

**TESTIMONY OF
K. WARD RODGERS
REPRESENTATIVE OF HEINZ NORTH AMERICA
STARKIST SEAFOOD**

**BEFORE THE
UNITED STATES SENATE
COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE**

AUGUST 3, 2001

Mr. Chairman and Members of the Committee:

My name is Ward Rodgers and I am the recently retired General Manager of Technical Services for StarKist Seafood. I am pleased to be here on behalf of the H.J. Heinz Company and its StarKist Seafood brand of tuna. Heinz strongly supports the Andean Trade Preference Expansion Act, S. 525, introduced by Senators Graham, DeWine and a bipartisan group of additional sponsors and cosponsors. In particular, Heinz supports the legislation's extension of NAFTA rates of duty for processed tuna imports from Andean Pact countries.

H.J. Heinz Company is the parent company of StarKist Foods, Inc., one of the largest processors of tuna in the world and the leading processor and marketer of canned tuna in the United States. Canned tuna is America's favorite fish and has long been embraced as a convenient and excellent value-for-money protein source. In the fall of 2000, StarKist introduced StarKist Tuna in the Flavor Fresh Pouch, a revolutionary tuna product that delivers improved convenience and improved taste to U.S. consumers. We believe this will lead to increased consumption of this important food product. In fact, in less than one year, pouch tuna already accounts for 6% of the U.S. market, a remarkable launch for a new product.

Heinz, through StarKist and its affiliates, presently operates tuna processing facilities in American Samoa, Ghana, Seychelles, France, Portugal and Ecuador. Our primary tuna

production plant for the U.S. market is located in American Samoa and has over 2,700 employees. The American Samoa facility is located in the heart of the largest light meat tuna fishery in the world, allowing for direct deliveries of fish from that key fishery. In addition, the majority of the albacore caught in the Pacific fisheries is brought into American Samoa for processing. Unfortunately, StarKist's American Samoa facility is at full capacity with no ability to expand due to space constraints.

Ecuador, an Andean Pact country, provides an opportunity for expansion to accommodate increased production of StarKist's new pouch product. StarKist has, for 10 years, operated a plant in Ecuador and is currently producing pouch products there.

Producing tuna in the pouch is a very labor-intensive manufacturing process, requiring hand filleting and packing of the tuna in the pouch, followed by manual procedures to seal, inspect and pack the product for shipping. With our American Samoa operations at capacity and with Ecuador offering excellent packing capacity and access to a high quality local fishery, Ecuador is a natural choice for expansion of tuna pouch volume.

However it is important to note that to remain an attractive source of tuna products, Ecuador must maintain its competitive position in the global marketplace. Failure to include processed tuna in the Andean Trade Pact could put Ecuador's position at risk, as long-term, Ecuador will have a hard time competing with other low-cost sources of processed tuna such as Thailand which has a much more developed tuna processing industry and is the low cost producer of processed tuna. As the tuna pouch sales increase

StarKist will need to invest in additional capacity. Our preference would be to put that investment in Ecuador, however economics will drive this decision.

Under the Senate version of the legislation, imports of tuna from Andean Pact countries including Ecuador would initially be subject to a tariff of 5.8% for water pack and 16.3% for oil pack. Under the proposed legislation, the tariffs would decline to zero in 2008, on the same schedule as applicable under NAFTA. Currently, tariffs for tuna imports from Ecuador are 12.5% for tuna in water and 35% for tuna in oil. If these high tariffs remain in place, StarKist will likely have to look to sourcing more of its requirements from lower cost locations in Asia rather than in Ecuador. This outcome would seem to be clearly contrary to the intent of the Andean Trade Preference Program to encourage employment and investment in the Andean region.

I would also like to note for the Committee that just this April, the U.S. Department of Commerce's National Marine Fisheries Service re-certified that Ecuador harvests tuna in a dolphin-safe manner in compliance with the Marine Mammal Protection Act.

Again, Mr. Chairman, thank you for the opportunity to appear before you today. I am happy to answer any questions the Committee may have.