



PMB 737 PPP Box 10000  
Saipan, MP 96950  
(670) 235-7899 • Fax (670) 235-7899

[www.sgma-saipan.org](http://www.sgma-saipan.org)

July 26, 2005

The Honorable Oscar M. Babauta  
Floor Leader

The Honorable Norman S. Palacios  
Chairman, Ways & Means Committee

Fourteenth Northern Marianas Commonwealth Legislature  
P.O. Box 500586  
Saipan Mp 96950

Re: House Bill 14-30 To Raise the Minimum Wage. and  
House Bill 14-315, a Bill to Reduce the User Fee.

Dear Chairman Palacios and Floor Leader Babauta:

Thank you for giving the Saipan Garment Manufacturers Association (SGMA) the opportunity to comment on House Bill 14-315, a bill to raise the minimum wage and other mailers, and House Bill 14-315- a bill to reduce the user fee.

*First.* SGMA cannot support the increase in the minimum wage within the garment industry. SGMA knows that House Bill 14-30 exempts sewer, cutters, and similar worker classifications from the increase, but the increase in costs for the packers, ironers, trimmers, warehouse personnel, administrative services and maintenance personnel will place garment manufacturers in an untenable cost-squeeze. We roughly estimate a wage increase of over \$10 million per year in the garment industry.

Even with the proposed reduction in the user fee in House Bill 14-315, the increased wages in the garment industry from House Bill 14-30 would exceed the savings from House Bill 14-315. Were House Bill 14-315 to become law-but not House Bill 14-30, there would be no means to salvage the garment industry.

SGMA does support the reduction in user Fees as a stop-gap measure to preserve jobs and the industry, pending legislation from the United States Congress, which if enacted, would decrease the percentage of value added mandatory for duty and tariff-free importation. As you are aware our selling price for garments has not increased despite the imposition of new quotas on China. The industry is faced with a large, world wide capacity in garment production, and we compete with Asia, Africa, South American, and Middle eastern countries where the hourly wages are considerably less than in the CNMI.

*Second*, the proposed Section 4 of House Bill 14-30, amending 3 CMC § 4421 would appear to permit the Secretary of Labor to impose on the garment industry a requirement that the employer furnish free lodging, meals, and worksite transportation. At this time, no agreement or condition of employment requires the employers to shoulder these expenses and no such requirement should be enacted. If the Committee has a different purpose in mind, the section should be clarified.

*Third*, the proposed amendment to 3 CMC § 4437(c) bears substantial study. The provision does not state whether the employee must purchase the insurance; it only provides that the employer must make insurance available. Further, the proposal does not address the issue of who pays for the uncovered costs and does not address what is to occur should the insurance not be available at reasonable costs or if insurance is not available to a particular employee.

*Fourth*, the health screening for nonresident workers has always been forced-business for medical providers. There has never been a cost-benefit study of the annual medical examination,

*Fifth*, the provision on health screening and payment of medical expenses requires the garment employer to shoulder the entire costs of the examination and medical expenses, yet the minimum wage section requires the garment employer to increase wages by two-thirds for certain of its employees

SGMA urges the Committee to submit house Bill 14-30 for further study, with a substantial cost benefit analysis to be conducted, and to favorably pass upon House Bill 14-315.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James C. Lin". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

James C Lin,  
Chairman, SGMA

CC: Benino R, Filial, Speaker of the House  
Joaquin G. Adriano, Senate President