. 6. Trained and capable employees 7. Work Force Investment Act through Human Resources. 8. Head Note 3-A Export Duty Free 9. Stable Government
<i>Weaknesses</i>	<ol style="list-style-type: none"> 1. Lack of professional and qualified labor pool from which to hire from. 2. No help from local government, Federal Government and Congressman. 3. No local training programs for various manufacturing areas. 4. Lack expertise in the manufacturing area. 5. Electricity costs very high 6. Fuel costs very high 7. Poor pool of skilled labor 8. High cost of shipping 9. Continuity
<i>Opportunities</i>	<ol style="list-style-type: none"> 1. Training of employees and personnel in various manufacturing norms. 2. Training in the use of various types of equipment in the manufacturing area. 3. Opportunities in managerial area of manufacturing. 4. Provide experience to enable personnel to apply and find employment in other countries. 5. Business opportunities for locals in various manufacturing work.
<i>Threats</i>	<ol style="list-style-type: none"> 1. Possible departure of canneries and the fishing fleet 2. Local laws that could affect cost of doing business in American Samoa 3. Wage increase. 4. Rising Cost of shipping to American Samoa. 5. Tax increases on duties and products that could affect businesses in American Samoa. 6. Allowing of too many foreigners access into American Samoa. 7. Allowing of too many foreigners to obtain business licenses. 8. Lack of having experienced people in manufacturing. 9. Fish prices being lowered as to reduce monies spent by owners to repair their vessels. 10. Rising cost of electricity
SHIP REPAIR	
<i>Strengths</i>	<ol style="list-style-type: none"> 1. Only full service shipyard in this area of the South Pacific. 2. Shipyard is located in American Samoa, the canneries being located next door. 3. Facility Management with over 40 years of experience each in the ship repair and fishing industry.

	<ol style="list-style-type: none"> 4. Employees with experience and capabilities of accomplish work on all ships from small fishing boats, aluminum or steel, container ship carriers, and oil tankers. 5. Provides much work for local machinery shops and welding shops 6. Small ship repair shops are employed by ships and various work related to ships. 7. Hydraulic capabilities available. 8. Divers available for underwater repairs. 9. Paint products available for all types of ship repair preservation. 10. Steel materials available for any type of repairs. 11. Machining services for tailshaft repairs, bearing repairs, engine repairs, etc. 12. Fish net companies and net yards for net provisions and repairs. 13. Variety of ship repair equipment; Floating crane, Hydraulic Cranes, Scissors lifts, Manlifts, Forklifts, etc. 14. Stable political climate 15. Availability of unskilled labor pool 16. Relatively low wage rates
<i>Weaknesses</i>	<ol style="list-style-type: none"> 1. No help from local government, Federal Government and Congressman. 2. No apprenticeship program for various trades. 3. No electrical engineer on island. 4. Lack capabilities to provide world wide accepted tradesman certifications. 5. Materials having to be shipped on island. 6. Electricity costs very high. 7. Fuel costs very high. 8. No pool of skilled tradesman 9. Tradesmen licensing system outdated and ineffective
<i>Opportunities</i>	<ol style="list-style-type: none"> 1. Training of employees and personnel in trades on ship repair. 2. Training in the use in heavy equipment operations which can later be used in construction, fishing, shipping industries. 3. Gain proper certifications for various trades. 4. Provide training through apprenticeship programs with help from business that work with the various trades. 5. Provide experience to enable personnel to apply and find employment in other countries. 6. Business opportunities for locals to get work in the ship repair area. 7. Provide support for local car repairs, tank farm steel and pipe repairs
<i>Threats</i>	<ol style="list-style-type: none"> 1. Possible departure of the canneries from American Samoa 2. Local laws that could affect cost of doing business in American Samoa 3. Wage increase. 4. Rising Cost of shipping to American Samoa. 5. Tax increases on duties and products that could affect businesses in American Samoa. 6. Lack of having experienced people in the ship repair business. 7. Fish prices being lowered as to reduce monies spent by owners to repair their vessels. 8. High fuel costs.

	<ul style="list-style-type: none"> 9. Environmental and additional Coast Guard Requirements. 10. Alien workers being sponsored by locals.
INDUSTRY	
<i>Strengths</i>	<ul style="list-style-type: none"> 1. Construction Industry capable of building a wide range of infrastructure development to international standards. 2. Access to shipping to and from the Pacific Rim Countries and other areas in the world on a regular basis 3. Heavy construction equipment available on island for development 4. Reliable power and water supplies 5. Good telecommunications systems 6. Economy based on the US dollar. 7. Availability of unskilled workers 8. A ready supply of building products and hardware merchants 9. Flat excise tax rate of 5% on all imported materials. 10. Land set aside in Industrial Park for business development 11. Stable political climate. 12. Duty free access to US markets 13. Relatively low wage rates
<i>Weaknesses</i>	<ul style="list-style-type: none"> 1. Shortage of skilled tradesmen 2. Lack of direction and encouragement from local government for new development 3. No trade certification educational qualifications or apprentice programs available. 4. Current tradesmen's licensing system outdated and ineffective 5. High electrical costs and demand charges 6. High fuel costs 7. High costs of importing raw materials for industry 8. High cost of exporting manufactured products. 9. Inflated government workforce a burden on economic development 10. To many reports and not enough action
<i>Opportunities</i>	<ul style="list-style-type: none"> 1. Training of local workforce through ASCC programs to provide internationally recognized certifications in the trades fields 2. Focus on educating youth from the early stages 3. Encourage local people to become entrepreneurs 4. Change the concept that the best job is to work for ASG encourage people away from Government into the private sector 5. Privatization of government departments to become more efficient and stimulate private sector growth, Government should not compete with the private sector. 6. Ensure Industrial Park Land or other land is used and available for those wishing to start new industry 7. New business development will only happen when you have people that want to make it happen, if people are not educated and not confident to take the step to go it alone it will not happen. 8. Promote business development off island through ASG and the private sector.
<i>Threats</i>	<ul style="list-style-type: none"> 1. Canneries leaving the territory 2. Fishing fleet leaving the territory as a result of the canneries leaving 3. The flow on effect to other businesses. 4. Wage increases that are not determined by what the local economy can afford as we have with the escalator provision

	<ol style="list-style-type: none">5. Continued attempts by ASG/House/Senate to impose additional taxes to cover government overspending instead of looking at the root causes.6. Rising power rates being imposed on the consumers rather than ASPA looking at why solid waste and wastewater lose money.7. Rising cost of shipping to and from the island makes importing of raw materials and exporting of finished products unprofitable8. Qualified, entrepreneurial, intelligent people leaving island because they see no future here. These people need to be encouraged to stay home/come home and invest in the territory9. Rising influx of aliens becoming a burden on the infrastructure.10. Aliens starting new businesses that American Samoans could be running
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Workforce, Education and Technology

Priority Projects

Establish unified Institute of trades and Technology
Reestablish the American Samoa Board of Education

In the recently released *Cannery Closure Impact Study*, economist Malcolm McPhee provides an excellent description of the role education and technology play in economic development:

Education and technology have been known for a long time to have a great influence on economic growth. However, there was never a very clear idea of how it worked or how to account for or measure it. Previously, economic development was viewed in a highly physical sense as in the use of land, labor and capital and the production of goods. Typically, the process was governed by competition, comparative advantage, and diminishing returns, all of which remain important. Increasingly, however, economists are coming to realize that while these concepts apply reasonably well to the production of goods, they apply much less well to the fastest growing sectors of the economy, which are technology and knowledge-based activities.

The new technology and knowledge-based activities defied older notions of diminishing returns. It became clear that innovation could provide what appeared to be almost unlimited growth potential!

Knowledge makes growth possible. Without a doubt, the Territory's greatest strength is its only resource, the human resources; education and workforce development must include the development of trades education, and knowledge based activities. In the SWOT analysis, Committee #4 addressed several issues that impede the use of knowledge-based economic growth.

The goal of the Workforce, Education and Technology (WET) committee action plan is to develop establish an integrated technical institution involving the Workforce Development Commission (WDC), Department of Education (DOE), American Samoa Community College (ASCC) and the Private Sector, focusing on developing specific knowledge of and skills in the trades, technicians, engineers and businesses. In conjunction with this goal, the WET committee developed the following objectives:

- **To complete within 6-12 Months**
 - Establish a separate governing board for the Technical school (or vocational education) to oversee such Institution;
 - Establish special tax incentives for private companies and citizens who wish to contribute and become major benefactors to the Institution; and,
 - Establish scholarship programs specifically for and to promote trades, technology and business students.

- **To complete within 1-2 Years**
 - Integrate Polytechnic School and the Institute of Trades and Technology (ITT) into one unit perhaps, called the American Samoa Technical Institute (ASTI);
 - Incorporate Business and Commerce, as part of the Institution;
 - Build a unified curriculum for the Institution, starting from grades 11 - 14;
 - Establish measurable standards (academic and technical) at every level of the Territory's education system, including the Institution;
 - Sharing resources, including instructors between WIC, DOE and ASCC;
 - Hire qualify instructors to teach in the fields of trades, technology and business; and,
 - Invite the active participation and involvement of private and public sectors, as part of the Institution

Table 3: Committee #4 SWOT Analysis

ISSUES	EDUCATION, TECHNOLOGY AND WORKFORCE DEVELOPMENT
<i>Strengths</i>	<ol style="list-style-type: none"> 1. The availability of a young and vibrant workforce population² is a strong point that is often overlooked as an advantage. In that context of potentiality, certain redeeming values such as, the ability of youth to speak English with an American accent; and receiving an American-based education is, indeed, attracting outside business investors³; 2. American Samoa’s connection to and its political affiliation with the US Federal government is always a strong hand to advocate; 3. American Samoa Government (ASG) already has in place basic structural platforms⁴, with new ones emerging, although require extensive maintenance, is necessary to stage reforms and/or new initiatives; and, 4. While the availability of funds could be argued as never enough, ASG currently has sufficient resources⁵ (personnel, infrastructure and monetary) to begin incremental changes towards a viable economic development plan especially, with educational and workforce systems;
<i>Weaknesses</i>	<ol style="list-style-type: none"> 1. In spite of American Samoa’s youthful population, by and large, our current workforce lacks basic, work, and technical skills⁶, to an extent, even to meet the current needs of both private and public sectors are problematic; 2. Admittedly, while ASG has the required structural units in place, problems exist with inefficient, disjointed and fiercely independent departments and programs, which has turned into an incredulous barrier to any effective attainment of any sort of end; and, 3. The overseeing and management of ASG’s current resources.
<i>Opportunities</i>	<ol style="list-style-type: none"> 1. American Samoa would reduce its dependency on foreign workers especially, in areas of trades, technical and engineers; 2. American Samoa would likely to gain additional federal funds, if we could demonstrate a workable economic plan, to upgrade education and skills level of our students and workers; 3. American Samoa Government would likely to attract favorable rating by foreign investors to establish businesses locally; 4. The public and private sector would enjoy high productivity and competitiveness, which would likely to rise; and, 5. ASG will set examples and standards, upon which the “quality of life” in the Territory would be enhanced.

2 American Samoa working populations is getting younger according to 2000 US Census

3 Investors interested in setting up call centers are already in American Samoa

4 Total education system with traditional infrastructures are already in place

5 WIC, DOE and ASCC have the highest rate of federal grants received each year, among ASG departments

6 About 70% of high school graduates entering ASCC are sent back to remedial classes

<i>Threats</i>	<ol style="list-style-type: none">1. ASG would continue its total dependency on federal dollars; ASG would face a steady “brain-drain” to mainland and other places that could offer economic opportunities;2. ASG would likely to see an increase of its immigrant population to fill the voids and siphoned its scarce resources; and,3. ASG would likely to face a steady deterioration of its social fabric, economic viability, political stability, and cultural sustainability.
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Environment, Tourism, Recycling and Energy

Priority Projects

- Develop village-based environmental management programs
- Support the new American Samoa Tourism Authority
- Develop policies for incentives to using “green technologies”
- Develop regional recycling center

Because this group covered such a wide range of topics, the members divided the goals and action plan into strategies: Environmental Strategies, Tourism Strategies, Recycling Strategies and Energy Strategies. Additionally, the action plan contains timeframes in which these projects can be accomplished.

Environmental Strategies

Although American Samoa is surrounded by unsurpassed natural beauty, it is apparent that a lack of environmental understanding still exists in the community. To overcome this, we need to encourage a private and public partnership to promote the understanding of environmental issues on the Island including current conditions, future trends and effects of human impact on the environment. An immediate need exists to fully recognize and assess complications to keeping environment clean. Additionally, a successful private-public partnership should incorporate the following training and education activities:

- **To complete within 6 months - 1 year**
 - Curriculum development for school age children
 - Training government agencies on appropriate actions including an examination of what previous training has been undertaken, if any.
- **To complete within 1-2 years**
 - Incorporate families and villages in environmental management programs
 - Incorporate the use of traditional management practices.

Another challenge noted by the working group is the lack of an Environmental Plan for the Territory. The working group recommends that ASG, in conjunction with the community, develop an integrated and coordinated plan that addresses the current state of the environment and provides unified strategies for future environmental management practices. Developing this plan should include the following:

- **To complete in 6 months**
 - Merge existing strategies, policies, and documents regarding environmental management in the public sector
 - Work with private sector to establish common practices and goals.

- **To complete within 1-2 years**
 - Prepare/publish an annual State of the Environment report.
 - Develop a comprehensive plan that addresses the connection between people and the environment.

Resource depletion is another challenge facing American Samoa. To reduce the rate of depletion, it is important that we identify the state of the natural resources, existing environmental stressors such as population growth or pollution, and then implement sustainable practices. These practices can include the following actions:

- **To complete within 6 months - 1 year**
 - Identify stresses and state of all existing resources (e.g. land space, fish, air quality, etc)
 - Curriculum development for school age children.
 - Identifying where the government can make an impact. Training government agencies on proper actions.

Tourism Strategies

The biggest challenge identified by the working group that hinders tourism development is the lack of professional marketing. To overcome this, American Samoa needs to re-invent a tourism campaign. While this is partially underway with the establishment of the American Samoa Visitors Bureau, other actions can be taken to ensure a viable tourism industry.

- To complete within 6 months
 - Define Product / Theme (Visitors Bureau)
 - Coordination of Private Sector Services/Villages
 - Identify conventions, sporting events, etc. that can be located in American Samoa
- To complete in 6 months to 1 year
 - Clean streams and Pago Harbor
 - Highlight and enhance selling points
- To complete in 1-2 years
 - Networking with Pacific Island countries/orgs – Samoa, etc
 - Find Opportunities to Advertise / Promote in targeted markets (medium importance)

Another area for improvement is in the government services that aid tourism development. Presently, American Samoa’s tourism industry suffers from a lack of a cohesive cooperation between the private sector and the American Samoa Government. The ASG should be proactive in providing opportunities for greater outreach and collaboration with the private sector. The following actions will help to improve tourism-related services:

- **To complete within 1 year**
 - Provide incentives for private sector participation
 - Survey visitors (fishermen, “yachties”, airport users, hotel occupants, etc.) to determine level of satisfaction of government services.
- **Complete in 6 months - 1 year**
 - Identify areas where there are issues of cooperation among private sector

Energy Strategies

American Samoa depends on fossil fuels for transportation of goods and people, as evident by the rapidly increasing number of cars and trucks on Tutuila; and, for generating electricity through ASPA’s diesel generators. To reduce our dependence on fossil fuels, it will be necessary that the government leads by example. Recommended ways that the Government can lead initiatives to reduce energy consumption are as follows:

- **To complete in 6 months**
 - Implement incentives for purchasing fuel efficient/smaller personal vehicles (e.g. mpg standard, tax on engine size, etc.); and taxes for larger personal vehicles.
 - Implement energy monitors for ASG departments
 - Allow ASPA to collect on or disconnect unpaid customers, even the GOVERNMENT.

- **To complete in 2+ years**
 - Purchase Energy Star appliances from washing machines to air conditioners.
 - Develop the bus system (low importance)
 - Look 20+ years into the future and envision how much we will be paying for electricity if we continue to use only diesel fuel (low importance)

Currently a lack of incentives exists to aid in the reduction of fossil fuel dependence, and to develop alternative energy activities. It will be necessary to re-evaluate current energy policies and services and identify areas for improvement.

- **Ongoing activity**
 - Continue to inform public that fossil fuels are contributing to global warming and highlight other downsides

- **To complete in 6 months**
 - Reduce or eliminate duty on high efficiency and renewable energy products.

- **To complete in 6 months - 1 year**
 - Evaluate policies on individual power produces (e.g. selling power back to grid)
 - Require government purchasing of equipment to have high efficiency minimum standards

- **To complete in 2+ years**

- Development of performance based tax energy credits incentives for high efficiency and renewable energy equipment.

To develop programs for alternative energy, it is important to promote the increased use of selected renewable energy technologies based on locally appropriate applications and cost value over time. This will require research into the types of alternative fuel technology most appropriate for American Samoa and related activities:

- **To complete in 6 months**
 - Evaluate the feasibility for solar and wind energy systems (with ASPA, TEC, EPA)
- **To complete in 2+ years**
 - Allow commercial energy investors in the states to take federal tax credits for local installation
 - Explore Ocean Thermal Energy Conversion option

Recycling Strategies

Currently, American Samoa has very little by way of recycling activities. The ASG needs to support a coordinated recycling effort that seeks new markets, new technologies and implements a public awareness program. Ways to accomplish this are as follows:

- **Complete in 6 months - 1 year**
 - Determine what the realistic recycling opportunities are for American Samoa.
 - Explore options for recycling equipment
 - Find new markets for recyclable materials
- **Complete in 1 - 2 years**
 - Establish coordinated office/program for island-wide efforts
 - Public awareness highlighting what was worked and why recycling is important, directing awareness to the youth of the island.
- **Complete in 2+ years**
 - Develop post life disposal fees for products that come on island (low importance)

- Market American Samoa as a central location of the Pacific region for recycling or help establish a regional area somewhere else (low importance)
- Coordinate marketing campaign to tie into Pacific Arts Festival planning.

COUNCIL ACTION PLAN PROJECT MATRIX

Over the past few months, the working groups have been discussing long term policy for economic growth, and what can be done to stimulate the economy of American Samoa in the short term. Each of the five working groups defined what their top priority of “do-able” projects for American Samoa. These are projects that will enhance long-term economic goals in a relatively short amount of time. The following table is a summary of these projects.

Action Step (Group # in parentheses)	Agency(ies) responsible	Resources Available	Indicators	Timeline
Funding for larger Alia fishing boats (1)	DOC	Economic Development Bank of AS ; Private banks	Number of new boats	Within 6 months
Develop animal feed production (feed mill) (1)	DOA and ASCC land grant	Possible USDA funding /supply for grain surplus	Operation and distribution of feed mill	Within 1 year
Develop shell building for manufacturing incubator (2)	DOC	US Economic Development Agency; Community Development Block Grants	Secure funding and construction	1-2 years
Identify sources for joint manufacturing ventures and develop a strategic plan for implementation. (2)	DOC	Local business community, foreign investors	New manufacturing establishments	Within 6 months (identification of sources and develop plan) 1-2 years, implementation

Develop Malaloa area for marina and marine facilities upgrades (2)	Port Authority, DOC	Private investment, EDA funding	New facilities, increased boat traffic	1-2 years
Establish unified Institute of Trades and Technology (4)	ASCC, DOE	Current programs for trades can be unified	Number of graduates, number of programs	6 months - 1 year
Develop Village-Based environmental management programs (5)	ASCZMP	Continued work with communities,	Environmental indicators (will vary)	6 months -ongoing
Fully support the new AS Tourism Authority (5)	Governors office, DOC	ASG Budget	Increases in visitors, increases in tourism revenue	Within 6 Months
Develop policies to eliminate tax on renewable energy goods, and to provide incentives for using "green technology" (5)	Treasury, ASPA, ASEPA, Governors office	Unknown, but can be implemented within current programs	New policies and laws	Within 6 Months
Develop marketing/business plan for regional recycling center (5)	ASPA, DOC	Equipment may be purchased from companies on island (Goodyear)	Marketing plan	Within 6 months (plan) 1-2 years (implementation)

APPENDICES

Summary of Existing Programs and Plans

Federal Programs

American Samoa is the recipient of several federal programs that benefit economic development efforts. US Department of the Interior, Office of Insular Affairs is responsible implementing the responsibilities of the Secretary of the Interior in the Territories. This includes implementing federal policies in the territories and financial oversight to ensure that federal funds are used consistent with their authorized purposes.⁷

Most visible in American Samoa, perhaps, are the US Economic Development Administration (EDA) programs. The EDA programs were instrumental in American Samoa's modern development⁸. The EDA programs help to establish site projects that improve economic activities on the Island. Current and past projects include the Pago Pago Commercial Complex, the Development Bank of American Samoa, and the Daniel K. Inouye Industrial Park. One requirement for EDA funding is the preparation of Comprehensive Economic Development Strategies (CEDS) for communities and jurisdictions. The CEDS Report is filed with the EDA. The report is updated and approved on a yearly basis by the CEDS Committee, which is a decision-making group made up of representatives from citizens of minority and poverty groups. For American Samoa, the Territorial Planning Commission (TPC) carries out the function of the CEDS Committee⁹.

Another grant program used in American Samoa is the Community Development Block Grant program and the Community Services Block Grant of the U.S. Department of Housing and Urban Development (HUD). The CDBG insular areas program provides grants for economic development, housing rehabilitation, public facilities rehab, construction or installation for the benefit of low to moderate income persons, or to aid in the prevention of slums. In addition, the Community Services Block Grant (CSBG) is a federal, anti-poverty block grant which funds the operations of a state-administered network of local agencies. This CSBG funding recipients often include non-profit agencies that address education, job training, and social services that aid in meeting workforce needs in the community. Other sources of funding come from The US Department of Agriculture that several private sector

7 Secretary of Interior Order No. 3191 - Subject: Abolishment of the Office of Territorial and International Affairs and Establishment of an Office of Insular Affairs. August 4, 1995.

8 From the Cannery Study, pp. 80-81

9 American Samoa Department of Commerce (2008). *American Samoa's Comprehensive Economic Development Strategies* (draft).

community based economic development programs for rural areas.

Local Plans

One of the goals of the Council is to coordinate and share economic development strategies to ensure consistencies. In some cases, the private sector may not be aware of what policies exist in government. Key policy documents used in this process include the American Samoa Economic Advisory Commission's Report¹⁰, the Territorial General Plan (TGP), and also the Department of Interior-sponsored "American Samoa Private Sector Assessment, 2006". In February, 2008, the Council added the recently released cannery impact report to the list of primary documents under consideration¹¹. The Council also reviewed some secondary reports such as *The Economic Implementation Plan, the Manu'a Plan, Pago Pago Shoreside Development Plan, Eco-tourism Plan, Comprehensive Economic Development Strategy [CEDS]* and the *National Income and Product Account (NIPA)*.

One outcome of the Council work has been the creation of a unified list of reference documents. A benefit of this list is a tool that can be used by all government agencies and private sector for the resolution of outstanding issues and concerns regarding development. This is particularly important now, with the issue of the proposed minimum wage increase, and the uncertainty of some federal incentives. In response to these external forces, both private and the public sector can demonstrate that American Samoans are united in responding and planning for upcoming challenges. The following is a summary of the primary documents used by the Council.

Economic Commission's Advisory Report

In 2002, the American Samoa Economic Commission, under mandate from the Governor, prepared a policy document to make recommendations to the President through the Secretary of Interior on the economic future of American Samoa. The commission was also charged with the responsibility to analyze the history and prospects economic development in American Samoa.

The result of their work was a four-part document that contains the Commission's Economic Development Plan ("the Plan"), recommendations to the President, detailed subject-specific data and information regarding American Samoa's

10 American Samoa Economic Advisory Commission (2002). *Transforming the Economy of American Samoa*. Department of Commerce.

11 Malcom D. McPhee and Associates with Dick Conway and Lewis Wolman(February 2008). *American Samoa's Economic Future and the Cannery Industry*. Prepared for the Department of Commerce, American Samoa Government under a grant award from the US Department of the Interior, Office of Insular Affairs.

economy and ; and relevant Commission documents. The Plan advocates changing the role of the public sector so it primarily serves as a conduit for economic change; and diversifying the private sector by developing entrepreneurial activities and targeting four industries for growth. The Plan targets four growth industries: Fisheries & Agricultural Development; Telecommunication and Technology Information; Manufacturing and Industrial Development; Visitor Industry and Tourism Development.

Territorial General Plan

The Territorial General Plan (TGP) was approved by the Territorial Planning Commission in May 2006. The plan was then adopted by Governor Togiola Tulafono on May 10, 2007. The purpose of the TGP is to establish comprehensive territory-wide policy and to guide public and private decision-making in order to promote a better quality of life, protect the natural environment; and preserve resources for sustainable development. The plan is organized into three parts. *Part One* provides an overview of issues and concerns in the Territory. *Part Two* provides integrated policies for development, commerce, economic development, environmental protection, resource management, social development, infrastructure, and capital improvements. *Part Three* provides implementation guidelines.

Private Sector Assessment

The Private Sector Assessment was sponsored by the Department of Interior (DOI) in 2006. The assessment was developed to assist policymakers in designing ways to make American Samoa more hospitable for economic development. This report analyzes policy from the perspective of impact on the business climate. The analysis focused on four main areas in which policy changes may improve the business climate: transparency, business licensing practices, taxation, and labor.

State of the Economy Report

The State of the Economy (SOTE) is a yearly report of the current economic climate in American Samoa. In 2007, the SOTE was refocused to address “*evidenced based decision making*” rather than just data reporting. SOTE now includes policy recommendations based on data. The Governor uses the SOTE for the annual State of the Territory address and as a guide for policy making.

Comprehensive Economic Development Strategies

The Comprehensive Economic Development Strategy (CEDS) Report is a requirement for consideration and approval of Economic Development Administration (EDA) funding. The Report needs to be filed with EDA, updated

and approved by the CEDS Committee, which is a decision-making group made up of representatives from citizens of minority and poverty groups. For American Samoa, the Territorial Planning Commission (TPC) carries out the function of the CEDS Committee. The CEDS is in the process of being updated for FY2008.

American Samoa's Economic Future and the Cannery Industry

Also known as the Cannery Study, this study was written by Malcolm D. McPhee & Associates with Dick Conway and Lewis Wolman and released in February 2008. The Report was prepared under a grant award from the US Department of Interior, Office of Insular Affairs to address American Samoa's economic future especially in view of possible serious reductions in cannery operations or even plant closures. The report states that the potential economic problems American Samoa faces could arise from two primary sources: cannery industry instability and federal revenue instability. The study details a number of recommendations to address the impacts of economic instability, and how the ASG can provide for long term economic recovery¹². One recommendation is to continue collaborative efforts like the Council to establish more effective working relationships between the public and private sectors pertaining to development priorities, government operations and programs, education and training, private sector development possibilities, tax laws, immigration laws, business licensing laws, procurement practices, and general business climate matters¹³

12 The report summarizes recommendations on pages 10-12. Additional detail on the private sectors role is found on pages 59-74 and government's role can be found in pages 75-79.

13 p.13

Governor's Economic Advisory Council

“Community Concerns and Recommendations: Following Announcement of Tuna Canneries Future in American Samoa”

May 14, 2009

INTRODUCTION:

Positive changes develop in the face of adversity when we have a properly prepared plan. The Governor's Economic Advisory Council (EAC), whose membership includes members of the private and public sectors submit the following concerns and recommendations for your consideration and inclusion in the ASG plan where appropriate.

1.0 CONCERNS

- 1.1 High rate of unemployment following closure of COS in Sept. 2009 and the May 0.50 cents minimum wage increase
 - 1.1.1 4000 people from the canneries (includes StarKist layoffs)
 - 1.1.2 1500 people from private sector
 - 1.1.3 1500 people from government
- 1.2 Increased foreclosures by banks on delinquent accounts
- 1.3 Considerable outflow of Capital and tightening of credit and lending
- 1.4 Decline in property values as vacancies soar
- 1.5 Increase in crime/stealing
- 1.6 Reduction in corporate and personal income tax collections by ASG putting pressure on Treasury to secure funding for (a) ASG Depts, (b) agencies dependent on local revenues, i.e. Fono
- 1.7 Difficulty in attracting new investment due to high costs, labor, utilities, etc.
- 1.8 Cost of utilities will increase due to decreased demand, ASPA, ASTCA, Blue Sky
- 1.9 Revenues from Petroleum products will decrease but costs will increase.
- 1.10 Sea freight costs could increase as shipments become less frequent causing shortages and increased costs of goods
- 1.11 Many small retail businesses will close
- 1.12 Pressure brought to bear on federal entitlement programs if the unemployed including foreign workers remain on island
- 1.13 Net emigration as residents seek better economic opportunities in the US or foreigners return to country of origin

- 1.14 Immigration will be forced by circumstances to be managed more effectively
- 1.15 Increased numbers of youth joining military forces for economic reasons
- 1.16 Increased demand for particular specialized social and health services
- 1.17 ASG HR Dept. plan for RIF, outplacement and re-training covers U.S. Nationals only. What about other people?
- 1.18 Remittances and transfers from overseas including Dept. of Defense and Veterans Administration play a larger role in the local economy
- 1.19 Renewed interest in subsistence economy including local staples and the elevation of roles of the Dept. of Agriculture, Land Grant and DMWR

2.0 RECOMMENDATIONS FOR IMMEDIATE TO MEDIUM TERM ACTION

- 2.1 Implement programs from the Federal Government
- 2.2 Fast track the establishment of the Call Centers
- 2.3 Fast track re-training programs for all displaced workers
- 2.4 Fast track recommendations in the Tourism Master Plan
- 2.5 Remove escalator clause from minimum wage bill
- 2.6 Request immediate financial and technical training assistance from the Secretariat of the Pacific Community for Agriculture/Fisheries development
- 2.7 Waive the performance bond for local contractors for government contract work
- 2.8 ASG pay its bills so there would be more liquidity in the market

3.0 INFRASTRUCTURE/CAPITAL IMPROVEMENT PROGRAMS

- 3.1 Commence evaluation of potential development of hard infrastructure projects through stimulus package funding
 - 3.1.1 Road projects
 - 3.1.2 Water treatment plants and surface water capturing
 - 3.1.3 New Hospital
 - 3.1.4 New Health Centers
 - 3.1.5 New school buildings and facilities
 - 3.1.6 Sewerage and drainage improvement
 - 3.1.7 Establish a Technology Park
 - 3.1.8 CIP projects – let out DPW contracts
 - 3.1.9 Airport re-development – New Control Tower, New Hangers
 - 3.1.10 Multi Services Centers to handle mental and social problems
 - 3.1.11 Energy efficient retrofits for public buildings (other plans for new energy monies)

Funds required \$335 million

Employment 860 people

4.0 TRADITIONAL SECTOR DEVELOPMENTS AND JOB CREATION

- 4.1 Agriculture
 - 4.1.1 Fruit, vegetables, chicken hatcheries, egg production
 - 4.1.2 Hydroponics
 - 4.1.3 Greenhouse cultivation

- 4.1.4 Small scale dairy
- 4.1.5 Cooperative at the New Market
- 4.1.6 Cool room storage facilities

Funds required \$10 million

Employment 80 people

- 4.2 Fisheries
 - 4.2.1 Financing for new bigger Alia Fishing Boats
 - 4.2.2 Infrastructure and on fish processing facilities
 - 4.2.3 Fish cooperative at New Market
 - 4.2.4 Cold Storage facilities
 - 4.2.5 Development of Aquaculture – domestic and export

Funds required \$15 million

Employment 100 people

- 4.3 Manufacturing
 - 4.3.1 Establish a Regional Ship Repair and Maintenance Center
 - 4.3.2 Establish small craft boat building for Alia type vessels
 - 4.3.3 Retain StarKist facilities for other processing activities

Funds required \$10 million

Employment 100 people

- 5.1 Tourism
 - 5.1.1 Financial and marketing support for the AS Visitors Bureau
 - 5.1.2 Build a new Marina
 - 5.1.3 Develop Eco Tourism
 - 5.1.4 Build New Cable Car_system
 - 5.1.5 Establish Golf Course Resort
 - 5.1.6 Develop Tourism in Manu'a
 - 5.1.7 Establish Duty Free Shopping Services

Funds required \$46 million

Employment 223 people

TOTAL FOR ALL PROGRAMS \$416 MILLION AND 1363 PEOPLE EMPLOYED.

- 6.1 Workforce Training and Education
 - 6.1.1 Identify the Department of Human Resources (DHR) as the Lead Agency to coordinate and implement an Emergency Response Plan
 - 6.1.2 Candidates slated for lay off should go through a preliminary assessment process.

- 6.1.3 Eligible candidates should go through a more thorough recovery assessment work process to include skills, interests, abilities and work aptitude tests and observations
- 6.1.4 Create a master list of available jobs in the private and public sectors.

7.0 FOR YOUR CONSIDERATION

- 7.1 Privatization partial/gradual
 - 7.1.1 ASTCA
 - 7.1.2 ASPA
 - 7.1.3 LBJ
 - 7.1.4 Golf Course
- 7.2 Goods and services tax say 5% to commence implementation immediately
- 7.3 Policy Reform Immediately
 - 7.3.1 Income tax
 - 7.3.2 immigration

Respectfully submitted on behalf of the EAC by:

David Robinson,
Co Chair

Oreta M. Togafau, DPA
Co Chair

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