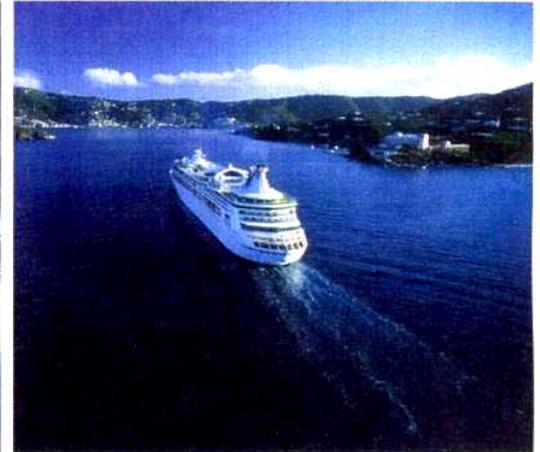


United States Virgin Islands Comprehensive Economic Development Strategic Plan 2001



Charles W. Turnbull, Governor
Government of the United States Virgin Islands
Bureau of Economic Research



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

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June 25, 2001

MESSAGE FROM THE GOVERNOR

It is indeed a pleasure to submit *The 2001 Comprehensive Economic Development Strategic (CEDS) Plan for the United States Virgin Islands* developed by the CEDS Committee, and compiled and prepared by the Bureau of Economic Research. This document reflects the priorities, goals and objectives that are paramount in addressing the socio-economic problems facing the Territory.

I would like to extend my sincere appreciation to all those who assisted in the development of this Plan. I wish to especially acknowledge the support and continued assistance of the U.S. Department of Commerce, Economic Development Administration (EDA) and all others who are active partners in our economic recovery.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Turnbull".

Charles W. Turnbull
Governor

TABLE OF CONTENTS

| | |
|---|---|
| <p>Acknowledgements iv</p> <p>Introduction 1</p> <p>1.1 Introduction 1</p> <p>1.2 Development Strategy 1</p> <p>1.3 Development Goals 2</p> <p>1.4 Development Objectives 2</p> <p>I. Major Demographic and Economic Indicators 3</p> <p>2.1 Population 3</p> <p>2.2 Household Characteristics 3</p> <p>2.3 Gross Territory Product, Income and Prices 4</p> <p>2.4 Inflation and Per Capital Income 6</p> <p>2.5 Employment and Wages 7</p> <p>II. Economy by Sector 9</p> <p>3.1 Tourism 9</p> <p>3.2 Manufacturing 10</p> <p>3.3 Construction 11</p> <p>3.4 Wholesale and Retail Trade 11</p> <p>3.5 Government 12</p> <p>V. Fiscal and Economic Recovery 13</p> <p>4.1 General Fund 13</p> <p>4.2 Fiscal Performance 13</p> <p>4.3 Accumulated and Recurring Deficits 13</p> <p>4.4 Fiscal Policy Objectives 15</p> <p>4.5 Fiscal Policy Reform 15</p> <p>4.6 Public Finance Initiatives 16</p> <p>VI. Tourism Policy and Planning 18</p> <p>5.1 State of Tourism 18</p> <p>5.2 Nature of Tourism Planning 20</p> <p>5.3 Tourism Strategy 20</p> <p>VII. Private Sector Development 22</p> <p>6.1 Role of the Private Sector 22</p> <p>6.2 Development Strategies 22</p> <p>VIII. Industrial Development 25</p> <p>7.1 Economic Development Incentives 25</p> <p>7.2 Industrial Development Initiatives 26</p> <p>IX. Communication and Information Technology 28</p> <p>8.1 Information Technology and Development 28</p> <p>8.2 Communication Infrastructure 28</p> <p>8.3 Print, Broadcast and Electronic Media 28</p> <p>8.4 Strategic Tools 28</p> <p>X. Financial Sector Reform 30</p> <p>9.1 The Financial Sector 30</p> <p>9.2 Banking Sector 30</p> <p>9.3 Foreign Sales Corporation 31</p> <p>9.4 Financial Sector Initiatives 31</p> | <p>X. Agricultural Development Policy 32</p> <p>10.1 Mission 32</p> <p>10.2 Development Goals 32</p> <p>10.3 Major Issues 32</p> <p>10.4 Agricultural Sector Initiatives 33</p> <p>XI. Environmental, Solid and Waste Management 34</p> <p>11.1 Environmental, Solid and Waste Management 34</p> <p>11.2 Environmental, Solid and Waste Management Conditions 34</p> <p>11.3 Waste Water Systems 35</p> <p>11.4 Environmental, Solid and Waste Water Issues 36</p> <p>11.5 Environmental, Solid and Waste Water Development Goals 37</p> <p>XII. Physical Planning and Infrastructure Development 38</p> <p>12.1 Land and Water Use Plan 38</p> <p>12.2 Legislative Mandate for a Comprehensive Plan 38</p> <p>12.3 Infrastructure 38</p> <p>12.4 Seaports and Airports 40</p> <p>12.5 Infrastructure Objectives 41</p> <p>12.6 Roads 42</p> <p>XIII. Social Welfare 43</p> <p>13.1 Education 43</p> <p>13.2 Education Strategy 43</p> <p>13.3 Educational Goals 44</p> <p>13.4 University Facilities 44</p> <p>13.5 Housing 44</p> <p>13.6 Priorities for Housing and Community Development 45</p> <p>13.7 Health Care 45</p> <p>13.8 Health Care Objectives 46</p> <p>13.9 Territorial Health Care Plan 47</p> <p>13.10 Police 47</p> <p>XIV. Employment Policy and Workforce Reform 49</p> <p>14.1 Structure 49</p> <p>14.2 Employment Policy 49</p> <p>14.3 Workforce Reform 50</p> <p>14.4 Strategic Goals 50</p> <p>XVI. Enterprise Zones and Historic Preservation 52</p> <p>15.1 Enterprise Zone Plan 52</p> <p>15.2 Enterprise Zone Goals 53</p> <p>APPENDIX</p> <p>Action Plan for Implementation 55</p> <p>Comprehensive Economic Development Strategic Projects, 2000-2001 65</p> |
|---|---|

LIST OF TABLES

| | | |
|------|---|----|
| 2.1 | Population 1940 to 1997 | 3 |
| 2.2 | Population by Islands 1940 to 1997 | 3 |
| 2.3 | Characteristics of Housing Units 1990 and 1997 | 4 |
| 2.4 | US Virgin Islands Gross Territorial Product, 1989 to 1999 | 4 |
| 2.5 | US Virgin Islands Consumer Price Index | 6 |
| 2.6 | Per Capita Income and Product Item, 1989 to 1999 | 7 |
| 2.7 | US Virgin Islands Non-Agricultural Wage and Salary Employment, 1989 to 1999 | 7 |
| 2.8 | Annual Average Gross Pay By Sector, VI: 1989 to 1999 | 8 |
| 3.1 | Visitors by Type, 1990 to 1999 | 9 |
| 3.2 | Hotel Rooms and Expenditure, 1980 to 1998 | 9 |
| 3.3 | VI Establishments, 1982 to 1997 | 12 |
| 4.1 | General Fund Revenues, 1995 to 1999 | 13 |
| 4.2 | Basic Operational Expenditures by Selected Categories, 1995 to 1998 | 14 |
| 5.1 | VI Tourism Statistics, 1980 to 1999 | 19 |
| 12.1 | Sources of Water, 1990 to 1997 | 38 |
| 12.2 | Sources of Water by island, 1997 | 39 |
| 13.1 | School Enrollment, 1995 to 1999 | 43 |
| 13.2 | Enrollment at UVI, 1965 to 1999 | 44 |
| 13.3 | Vital Statistics, 1960 to 1999 | 46 |

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United States Virgin Islands Comprehensive Economic Development Strategic Plan

1.1 Introduction

The Comprehensive Economic Development Strategic (CEDS) Plan provides a policy framework for the socio-economic development of the US Virgin Islands. The CEDS Plan is a statement of objectives for the Territory as a whole and for individual sectors of the economy. It sets priorities of economic policy, and proposes a program of economic measures and methods for the achievement of the objectives.

The CEDS Plan is a requirement of the US Economic Development Administration (EDA) and was developed through cooperation and partnership with the Government of the US Virgin Islands, public agencies, the private sector, the Chambers of Commerce, and the Hotel Associations. The CEDS Plan was developed after a series of public hearings were held to collect the public's views and recommendations on the course of economic development. Concurrently, government departments and semi-autonomous agencies were asked to submit their strategic plans and/or their goals and objectives. This multi-faceted and participatory approach allowed for a wide range of ideas which best reflect the views of the residents of the US Virgin Islands.

The Governor's Comprehensive Economic Strategic Development Committee, a think tank of public and private sector policy-makers, oversaw the development of the CEDS Plan and recommended it to the Governor for approval. The CEDS Plan was compiled and written by staff of the Bureau of Economic Research (BER).

“ The Comprehensive Economic Development Strategy is designed to create jobs, foster a more stable and diversified economy, and improve living conditions. ”

1.2 Development Strategy

The Comprehensive Economic Development Strategy is designed to create jobs, foster a more stable and diversified economy, and improve living conditions. The Strategy is based on an analysis of the economy over the past years, its present situation and future development. It identifies problems and opportunities, set goals and establishes medium-term objectives intended to achieve financial viability and sustained economic growth. Furthermore, the Strategy includes an action plan for the implementation of the measures for economic growth.

In response to the government's fiscal crisis, Governor Charles Turnbull created an Economic Recovery Task Force comprised of top policy-makers in government and the private sector, to develop a plan for fiscal recovery. The result was the *Five-Year Operating and Strategic Financial Plan*, hereafter referred to as the *Five-Year Plan*. The *Five-Year Plan* identified nearly 200 financial recovery initiatives designed to reduce the government's annual structural deficit and debt obligations, enhance and grow the private sector, and generally, to reform government operations. The *Five-Year Plan* also addressed an implementation schedule for economic recovery.

Although the *Five-Year Plan* provided a plethora of initiatives to solve the fiscal crisis, it did not present an overall strategy for economic growth. The *CEDS Plan* goes a step further by setting out policies and approaches that should be pursued in an effort to sustain economic growth, to generate employment and to create competitiveness. Indeed many of the objectives set forth in the *CEDS Plan* build on the considerable efforts of the *Five-Year Plan*. This was done to ensure consistency with the development goals and objectives of the Fiscal Recovery Task Force and the Government of the US Virgin Islands.

1.3 Development Goals

The principle goals of the Government over the next five years are rooted in a strong commitment to financial viability, increased economic competitiveness, sustained economic growth, and a higher standard of living for the residents of the US Virgin Islands. Within this developmental framework specific objectives have been identified and given priority. These include reducing the government's current deficit and debt obligations, private-sector growth, employment creation, and increased output. More specifically, the goals are:

- Prudent management and strengthening of public finances;
- Efficiency and cost effectiveness in public administration;
- Develop and strengthen the tourism sector;
- Strengthen the private sector and promote entrepreneurship;
- Develop industry in tandem with the physical environment;
- Promote agriculture, fishery and other productive activities;
- Enhance human, capital and social development by strengthening education, health care, and housing; and
- Preserve and protect the natural environment.

“ The principle goals of the Government over the next five years are rooted in a strong commitment to financial viability, increased economic competitiveness, sustained economic growth, and a higher standard of living for the residents of the US Virgin Islands. ”

1.4 Development Objectives

The objectives over the next five years will seek to:

- Eliminate the current account deficit and constrain fiscal policy to achieve a balanced budget and limit public borrowing;
- Expand the tax base and improve tax collection;
- Support the privatization of selected public sector services in an effort to increase economic efficiency;
- Widen the scope of banking and other financial services by creating competitive conditions;
- Create employment opportunities and reduce the district imbalances in the unemployment rate;
- Support and assist in the diversification of the economy by seeking and aiding new and developing industry;
- Develop and maintain a strong, well-planned and monitored tourism industries, which harmoniously interacts with the culture, traditions and heritage;
- Increase the reliability of energy supplies and efficiency of energy consumption;
- Encourage agricultural development by providing economic incentives, making land available to small farmers and creating favorable conditions for cooperative farming;
- Increase the income levels of the labor force;
- Provide college preparatory and vocational training for students to prepare them for higher education and/or the workforce;
- Improve primary health care; and
- Preserve and maintain a clean and pristine environment in the areas of water, air and waste management.

II. Major Demographic and Economic Indicators

2.1 Population

The population of the US Virgin Islands was 112,863 as estimated by the 1997 *Population and Housing Survey* (PHS), Eastern Caribbean Center (ECC), University of the Virgin Islands. This was approximately 11 percent higher than the 1990 census count of 101,809. The population for St. Croix was 51,695, St. Thomas population was 56,906 and St. John population was 4,262. Between 1990 and 1997 the population grew by 18 percent for St. Thomas, 21 percent for St. John and 3 percent for St. Croix.

Table 2.1 Population, VI: 1940 to 1997

| Year | Population | Percent Change |
|------|------------|----------------|
| 1997 | 112,863 | 2.9 |
| 1995 | 109,677 | 7.7 |
| 1990 | 101,809 | 5.4 |
| 1980 | 96,569 | 54.6 |
| 1970 | 62,468 | 94.6 |
| 1960 | 32,099 | 20.4 |
| 1950 | 26,665 | 7.1 |
| 1940 | 24,889 | 13.1 |

Source: Virgin Islands Digest, 2000 ECC/UVI

Table 2.2. Population by Island, VI: 1940 to 1997

| Year | Total | St. Croix | St. John | St. Thomas |
|------|---------|-----------|----------|------------|
| 1997 | 112,863 | 51,695 | 4,262 | 56,906 |
| 1995 | 109,677 | 51,389 | 4,030 | 54,258 |
| 1990 | 101,809 | 50,139 | 3,504 | 48,166 |
| 1980 | 96,569 | 49,725 | 2,472 | 44,372 |
| 1970 | 62,468 | 31,779 | 1,729 | 28,960 |
| 1960 | 32,099 | 14,973 | 925 | 16,201 |
| 1950 | 26,665 | 12,103 | 749 | 13,813 |
| 1940 | 24,889 | 12,902 | 722 | 11,265 |

Source: Virgin Islands Digest, 2000 ECC/UVI

The Territory's largest ten-year population growth occurred between 1960 and 1970 as shown in Table 2.1. The population grew at an average annual growth rate of 6.7 percent.

The population growth rate has slowed considerably since 1980 and can be explained by two factors. The declining rate of growth of the population is reflected, firstly, in decreasing fertility. The number of children being born in the Territory is decreasing and this is especially marked since 1993. In 1999 there were about 1,773 births, the lowest of the past 34 years. This compared to the peak of 2,920 births recorded in 1970. The decline is also reflected in the schooling population. School enrollment has been on the wane since 1994 when there were 29,943 students. In 1999, school enrollment dropped to 26,516, a decline of 11 percent over 1994. Secondly, although immigration is continuing, albeit at a slower rate than in the 1970s and 1980s, emigration appears to be exceeding immigration which may be partly explained by the spate of hurricanes since 1989, and the large numbers of Virgin Islanders who leave in search of jobs on the US mainland.

2.2 Household Characteristics

Since 1990 the Territory has gained an estimated 9,762 new housing units, an increase of almost 25 percent. The 1990 Census of Housing showed that there were 39,290 housing units in the Territory. The 1997 Population and Housing Survey estimated that the number of housing units was 49,052. The largest increase in housing units was observed for St. John whose housing units nearly doubled from 1,920 in 1990 to 3,531 in 1997. The number of units for St. Croix grew by 23 percent from 18,937 to 23,356, while the number of units for St. Thomas grew by 20 percent from 18,433 to 22,165. Most of the increase in new housing units can be linked to the buoyant US economy, lower interest rates which made borrowing cheaper, and the increased sources of funds, including insurance proceeds that were available following the hurricanes.

“One of the most striking changes in housing tenure between 1990 and 1997 was the increase in the number of owner-occupied units.”

Table 2.3. Characteristics of Housing Units, VI: 1990, 1997

| Tenure | Total | St. Croix | St. John | St. Thomas |
|-------------------------------|--------|-----------|----------|------------|
| 1990 | | | | |
| Total Units | 39,290 | 18,937 | 1,920 | 18,433 |
| Occupied Units | 32,020 | 15,045 | 1,330 | 15,645 |
| Owner-Occupied | 14,272 | 7,271 | 604 | 6,397 |
| Renter-Occupied | 17,748 | 7,774 | 726 | 1,948 |
| Vacant | 7,270 | 3,892 | 590 | 2,788 |
| Average persons per household | 1.92 | 2.10 | 1.65 | 1.77 |
| 1997 | | | | |
| Total Units | 49,052 | 23,356 | 3,531 | 22,165 |
| Occupied Units | 39,220 | 18,690 | 2,131 | 18,399 |
| Owner-Occupied | 20,240 | 10,499 | 1,279 | 8,462 |
| Renter-Occupied | 17,981 | 7,486 | 791 | 9,704 |
| Vacant | 9,832 | 4,666 | 1,400 | 3,765 |
| Average persons per household | 2.88 | 2.77 | 2.00 | 3.09 |

Source: Census Bureau; ECC/UVI

Government programs, which provided lower cost homes and government-owned land to lower and moderate-income households, made housing more available and affordable. Additionally, Freddie Mac lending programs and the availability of credit insurance, which reduced the down payment requirement from 20 per-

cent to 10 percent, made home-ownership more affordable.

One of the most striking changes in housing tenure between 1990 and 1997 was the increase in the number of owner-occupied units. As shown in Table 2.3, according to the 1990 census there were 32,020 occupied housing units in the Territory. Of this total, 45 percent were owner-occupied and 55 percent were renter-occupied. In 1997, based on ECC estimates of 39,220 total housing units, owner-occupied units exceeded renter-occupied units, 52 percent compared to 47 percent. This occurred in spite of the fact that the average price for a home increased from \$175,734 in 1990 to \$223,341 in 1997.

2.3 Gross Territory Product, Income and Prices

The last reliable estimate of Gross Domestic Product (GDP), or Gross Territory Product (GTP) as it is more commonly referred, was prepared in 1989. Since that time no updates followed for several reasons, including the unavailability of accurate and timely data. In 2000, the Bureau of Economic Research (BER) was able to reestablish Gross Territory Product and Personal Income accounts for the period 1989 to 1999.

Table 2.4. US Virgin Islands Gross Territory Product (GTP) in Current Dollars, by Industry: 1989-1999
[\$Million]

| Industry | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | Average Annual Growth Rate 1989-1999 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------------------|
| Gross Territory Product | 1,442.1 | 1,588.1 | 1,646.7 | 1,687.3 | 1,924.9 | 1,793.9 | 1,794.5 | 1,864.6 | 1,803.4 | 1,923.7 | 1,969.3 | 2.8 |
| Private Industries | 1,072.9 | 1,203.4 | 1,234.7 | 1,261.8 | 1,495.5 | 1,348.3 | 1,321.5 | 1,362.5 | 1,316.8 | 1,397.4 | 1,430.0 | 2.6 |
| Construction | 85.0 | 131.1 | 128.9 | 127.0 | 256.1 | 86.2 | 70.5 | 113.4 | 91.1 | 82.7 | 87.9 | 0.3 |
| Manufacturing | 85.9 | 101.0 | 113.1 | 116.1 | 137.6 | 138.7 | 130.7 | 130.4 | 129.3 | 143.1 | 149.4 | 5.1 |
| Trade | 383.9 | 415.8 | 422.7 | 458.9 | 465.0 | 488.7 | 488.4 | 463.1 | 441.8 | 465.1 | 473.2 | 1.9 |
| Services | 271.1 | 297.1 | 308.8 | 290.7 | 357.9 | 354.6 | 346.3 | 352.9 | 355.8 | 387.7 | 386.1 | 3.2 |
| Other Industry | 247.0 | 258.5 | 261.3 | 269.2 | 278.9 | 280.2 | 285.6 | 302.6 | 298.7 | 318.7 | 333.4 | 2.7 |
| Government | 369.2 | 384.7 | 411.9 | 425.5 | 429.4 | 445.5 | 473.0 | 502.2 | 486.6 | 526.4 | 539.4 | 3.5 |
| Territory | 337.8 | 350.6 | 377.1 | 386.1 | 388.6 | 407.1 | 421.3 | 447.0 | 434.3 | 468.6 | 477.2 | 5.1 |
| Federal | 31.4 | 34.1 | 34.8 | 39.4 | 40.8 | 38.4 | 51.7 | 55.2 | 52.3 | 57.8 | 62.2 | 6.9 |

Data for 1999 are preliminary

Source: Bureau of Economic Research

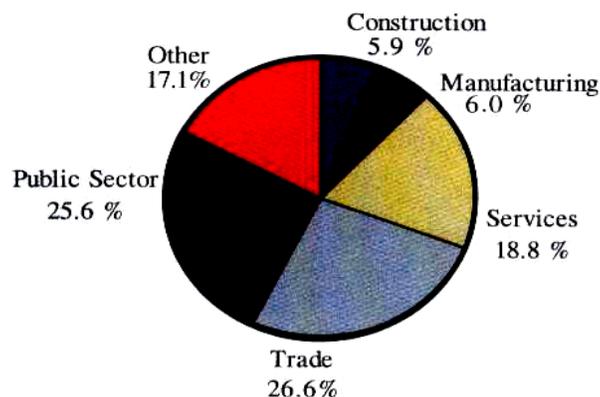
When measured in current prices GTP increased from \$1,442.1 million in 1989 to \$1,969.3 million in 1999. This reflects an average annual growth rate of 2.8 percent for the period 1989 to 1999. GTP grew by 14 percent in 1993 to peak at \$1,969.3 million. This growth was fueled by increased economic activity associated with Hess Oil Virgin Islands (HOVIC) catalytic cracker project. GTP contracted by 7 percent in 1994 to \$1,793.9 million, was flat in 1995 at \$1,794.5, but in 1996 grew by 4 percent to \$1,864.6 million, primarily due to strong growth in construction activities following hurricane *Marilyn*. In 1997, a contraction in the construction sector as major public- and private-sector projects ended, as well as the absence of major economic activity in other productive sectors resulted in negative growth of 3 percent. In 1998, GTP grew by nearly 7 percent to \$1,923.7 million as a result of strong performance in the manufacturing, trade and service industries. In 1999 GTP grew by a mere 2 percent to \$1,969.3.

GTP by Industry

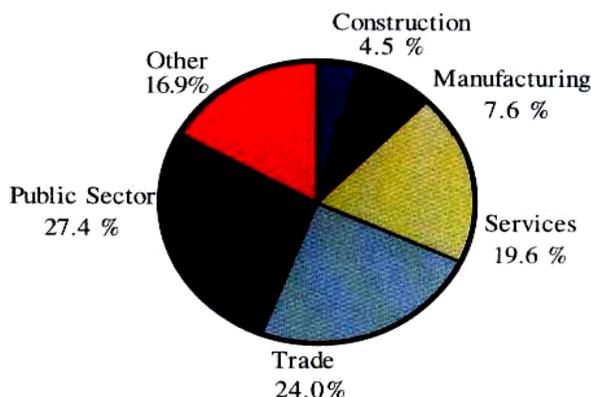
Between 1989 and 1999 there has not been any significant shifts in GTP components. The construction sector's share of GTP dropped from 5.9 percent to 4.5 percent. The average annual growth rate of construction was zero over the 11-year period as shown in Table 2.4. Except for the early 1990s, there has not been much activity in the construction sector. This does not bode well for the economy since a decline in this sector signifies that there has not been major investment in new plant and capital during this period. Activity in construction, however, is expected to rise over the next couple of years as some major infrastructure projects get underway. These include the Ritz Carlton Hotel, Pond Bay Club, Carifest theme park, road construction and other projects such as the Enighed Pond Port, the Red Hook Ferry Terminal, the Crown Bay dock and land development.

The manufacturing sector demonstrated the strongest growth during this period, albeit small. The average annual growth rate of manufacturing was 5.1 percent. Its share of GTP increased from 5.9 percent to 7.6 percent between 1989 and 1999. Manufacturing, in absolute terms and as a share of GTP, is unlikely to show much

GTP by Industry: 1989



GTP by Industry: 1999



increase in the short term unless there are dramatic efforts to attract major industry to the Territory.

The trade sector's share of GTP dropped from 26.6 percent in 1989 to 24.0 percent in 1999. Since trade is intricately bound to the tourism sector a decline seems to indicate that activity in the tourism sector has also declined. This observation is supported by the decline in the hotels, restaurants and gift shops as a share of GTP. Income accruing or value added by this sector fell from 19.7 percent in 1989 to 17.7 percent in 1999.

Services remained relatively stable as a share of GTP, increasing marginally from 18.8 percent in 1989 to 19.6 percent in 1999. Although a good

portion of economic activity in the service sector is fueled by the tourism sector, some losses in tourism activity were offset by an increase in financial and business services.

The public sector's share of GTP grew from 25.6 percent in 1989 to 27.4 percent in 1999. This represents an average annual growth rate of 3.5 percent over the 11-year period. The Territorial government's share of GTP grew from 23.4 percent in 1989 to 24.2 percent in 1999. The Federal government's share of GTP grew from 2.2 percent in 1989 to 3.2 percent in 1999.

The private sector accounted for 72.6 percent of GTP in 1999, declining from 74.3 percent in 1989. The average annual growth rate of the private sector was about 2.6 percent during the period under consideration.

Noteworthy, is the fact that the Territorial government's contribution to GTP grew at a faster rate than the private sector's contribution. Comparatively, private industries in the United States account for roughly 88 percent of GDP while total government's contribution to GDP is about 12 percent (the federal government's share is about 4 percent and state and local government's share represents 8 percent of total GDP). The fact that the Territorial government's share of GTP is high relative to the US mainland is not surprising since it provides basic services such as utilities. The pub-

lic sector's share of GTP should decline in the near future if many of the basic services performed by the public sector are transferred to the private sector, thereby reducing government's personnel and other costs.

2.4 Inflation and Per Capita Income

A deficiency with the macroeconomic indicators over the years was the absence of a price deflator to calculate the real values of output and income. Prior to August 2001, the Territory did not have a Consumer Price Index (CPI) and therefore used the CPI for the United States in its price inflation gauge. Although the use of the mainland CPI to deflate local prices was misleading since it did not accurately represent price conditions in the Territory, it nonetheless provided anecdotal evidence of price inflation. It was assumed that prices in the Territory increased an average of 1 to 3 percent in the past few years, consistent with the average price increases in the rest of the United States. However, the Territory's CPI, which was funded by the US Economic Development Administration and prepared and released in August 2001 by the Bureau of Economic Research, showed that the inflation rate is likely to exceed 5.0 percent by the end of 2001, if the cost of goods and services continued along the trend observed over the first six months (Table 2.5).

Per capita gross territory product, a comparative measure of economic well being, grew

Table 2.5 US Virgin Islands Consumer Price Index

| Expenditure Category | Weights | Index (January 2001 = 100) | | | | |
|----------------------------------|---------|----------------------------|------------|------------|------------|------------|
| | | February 2001 | March 2001 | April 2001 | May 2001 | June 2001 |
| All Items | 100.0 | 100.7 | 101.4 | 101.9 | 102.7 | 103.0 |
| Food and Beverages | 12.46 | 103.6 | 104.7 | 104.2 | 104.3 | 102.4 |
| Housing | 38.79 | 100.2 | 100.2 | 100.2 | 100.3 | 99.9 |
| Apparel | 2.24 | 99.5 | 103.7 | 105.2 | 107.8 | 109.2 |
| Transportation | 11.12 | 100.0 | 100.0 | 102.3 | 102.2 | 101.6 |
| Medical Care | 5.84 | 99.7 | 102.6 | 104.9 | 108.4 | 111.3 |
| Recreation | 4.17 | 105.2 | 110.2 | 104.6 | 106.6 | 110.5 |
| Education and Communication | 7.10 | 100.0 | 100.0 | 99.9 | 99.9 | 99.9 |
| Other Goods and Services | 18.28 | 100.1 | 100.3 | 102.7 | 104.7 | 106.8 |
| Monthly Rate of Inflation | | 0.7 | 0.6 | 0.6 | 0.7 | 0.3 |

Source: Bureau of Economic Research

“ The public sector's share of GTP should decline in the near future if many of the basic services performed by the public sector are transferred to the private sector, thereby reducing government's personnel and other costs. ”

from \$14,208 in 1989 to peaked in 1993 at \$17,708 before dropping to \$16,234 in 1994, and increased to \$16,361 in 1995 and \$16,465 in 1996. In 1997, per capita GTP fell to \$15,752 but rose to \$16,639 in 1998 and to \$16,865 in 1999.

Table 2.6. Per Capita Income and Product Item
Current Dollars: 1989-1999
[In dollars]

| Year | Per Capita GTP | Per Capita Personal Income |
|------|-------------------|----------------------------------|
| 1999 | 16,865 | 16,242 |
| 1998 | 16,639 | 15,793 |
| 1997 | 15,752 | 14,947 |
| 1996 | 16,465 | 15,413 |
| 1995 | 16,361 | 15,181 |
| 1994 | 16,243 | 14,990 |
| 1993 | 17,708 | 15,944 |
| 1992 | 15,788 | 13,867 |
| 1991 | 15,679 | 13,224 |
| 1990 | 15,598 | 12,799 |
| 1989 | 14,208 | 11,427 |

Source: Bureau of Economic Research

Personal income per capita, a more precise measure of individual well being, rose through 1993 to \$15,944, fell in 1994 to \$14,990, and then rose in 1995 and 1996 to \$15,181 and \$15,413, respectively. In 1997 personal income per capita fell to \$14,947, rose to \$15,793 in 1998 and peaked at \$16,242 in 1999.

2.5 Employment and Wages

The best performance of the economy over the period 1989 to 1999 occurred between 1990 and 1993 as depicted in Table 2.7. Employment exhibited robust growth as the demand for labor grew following hurricane *Hugo* in 1989, and the construction of a catalytic cracker at Hess Oil Virgin Islands Corporation, (HOVIC) from 1991 to 1993. Additionally, the expansion of the tourism sector helped to boost employment and wages to record levels. Nonagricultural wage and salary employment grew by 13 percent and peaked at 48,650 in 1993. In 1994 growth slowed with the completion of major private and public-sector projects. In 1995, hurricane *Marilyn* dealt a devastating blow to an already fragile economy, inflicting damage to tourist facilities and other infrastructure. These developments exposed the extreme vulnerability and sensitivity of the economy to natural disasters and external conditions. By 1999, these factors and others, led to the lowest level of employment in the past 10 years. In fact, employment, which totaled 40,993 in 1999, was lower than the 42,010 jobs recorded in 1989.

Table 2.7. US Virgin Islands Non-Agricultural Wage and Salary Employment
Annual Average, 1989-1999

| Industry | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total | 42,010 | 43,140 | 43,840 | 44,810 | 48,650 | 44,620 | 42,260 | 41,340 | 41,496 | 41,688 | 40,993 |
| Private Sector | 28,430 | 29,560 | 30,490 | 30,930 | 34,740 | 30,810 | 28,540 | 27,280 | 27,762 | 27,935 | 27,554 |
| Construction | 2,730 | 3,750 | 3,430 | 4,010 | 5,440 | 1,890 | 1,360 | 2,520 | 1,876 | 1,528 | 1,668 |
| Manufacturing | 2,320 | 2,450 | 2,720 | 2,810 | 2,870 | 2,900 | 2,500 | 2,340 | 2,234 | 2,418 | 2,427 |
| Transport & Utilities | 2,360 | 2,330 | 2,520 | 2,610 | 2,670 | 2,680 | 2,580 | 2,280 | 2,362 | 2,370 | 2,372 |
| Wholesale | 1,070 | 990 | 1,010 | 1,010 | 1,020 | 1,080 | 1,070 | 1,070 | 1,153 | 1,150 | 1,091 |
| Retail | 8,430 | 8,670 | 8,960 | 8,770 | 9,440 | 9,610 | 8,820 | 8,250 | 8,290 | 7,964 | 7,728 |
| Finance, Insurance & Real Estate | 2,030 | 2,140 | 2,090 | 2,050 | 2,260 | 2,140 | 1,820 | 1,800 | 1,873 | 1,882 | 1,936 |
| Services | 9,490 | 9,230 | 9,760 | 9,670 | 11,040 | 10,510 | 10,390 | 9,020 | 9,969 | 10,623 | 10,332 |
| Government | 13,580 | 13,580 | 13,380 | 13,880 | 13,910 | 13,810 | 13,710 | 14,060 | 13,734 | 13,753 | 13,438 |
| Territorial | 12,760 | 12,700 | 12,610 | 13,070 | 13,090 | 12,960 | 12,690 | 13,070 | 12,875 | 12,876 | 12,566 |
| Federal | 820 | 880 | 770 | 810 | 820 | 850 | 1,020 | 990 | 859 | 877 | 872 |

Source: VI Bureau of Labor Statistics.

Table 2.8. Annual Average Gross Pay By Sector, Virgin Islands: 1989-1999

[In dollars]

| Industry | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total | 18,894 | 21,080 | 22,254 | 21,585 | 24,294 | 24,697 | 25,554 | 25,062 | 24,700 | 26,295 | 26,420 |
| Private Sector | 16,518 | 19,416 | 20,155 | 19,656 | 23,256 | 23,890 | 24,625 | 22,516 | 22,485 | 23,562 | 23,784 |
| Agriculture | 11,931 | 14,289 | 13,987 | 15,554 | 14,851 | 13,894 | 14,822 | 15,290 | 16,000 | 15,120 | 15,056 |
| Construction | 18,680 | 24,725 | 26,632 | 22,200 | 37,795 | 26,736 | 25,239 | 26,931 | 27,041 | 26,680 | 25,488 |
| Manufacturing | 24,724 | 28,933 | 30,302 | 30,132 | 36,075 | 35,923 | 38,293 | 38,793 | 41,442 | 42,626 | 42,464 |
| Transport & Utilities | 20,592 | 22,753 | 23,437 | 24,098 | 25,196 | 24,074 | 24,955 | 26,933 | 26,140 | 28,114 | 29,328 |
| Wholesale Trade | 18,549 | 20,334 | 22,051 | 23,677 | 23,943 | 24,577 | 25,276 | 25,813 | 26,842 | 27,928 | 28,032 |
| Retail Trade | 15,917 | 18,636 | 19,018 | 22,527 | 20,796 | 22,044 | 22,566 | 16,019 | 16,190 | 17,197 | 18,488 |
| Finance, Insurance & Real Estate | 19,677 | 22,272 | 23,221 | 24,271 | 23,457 | 23,755 | 26,291 | 27,751 | 28,636 | 29,917 | 30,268 |
| Services | 15,451 | 18,360 | 18,701 | 16,946 | 20,081 | 20,633 | 19,562 | 20,729 | 20,269 | 20,949 | 21,376 |
| Government | 23,815 | 24,769 | 27,028 | 26,123 | 25,860 | 27,526 | 28,978 | 30,177 | 29,235 | 31,854 | 31,828 |
| Territorial | 23,417 | 24,388 | 26,523 | 25,399 | 25,129 | 27,072 | 28,214 | 29,278 | 28,184 | 30,734 | 30,628 |
| Federal | 29,875 | 30,220 | 35,059 | 37,512 | 38,171 | 34,239 | 38,602 | 42,352 | 44,673 | 48,353 | 49,160 |

Source: VI Bureau of Labor Statistics

Employing statistics from the VI Bureau of Labor Statistics, the unemployment rate for the Territory grew from about 3 percent in the early 1990s to 7.0 percent in 1999. Other sources, however, have reported an unemployment rate that is much higher. The *1997 Consumer Expenditure Survey (CES)* reported an unemployment rate of 11.3 percent for the Territory, 16.2 percent for St. Croix and 7.6 percent for the St. Thomas and St. John district. The differences in the rate arise from the method that is used. The VI Bureau of Labor Statistics uses administrative records to

determine those who are unemployed, and do not capture those those who do not report, or those workers who have exhausted their rights to unemployment insurance, or new workers who have not earned that right to unemployment insurance. This method underestimates the number of employed persons. The Eastern Caribbean Center employs a methodology that extends to the entire population through either censuses or surveys.

Wages

Between 1989 and 1999 the annual average gross pay for all industries increased by 40 percent from \$18,894 to \$26,420 as shown in Table 2.7. The manufacturing sector enjoys the highest annual average wage earnings in the private sector—\$42,464 in 1999. The finance, insurance and real estate sector and transportation, communications and utilities sectors had the next highest annual average earnings—\$30,268 and \$29,328, respectively. Territorial government employees made more on average than private sector employees, \$30,628 compared to \$23,784. Federal government employees had the highest annual earnings at \$49,160.

“ In 1995, hurricane Marilyn dealt a devastating blow to an already fragile economy, inflicting damage to tourist facilities and other infrastructure. These developments exposed the extreme vulnerability and sensitivity of the economy to natural disasters and external conditions. ”

III. Economy by Sector

3.1 Tourism

The tourism industry experienced a period of expansion during the 1980s and early 1990s. Between 1994 and 1996, however, this sector declined—affected primarily by a series of hurricanes as well as lower direct airline seats and the high cost of airline travel. Since 1997, the tourism industry has rebounded and is showing positive gains.

The hotel, gift shops and restaurant sector is used as a proxy to measure the direct contribution of tourism to GTP. Direct jobs in tourism in 1999 were estimated to be 8,370. These include hotels and other lodging places (about 47 percent of the total), gift shops, eating and drinking establishments, and air transport. The contribution of this sector to GTP has grown from \$284.2 million in 1989 to \$347.9 million in 1999. Actual direct tourism-related employment is in all likelihood under-estimated since many of the jobs created in the service and trade sectors are directly related to the tourism industry. When these sectors are taken into account, direct tourism-related jobs may account for as much as 40 percent of all private-sector jobs and tourism's contribution to GTP may be as much as 60 percent.

Total visitor arrivals expanded rapidly during the 1980s and reached 1.9 million by 1992. In 1993, and for the next three consecutive years, visitor arrivals declined as a result of a drop in both overnight and cruise ship visitors. In 1995, total visitors declined to 1.7 million and grew by a mere 2 percent in 1996. By 1997 total arrivals rebounded by 20 percent and reached 2.1 million. In 1998 the industry recorded the highest level of visitors ever, slightly more than 2.1 million. Although 1999 recorded a drop in cruise visitor arrivals, and consequently a decline in total arrivals to just under 2 million, every indication is that visitor arrivals have surged to record levels. Preliminary estimates for calendar year 2000 show that there was a record 2.4 million visitors.

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Table 3.1. Visitors by Type, VI: 1990 to 1999

[In 000s]

| Type | 1990 | 1995 | 1997 | 1999 |
|-------------------|---------|---------|---------|---------|
| Total | 1,811.5 | 1,741.3 | 2,128.0 | 1,962.9 |
| Tourists | 462.5 | 454.0 | 392.9 | 483.8 |
| Excursionists | 1,349.0 | 1,287.3 | 1,735.1 | 1,479.1 |
| Air Excursionists | 229.4 | 116.0 | 116.2 | 76.3 |
| Cruise Passengers | 1,119.6 | 1,171.3 | 1,619.0 | 1,402.7 |

Source: Bureau of Economic Research

Table 3.2. Hotel Rooms and Expenditure, VI 1980 to 1999

| Year | Hotel Rooms (Hundreds) | Visitor Arrivals (Thousands) | Est. Visitor Expenditure (\$Millions) | Average Expend. Per visit \$ |
|------|------------------------|------------------------------|---------------------------------------|------------------------------|
| 1999 | 4,849 | 1,962.9 | 954.9 | 486 |
| 1997 | 4,401 | 2,128.0 | 894.0 | 282 |
| 1995 | 5,154 | 1,741.3 | 822.3 | 473 |
| 1993 | 5,406 | 1,923.1 | 901.7 | 469 |
| 1991 | 4,738 | 1,899.5 | 777.9 | 410 |
| 1989 | 5,231 | 1,738.3 | 621.4 | 357 |
| 1980 | 5,102 | 1,217.4 | 293.5 | 241 |

Source: Bureau of Economic Research

The level of total visitor expenditure—an important measure and indicator of tourism activity—grew to an estimated \$955 million in 1999 from \$621 million in 1989. This expenditure record is attributed mostly to overnight visitors whose average per visitor expenditure is roughly six times that of cruise visitor expenditure, based on a series of exit surveys conducted by BER.

Rum Industry

The rum industry largely consists of one company, Virgin Islands Rum Industries, Ltd., a subsidiary of Todhunter International, Inc., which is fifty percent, owned by Angostura, Inc., a Trinidad and Tobago company. The industry produces Cruzan and Old St. Croix brand rum as well as bulk shipments for other labels. The rum industry employs about 50 people. In 1999, the company shipped 5 million proof gallons of bulk Virgin Islands rum to the United States. The most important benefit of the rum industry is the payment by the US Government, under the Organic Act, the alcoholic beverage excise tax of \$10.50 per proof gallon collected on Virgin Islands rum. US federal excise taxes levied on VI rum are paid by US distributors when they bottle VI rum shipped in bulk to the US, and are collected by the Bureau of Alcohol, Tobacco, and Firearms (BAFT) of the US Department of Treasury. BATF collects these taxes at the rate of \$13.50 per proof gallon, but the portion of these revenues, which was actually transferred to the Virgin Islands, was for many years \$10.50 per proof gallon. On November 1999, legislation passed by the US Congress increased the rate to \$13.25 per proof gallon on spirits brought into the United States between June 30, 1999 and January 1, 2001. Without federal legislation, the rate will revert to \$10.50 per proof gallon on January 2, 2002. The Government continues its efforts to secure a permanent increase in the rate to \$13.50.

3.3 Construction

The construction sector's contribution to GTP in 1999 was \$87.9 million, virtually the same as in 1989. Except for the periods 1990 to 1993 and 1996 when major infrastructure rebuilding and private sector projects boosted construction, this sector has demonstrated little growth. The construction sector depends largely on the course of tourism development and on investment in fixed assets. From about 1990 to 1993, there was a boom in construction activity with the reconstruction of homes, hotels, schools and other infrastructure fol-

“ The construction sector depends largely on the course of tourism development and on investment in fixed assets. ”

lowing hurricane *Hugo*. For the next two years jobs in the construction sector declined to a level not seen since the mid-1980s. Hurricane *Marilyn* in 1995, despite the damage it inflicted, brought much needed activity to this sector. Reconstruction activity spurred growth in 1996 resulting in an 85 percent increase in jobs to 2,520. However, by 1999 most of the gains the construction industry experienced were eroded as post-hurricane construction came to an end and construction activity in general declined.

3.4 Wholesale and Retail Trade

The performance of the trade sector over the past decade has been less than stellar with an average annual growth rate of about 2 percent. This sector's contribution to GTP was \$473.2 million in 1999 compared to \$383.9 million in 1989.

Employment in trade reached a record 10,690 in 1994 and has declined every year hence. Currently, there are approximately 9,200 people employed in the trade sector. The level of employment in retail trade, which also reached a record 9,610 in 1994, is now at 8,000, much lower than it was a decade ago. In 1989, for instance, the number of people employed in retail was about 8,430.

Total business receipts, a broad measure of economic activity, rose from \$2,281 million in 1992 to \$2,296 million in 1997 according to the *1997 Virgin Islands Economic Census*. Retail trade produced \$1.1 billion in sales and receipts reported in 1997—nearly half of the \$2.3 billion in sales—and grew by 20 percent over 1992. Wholesale trade reported receipts of \$252.4 million, nearly 40 percent lower than the \$414.4 million in sales reported in 1992.

Table 3.3. VI Establishments: 1982 to 1997

| Characteristics | 1982 | 1987 | 1992 | 1997 |
|--------------------------|--------|--------|--------|--------|
| Establishments | 2,588 | 2,604 | 2,932 | 2,032 |
| Sales & receipts (\$Mil) | ... | ... | 2,281 | 2,296 |
| Annual payroll (\$Mil) | 229 | 255 | 338 | 382 |
| Paid employees | 19,132 | 20,709 | 20,968 | 21,216 |
| Proprietors & partners | 1,526 | 1,102 | 1,117 | 583 |

Sources: Economic Censuses, Bureau of the Census

A number of factors account for the recent decline in the trade sector. One primary reason is the intense competition the US Virgin Islands faces from other Caribbean islands which are aggressively positioning themselves as key players in the tourist retail market, and from cruise ships which now have onboard stores which compete directly with local retailers, and consolidation and loss of smaller retailers as "big box" retailers entered the Virgin Islands market. Other competition comes from online shopping as more and more people turn to the internet.

“ A number of factors account for the recent decline in the trade sector. One primary reason is the intense competition the US Virgin Islands faces from other Caribbean islands which are aggressively positioning themselves as key players in the tourist retail market, and from cruise ships which now have onboard stores which compete directly with local retailers, and consolidation and loss of smaller retailers as "big box" retailers entered the Virgin Islands market. ”

3.5 Government

The Territorial government's contribution to GTP grew from \$338 million in 1989 to \$477 million in 1999, an annual average growth rate of 3.1 percent. The Federal government's annual contribution to GTP grew from \$31 million in 1989 to \$62 million in 1999 or an average annual growth rate of 6 percent. The Federal government's contribution represents about 3 percent of total GTP.

Roughly 30 percent of all jobs in the Territory are public sector jobs with Territorial government jobs accounting for 94 percent of total public sector jobs. In 1999, there were approximately 13,438 public-sector jobs—12,566 in local government and 872 Federal government jobs. The largest number of Territorial government jobs recorded in the past decade was 13,090 in 1993. Since 1993 Territorial government jobs have slowly begun to decline, about an average of 2 percent each year. Most of this decline is due to attrition and voluntary retirement, although some is due to the elimination of positions.

The employment trend of the last decade partly explains the dismal fiscal plight with which the Territory is faced. The government has debt obligations of nearly \$1.4 billion and an accumulated budget deficit in excess of \$300 million. A large portion of this obligation—nearly \$300 million—is retroactive wages owed to union employees. Although, the Government has made significant strides in reducing the number of public sector jobs, the exigencies of the situation require that continual efforts be made to adopt a systematic restructuring or downsizing program that would substantially reduce its personnel costs.

IV. Fiscal and Economic Recovery

4.1 General Fund

The key sources of government revenue are individual income taxes, corporate income taxes, gross receipt taxes, trade and excise taxes, real property and matching funds from excise taxes. These sources of revenue accounted for 97 percent of total net General Fund Revenues. Other sources of revenue, which accounted for 3 percent of total net revenues, include nontax revenue such as licenses and permits, fines, franchise fees, bank fees and miscellaneous revenues. The VI Department of Finance and the VI Bureau of Internal Revenue share the responsibility for the collection of most of these revenues. Approximately 80 percent of General Fund Revenues are collected by these agencies.

4.2 Fiscal Performance

Since 1989, the fiscal conditions of the Government has been characterized by an imbalance in the current account with substantial fluctuations in revenues and expenditures resulting in year-end operating deficits and surpluses in the General Fund. With the exceptions of Fiscal Years 1990 to 1993 and 1998, government's expenditure has exceeded total revenues. In Fiscal Years 1990 and 1991, the General Fund closed with an operating surplus due largely to the FEMA Community Disaster Loan proceeds. In 1993, revenues increased partly as a result of hurricane restoration related construction. Proceeds from FEMA Community Disaster loan as well as from working capital borrowing created an operating surplus for Fiscal Year 1998. Total revenues collected grew from \$393 million in 1992 to \$405 million in 1995. Following hurricane *Marilyn* in 1996, Fiscal 1996 ended with \$427 million in General Funds; however, \$62 million represented loans from the Federal government. In 1997 total revenue collected was \$390 million; a \$43.8 million in Federal loans ended the fiscal year with \$415 million

in General Funds. For Fiscal Year 1998, a total of \$475 million was collected in revenues, including a final Federal loan draw down of \$37 million. For Fiscal Year 1999, \$461 million were collected in revenues.

Table 4.1. General Fund Revenues, VI: Fiscal Years 1995 to 1999 (In 000s)

| Taxes | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Individual | 177,018 | 188,552 | 192,620 | 202,906 | 212,410 |
| Corporate | 34,596 | 22,290 | 21,785 | 27,664 | 23,567 |
| Gross Receipts | 76,670 | 85,378 | 86,804 | 88,609 | 85,227 |
| Trade & Excise | 12,598 | 17,124 | 11,796 | 13,680 | 17,686 |
| Real Property | 50,388 | 19,982 | 45,682 | 60,787 | 53,883 |
| Other Taxes | 2,773 | 871 | 3,539 | 3,653 | 2,078 |
| Total Taxes, Net | 323,034 | 323,324 | 357,176 | 381,468 | 392,364 |
| Other Revenues | 9,235 | 9,272 | 9,121 | 15,929 | 10,101 |
| Total Tax Revenues | 332,269 | 332,596 | 366,297 | 397,397 | 402,465 |

Source: VI Department of Finance unaudited revenue reports and OMB Executive Budgets

4.3 Accumulated and Recurring Deficits

General fund expenditures—most of which goes to education, health and medical services, and human services—have outpaced general fund revenues for the past five years. The government faces a deficit annually in the range of \$20 to \$90 million, and an accumulated deficit in the General Fund of approximately \$340 million at the end of fiscal year 1999. As a result of the recurring annual operating deficits, at the end of Fiscal Year 1995 the Government had an accumulated deficit of approximately \$152.2 million, based on audited financial statements of the Government prepared by KPMG LLP. The deficit increased to \$251.7 million at the end of Fiscal Year 1996 and in Fiscal Year 1997, the accumulated deficit increased to approximately \$343.7 million. For Fiscal Year 1998, FEMA loan proceeds and proceeds from the 1998 Bonds resulted in a decreased accumulated deficit of \$289.4 million. As of June 30, 1999, the accumulated deficit of the Government was approximately \$340 million.

Table 4.2. Basic Operational Expenditures by Selected Categories, VI: 1995 to 1998

[Amounts in thousands]

| Expenditure | 1995 | 1996 | 1997 | 1998 |
|-------------------------------------|---------|---------|---------|---------|
| Total | 502,055 | 479,166 | 494,351 | 493,396 |
| General Government | 150,686 | 118,060 | 160,795 | 174,762 |
| Public Safety | 44,139 | 47,755 | 45,462 | 44,534 |
| Education | 134,900 | 135,884 | 127,014 | 119,373 |
| Trans. & Communication | 31,666 | 32,811 | 28,010 | 28,745 |
| Health & Medical Services | 114,996 | 82,412 | 72,068 | 69,198 |
| Human Services | na | 34,898 | 31,167 | 29,000 |
| Housing Development | 6,825 | 7,631 | 7,593 | 7,821 |
| Agricultural Development | 9,442 | 10,420 | 10,736 | 8,879 |
| Commercial & Industrial Development | 5,705 | 5,940 | 7,660 | 7,193 |
| Labor Relations | 3,696 | 3,355 | 3,846 | 3,891 |

Source: VI Department of Finance unaudited reports

The causes of the Government's fiscal imbalance include a large public sector payroll, which equals approximately 64 percent of General Fund outlays and a shrinking private sector tax base. The operating deficits have placed severe constraints on the Government's ability to meet its financial obligations, to pay taxpayers and vendors and to provide acceptable levels of basic services.

In an effort to meet some of its financial obligations and to meet the rise in recurrent expenditure, the Government has financed portions of its operating deficits with long-term bond issues including \$299.8 million in Revenue Bonds in 1999. This bond issue permitted the government to finance \$134 million in tax refunds for tax years 1997 and 1998, \$44 million in vendor payments, and a \$35 million loan for the repayment of a short-term loan to fund payroll costs. In 1998, the Government also issued \$541.8 million in Revenue and Revenue Financing Bonds. These bonds were used to finance the

outstanding bonds and other debts issued by the Government and to fund certain capital projects.

Although Government was able to pay some of its obligations from bond proceeds, at the end of Fiscal Year 1999 it still owed about \$272 million in retroactive pay to union employees, about \$46 million to vendors, about \$50 to \$60 million in tax refunds, \$21.5 million to the Water and Power Authority (WAPA) in back billing, and \$44.8 million to the Government Employee Retirement System (GERS). The Government's total debt is reported at \$1.4 billion—\$864.5 in bonded debt and \$514.8 million in non-bonded debt. Such staggering debts has had an inverse impact on government's ability to meet its obligations, including a biweekly payroll of approximately \$13 million and to meet its core operating and capital project obligations. It also limits the government's ability to access the capital markets since its ability to borrow for required capital projects is tied to its ability to pay.

“...the Government has identified a number of fiscal policy objectives designed to reduce the current account deficit, to achieve a balanced budget and to reduce non-bonded public debt. Achieving these objectives, however, requires more effective administration of the collection of revenues and their uses and a reduction in public expenditure. It also requires implementing measures to expand the tax base, to improve the collection of taxes without increasing tax rates, and to encourage increased investment and growth.”

4.4 Fiscal Policy Objectives

Against this backdrop of fiscal insolvency, the Government has identified a number of fiscal policy objectives designed to reduce the current account deficit, to achieve a balanced budget and to reduce non-bonded public debt. Achieving these objectives, however, requires more effective administration of the collection of revenues and their uses and a reduction in public expenditure. It also requires implementing measures to expand the tax base, to improve the collection of taxes without increasing tax rates, and to encourage increased investment and growth.

The following section identifies many of the key obstacles that are inimical to fiscal and economic growth. It also represents a number of initiatives and strategies designed to rebuild the economy over the next five years.

4.5 Fiscal Policy Reform

Budget Reform

The budgetary process demonstrates a lack of coordination and agreement between the executive and legislative branches of government. As a consequence, there continues to be variances with respect to the sources and uses of revenues each year the annual budget is submitted by the Governor and reviewed by the Legislature. Part of this problem arises because there are no stated budgetary and economic policy guidelines other than a balanced budget requirement. The lack of clearly defined goals and objectives and long term planning to provide direction to the government's fiscal and economic development program, has led to the situation where expenditures have outpaced revenues. The consequences are annual budget deficits and mounting government debt.

In an attempt to control the burgeoning costs of government and to limit spending, the VI Legislature enacted *The Government Financial Accountability Act of 1999* or Act No. 6289 establishing a mandatory balanced budget requirement. The Act also requires that

appropriations in each fiscal year not exceed the average of the prior two years verifiable revenue received; the annual deficits be eliminated to prevent the accumulation of debt; and that the Government should be current in the payment of its obligations to employees and vendors. The Act further stipulates that any revenues in excess of the budget appropriation, the VI Legislature may enact a supplemental appropriations for an amount not to exceed 20 percent of the excess and the remaining 80 percent applied to any deficit that exists. When no deficit exists, the excess revenues shall remain as a surplus for the fiscal year.

The intent of the legislation is to limit excessive unsubstantiated revenues to support expenditure levels, to improve the planning of revenue and expenditure, as well as to manage and control the budget and limit the debt of the Government. Although the verifiable receipts law was well intended, the bill as written had major flaws. The requirement that there must be an average of two prior years verifiable receipts would be difficult if not impossible to comply with since one of those two years include incomplete receipts for the current budget year. Additionally, the law did not allow for any revenue initiatives. For these reasons and others the Verifiable Receipts Law was suspended effective Fiscal Year ending September 30, 2001.

Public Expenditure Reform

The Government Financial Accountability Act should strengthen the fiscal conditions and the efficiency in the uses of revenues, since firstly, it requires a balanced budget and secondly, it sets limits on government spending and public debt. However, public expenditure should be dictated by a hierarchy of needs and priorities based not on capricious decisions, but on long range planning. The allocation of public resources should inter-relate with the entire economic development process. In addition to budget reform measures to monitor and control government costs, other policies including the review of any legislation or agreements which

“ It is estimated that there are approximately \$100 millions in delinquent taxes owed to the Government, most of which is uncollectable....The tax structure, therefore, should be reformed with a clear objective to expand the tax base, to improve the collection of taxes and to administer the collection of tax revenues.”

increase recurring annual costs without an appropriate funding source, must be implemented and controlled. Furthermore, certain government services that depend on user fees and charges such as utilities which can be more efficiently performed by private operators should be transferred to the private sector so as to reduce government's costs and improve efficiency.

Tax Reform

The tax collection agencies have failed to adequately administer and collect outstanding tax revenues owed to the Government. It is estimated that there are approximately \$100 millions in delinquent taxes owed to the Government, most of which is uncollectable. The large amount of delinquent taxes, a lack of ability to develop financial reports and audited accounts, and a constant cash flow crisis are examples cited by the Economic Recovery Task Force to illustrate why the Government has been ineffective in managing its financial operations. The tax structure, therefore, should be reformed with a clear objective to expand the tax base, to improve the collection of taxes and to administer the collection of tax revenues.

4.6 Public Finance Initiatives

In order to reduce the cost of government, to improve the efficiency of the tax collection system and to restore fiscal sustainability, the following initiatives are proposed.

1. Develop a Taxpayer's Registry

Develop an information system which would include a taxpayers' registry, an automated system of audit selection and audit surveillance at the Internal Revenue Bureau (IRB). This system should also be implemented at Customs, Trade and Excise, Licensing and Consumer Affairs, the Lieutenant Governor's Office, the Department of Planning and Natural Resources (DPNR) and the Department of Finance. This is designed to bring all revenue collection agencies into a coherent system of accounting and reporting.

2. Implement a Uniform System of Industry Classification such as the North American Industry Classification System (NAICS)

One inadequacy in the current tax system at IRB, as well as in other department such as Licensing and Consumer Affairs, is the inability to classify businesses so as to provide economic data to determine where there are industry growth and job and investment opportunities. There should be an immediate move to classify all industries into a taxonomy system such as the North American Industry Classification System (NAICS). This new classification taxonomy system is being implemented in the United States, Canada and Mexico and replaces the Standard Industry Classification (SIC). To be useful this system must group business activities according to a consistent system designed to illuminate key aspects of the economic structure. The system should be used uniformly throughout all government agencies and departments.

3. Program to Collect Delinquent Taxes

Inadequate staffing at Bureau of Internal Revenue (BIR), Finance, and the Tax Assessor and the lack of systems to conduct enforcement, lien placement and collections in a timely manner have made the tax collection process difficult. The staff at BIR should be increased to include personnel trained in tax enforcement, compliance, collections and administra-

“ New tax laws should be written not only to maximize the number of income sources subject to taxation, but also to provide relief to businesses and individual taxpayers. This includes tax laws aimed at reducing the cost of conducting business and aimed at creating a more business friendly environment. ”

tion. Additional efforts may include the outsourcing of the collections of back taxes to a collection agency. Other programs such as the sale of delinquent property taxes should also be promoted to increase revenue collections.

4. Tax Study Reform

The reform of the tax structure should be a focal point of emphasis. However, before this is done there should be a thorough study of existing tax legislation with a view to determine the efficiency and “fairness” in the application and collection of taxes, and the ability of the government to support the levels of services. New tax laws should be written not only to maximize the number of income sources subject to taxation, but also to provide relief to businesses and individual taxpayers. This includes tax laws aimed at reducing the cost of conducting business and aimed at creating a more business friendly environment. The Government has already announced the creation of a Tax Study Commission to review the Territory’s tax laws.

Simultaneously, government services should be restructured to promote more efficiency in the delivery of services, including the streamlining of the permitting process. Where necessary there should be an out-sourcing of public services to private businesses in an effort to reduce cost and promote efficiency.

5. Budget Document Based on Economic Development Policies and Guidelines

The budget document should reflect the priorities for fiscal and economic growth set by the administration and the initiatives recom-

mended by the *Five Year Plan* and the *CEDS Plan*. In other words, the budget should be a document which reflects the long-range goals and objectives for economic growth.

6. Measures to Reduce Government Expenditures

Measures to monitor and control government spending should be implemented, including a reduction in government work force, particularly in those areas where services are redundant or inefficient; a strict hiring freeze except for key positions in education, health and the police departments; a reduction in overtime payroll costs; and a reduction in the number of paid public holidays. The Government has already implemented a number of these cost cutting measures, including the elimination of five holidays and a reduction in overtime expenditure. Additional measures should be implemented to strengthen the financial conditions of Government; for example, wage and employment policies should also be adopted to reduce the fiscal burden from excessive public employment, including policies to regulate retroactive wage and collective bargaining agreements.

7. Measures to Improve Government Operations

A plan should be developed to establish a cash management program to assure prompt payment to vendors and taxpayers. The objective of this is two-fold; first, to reduce the amount of interest payments owed by Government and second, to preserve the financial viability of businesses and to encourage the development of small businesses.



Cruise Ship at West Indian Company Dock

V. TOURISM POLICY AND PLANNING

5.1 State of Tourism

The tourism industry was officially recognized in 1950 and rapidly became a major economic activity in the 1960s and 1970s. The excellent climate and natural beauty of the islands and the advantages of being an American territory helped to make the islands a popular destination for tourists. By 1980 the Territory received nearly 1.2 million from

824,000 in 1970. In 1990, the total visitors reached 1.8 million and by the early 1990s there was total of 1.9 million visitors.

An industry, which boomed in the 1960s and 1970s and experienced generous growth in the 1980s, began to flounder and decline in the mid-1990s. A number of indicators point to this decline. Tourist or overnight air arrivals, which peaked in 1993 at 550,000, declined by nearly 12 percent to 484,000 in 1999. Tourism demand, as indicated by the number of occupied room nights, is at least 20 percent lower today than ten years ago. Hotel occupancy rates, which averaged 52 percent since 1995, are far below the 65 percent occupancy rate observed during the 1980s. Weekly direct flight seats into the Territory, which currently average 17,000, are significantly below the record 22,000 set in 1995. The number of reported available tourist accommodation at 4,849 in 1999 is below the peak 1994 level of 5,461. Furthermore, the position of the Territory's tourism industry vis-à-vis the rest of its Caribbean competitors is another indication of the state of tourism decline. Up un-

Up until 1988, the US Virgin Islands had the fifth largest market share of stayover tourist arrivals in the Caribbean region – about 5.2 percent – surpassed by Puerto Rico, Bahamas, Dominican Republic and Jamaica. By 1998, the Territory ranked eleventh in tourist arrivals, behind the four aforementioned countries, Cuba, Barbados, St. Maarten, Aruba, Martinique and Guadeloupe.

Table 5.1.VI Tourism Statistics, 1980 to 1999

| Year | Total Visitors | | Air Visitors | | Cruise Visitors | | Visitor Expenditure | | Tourist Rooms | | | | | |
|------|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|---------------------|-----------------------------|---------------------------------------|--------------------------------------|-----------------------------|--------------------------|----------------|------------------|
| | Number (000s) | Percent Annual Change | Number (000s) | Percent Annual Change | Number (000s) | Percent Annual Change | US\$ (M) | Percent Annual Change | Room Nights Available (000s) | Room Nights Occupied (000s) | Average Stay (Nights) | Occupancy Rate (%) | Total Rooms | Number Hotels |
| 1980 | 1,217.3 | -0.4 | 525.9 | -15.1 | 691.5 | 14.7 | 302.9 | 1.1 | - | - | - | 64.2 | 5,102 | 65 |
| 1981 | 1,170.2 | -3.9 | 475.4 | -9.6 | 695.2 | 0.5 | 308.1 | 1.7 | - | - | - | 57.0 | 4,752 | 57 |
| 1982 | 1,056.1 | -9.8 | 469.9 | -1.2 | 586.2 | -15.7 | 344.2 | 11.7 | - | - | - | 58.6 | 4,830 | 56 |
| 1983 | 1,108.7 | 5.0 | 478.3 | 1.8 | 632.8 | 7.9 | 421.6 | 22.5 | - | - | - | 60.0 | 4,578 | 56 |
| 1984 | 1,159.3 | 4.6 | 501.9 | 4.9 | 657.5 | 3.9 | 440.1 | 4.4 | - | - | - | 62.1 | 4,542 | 56 |
| 1985 | 1,220.6 | 5.3 | 541.6 | 7.9 | 678.9 | 3.3 | 492.0 | 11.8 | - | - | - | 63.7 | 4,693 | 54 |
| 1986 | 1,559.4 | 27.8 | 617.5 | 14.0 | 941.9 | 38.7 | 494.7 | 0.5 | - | - | - | 64.9 | 4,861 | 57 |
| 1987 | 1,822.8 | 16.9 | 722.4 | 17.0 | 1,100.4 | 16.8 | 597.6 | 20.8 | 1,883.9 | 1,206.5 | 5.0 | 64.0 | 5,161 | 59 |
| 1988 | 1,846.9 | 1.3 | 740.7 | 2.5 | 1,106.1 | 0.5 | 653.2 | 9.3 | 1,969.4 | 1,225.7 | 5.1 | 62.2 | 5,291 | 57 |
| 1989 | 1,738.3 | -5.9 | 675.7 | -8.8 | 1,062.5 | -3.9 | 621.4 | -4.9 | 1,787.2 | 1,095.9 | 5.3 | 61.3 | 5,231 | 65 |
| 1990 | 1,811.5 | 4.2 | 691.9 | 2.4 | 1,119.6 | 5.4 | 697.0 | 12.2 | 1,480.1 | 925.7 | 4.5 | 62.5 | 4,520 | 60 |
| 1991 | 1,899.5 | 4.9 | 678.4 | -2.0 | 1,221.1 | 9.1 | 777.9 | 11.6 | 1,612.9 | 941.0 | 4.5 | 59.1 | 4,738 | 58 |
| 1992 | 1,929.7 | 1.6 | 652.4 | -3.8 | 1,277.3 | 4.6 | 816.1 | 4.9 | 1,751.0 | 953.2 | 4.1 | 54.7 | 5,050 | 59 |
| 1993 | 1,923.1 | -0.3 | 714.5 | 9.5 | 1,208.7 | -5.4 | 901.7 | 10.5 | 1,901.4 | 1,156.4 | 4.4 | 60.9 | 5,406 | 60 |
| 1994 | 1,921.4 | -0.1 | 678.5 | -5.0 | 1,242.9 | 2.8 | 916.6 | 1.7 | 1,948.7 | 1,118.7 | 4.4 | 57.4 | 5,461 | 59 |
| 1995 | 1,741.3 | -9.4 | 570.0 | -16.0 | 1,171.3 | -5.8 | 822.3 | -10.3 | 1,793.4 | 1,047.8 | 4.4 | 59.0 | 5,154 | 57 |
| 1996 | 1,778.7 | 2.1 | 462.3 | -18.9 | 1,316.4 | 12.4 | 781.0 | -5.0 | 1,374.9 | 711.0 | 4.3 | 51.6 | 4,087 | 48 |
| 1997 | 2,128.0 | 19.6 | 508.8 | 10.1 | 1,619.0 | 23.0 | 894.1 | 14.5 | 1,544.4 | 824.6 | 4.2 | 53.3 | 4,401 | 52 |
| 1998 | 2,138.9 | 0.5 | 523.4 | 2.9 | 1,615.5 | -0.2 | 940.6 | 5.2 | 1,742.2 | 914.4 | 4.4 | 52.5 | 4,929 | 51 |
| 1999 | 1,962.8 | -8.2 | 560.1 | 7.0 | 1,402.7 | -13.2 | 954.9 | 1.5 | 1,742.0 | 967.9 | 4.4 | 56.0 | 4,849 | 48 |

Note: "-" data not available Source: Bureau of Economic Research

til 1988, the US Virgin Islands had the fifth largest market share of stayover tourist arrivals in the Caribbean region—about 5.2 percent—surpassed by Puerto Rico, Bahamas, Dominican Republic and Jamaica. By 1998, the Territory ranked eleventh in tourist arrivals, behind the four aforementioned countries, Cuba, Barbados, St. Maarten, Aruba, Martinique and Guadeloupe. While the Territory's market share has dropped to 2.2 percent, competitors such as Cuba, St. Maarten and Barbados among others have seen their market share grow.

The loss in overnight visitors has serious economic implications since this group contributes more to the local economy. According to a series of visitor exit surveys conducted by BER, the average per visitor expenditure by overnight visitors is nearly six times the value of one cruise visitor. In 1999, the average expenditure by air tourists was \$1,200 per visit compared to \$243 per visit for cruise passengers.

The economic and financial benefits of the cruise industry have become the subject of much debate. This debate centers on four main concerns: the low onshore expenditure by cruise passengers, the increased competition from on-board shops, the impact of ships and passengers on the marine environment and infrastructure, and the low direct revenues from landing fees. For these reasons law makers sought to increase the per passenger head tax by \$2.50, in addition to the \$7.50 per passenger charge that is levied by the VI Port Authority. The cruise industry and ultimately the legislature rejected this proposal. A compromise was offered by way of a Long-Term Operating Agreement proposed by the Cruise Ship Task Force, which was made up of representatives from the Executive branch, the Legislature, the West Indian Company, the Port Authority, the business community, and the FloridaCaribbean Cruise Association. Fundamental to the agreement is a commitment by the cruise industry for a 25 percent

and 10 percent annual average increase in cruise passengers to St. Croix and St. Thomas, respectively during the summer months beginning in 2001 and expiring in 2006. The Cruise Ship Task Force believes that the financial impact of this agreement would be far greater than that which would result from the additional \$2.50 head tax.

5.2 Nature of Tourism Planning

A variety of reasons have been offered for the decline in the tourism industry, chief among them are the lack of advertising and promotion, the high cost of airline travel and insufficient direct flights to the Territory, the high cost of hotel rooms, lack of competitive pricing on retail products, the absence of diversity in product lines and competition from other islands. Although these reasons are valid they are symptomatic of a larger problem—the absence of a coherent tourism policy and the lack of commitment to tourism planning.

What is apparent about the state of the tourism industry is that for many years there appeared to be little strategic planning, although there have been guidelines for long range comprehensive planning. In 1991, for example, a number of goals and objectives were established in the Governor's *Guidelines for the Development of a LongRange Comprehensive Plan for the United States Virgin Islands*. However, there has been little attempt to implement the strategies outlined in this plan. This failure of implementation lies at the heart of the problem and largely results from a lack of a clear system of authority and delineation of responsibilities for decision-making. On one hand is the Department of Tourism—which is the agency responsible for implementing tourism policies and programs—and on the other hand, are private-sector groups such as the Hotel and Tourism Associations and Chambers of Commerce which believe that tourism policy, planning and implementation should be a non-government function. Hence, these private-sector groups have proposed and lobbied for a Tourism Authority to coordinate the Territory's tourism policy and comprehensive tourism plan. The Governor has vetoed legislation to create a Tourism Authority and instead signed an executive order creating Tourism Advisory Council. The Council is chaired by the

Commissioner of Tourism and made up of eight members from the private sector appointed by the Governor. The functions of this Council include the development of a comprehensive plan to promote and improve the tourism industry and to review and recommend changes to improve the overall performance of the tourism industry.

5.3 Tourism Strategy

The creation of Tourism Council and a comprehensive plan to guide the future direction of tourism reflects the Government's commitment to the industry as the main engine of growth for the Territory's economic development. Efforts to rebuild the industry have already begun, including legislative hearings on strategies to revitalize the once thriving marine industry.

Other recommended initiatives to revive the tourism industry are the following.

1. Marketing Plan to increase overnight visitors, cruise ship visitors, and yachting arrivals

Recognizing the significant contribution of overnight visitors to the economy, a concerted attempt should be made to increase the numbers of these visitors and their length of stay. This can be achieved through a mix of strategies including:

- Target marketing to diverse geographic and ethnic groups;
- Broadening into new markets such as South and Central America, Asia and Europe;
- Marketing to mid- and upper-income visitors;
- Marketing each island separately to highlight the diversity of experience;
- Cooperation between the government, hotels, airlines and tour operators to encourage low and incentive airfares and to improve air access, hotel occupancy and length of stay;

- Convert cruise visitors to overnight visitors by offering travel and accommodation incentive programs;
- Utilize the websites in advertising and promotion of the Territory;
- Revitalize the marine and yachting industry by providing tax and other incentives for the construction of new hotels and marinas;
- Increase the number of special events; and
- Target market small convention business.

2. Increase Funding for Tourism Promotion and Marketing

The US Virgin Islands investment in tourism promotions is among the lowest in the region according to the data on tourism budgets presented by the Caribbean Tourism Organization (CTO). A study by the Bureau of Economic Research on the *Relationship between Visitor Arrivals and Tourism Budget* confirmed that countries that spent more on tourism promotion and on marketing in particular tend to experience higher tourism returns. The study further showed that if the Virgin Islands were to increase its investment in marketing specifically, it could realize significant returns.

With this finding therefore, the amount allocated to the promotion of tourism and specifically to marketing the islands should be increased. Although about \$11 million is collected annually from the tourism revolving fund only about \$5 million is spent on tourism promotion. This amount is inadequate to effectively compete and attract visitors to the Territory. The public and private sector should jointly formulate a plan to identify funding sources to increase the level of spending on tourism promotion.

3. Develop Eco-Tourism and Cultural Heritage Tourism

Eco-tourism is among the fastest growing segments of the tourist market as countries try to compete and diversify the tourism product. In recognition of the increasing environmental consciousness and increased competition from

other countries, the Virgin Islands tourism plan should include a strategy to develop eco-tourism and heritage tourism to feature the natural, historical and cultural attractions and activities such as the National Park, Carnivals, Three Kings Festival and St. Croix Jazz Festival. In support of nature-based tourism and environmental preservation, however, market research should be conducted to determine the size and nature of the eco-tourism market and to assess the exact contribution of nature tourism.

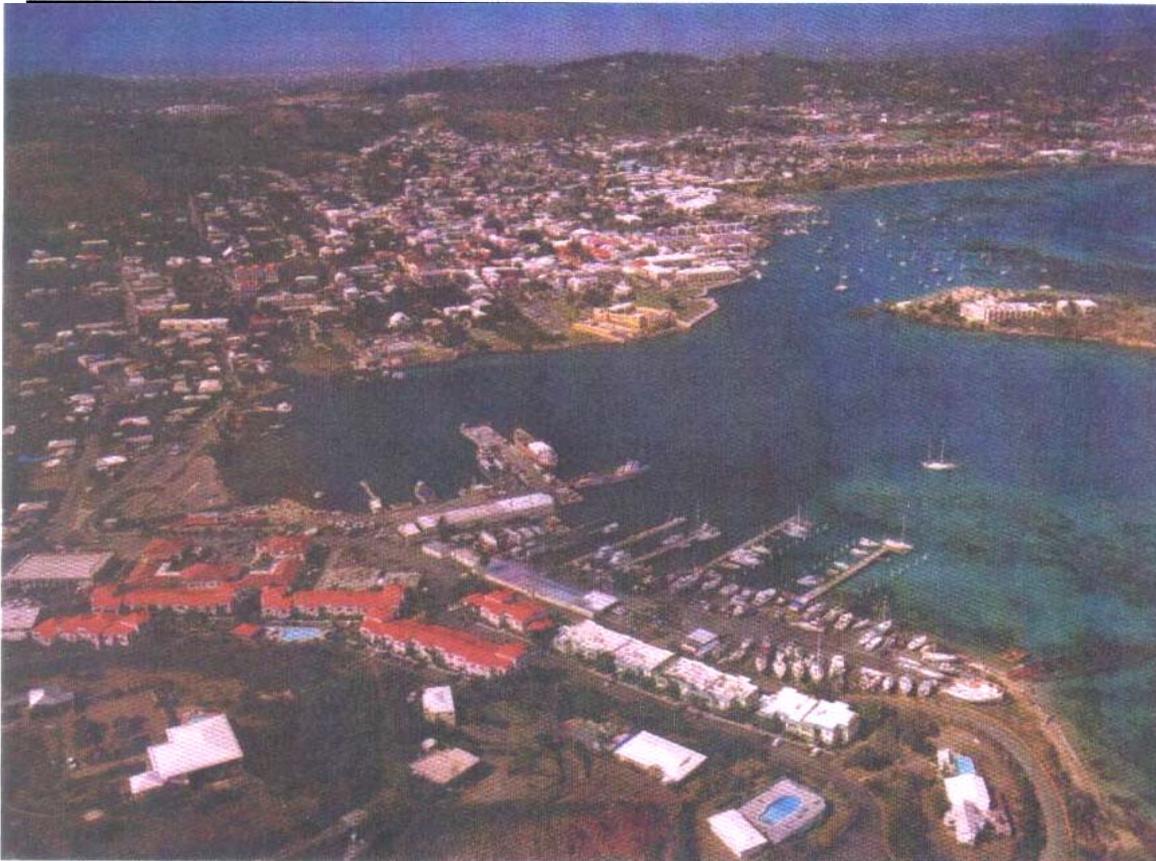
4. Establish a Tourism Advisory Council

Tourism Advisory Council should bring together all elements of the tourism paradigm and oversee the administration of the Territory's tourism policy. The council's responsibilities should include the establishment of industry classification and standards, market promotion, liaison with airlines, cruiselines and hotels, enhancement of historical sites and island beautification, training and education.

5. Increase Local Participation and Training in Tourism

There is a need to encourage local participation in tourism to increase employment opportunities. While the focus is on the attraction of large, international-scale hotels and the creation of immediate jobs, more should be done to increase local involvement in accommodation development and in support services. Special incentive programs should be offered to encourage the development of small-scale locally owned hotels and bed and breakfasts. Local residents should also be trained to meet the changing needs of the industry; hence, the need for a hotel training school to prepare residents to meet the job demands of the tourism industry.

“ The US Virgin Islands investment in tourism promotions is among the lowest in the region according to the data on tourism budgets presented by the Caribbean Tourism Organization (CTO). ”



Gairow's Bay, Christiansted

VI. PRIVATE SECTOR DEVELOPMENT

6.1 Role of the Private Sector

The importance of the private sector to the economic sustenance of the Territory is well documented. The private sector accounts for nearly two-thirds of the Government's General Fund revenues annually and two of every three non-agricultural wage and salary jobs. Indicators of private-sector economic activity as documented in previous sections, however, point to a sector in decline. Private-sector employment is at the same level as 20 years ago, gross business receipts have been flat or negative for most of the economic sectors, and private-sector wage levels have remained flat since 1994.

Given the serious financial challenges facing the Territory, the development of a strong and dynamic private sector is crucial to the long-term

financial and economic growth, especially since the public sector's involvement in the productive sectors is often unsustainable. There is a need, therefore, to revitalize the private sector and to embrace tax reform and privatization as a means to gain economic and financial viability that is otherwise unachievable under current economic conditions.

6.2 Development Strategies

Government has expressed its commitment to partnership with the private sector in rebuilding the economy, and to promote private sector development as a means to achieve economic diversity, and to encourage employment and investment opportunities. This commitment to ensure a strong and vibrant private sector, therefore, underpins the development strategy.

The private sector development initiatives include the following:

1. Create the Legal and Economic Environment favorable for the development of Businesses

One area that is inimical to business development is the bureaucratic barriers that businesses often experience when attempting to establish a business. The process to obtain licenses and permits is often described as too complex, redundant and time-consuming. The regulations, both legal and administrative, should be streamlined and simplified so as to make it easier to establish and conduct business. This would require a reform in policies including taxation policies. It is also recommended that a one-stop business services or business information center be established. This will create a centralized, easily accessible one-stop shop for use by existing, new and prospective businesses where they can receive quick and immediate responses.

2. Development of Small and Medium Size Businesses (SMEs)

Small and medium-sized enterprises (SMEs) are major generators of employment and income and should be used to facilitate the recovery process. Programs to assist the development of SMEs should be established and measures for their implementation should be instituted. The programs should endeavor to remove the bureaucratic barriers, provide technical and financial support for the development of SMEs, and to improve business infrastructure. Laws and other policies favorable to the development of SMEs should be enacted.

3. Identify Financial Instruments to Provide Support to Private Sector Business Development

Financing programs channeled through institutions such as the Economic Development Authority (EDA) should be made available to stimulate business development. At the same time support services should be provided to startup businesses. These include business planning, accounting and financial and technical advice.

4. Transfer of Selected Government Services to the Private Sector

If the Territory is to attract high-tech businesses and to grow its tourism product and become competitive, then the provision of reliable services such as water and power is critical to this development. The continuing financial woes and inherent problems of inefficiency within public sector operations such as the Virgin Islands Water and Power Authority (WAPA), the VI Transportation System (VITRAN), and solid waste management clearly indicate that the public sector is unable to provide efficient and high quality services, or provide the capital necessary to maintain and expand the infrastructure. To the extent that the private sector can deliver these services more efficiently and at a lower cost, it is in the best interest of the Territory to privatize these services. Privatization will create more jobs and relieve public expenditure; hence, the limited resources of government can be concentrated on the development of social and physical infrastructure.

“ Given the serious financial challenges facing the Territory, the development of a strong and dynamic private sector is crucial to the long-term financial and economic growth, especially since the public sector’s involvement in the productive sectors is often unsustainable. There is a need, therefore, to revitalize the private sector and to embrace tax reform and privatization as a means to gain economic and financial viability that is otherwise unachievable under current economic conditions. ”

5. Establish a Regulatory Agency for Private-Sector Participation in Infrastructure Development

While there is opposition to the privatization of government services as in the case of the sale of WAPA, the reality is the government-owned utilities cannot support the technological changes or large sums of capital that these require. It is therefore prudent to privatize many of these services. However, privatization does not necessarily mean divestment of government ownership. It can be a risk-sharing arrangement that would provide for private sector management or asset leasing and which would allow private operators to earn reasonable rates of return, while simultaneously reducing Government's costs. This partnership arrangement will define the role of the private sector in providing services, ensure that the process of transferring responsibilities to the private sector is transparent and competitive, and produce greater efficiencies and better service to consumers.

6. Undertake a Business Opportunity Survey to identify viable economic opportunities

A study should be undertaken to determine viable economic opportunities for business development. This will provide a database of business and employment as well as identify the needs of employers with respect to the demand for particular skills.

7. Identify mechanisms to facilitate dialogue between Government and the private sector

Conferences and regular meetings should be conducted jointly with Government and the private sector with a view to assess, identify and address the specific needs of the private sector. This could also be an avenue for government and private sector to share ideas and develop solutions to economic and social problems.



Molasses Pier, now known as Gordon E. Finch Pier

VII. INDUSTRIAL DEVELOPMENT

7.1 Economic Development Incentives

Industrial development has been a major catalyst in the growth of the economy of the US Virgin Islands. The Government attracts new industries in order to provide employment and to diversify the economic base by granting special investment incentives to industries willing to locate to the US Virgin Islands. The most notable incentive program, the Industrial Development Commission Program (IDC), was created by the Legislature in 1975. The IDC, renamed the Economic Development Commission (EDC), administers the government's economic development incentive program and was created with the power to recommend for the Governor's approval certification of investments to receive industrial benefits. The Commission also applies

guidelines to ensure that the investments will benefit the Virgin Islands, with emphasis on maximum use of local skills and resources.

To qualify for tax benefits an investor must invest at least \$100,000, exclusive of inventory, in an eligible business which employs on a full-time basis at least ten Virgin Islands residents. Typically, the EDC tax exemptions

“ Industrial development has been a major catalyst in the growth of the economy....The Government attracts new industries in order to provide employment and to diversify the economic base by granting special investment incentives to industries willing to locate to the US Virgin Islands. ”

are offered for 10-15 years depending upon location of the business. Beneficiaries receive a reduction in, or an exemption from most taxes imposed on businesses. The EDC legislation allow for tax benefits ranging from 75 percent to 100 percent exemptions for income, excise, gross receipts and property taxes. Most of the companies receive up to 90 percent exemption in income tax, a 100 percent exemption from excise, gross receipts and property taxes and an 88.3 percent reduction from custom duty. There are about 70 companies employing more than 3,000 workers which receive EDC tax benefits. These include hotels and other tourism-related businesses, goods producing businesses, and businesses serving customers outside the Territory.

Although, the EDC incentive program has been instrumental in diversifying the economic base by bringing industry to the islands, it has been fraught with problems and controversy with respect to the Commission's application in ascribing tax incentives, its ineffectiveness in ensuring compliance, and its inability to secure maximum economic benefits for the community.

To a large extent the approach to granting of incentives to businesses and industry is based not on an evaluation of the long-term economic impact, but rather on a scattershot approach to development and job creation. The result has been the attraction of industries and businesses that have come to rely on an extension of free tax benefits for their survival. Extensions of incentives to many businesses persist for years to the detriment of the economy because of the loss of tax revenue due to the government. Nor has there been much emphasis on the selection of the types of industries best suited for the Territory and which provide the greatest potential for economic development.

7.2 Industrial Development Initiatives

The main thrust of the industrial development policy, therefore, should emphasize the attraction of direct investment which are sustainable,

competitive and have the greatest potential to aid in economic development.

Measures to support this strategy include the following.

1. Conduct a cost benefit study to determine the effectiveness of the Industrial Development Incentive Program and apply the results to future incentive programs.
2. Target industries that work in tandem with the environment and which provide the greatest potential for the economic development of the Territory. This includes attracting high tech industries, capital intensive rather than labor-intensive industries, service industries such as insurance and finance, and industries that create linkages to other sectors of the economy.
3. Eliminate or minimize constraints to development such as bureaucratic delay, excessive taxes, inadequate infrastructure, inadequate trained labor force, and the high cost or unreliable utilities.
4. Upgrade the technical and vocational education and training at the high school level to ensure that there is a skilled labor force to meet the manpower needs of industry.
5. Develop computer and other training programs within the high schools to equip the workforce with the necessary skills to meet a changing market place and to be able to compete for more technical and higher paying jobs.

6. Improve the infrastructure to make it more attractive to investors. This includes creating reliable and efficient energy sources, creating and expanding industrial park space, and utilizing suitable government-owned land for industrial development.
7. Reform in the EDC application to reduce the lengthy application process. This has been a major barrier to the attraction of new businesses.
8. Consider “community benefit packages” where developers earmark a percentage of revenue to support community development programs in impacted communities.
9. Develop a research and technology park to attract technology industries such as information technology, environmental engineering, and biotechnology and tropical agriculture.
10. Develop St. Croix as a Telecommunications and Electronic hub for Latin America, Africa and the Caribbean.
11. Support the use of foreign trade zones and enterprise zones technology-based companies.
12. Develop additional small business incubator facilities where new businesses can locate and operate at a much lower overhead cost.
13. Enforce and enhance the EDC requirements to hire and train residents for positions within the beneficiary companies.

“...the industrial development policy ...should emphasize the attraction of direct investment which are sustainable, competitive and have the greatest potential to aid in economic development.”

VIII. Communication and Information Technology

8.1 Information Technology

Telecommunication and information technology are fundamental to the economic growth and social development of the Territory. Information technology has become an indispensable tool for raising productivity and efficiency levels and can be used as a strategic tool for leapfrogging economic growth and development. It is essential therefore, for the public and private sectors to invest in education and training and for government to put the necessary legislation in place to promote electronic commerce.

The Bill No. 23-0301 to enact the Technology Enterprise Act of 2000 is the first step towards consolidating and integrating the Territory's policy and planning functions with regard to information technology. The Act call for the Bureau of Information Technology within the Office of the Governor to develop specific objectives and definitive policies to guide the development of information technology systems, procedures, and techniques within the Government of the Virgin Islands and to promote economic development within the Territory. The purpose of the office is also to identify new applications for information technology, to improve productivity and service to clients and to assist agencies in designing and implementing the use of information technology.

8.2 Communication Infrastructure

Inter-island, intra-island and international telephone services are handled through the local telephone company, Innovative Communication Corporation (ICC) formerly the Virgin Islands Telephone Corporation (VITELCO). ICC also offers a range of data and multimedia services, which include voice (fixed and mobile), Internet, video (cable television) and data services. ICC has approximately 66,200 telephone lines in operation. In addition to ICC's VI PowerNet, there are two other companies, AT&T and VI Access which provide Internet

“Information technology has become an indispensable tool for raising productivity and efficiency levels and can be used as a strategic tool for leapfrogging economic growth and development.”

Long distance telephone services are provided primarily by AT&T, although there are a number of other telephone service providers such as Sprint, Primus – which bought St. Thomas and St. Juan Telephone Company, and Telefonica Larga Distancia (TLD).

8.3 Print, Broadcast, Electronic Media

There are two main local newspapers, the Daily News with a daily circulation of 17,000 (12,000 on St. Thomas/St. John and 4,500 on St. Croix) and the Avis with a daily circulation of 16,000 (6,000 on St. Thomas/St. John and 10,000 on St. Croix). There are also two online newspapers, the Source and the Daily News. There are three cable television stations and a public television station. There are about 22 AM and FM radio stations in the Territory.

8.4 Strategic Tools

There are a number of issues that need to be addressed in order to encourage more efficient, responsive and responsible use of information technology. These include the following:

- Policy regulation and network readiness.
- Connectivity.
- Human capital development.
- Training and knowledge accumulation.

Strategies are needed to develop the infrastructure, education and skill levels to offer the community access to the Internet and information technology so that all can benefit from the new digital opportunities. The strategies should include the following:

1. Measures should be taken to put enabling legislation in place to promote information electronic commerce.
2. Increase access to education and to the technological environment by equipping all government departments, schools and community-based organizations with the infrastructure including computers, Internet and other digital applications.
3. Encourage the development of human resources with the skills to use the new technology through training and education.
4. Strengthening skills and education (including literacy and entrepreneurial skills) through the use of school networks and community out-reach programs.
5. Develop policies and regulations to protect consumers and children's access to Internet sites which expose them to crime, gambling and other illicit acts.
6. There must be a strong commitment on the part of government to reengineer its processes and operations so as to deliver transparent e-government services.
7. Businesses that provide services need to encourage the inter-operability of their services so that information providers have incentives to develop a wide range of entertainment, educational, e-business and e-government services.

IX. Financial Sector Reform

9.1 The Financial Sector

Commercial banks and other credit institutions (credit unions), and financial brokerage firms, insurance companies, company registration and Foreign Sales Corporation (FSC) represent the financial sector in the US Virgin Islands. In recent years this sector has been declining under threat from several quarters. One threat relates to inefficiencies among various entities which provide services to this sector. It has been cited by banks, for example, that the lengthy foreclosure process within the US Virgin Islands Territorial court system, has resulted in high default rates. This was a major reason given by banks which have ended their operations in the US Virgin Islands.

Another major threat to this sector is the dissolution of FSCs in the Territory as a result of the World Trade Organization (WTO) ruling that the current franchise tax structure constitutes an illegal export subsidy to businesses in violation of the WTO agreements. As a result Congress passed a bill—later signed into law by President Clinton—to dissolve the FSC program.

There is also a threat to exempt companies within the Territory. The US Virgin Islands was among 15 Caribbean countries identified by the Organization for Economic Cooperation and Development (OECD) Report on harmful tax competition as 'tax havens' which pose threats to the tax bases of OECD countries and which distort trade and investment. The US Virgin Islands Government took exception to its inclusion on this list since its exempt company's law was authorized by federal laws. Nonetheless, the Government is working with the Office of the US Trade Representative to protect offshore financial companies which have become an important source of government revenues.

9.2 Banking sector

The banking sector has declined since 1989 as evident by a decline in the number and assets of commercial banks domiciled in the Territory. Four of the five major multinational banks, which have been operating for many years in the Territory, have left. These include the Bank of America, Royal Bank of Canada, Barclays Bank, and CoreStates Bank/First Union. The fifth major bank, Chase Manhattan Bank, is currently in the process of selling its operations to a locally chartered bank, the Virgin Islands Community Bank (VICB). Additionally, Citibank has reduced its presence and sold most of its operation to FirstBank of Puerto Rico. A locally chartered bank, First Virgin Islands Federal Savings Bank, has also sold its operation to FirstBank of Puerto Rico.

The combined total assets of commercial banks conducting business in the Territory as of December 31, 1999 were \$1,721.0 billion. Total bank assets peaked in 1989 at \$2.3 billion as a result of an inflow of funds after hurricane *Hugo*. Total assets fell to \$1.5 billion in 1990, grew slightly to \$1.6 billion in 1991 and by 1992 reached \$1.8 billion. Total assets declined for the next two consecutive years to just under \$1.8 billion in 1993 and \$1.7 billion in 1994. Total assets were stable at \$1.7 billion through 1996, but by 1997 reached a low of \$1.4 billion. Total assets, however, increased in 1998 to \$1.5 billion and to \$1.7 billion in 1999.

“ Commercial banks and other credit institutions (credit unions), and financial brokerage firms, insurance companies, company registration and Foreign Sales Corporation (FSC) represent the financial sector in the US Virgin Islands. ”

9.3 Foreign Sales Corporation (FSCs)

In 1984 Congress passed the Foreign Sales Corporation (FSCs) Act which provides federal tax incentives to U.S. companies that locate certain export activities in approved areas outside the U.S. Customs Zone. Under the Act, a Foreign Sales Corporation can reduce from 15 percent to 30 percent of its income from taxation. Under the U.S. Virgin Islands law, FSCs are exempt from all taxes from its foreign trade and net investment income or carrying charges, except for an annual franchising tax that ranges from \$400 to \$25,000, with up to a 50 percent reduction for wages paid to the US Virgin Islands residents. There are 3,500 FSCs in the Territory, which generate about \$7 million annually in revenues. However, because of the WTO ruling the Territory cannot register new FSCs after September 30, 2000 and has until December 31, 2001 to phase-out FSCs.

9.4 Financial Sector Initiatives

In the short to medium-term the Government has committed to continue to support policy reform and institutional capacity building to strengthen and rehabilitate the financial sector. One issue that needs to be addressed is the extent to which the Territory can maximize the income and employment potential from exempt companies, FSCs or its replacement and other financial institutions, while maintaining a reputation for sound regulatory practices and adherence to WTO agreements.

In order to rebuild the financial sector the following initiatives are recommended.

1. Initiate a study to assess the impact of different structures for the franchise tax rates to determine the optimum rate structure that will maximize government revenues.
2. Review and strengthen the legal and other regulatory framework, which may improve the internal efficiency of the financial services sector.
3. Embark on an aggressive marketing strategy to target large exporter companies and to promote the Territory as a major financial center.
4. Introduce new legislation for the creation of and to foster the development of services in the areas of, "self-settled" trusts and estates and International Business Companies (IBCs).
5. Establish a task force to examine the issues surrounding the financial services sector and to assess the industry and make recommendations for growth.

X. AGRICULTURAL DEVELOPMENT POLICY

10.1 Mission

The Virgin Islands Department of Agriculture (VIDOA) is a service-oriented organization whose mission is to support and promote the agricultural industry, while protecting consumers and the environment through education, development, implementation and communication of sound agricultural policies and program. The Department of Agriculture consists of four major divisions namely, Administration; Food Production; Forestry, Water and Soil; and Veterinary Services. The Department was re-established in 1995 after the Department of Economic Development was restructured.

10.2 Development Goals

The key goal of the agricultural policy is to encourage, promote and increase agricultural production. As in many States on the mainland, agricultural production in the US Virgin Islands is on the decline. This decline is due to many factors, which include advancements in food preservation, changes in technology, the changing workforce, and changes in the farming economy. The development of agriculture, therefore, must include modernization and technological advancement, and innovative ideas and approaches. It is envisioned that agriculture can be developed and lead to self-sufficiency in certain food products, such as cucumbers, peppers, culinary herbs (thyme, chives, celery and parsley) and other short crops. The US Virgin Islands through a niche marketing strategy can capture a share of the market for agricultural exports and experience increased economic results shared by many of the Caribbean islands.

The following goals have been identified within this sector:

Stimulate, encourage and promote agricultural development in the Virgin Islands.

- Provide technical advise, assistance and services to farmers as a means of increasing production.
- Establish local markets by encouraging and educating farmers.
- Create partnerships in self-sustained agriculture through environmentally sound practices; and
- Significantly increase food production in the US Virgin Islands.

10.3 Major Issues

A number of key issues have been identified that serve as weaknesses or threats to this sector. These include:

- The lack of manpower;
- Lack of funding;
- Lack of equipment and supplies;
- Antiquated equipment;
- Limited knowledge among farmers with respect to new techniques, productions systems, markets and business planning;
- General decline in the number of persons involved in agricultural production; and
- Unavailability of water for farmers.

“ The US Virgin Islands through a niche marketing strategy can capture a share of the market for agricultural exports and experience increased economic results shared by many of the Caribbean islands. ”

10.4 Agricultural Sector Initiatives

The immediate strategy for agricultural development is to secure land for farming, improve market opportunities for food production, securing financing and implement the use of new technology. To support this strategy, the Department of Agriculture has identified the following initiatives:

- Construct the St. Croix Fish Market;
- Erect a green house and shade house to facilitate increased seedling and fruit tree production by 30 percent and 20 percent, respectively;
- Work with the University of the Virgin Islands to reintroduce the Integrated Farming Program;
- Develop a procurement plan whereby required supplies for the St. Croix Abattoir remains in constant supply in order to avoid plant closure due to the lack of USDA / FSIS approved chemicals;
- Establish a Grant/Information Assistance Office where the Department and farmers can obtain information on grants and loan programs;
- Develop a plan to increase the number of young farmers by 10 percent.

Other recommended initiatives include:

1. Identify Funding for Water Procurement

Water availability for farmers is a continual major area of concern. Although, the Government has funded various programs to ensure the integrity of aquifers, constructed ponds or drilled wells and supply water through the use

of delivery trucks, there continues to be more demand for water than what is available. The identification of funding to increase water availability is an area of tremendous concern in assisting farmers and controlling ocean pollution. It is recommended that the Department of Agriculture work to identify a program suitable for funding of the pond construction.

2. Draft an Agricultural Products Marketing Plan

The Department of Agriculture should seek to develop a marketing plan that would maximize distribution channels for local farmers. An aggressive marketing program would assist producers in managing supply, demand, and cost fluctuations. In addition to working with the University of the Virgin Islands, the Department should secure federal funding and develop a strong working relationship with local suppliers.

3. Identify Federal Funds for Capital Projects

The Department of Agriculture has a capital requirement of approximately \$450,000 to undertake critical projects. To be able to implement these projects the Department should target USDA and other Federal agency funding sources.

4. Agricultural Education

Agricultural education and a natural resources system are significant to the development of the Virgin Islands agricultural economy. Each year more opportunities and jobs are available that cannot be filled. The Territory must therefore set up an agricultural education system to boost agriculture throughout the Virgin Islands. The availability of a skilled qualified workforce, will of itself, create opportunities in the areas such as horticulture, aquaculture, poultry productions, livestock production and agribusiness.

XI. ENVIRONMENTAL/SOLID AND WASTE WATER

11.1 Environment, Solid and Waste Management

The Government is committed to the conservation and preservation of the environment; therefore, efforts to facilitate balanced economic growth with a clean and healthy natural environment will be vigorously undertaken. The strategy is devoted to developing environmental protection legislation and to implement programs for the satisfactory management in the areas of water, air and solid and liquid waste.

11.2 Environment and Waste Management Conditions

Urban, commercial and tourism-related developments are distinctly altering the islands' fragile watersheds at a rapid rate. Of particular concern is the impact of rapid development on coastal areas and the surrounding marine environment. Sediment resulting from soil erosion on construction sites, dirt roads and other disturbed areas are the largest pollutants in the Virgin Islands. Construction along the ridgelines and in guts (intermittent streams) is rapidly depleting moist forest habitat and dramatically increasing impervious surface area, resulting in decreased storm water infiltration and increased storm water runoff. This water infiltration has led to increase flooding, erosion and siltation of coral reefs and sea grass beds, in addition to changing microclimate. Chemicals in runoff from roads, parking lots and other developed areas pollute coastal waters and adversely affect coral reef growth, ultimately impacting Virgin Islands fisheries. The majority of the homes in the Territory have septic tank/seepage pit sewage disposal systems. Due to the shallow clay soils, steep slopes, and very limited enforceable regulations on the construction and maintenance of these septic systems, effluent from these systems has great potential to impair groundwater, cistern water, coastal water quality, and to have an adverse impact on human health.

Solid Waste Disposal

The solid waste operation, collection and disposal on all three islands are under the direction of the Department of Public Works (DPW). Additionally, litter enforcement and training are provided by DPW. Solid waste collection is a combination of curbside collection and roadside garbage bins.

Solid waste collected is disposed of in unlined landfills at the Bovoni Landfill on St. Thomas, the Susannaberg Landfill on St. John (now closed) and the Anguilla Landfill on St. Croix. St. John's solid waste is transferred by barge to the Bovoni Landfill. The DPW is seeking to formally close the Susannaberg Landfill as required by federal regulations.

Land limitations as well as underground fires that are burning at the Bovoni Landfill on St. Thomas may adversely affect this method of disposal as there is a widespread concern regarding how ash from these fires may impact the cistern collections systems of residents in the area. In addition, difficulty in bringing landfills into environmental compliance as well as struggles to pay for the services of private heavy equipment are issues confronting DPW. The issue of the closing of landfills is also a major concern to the Department and to the Environmental Protection Agency (EPA). It is estimated that it will cost \$30 million to close the Anguilla landfill, \$35 million at Bovoni, and \$15 million at Susanaberg. However, no funding sources have been identified for closing of the sites.

“Urban, commercial and tourism-related developments are distinctly altering the islands' fragile watersheds at a rapid rate. Of particular concern is the impact of rapid development on coastal areas and the surrounding marine environment.”

11.3 Waste Water System¹

All three islands have wastewater treatment plants (WWTPs) and sewage collection systems. The extent of the systems varies by island. Many private residences and hotels have their own disposal systems which are not connected to the public system. The former use individual septic systems, while the latter use small private treatment plants. All of the WWTPs discharge effluent to either an inland stream or the ocean. The towns of Charlotte Amalie on St. Thomas and Christiansted on St. Croix use saltwater sewage flushing systems as a potable water conservation measure.

St. Thomas. Most of the private residences on St. Thomas rely on individual septic systems. There are 8 sewage treatment facilities on St. Thomas, 7 secondary plants, and an anaerobic pond at the airport. The plants do not always attain secondary treatment discharge requirements. The Nadir plant is also treating effluent from the Bovoni plant.

The U.S. EPA awarded a grant for the construction of the Mangrove Lagoon Regional wastewater treatment plant at the solid waste landfill site located on the eastern end of the island. Construction of the plant has begun after years of delay. When completed in 2002 it will initially eliminate five existing plants, and later, the plant at Vessup Bay. This new secondary treatment facility will serve the Donoe, Old Tutu, Nadir and Bovoni housing areas. Five existing package plants, which do not meet effluent limits, will be replaced and effluent will be discharged through ocean outfall. The Vessup Bay area package plant although out of the study area is proposed to be connected to this facility later. A compliance schedule for this project is included in the Decree.

When first proposed in 1984 the project was estimated to cost \$10 million and was fully funded through an EPA construction grant. The project is now estimated at \$30 million. EPA will

fund about \$12.6 and the balance funded with proceeds from Virgin Islands government bond.

The aerated wastewater lagoon located at the Cyril E. King Airport serves the town of Charlotte Amalie and surrounding areas. The facility meets effluent limits as proposed in the Section 391 (h) waiver approved by EPA in 1988 (a modified permit has not been issued by EPA yet). However, Marilyn damaged the aeration system which has since been repaired. Aeration system upgrades will be included to address odor problems resulting from long sewer detention times and low oxygen levels.

The Decree includes interim effluent limits for the existing facility and a conditional requirement to construct a secondary treatment plant if the waiver is not approved. The VI Port Authority has notified the Department of Public Works that the Airport Master Plan calls for the lagoon to be relocated per Federal Aviation Administration requirements. A site for the new facility at Red Point Peninsular, south of the airport, is proposed. However, funding for the estimated cost of \$22 million needs to be identified.

On the West End of the island, one secondary treatment package plant serves the Bordeaux housing area. On the north end of the island, one secondary treatment package plant serves the Brassview housing area. Properties not served by the public sewer system use on site disposal systems or privately owned and operated treatment facilities.

Sewer line replacement for the island of St. Thomas is estimated at \$20 million, including preparatory cleaning and inspection. Emergency generators are installed in housings constructed at each of the sewage lift stations.

St. John. The Cruz Bay Waste Treatment Plant serves Cruz Bay and surrounding areas. This secondary treatment facility is overloaded, does not meet interim effluent limits, and discharges into the salt pond. A new secondary treatment plant will replace this facility and discharge effluent through an ocean outfall. The ocean outfall was constructed in 1995. A contractor for construction of the treatment plant was recommended to EPA on March 23, 1996.

¹ Part of this section was extracted from the 1997 State of the Islands Report, US Department of the Interior, Office of Insular Affairs

Sewer lines have been constructed in Estate Contant, Pine Peace and Power Boyd's Plantation in 1995. Emergency generators are currently being installed in housing constructed at each of the sewage lift stations.

St. Croix. The island of St. Croix is served by one primary wastewater treatment facility. This plant primarily serves the communities of Christiansted and Frederiksted. The treatment plant has an 8,000-foot ocean outfall.

The sewage collection system consists of 87 miles of gravity and force mains with 3 major sewage lift stations and 12 feeder pump stations. The majority of the system is concrete which is subject to deterioration from hydrogen sulfide gas, which produces sulfuric acid. Because of the long detention time for flows arriving at the WWTP, hydrogen sulfide is sometimes generated from the aged condition of the sewage. This condition has deteriorated the sewer mains to the point of repeated collapse and failure, which frequently requires raw sewage bypass during repairs to mitigate public health hazards and protect the environment.

Sewer line rehabilitation and replacement estimated cost is \$30 million, including preparatory cleaning and inspection.

11.4 Environmental, Solid and Wastewater Issues

The Government of the Virgin Islands entered into an Amended Consent Decree with the U.S. EPA on January 19, 1996. New treatment plant construction scheduled and existing treatment plant operational improvement schedules for compliance were included. Failure to meet these dates or interim effluent discharge limits and mass loading limits has resulted in fines and penalties. EPA has assessed over \$6 million in fines for illegal discharges and failure to meet compliance schedules.

The EPA has identified the following environmental program issues that may impact the Territory's economic plans.

1. The Territory's solid waste management facilities must be managed as a revenue generating resource, which other communities benefit from. Solid waste management facilities must be adequately designed, properly managed and in compliance with federal and local regulations within a stipulated time frame. Non-compliance with regulatory requirements and federally ordered provisions hampers the territory's ability to develop and manage solid waste facilities into revenue generating resources. In addition continuing non-compliance by solid waste facilities will lead to accrued stipulated penalties in recent orders on Consent entered into by EPA and the Virgin Islands Government.
2. Full reimbursements of costs incurred in the removal of several hazardous waste removal actions in the Territory.
3. A Territorial Pollutant Discharge Elimination System permit renewal for the Virgin Islands Rum Industry Limited (VIRIL). Without the approved permit VIRIL is not authorized to increase its production. Anticipated revenue generated from increased production sales by VIRIL hinges upon the receipt of the permit renewal which has been pending since 1997. Non-compliance with federal and local regulatory requirements for discharge of industrial wastewater by VIRIL may adversely impact the Territory's economic plans.

11.5 Environmental, Solid and Wastewater Development Goals

The Division of Environmental Protection (DEP) of the Department of Planning & Natural Resources which has oversight for implementing environmental protection laws and programs for the Territory has outlined the following goals and strategies designed to protect the environment, enhance accountability and track performance.

1. Water Quality

The existing drinking water quality will be protected and maintained. This will be accomplished by increasing the compliance with drinking water requirements by water systems and through source water protection efforts based on an evaluation of the susceptibility of the systems to contamination. In addition, the Virgin Islands will develop and implement policies and procedures to identify and address Territorial groundwater contamination. The beneficial uses of surface water will be protected and maintained and to the extent practical restore beneficial uses to repair surface water.

2. Air quality

The air quality program will meet these new challenges by actively managing air quality on an island basis. The air quality program will increase its air monitoring program while working with industry and communities striving for 100 percent compliance with air quality permits and regulations.

3. Re-mediation at high-risk sites

Resources will be focused on sites, which pose the highest risk to human health and will be geared

to prevent future contamination. Priority sites include the St. Thomas and St. Croix Landfills.

The waste program has set a goal to assist industry and communities to reduce waste generation 10 percent from a 1999 baseline by the year 2005. The waste program will strive to develop and implement a Territory wide policy for risk-based clean-up levels to ensure consistent Department of Environmental Protection actions at re-mediation sites throughout the Territory.

4. Safe, healthy and prepared communities

Efforts to eliminate reduce or minimize emissions and contamination will focus on the environmental outcome where each Virgin Islander will be free from unacceptable human health and environmental risks.

5. Regulated entities are in compliance with the law

Seek full compliance with laws intended to protect human health and the environment. Use a variety of tools, such as technical assistance, education, incentives, and when necessary enforcement in predictable ways.

6. Informed and involved citizens

Involve citizens and stakeholders as critical partners in public forums to achieve its mission, vision and goals. Provide easy access to information about the environment and citizen's role in protecting it.

7. Trained, Professional Workforce

Provide incentives for superior performance and increased program efficiencies through continued career development for all employees.

XII. PHYSICAL PLANNING AND INFRASTRUCTURE DEVELOPMENT

12.1 Land and Water Use Plan

Sustainable development requires that the institutional, financial and physical infrastructure be unified to facilitate orderly growth. There is a concern that the lack of a coherent framework to guide the Territory's future development can result in uncontrolled growth, congestion, pollution and substandard living conditions. This concern relates to the absence of a comprehensive land and water use plan to guide and regulate the physical development of the Territory's land and water resources. The inability of the Territory to manage growth as evident by inadequate water and power supplies, traffic congestion, and sewage problems, is a direct fallout from not having a land and water use plan. Additionally, the frequent petitions from property owners and developers for zoning map amendments, and the frequent amendment of laws to regulate development are evidence of the need for change in the way the Territory manages its land resources.

12.2 Legislative Mandate for a Comprehensive Plan

In 1970 the Legislature adopted V.I. Act No. 2774, creating the Virgin Islands Planning Office. Its mandate was to prepare a comprehensive plan which would provide long-range guidance for the physical, economic and social development of the United States Virgin Islands. Over the years other laws were enacted by the legislature to manage the Territory's land development. In 1978, for example, the Legislature enacted the Coastal Zone Management Act, establishing the entire land and water area as coastal zone. In 1987, the adoption of the Government Reorganization and Consolidation Act reemphasized the need to prepare a comprehensive plan to guide the Territory's development. In 1993 a draft of the Comprehensive Land and Water Use Plan was prepared and

“ Sustainable development requires that the institutional, financial and physical infrastructure be unified to facilitate orderly growth. ”

presented to the Coastal Zone Management. However, the Plan has been opposed by many who contend that the zoning and permit requirements would stifle development.

12.3 Infrastructure²

Water

Because of low annual rainfall, water conservation is of critical concern and requires constant attention. Water is obtained by three systems: catchments with cisterns, saltwater conversion, and wells. The Water and Power Authority (WAPA) is responsible for the desalinization plants and distribution system. Production costs for saltwater conversion are significant; consequently system integrity and the efficiency of the meter operations are of paramount importance. Due to the high cost of water, average daily per capital consumption is about 50 gallons per person per day or about one-third the U.S. average.

Table 12.1. Source of Water, VI: 1990, 1995 and 1997

| Source of Water | 1990 | 1995 | 1997 |
|--------------------------|--------|--------|--------|
| Occupied Housing Units | 32,020 | 36,351 | 39,220 |
| Public system | 13,145 | 17,850 | 22,188 |
| Public system only | 6,584 | 8,493 | 11,769 |
| Public system & cistern | 6,561 | 9,357 | 10,419 |
| Cistern, tanks, or drums | 17,625 | 17,050 | 15,867 |
| Public standpipe | 219 | 23 | 112 |
| Other source | 1,031 | 1,428 | 1,053 |

Sources: 1990 VI Census, 1995 and 1997 ECC Survey

² Part of this section was extracted from the 1997 State of the Island Report, US Department of the Interior, Office of Insular Affairs.

Water distribution rehabilitation and replacement projects are in progress as part of a \$20 million water program on St. Thomas and St. Croix. The Department of the Interior (DOI) has contributed \$8.7 million in capital improvement grants since 1987 for water distribution improvements.

Table 12.2. Source of Water, VI: 1997

| Source of Water | Total | St. Croix | St. John | St. Thomas |
|--------------------------|--------|-----------|----------|------------|
| Occupied Housing Units | 39,220 | 18,690 | 1,242 | 18,399 |
| Public system | 22,188 | 13,027 | 698 | 9,161 |
| Public system only | 11,769 | 6,684 | 349 | 5,085 |
| Public system & cistern | 10,419 | 6,343 | 349 | 4,076 |
| Cistern, tanks, or drums | 15,867 | 5,274 | 505 | 8,462 |
| Public standpipe | 112 | 73 | - | 39 |
| Other source | 1,053 | 316 | 39 | 738 |

Sources: 1997 ECC Survey

St. Thomas. A significant portion of the population relies on roof catchments and water cisterns for potable water. When rainfall is scant or cistern capacity is small, trucks obtain water from the WAPA or wells and haul it to the desired location. The demand on the WAPA distribution system ranged between 3.0 to 3.5 MGD and supplies the town of Charlotte Amalie and the East End of the island. Expansion of the water production facilities was completed on St. Thomas during 1992 with the addition of 1.4 MGD to the system.

Desalinization produces 4.45 MGD using seawater and waste heat from the electric power plant for the conversion. The distribution system consists of 3,400 metered connections on 50 miles of water mains. The lines have 7 booster pump stations and approximate storage capacity of 50 MG. Funding has been provided for plant expansion through the issuance of water bonds.

The old saltwater flushing system used by the town of Charlotte Amalie has seriously deteriorated. This has resulted in electrolysis along the potable water lines, causing disintegration of the pipes. According to the recent *Water Loss Reduction Program Study* the 65 percent system loss in 1988 has been reduced to about 45 percent with system leak-

age identified as being accountable for 90 percent of actual loss. Due to the corrosive nature of the soils on St. Thomas, all piping systems are being replaced with Poly Vinyl Chloride (PVC) material.

St. John. A desalination plant completed in 1990 provides 155,000 GPD and eliminates the past practice of barging half of St. John's water supply from St. Thomas. An elevated storage reservoir with an attendant pump station complements this new facility by providing increased service potential. Water service has been provided to the residents of Coral Bay. Storage capacity has been doubled in 1995 from 0.6 to 1.2 million gallons.

St. Croix. Groundwater and desalinization are the main potable water sources on St. Croix. The daily water demand is approximately 3.2 MGD. The production is 4.2 MGD with about .5 MGD coming from groundwater (when all well fields are activated). The distribution system has 140 miles of mains, 6 primary booster pump stations, and 23 million gallons of storage capacity. Water losses and the continued need for leak detection are of primary importance due to the high cost of water production.

Power Generation and Distribution

The System. The WAPA serves approximately 47,000 electricity customers on St. Thomas, St. John, Water Island, Hassell Island, and St. Croix. Major generating facilities are located on St. Thomas and St. Croix, while a standby facility is located on f St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 Hertz throughout the islands. Billing, collecting and providing customer service are the additional functions carried out by the WAPA organization.

St. Thomas. The Krum Bay generating plant has a combination of 4 combustion gas turbines and 2 conventional steam turbine gen-

erators. Total output is approximately 450 million kilowatt-hours (MKWH) annually with a total of 123 million watts (MW) of installed capacity. The demand for power is increasing steadily. Preparations are presently underway for the installation of a new 36 MW unit in an attempt to keep up with the demand.

Power distribution is by a combination of overhead and underground high-voltage feeders. Typically these operate at 13,800 volts; however, a 34,500-volt feeder is in service to a major substation overlooking the harbor area. Sub-feeders extend to major load centers on the east end of the island and also to a cable termination structure which feeds St. John Island via a submarine cable. Construction is almost completed on a 34 KV substation on the east end of St. Thomas.

St. John. St. John has a demand of approximately 7 MW and is served by 2 submarine cables, each rated at 18 MW. A standby diesel-electric generator, rated 2.5 MW, is maintained for use in emergency situations. The St. Thomas staff handles management, generation, maintenance, and distribution functions. Plans have been completed and funding has been requested for the installation of a 34 KV to 15 KV substation on St. John which will allow operation of the cable at 34 KV.

St. Croix. Power production at the Richmond Plant consists of 2 steam turbine generators and 4 combustion turbine-generators. In total, these have the capacity to generate 115 MW.

12.4 Seaports and Airports

The Virgin Islands Port Authority (VIPA), a semi-autonomous governmental agency, is responsible for the management of all publicly owned aviation and marine facilities in the Territory. VIPA operates and maintains 6 seaports and 2 airports in the Territory.

Seaports

St. Thomas Crown Bay Cruise Dock. At the Port Authority publicly owned Crown Bay Marina

Port in the Sub Base section of St. Thomas, cruise ships have been arriving at the 3 berth facility in ever increasing numbers. Cargo ships are now using the 900-foot cargo bulkhead. A federally funded Economic Development and Agriculture project to pave the roadway, install lighting and a drainage system, has been completed. Little Switzerland built the first warehouse at the Port of Crown Bay to be used as their main Caribbean warehouse facility, and MSI also maintains a warehouse facility. Future phases of the project include additional warehousing and a commercial center that will provide a mixture of tourist and local oriented shops and restaurants.

Charlotte Amalie Harbor, St. Thomas. Located on the Waterfront of Charlotte Amalie, St. Thomas is the site of the newly constructed Virgin Islands Port Authority "Edward Wilmoth Blyden IV Marine Facility" which serves as a crucial linkage for passengers traveling between the British and U.S. Virgin Islands. The facility was opened in May 1994 and houses the Port Authority's Marine Division, the Federal Inspection Services (Customs, Immigration and Naturalization), and a restaurant.

The West Indian Company operates a 2,742-foot commercial bulkhead pier with a 30- to 34-foot draft. This is primarily a cruise ship facility. There is also a shopping center adjacent to the pier.

Cruz Bay, St. John. At Cruz Bay, St. John, the Virgin Islands Port Authority *Loredon Lorence Boynes Sr. Dock* was dedicated in May 1994. Named in honor of a native son, *Captain Boynes*, the reconstructed 35-foot dock can accommodate 4 berths for ferryboats traveling to and from Red Hook and Charlotte Amalie Harbor, St. Thomas. Dinghy dock parking is available. The passenger terminal accommodates the port's dock master's office, a ferry service ticket sales booth and a seated passenger waiting area. The Creek facility, adjacent to the Captain Boynes Dock, continues to be the main port for cargo traffic to St. John. Maintenance dredging of the Creek at the northeast corner of Cruz Bay has been completed,

providing a 7-foot draft for vessels utilizing the facility.

St. Croix. Frederiksted. The grand opening and dedication ceremony for the new Virgin Islands Port Authority "Ann E. Abramson Marine Facility" at Frederiksted, St. Croix was held on July 15, 1994. The facility can accommodate 2 large cruise ships and 2 mini cruise ships simultaneously, with a draft of 20 to 50 feet. The facility also accommodates naval vessels, limited cargo operations and local pleasure vessels. Since the opening of this facility, St. Croix has seen a 30 percent increase in cruise ship port of call over 1989 when the facility was destroyed by hurricane *Hugo*.

Christiansted. Located on the eastern end of the island of St. Croix, at the Gallows Bay Port in Christiansted, the Schooner Channel is being utilized by mini cruise ships such as the *Renaissance III*. The channel was deepened and widened to facilitate mini cruise ships as well as other recreational cargo vessels. The control depth for the channel is 16.5 feet.

Container Port, South Shore. The Krause Lagoon, adjacent to the Port Authority Container Port on the southern shore of St. Croix, accommodates tanker vessels bringing in molasses to the Virgin Islands Rum Distillery, a major source of revenue to the Virgin Islands Government. Plans have been prepared for the development of a new molasses tanker pier on the south shore of St. Croix. This facility will accommodate molasses and other bulk material.

Airports

St. Thomas. The construction of the Cyril E. King Airport Terminal was completed and opened in October 1990. With the extension of the runway and parallel taxiway to 7,000 feet in December 1992, the system has been classified within the rank of the Federal Avia-

tion Administration (FAA) as a "safe runway". The increased runway length can now accommodate direct jet service from the continental United States. The 20-year master plan for this facility, including work on the general aviation apron and construction of a major storm drain, has been completed.

St. Croix. The focus of the Virgin Islands Port Authority has shifted to the Henry Rohlsen Airport on St. Croix, where the renovation and expansion of the terminal facility to serve beyond the year 2010 is underway. The current airport runway and parallel taxiway are 7,600 feet and are in excellent condition. An independent lounge for cruise line passengers is included in the design plans.



Cyril E. King Airport, St. Thomas

12.5 Infrastructure Objectives

VIPA is required to operate public facilities efficiently and to make available the benefits in the widest economic manner in increasing commerce and prosperity. The specific objectives of VIPA in meeting its mandates are as follows:

1. Improve aviation facilities on the island of St. Croix in order to create a link for air travel with Canada, South America, Europe and Asia, besides the U.S. Airport facilities include major expansion of the passenger terminal, runway / taxiway and air traffic control tower.
2. Continually upgrade and expand the cruise ship facilities on St. Thomas and St. Croix to meet ever-increasing cruise ship size, capability and capacity in an age of technological advancement.
3. Expand cargo docks and associated channels and waterways at St. Croix's Container Port and Crown Bay on St. Thomas, to accommodate the new class vessels to ensure fast, efficient and cost-effective handling of cargo, while meeting their diverse needs.
4. To develop an industrial park adjacent to St. Croix's airport to attract and accommodate industries to bolster the economy of St. Croix by creating employment opportunities and generating revenues to the Government of the Virgin Islands and VIPA.
5. Expand and maintain the existing small-sized marine facilities for the efficient movement of people and commodities within the Virgin Islands and between other neighboring Caribbean Islands.
6. Improve management continually, to keep on top of technological advances and adjust to the ever-changing unpredictable aviation and marine business environment.
7. Sustain and enhance the partnership created with Federal, Territorial and private interest in the ownership, management and operations of the transportation system.

12.6 Roads

The Department of Public Works is responsible for building and maintaining highways and roads and administers the Federal-aid Highway construction program. The roads in the Territory are in generally in good condition and systems are in place to ensure adequate maintenance. The Department receives approximately \$12.8 million annually from the Federal Highway Administration (FHA). Additional funding is also received for special demonstration or high priority projects. On St. Thomas the primary project is the East-West corridor from Holiday Inn to Raphune Hill. To date, FHA has provided \$24.4 million in funding on a total project cost of approximately \$71 million. On St. Croix, the primary project is the Christiansted by-pass estimated to cost \$10 million. The Department has also identified a number of projects to bring to construction. These include Phase II of the Molasses Port Access Roadway, Island-wide Pavement of Coral Bay to St. John Folly and Island-wide Pavement Preservation on St. Croix and St. Thomas, roadway and draining improvement, which are to be funded by GARVEE bonds (Grant Anticipation Revenue Vehicles).

XIII. SOCIAL WELFARE

13.1 Education

The educational needs of the Territory are provided by the Government public school system administered by the Department of Education and by a number of private schools. Public education system consists of 11 secondary schools and 27 elementary schools. These schools are distributed accordingly by islands: 5 high schools and 13 elementary schools on St. Thomas; 4 elementary schools on St. John and; 6 high schools and 10 elementary schools on St. Croix. There are 22 private schools on St. Croix, 2 on St. John and 15 on St. Thomas.

For academic year 1999-2000, a total of 20,300 students attended USVI public schools and 6,216 attended private schools. Public school enrollment has declined for each of the past 5 academic years and this trend is expected to continue. Several factors contribute to this trend, including a decline in the birth rate and an increase in emigration. The ratio of students to teacher was 14.2 students per teacher in 1995 and 13.2 in 1999. The department has also been faced with an exodus of teachers for a variety of reasons including higher paying jobs on the mainland, active recruitment by mainland institutions and the retirement of experienced teachers. One challenge currently facing the department is the ability to keep teachers and attract new ones to the profession. Of issue is the base pay that teachers receive. It is argued that entry-level salary for teachers in the Territory is among the lowest in the nation. A comparison of salaries shows that the average teacher salary for the US was \$40,574 compared to \$34,784 for the Territory. The average entry-level salary for teachers on the mainland was \$26,639 and \$22,750 in the US Virgin Islands.

Table 13.1. School Enrollment, VI:1995-1999

| Year | Total | Public | Private |
|------|--------|--------|---------|
| 1999 | 26,516 | 20,300 | 6,216 |
| 1998 | 27,420 | 21,057 | 6,363 |
| 1997 | 28,163 | 21,908 | 6,255 |
| 1996 | 28,521 | 22,184 | 6,337 |
| 1995 | 28,653 | 22,221 | 6,432 |

Source: VI Department of Education

Recognizing the importance of education, the Department of Education has developed benchmarks and has been working towards the refinement of performance standards in the areas of language arts, mathematics, science and social studies. Work continues with the Department to develop benchmarks in the arts and other subject areas. These standards will guide curriculum development and the adaptation of measures to assess not only student performance, but also teacher and school performance.

Additionally, the Department is engaged in an Accountability Initiative that makes all stakeholders responsible for the education of the Territory’s children. Stakeholders include parents, legislators, media personalities, teachers, administrators, all other school staff, other Department of Education staff, as well as staff of other agencies and the business community, whose work impact on students either directly or indirectly.

13.2 Education Strategy

The Department of Education will continue to work to identify creative and effective strategies for teaching and learning. Additionally, the Department must meet the challenge of modifying and improving existing approaches to better meet the needs of the students, school personnel, families, communities and each island. The Department’s

“ One challenge currently facing the department is the ability to keep teachers and attract new ones to the profession. ”

Strategic Plan sets forth the goals for improving education in the Territory.

13.3 Educational Goals

- Establish and meet high standards for academic achievement for all students to prepare them to compete in a global economy and to exercise responsible and productive citizenship.
- Create the optimal environment for teaching and learning by providing for the fundamental needs for all students.
- Establish and meet high standards for the performance of teachers and administrators resulting in improved student learning.
- Manage resources effectively, efficiently and equitably in order to ensure that all students achieve at high levels.
- Increase the direct support and involvement of all citizens in promoting the social, emotional, and academic growth of students in public education.

13.4 University Facilities

The Territory has one university, the University of the Virgin Islands (UVI), with campuses on St. Thomas and St. Croix. Much of the post secondary educational needs are met by the UVI which also educates a number of students from other Caribbean islands. The University was the recipient of a grant for \$7.5 million for three projects: The development of a new Sports and Recreation Center which opened in January 2001, the conversion of the old Field House to Administrative spaces, and for Building Code Compliance requirements.

UVI has declared that its mandate is not only to develop minds but also to develop the physical attributes of students.

Table 13.2. Enrollment at UVI: 1965 to 1999

| Year | Total | Undergraduate | | Graduate |
|------|-------|---------------|-----------|----------|
| | | Full-time | Part-time | |
| 1999 | 2,537 | 1,169 | 1,161 | 207 |
| 1997 | 2,610 | 1,189 | 1,210 | 211 |
| 1995 | 3,054 | 1,359 | 1,418 | 277 |
| 1990 | 2,466 | 866 | 1,348 | 252 |
| 1985 | 2,602 | 716 | 1,705 | 181 |
| 1980 | 2,203 | 561 | 1,423 | 219 |
| 1975 | 2,079 | 558 | 1,450 | 71 |
| 1970 | 1,444 | 414 | 1,030 | 0 |
| 1965 | 728 | 128 | 600 | 0 |

Source: VI Yearbook, 1998; ECC/UVI

13.5 Housing

The Virgin Islands Housing Authority (VIHA) is empowered with the responsibility for planning, financing, constructing, maintaining and managing public housing development in the Territory.

In an effort to improve overall functioning in the face of dwindling resources, the Virgin Islands Housing Authority (VIHA) embarked on a strategic planning process, which involves all employees. This process looks at the present state, vision, mission and Cultural Value Statements and the Strengths, Weaknesses, Opportunities and Threats (SWOT), where VIHA is relative to its operations, customers and employees, and where they want to be in five years.

The VIHA vision is to achieve and maintain a high performance status and develop the capability for agency self-sufficiency. Through its commitment to a better living environment the VIHA strives to fulfill its vision. Its mission is to provide a decent, safe and sanitary housing through quality maintenance, management and modernization services in a strategically planned and cost effective manner that will culminate in home ownership opportunities and a higher standard of living.

VIHA also has a Cultural Values statement which observes moral, ethical and professional standards; ensures cost-effective use of resources; provides leadership in administration of public housing; continually assesses and responds to the needs of residents; provides opportunities for meaningful and satisfying service, and personal and career growth for all VIHA employees; and cooperates to the fullest extent possible with the Federal and Territorial Governments in service for the residents.

The VIHA Strategic Plan is now being developed and implemented through the General Strategic Planning Team. Upon its completion, it will become the Five-year Organization Plan. VIHA will perform annual strategic review to assess the process, progress and achievement of the documents and make required changes where necessary.

13.6 Priorities for Housing, and Community Development

- Urban Revitalization and Preservation of existing housing stock for very low and low-income persons.
- Mixed Income/Mixed Use Neighborhood Development.
- Maintain and increase the supply of housing for special needs groups.
- Expand homeownership among first-time low and moderate income homebuyers.
- Promote “performance based, solution based” public and private collaborations and community development organizations.
- Promote Territory-wide and Neighborhood sensitive Strategic Land Use Planning.
- Streamline the delivery, collaboration and uniformity of housing and community development services.
- Continued consolidated planning with a

view toward increased convergence, leveraging and synergy.

13.7 Health Care

Medical Facilities

There are two hospitals in the Territory, Juan F. Luis Hospital on St. Croix and the Roy L. Schneider Hospital on St. Thomas. In addition, there is the Myrah Keating Smith Clinic on St. John, the Eldra L.M. Schulerbrant Community Health Center, a mental health facility on St. Thomas, and the Ingeborg Nesbitt Clinic/Urgency Center in Frederiksted, St. Croix.

The St. Thomas and St. Croix Hospitals were built in the early 1980s and opened to the public in 1982. The St. Thomas Hospital was intended to be a full-service medical center with a 250-bed capacity. The St. Croix Hospital opened at the same time and is of equal capacity. The Department of Health and the hospitals on St. Thomas and St. Croix are now all operated as separate entities with separate staffs.

Department of Health

The Department of Health is committed to providing accessible, affordable, confidential and comprehensive quality health care to all Virgin Islands’ residents and visitors, educating the community toward the development of positive lifestyles and protecting the environment toward the improvement of health in the US Virgin Islands.

As mandated by the Virgin Islands Code, Titles 3 and 19, the Department of Health has direct responsibility for conducting programs of preventive medicine, including special programs in Maternal and Child Health, Family Planning, Environmental Sanitation, Mental Health, and Drug and Substance Abuse Prevention.

The Preventative Health Services Division conducts comprehensive programs of preventative and curative medical care by means of clinical services supported by public health nursing services, nutrition, dental health, health educa-

tion, medical social services, health outreach to aid the prevention of morbidity and mortality, and improve the quality of life of the residents of the Territory.

Table 13.3. Vital Statistics, VI: 1960 to 1999

| Year | Births | Deaths |
|------|--------|--------|
| 1999 | 1773 | 654 |
| 1998 | 1918 | 613 |
| 1997 | 2125 | 608 |
| 1996 | 2004 | 559 |
| 1995 | 2170 | 661 |
| 1990 | 2402 | 511 |
| 1980 | 2553 | 548 |
| 1970 | 2920 | 469 |
| 1960 | 1180 | 333 |

Source: Bureau of Health Statistics

The Department has enhanced the activity and authority of the Health Planning activity center by setting up rules and regulations to standardize all other health related professions. Innovative cost saving measures have been developed to offset imposed budget cuts due to financial constraints.

The Department registers all vital statistics and administers laws relating to the practice of medicine, surgery, dentistry, and other healing arts. In general, the department has the responsibility of providing comprehensive health services to elevate the health status of the people of the Virgin Islands.

For administrative purposes both the St. Thomas / St. John Hospital Facilities Board of Trustees and the St. Croix Facilities Board of Trustees were established with the Department of Health. Pursuant to Act 6012, the operations of the Territory's hospital facilities have been legally delegated to the Virgin Islands Government Hospital and Health Facilities Corporation.

13.8 Health Care Objectives

The Department of Health recognizes the importance of a healthy population for the economic and social development of the Territory. Consequently, the following areas have been

identified as priority areas to be addressed over the medium-term.

- Provide accessible, affordable, confidential, comprehensive and quality health care to all Virgin Islands residents and visitors.
- Educate the community toward the development of positive lifestyles.
- Protect the Virgin Islands Community from environmental health hazards.
- Maintain accurate health data and vital statistics for the Virgin Islands population.
- Attain legislative action to update the current fee schedule to reflect and cover escalated costs of operations and collections.
- Pursue the linkage and integration of the Territorial health and hospital's computer based patient information system.
- Increase revenue collection by 20 percent, and reduce accounts receivable by 20 percent.

13.9 Territorial Health Care Plan

The Department of Health and Hospitals in collaboration with the Governor's office are developing a Territorial Health Care Plan with a focus



The Roy L. Schneider Hospital, St. Thomas

on delivery of primary health care. The issues that the plan will address are the following:

- Physicians recruiting and retention of key specialties using a recently conducted population based model of physical need.
- A plan for addressing the Medicaid Cap and uninsured medical indigents.
- Formation of a Health Planning Council.
- Formal linkages with off-island tertiary care center for services not provided on island.
- An overall analysis of overall manpower recruitment and retention needs including nurses, midwives and support staff.
- Development of a community health information database that links all Territory health facilities and doctors offices.
- Exploring telemedicine options.
- Defining how to provide for a continuum of care to include long-term care, home health care, psychiatric and mental health and preventative care.
- Public education relative to health status, financial obligations and available services.
- Improve coordination relative to disaster planning and mitigation efforts.

13.10 Police

The Virgin Islands Police Department is a full service office with a staff of over 550 officers, including police auxiliaries, who serve the Territory through law enforcement and administrative services. The Department is primarily charged with the enforcement of laws and administration of the Motor Vehicle Bureau. The Department is organized into 7 divisions:

1. Office of the Commissioner
2. Division of Police Operations
3. Division of Administrative, Support and

Logistics

4. Division of Police Operations, St. Croix
5. Division of Highway Safety
6. Division of Training
7. Division of Police Operations, St. John

Department Strategy

The police force aims to maintain law and order and to reduce crime, fear and disorder. After many decades of operating under one policy strategy, the Department is embarking on a historic change in the way they provide police services to the citizens of the US Virgin Islands. The new strategy enhances the crime-fighting capacity of the Department by mobilizing both government and community resources in a new and constructive partnership toward reducing crime.

The Department faces a number of obstacles which limit the capability of the police to prevent or solve crimes. These include:

- Inadequate accommodation.
- Inadequate staff levels.
- Lack of training.
- Lack of supplies and equipment.
- Inadequate transportation.

The Department, however, is taking steps to improve the delivery of service and has identified a number of short-term objectives. These include:

- Purchase of sixty vehicles and provide a viable maintenance program for the upkeep of the police vehicle's fleet.
- Hire 28 new officers, through the use of Federal and local funding.
- Reduce the Part 1 crimes and Juvenile crimes by 7 and 17 percent, respectively.
- Reduce police response time by the installation of a new 911 communication system at a cost of \$1.6 million.

- Consolidation of rental space to cut costs.
- Fully automate all record keeping functions and data collection activities.
- Facilitate the standardization of all criminal history records, crime reports, and crime statistics.
- Relocate or improve St. Croix bureau to a more habitable environment.
- Identify suitable accommodations for a training academy.
- Work with the university for a college credit recruit program.
- Develop and implement an Automated Criminal History record-keeping system and support legislation to bring the Territory into compliance with mandatory provisions of the Violent Crime control and Law Enforcement Act of 1994.

XIV. EMPLOYMENT POLICY AND WORKFORCE REFORM

14.1 Structure

The Department of Labor was established on October 1, 1965 as an independent executive Department of the Government of the Virgin Islands. The Department provides a wide range of services needed to enable individuals to secure and maintain employment at their maximum potential. It consists of nine major divisions which include Business and Administration, Occupational Safety and Health Administrations (OSHA), Workers compensations, Labor Relations, Job Service, Unemployment Insurance, Training, the Hearings and Appeals Unit, the Planning Research and Monitoring Unit, and the Bureau of Labor Statistics.

14.2 Employment Policy

The mission of the Department of Labor is to promote economic growth and employment stability by developing and protecting the Territory's workforce through effective programs and partnerships with employers, government, community agencies and other stakeholders.

Training

The division of Training provides services to adults and dislocated workers. Activities include core, intensive and training services. Other services include interviews, assessments, intakes, evaluations, workshops, case management and follow-up.

“ The mission of the Department of Labor is to promote economic growth and employment stability by developing and protecting the Territory's workforce through effective programs and partnerships with employers, government, community agencies and other stakeholders. ”

Employment Services

Services provided by the Employment Service include basic labor exchange, employment counseling, job development, placement and readiness activities and employer services. Under Act 5174 all employers in the Territory are required to register their vacancies with the Division of Job Service.

Unemployment Insurance

The Division of Unemployment Insurance provides insurance in the form of temporary wage replacement to workers who are unemployed. Unemployment insurance also determines and collects employer tax rates and liability.

Welfare to Work

Through case management, this program offers assistance with job search, and job development activities. Post employment supportive services to include child care and transportation assistance, and job related training are also available as efforts at employment retention are pursued.

Occupational Safety and Health

This division enforces the Occupational Safety and Health local and federal laws. The Division ensures that employers provide protection from hazardous working conditions. The Occupational Safety and Health Program is structured around five basic functions set by Occupational safety and Health rules, and regulations and standards which include education and training, enforcement inspection, consultation, administrative hearings, and public information.

Workers Compensation

The Division of Workers Compensation provides services under the law pertaining to

workers compensation and rehabilitation. The Division protects the Territory workers in the event of job injuries and illnesses by providing them with medical and vocational rehabilitation and restoration of a portion of wages lost as a result of disability.

Bureau of Labor Statistics

The Bureau of Labor Statistics collects, compiles, arranges, analyzes and publishes statistics on wage, working hours, labor conditions, and living costs. The Bureau also provides a full labor market system in accordance with US Employment and Training standards and US Bureau of Labor Statistics.

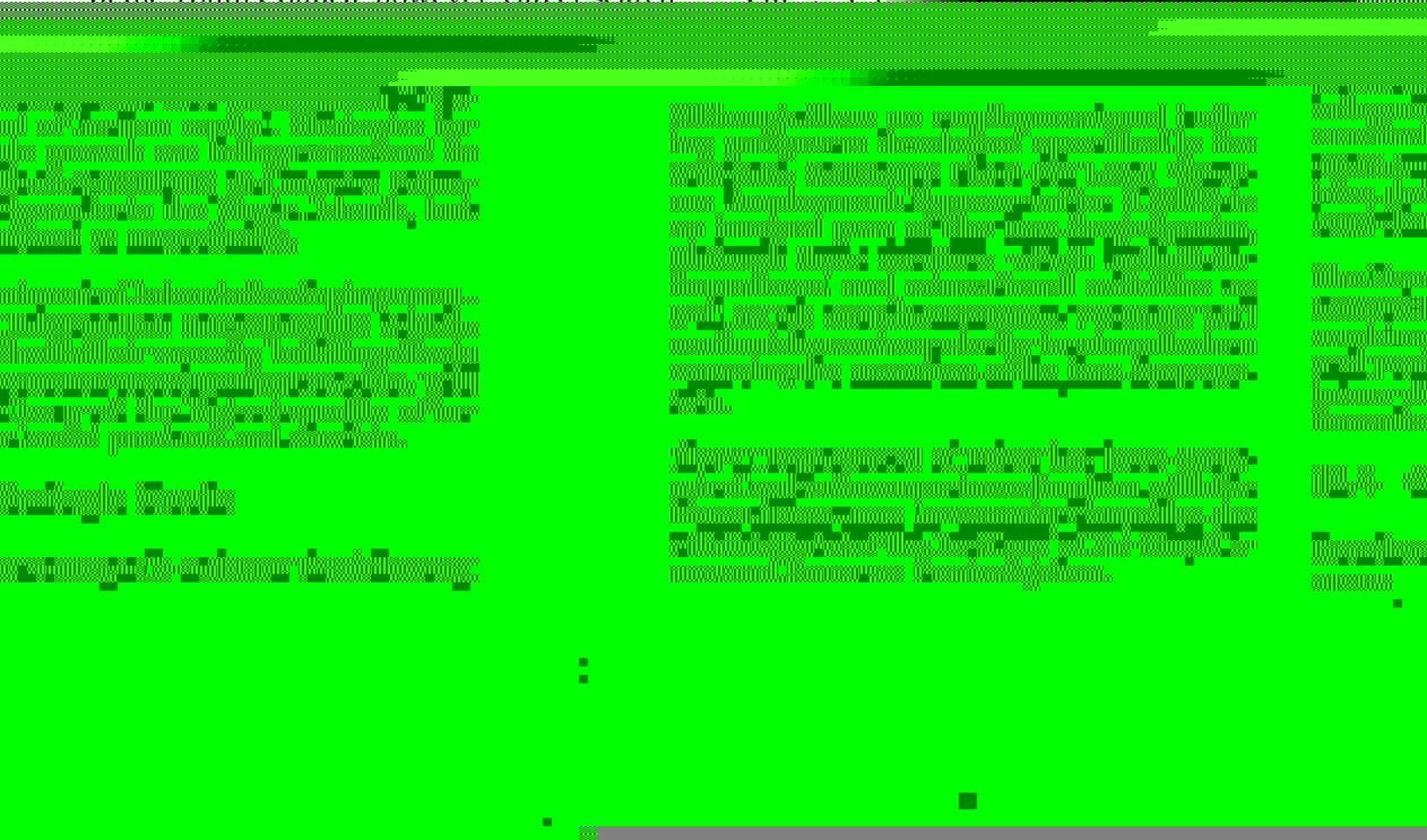
School to Work

The School to Work initiative helps open avenues to the private sector for youth related activities. The services offered to youth by School to Work will fall under the auspices of the Youth Council, however, career search

14.3 Workforce Reform

The vision and goals for the workforce system are intrinsically tied to those of the Territory's economic development. The workforce system is intended to make accessible those programs and services need to prepare the workforce for local labor market demand as well as the global economy. The One-Stop Service Delivery System offers access to all individuals for core services with linkages to intensive and training services.

Core services will be available in one main location on each of the two major islands, with satellite offices scheduled to be opened in the public housing communities as needed during the next few years. One-Stop partners and eligible service providers will furnish both intensive and training services to eligible customers; some services will be available on site, others through referrals. Basic skills and literacy are among the main objectives for serving the "at risk" hard to serve population. All



- A physical revitalized infrastructure;
- Expansion of existing businesses;
- Industry diversification.

To realize the Virgin Islands' full potential the following workforce development goals have been identified:

- Develop the workforce around the local market economy.
- Identify present community needs
- Project prospective growth areas and develop training opportunities according.
- Offer basic workforce preparation activities for all age groups.
- Create a solid service infrastructure that allows for continuous growth, that is customer focused and built on the supply and demand of the labor market.
- Prepare customers for greater local opportunities by exploring business alternatives directly to the culture and climate of the islands.
- Provide job training, retraining, and skills assessment resulting in better placement services. Tools for career building or career defining will be available as well as linkages to support services.
- The One-Stop system will feature services geared towards the employer community. Through direct access to more comprehensive labor market information, the job applicant data bank, recruitment screening and testing options, the employer will be provided an employee development support network. As the system grows, employee enhancement workshops and other such activities will become a regular part of the One-Stop system.
- The Workforce System will also provide services for employers whether they are a new business, upgrading their staffing requirements or branching off in a new direction. The labor market information provided will be up-to-date, locally in-depth and globally interactive.

XV. ENTERPRISE ZONES AND HISTORIC PRESERVATION

15.1 Enterprise Zone Plan

The Enterprise Zone effort in the Territory has its origins in the Empowerment Zone and the Enterprise community (EZ/EC) Initiative in 1994. These key elements of President Clinton's job creation strategy for America was to create jobs and businesses opportunities in the most economically distressed areas of inner cities and the rural heartland. This program, however, was not extended to the insular areas but on April 22, 1997 the Governor of the Virgin Islands by Executive Order No. 370-1997 designated the towns of Frederiksted and Christiansted on St. Croix as Enterprise Zones. On July 17, 1997 Executive Order No. 373-1997 was released also designating Savan, St. Thomas as an Enterprise Zone. In 1999 Businesses within the Enterprise Zones or blighted areas are eligible to receive tax incentives and other economic development program benefits.

The Enterprise Zone Commission administers the Enterprise Zone Program and its membership includes staff of the Historic Preservation Commission. The Enterprise Zone Commission determines what portion of the Enterprise Zone is a blighted area or a social or economic liability because of one or more of the following conditions:

- Dwellings therein that is substandard, unsafe, unsanitary, dilapidated or obsolescent;
- Buildings therein that were previously used for commercial purposes are no longer used for this purposes and have been abandoned;
- Vacant land therein that has not been improved for a minimum of 10 years and

“...President Clinton's job creation strategy for America was to create jobs and businesses opportunities in the most economically distressed areas of inner cities and the rural heartland.”

is most likely not to be developed through private capital by reason of location, remoteness, and lack of means of access, topography or nature of the soil;

- Areas that are detrimental to the safety, health, morals, or welfare of residents, persons working in or visitors to the Enterprise Zones;
- Potentially useful areas that are not properly productive to serve the public health, safety and welfare because of title issues, diverse ownership of the real property taxes delinquencies that exceed the market value of the land.

Each Enterprise Zone Business qualifies for the following tax credits and tax benefits:

- A nonrefundable gross receipts tax credit or an income tax credit equal to 25 percent of the equal value expended within a fiscal year for the construction of a new building;
- A nonrefundable gross receipts tax credit or an income tax credit equal to 25 percent of the actual value expended

within a fiscal year for the rehabilitation of buildings or other real property within the Enterprise Zone;

- A nonrefundable gross receipts tax credit equal to 10 percent of the expenditures within a fiscal year for investment in machinery and equipment for the exclusive use of the Enterprise Zone business;
- A gross receipts tax rate of 3 percent for gross receipts derived by the Enterprise Zone business;
- A one-time nonrefundable \$500 income tax credit for every job created within the Enterprise Zone for which a resident of the Virgin Islands is hired;
- A property tax credit against taxes imposed equal to the increase in property taxes assessed due to renovation, rehabilitation or construction of property within the Enterprise Zone.

15.2 Enterprise Zone Goals

Goal 1

Institute a self-sustaining organizational and managerial structure for each zone which requires minimal U.S.V.I. Government funding or personnel, works in concert with other local and territorial economic development initiatives, and represents the interests of a broad spectrum of community stakeholders.

Objectives

- Utilize the employees of the Virgin Islands State Historic Preservation Office as zone managers;

- Identify and utilize dedicated funding source and continually seek new sources of federal or private funding in support of zone programs;
- Encourage ample input and representation Territory-wide on enterprise zone organizational and program development;
- Conduct quarterly routine performance monitoring and zone plan updates;
- Market plan benefits and other relevant programs to 50 current and prospective constituents during the first months of establishing the zone.

Goal 2

Improve and promote the livability of the towns, while simultaneously preserving their historical character.

Objectives

- Coordinate with the Police Department to reduce crime within the zones by 15 percent during fiscal year 2001;
- Promote and improve maintenance and enhancement of public infra-structure by March 2001;
- Consider land-use rezoning;
- Encourage home ownership;
- Promote zones as social and community centers.

Goal 3

Maintain and improve the physical appearance of each zone in manner consistent with their historical character giving particular emphasis to development of vacant lots and refurbishment of abandoned buildings.

Objectives

- Improve promotion of existing incentive programs for property development or refurbishment with one year of funding;
- Develop and promote programs for the resolution of ten title disputes within one year of funding;
- Develop and promote new tax incentives for new construction or property refurbishment by 2001;
- Encourage development of “in-fill” construction as a mean for filling vacant lot gaps within each zone. “In-fill” construction must be consistent with the historic character of town and surrounding area and must be approved by the appropriate Historic Preservation Commission.

Goal 4

Without encouraging business relocation from other areas, improve the environment for new and existing businesses, particularly small businesses.

Objectives

- Improve promotion of existing incentive programs for business development by October 2001;
- Reduce business tax burden and the gross receipt tax specifically;
- Increase availability of technical and legal assistance for businesses by 2001;
- Facilitate transport of both people and goods in to and out of each zone, emphasizing parking needs in these areas;
- Increase concentration of government facilities and services for businesses within each zone.

APPENDIX

ACTION PLAN FOR THE IMPLEMENTATION OF THE ECONOMIC DEVELOPMENT STRATEGY FOR THE US VIRGIN ISLANDS

| Policy Areas | Objectives | Action Plans | Timing |
|---|---|--|---|
| <p>Fiscal Policy Reform</p> <p>i) Tax Administration</p> <p>ii) Public Expenditure and Public Debt</p> | <ul style="list-style-type: none"> ➤ To maintain economic equilibrium by providing conditions for economic growth and stability. ➤ To create a coherent taxation system of accounting and reporting. ➤ To improve the efficiency and effectiveness of tax collection and administration. ➤ To achieve efficient use of public funds. ➤ To reduce public debt. ➤ To reduce current account deficit. ➤ To achieve a balanced budget. | <ul style="list-style-type: none"> • Ensure the effective collection of revenues and their efficient use. • Establish a Tax Study Commission. • Develop a Taxpayers registry. • Implement programs to collect delinquent taxes. • Reform tax structure to maximize income sources as well as to provide relief to taxpayers and businesses. • Establish priorities for spending based on long range planning. • Implement measures for the reduction of public debt such as a cash management program to assure prompt payment to vendors and taxpayers, institute a strict freeze and reduction in overtime pay. | <p>2000-2005</p> <p>2000-ongoing</p> <p>Measures being developed.</p> <p>2000-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|----------------------------|--|--|---|
| Tourism Development | <p>➤ Promote and Enhance the tourism product to improve the quality and the overall performance of the tourism industry.</p> | <ul style="list-style-type: none"> • Establish a Tourism Council to coordinate the tourism policy and to implement the tourism comprehensive plan. • Develop a marketing plan to guide the short term and long term marketing of the Territory as a major destination. • Increase the tourism marketing and promotional budget. • Market islands separately to highlight the diversity of experience. • Revitalize the marine and yachting industry by providing tax incentives. • Develop a cooperative agreement between government, hotels, airlines and tour operators to encourage low and incentive airfares. • Develop Eco-Tourism and Cultural Heritage. • Foster linkages with other sectors of the economy to create employment in tourism and the hospitality industry and generate revenues. | <p>2000-ongoing</p> <p>2000-2002</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-ongoing</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|---|---|--|--|
| <p>Tourism Development continued</p> | | <ul style="list-style-type: none"> • Increase local participation in tourism by improving and creating business opportunities. • Develop a tourism training institute. • Develop tourism education and environment awareness programs to educate citizens on the links between tourism development and the environment. | <p>2000-2005</p> <p>2000-2002</p> <p>2000-2005</p> |
| <p>Private Sector Development</p> | <p>➤ Improve policies to increase the efficiency of private sector investment, to assist private sector activity and to facilitate the development process.</p> | <ul style="list-style-type: none"> • Provide legislation favorable for the development of businesses. • Improve and streamline business development approval procedures by creating a one-stop shop. • Identify financial instruments to provide support to private sector business development. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|--|---|---|---|
| <p>Private Sector Development continued</p> | <p>➤ Encourage the development of small and medium sized enterprises (SMEs)</p> | <ul style="list-style-type: none"> • Privatize selected public-sector enterprises to promote efficiency and to reduce costs. • Identify opportunities for business development. • Identify mechanisms to facilitate dialogue between government and the private sector. • Create partnership between government and the private sector in the transfer and management of services. • Develop program to assist the development of small and medium sized enterprises. • Improve business environment and identify and expand financing possibilities. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |
| <p>Industrial Development</p> | <p>➤ To increase the role of the industry in the economic development of the Territory.</p> | <ul style="list-style-type: none"> • Conduct a cost benefit study to determine the effectiveness of the Economic Development Incentive Program (EDC). | <p>2001-2002</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|--|--|--|--|
| <p>Industrial Development continued</p> | | <ul style="list-style-type: none"> • Reform the EDC application process to reduce the lengthy application process. • Target and attract industries that have the greatest potential for development. • Improve the infrastructure to attract investors by providing more reliable and efficient sources of power and by expanding industrial park space. • Develop a research, science and technology park. • Support the use of foreign trade zones and enterprise zones technology-based companies. | <p>2000-2002</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2002</p> <p>2000-2005</p> |
| <p>Information Technology</p> | <p>➤ To integrate communications and information technology networks into the global communication system, to create an information society and to encourage e-commerce.</p> | <ul style="list-style-type: none"> • Enact legislation to promote information electronic commerce. • Encourage the development of human resources with the skills, training and education. | <p>2001-2002</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|--|--|--|-----------------------------------|
| <p>Information Technology continued</p> | | <ul style="list-style-type: none"> • Increase access to education and to the technological environment by equipping schools and community based organization with the infrastructure including computers, the Internet and other digital applications. • Develop policies and regulations to protect residents from illegal or illicit activities on the internet. | <p>2000-2005</p> <p>2000-2005</p> |
| <p>Financial Sector</p> | <ul style="list-style-type: none"> ➤ To strengthen the stability and credibility of the financial sector. ➤ To expand investment opportunities for banks, insurance, and other financial intermediaries. | <ul style="list-style-type: none"> • Improve the institutional and legal framework to encourage efficiency within the financial sector. • Target large exporter companies and promote the Territory as a major financial center. | <p>2001-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|-----------------------------------|---|---|--|
| Financial Sector continued | <ul style="list-style-type: none"> ➤ Maximize the income and employment opportunities within this sector. ➤ Maintain a stellar reputation for sound regulatory practices. | <ul style="list-style-type: none"> • Introduce new legislation for the creation of and to foster the development of services in the areas of “self settled” trusts and estates and International Business Companies. • Conduct a study to access the impact of different structures for the franchise tax rates to determine the optimal rate that will maximize government revenues. • Establish a Foreign Sales Task Force to assess the industry and make recommendations for growth. | <p>2000-2002</p> <p>2000-2002</p> <p>2001-measures being developed</p> |
| Agricultural Development | <ul style="list-style-type: none"> ➤ To encourage, promote and increase the production of food crops, livestock and fish. | <ul style="list-style-type: none"> • Identify and develop sources of water for irrigation. • Develop an agricultural products marketing plan. • Expand the production of fruits and vegetables. | <p>2001-2005</p> <p>2000-2002</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|--|--|---|--|
| Agricultural Development continued | | <ul style="list-style-type: none"> • Improve fishing landing and handling practices. • Identify funding for capital projects. • Increase mechanization of crop production. • Train farmers in the use of new technology in food production. • Train farmers in farm business management. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |
| Environment Protection Solid and Waste Water Management | <ul style="list-style-type: none"> ➤ To preserve a clean and healthy environment. To efficiently dispose of solid and water waste. ➤ To protect beaches, coral reefs, guts from harmful environmental practices. | <ul style="list-style-type: none"> • Develop environmental protection legislation for the management of water, air, solid and liquid waste. • Develop and implement a Territory-wide policy for risk based clean-up levels at remedial sites to meet EPA standards. • Reduce or eliminate emissions and contaminations. Encourage public awareness and education programs. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|---------------------------------|---|---|---|
| <p>Health</p> | <p>➤ Ensure healthy population development by guaranteeing access to a cost effective, cost beneficial and optimal level of health care.</p> | <ul style="list-style-type: none"> • Upgrade the physical structure at hospitals, clinics and health centers. • Provide accessible, affordable, confidential, comprehensive and quality health care to all residents and visitors. • Educate the community toward the development of positive lifestyles. • Protect the community from environmental health hazards. • Maintain accurate health data and vital statistics on the population. • Strengthen the system for disease surveillance and the effort to combat the spread of communicable diseases. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |
| <p>Employment Policy</p> | <p>➤ To promote employment stability by protecting the workforce through better laws</p> <p>➤ To ensure a safe and healthy working environment for employees.</p> | <ul style="list-style-type: none"> • Develop and implement territorial employment programs. • Develop and implement professional Training and retraining programs. | <p>2000-2005</p> <p>2000-2005</p> |

| Policy Areas | Objectives | Action Plans | Timing |
|--|---|--|--|
| Employment Policy continued | <ul style="list-style-type: none"> ➤ To ensure a safe and healthy working environment for employees ➤ To implement the policy of labor relations. | <ul style="list-style-type: none"> • Improve employment potential for the unemployed and underemployed. • Develop legislation regulating labor relations. • Provide job training, retraining and skills assessment for better placement services. • Provide labor market information for employers. • Develop an automated information infrastructure which will ensure the delivery of the highest quality of information based products and services. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |
| Enterprise Zone and Historic Preservation | <ul style="list-style-type: none"> ➤ To create business and employment opportunities in economically distressed areas. | <ul style="list-style-type: none"> • Improve and promote the livability of the towns while simultaneously preserving their historical character. • Institute a self-sustaining organizational and managerial structure for each zone which requires minimal funding or personnel. • Encourage business relocation and improve the environment for new and existing businesses. | <p>2000-2005</p> <p>2000-2005</p> <p>2000-2005</p> |

**COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY PROJECTS 2000-2001
Proposed Implementation Projects**

| APPLICANT | PROJECT TITLE | DESCRIPTION | FUNDING SOURCE | AMOUNT | TOTAL | ENVIRONMENT IMPACT | START/FINISH DATE | JOB POTENTIAL |
|-----------|---------------------------------------|--|----------------------|--------------------------------------|------------|--------------------|-------------------|---------------|
| VIPA | Gallows Bay Pier | Renovation and replacement of entire deck portion. This facility handles cargo transported by small to medium sized non-contained vessels. | VIPA EDA | 1,650,000 1,000,000 | 2,650,000 | Positive | Pending | 25 |
| VIPA | Industrial Park | Development of an Industrial Park on St. Croix to attract specific industries capable of locating and operating on St. Croix. | EDA VIPA | 300,000 130,000 | 430,000 | NA | Pending | 300 |
| VIPA | Redhook Project St. Thomas, V.I. | Construction of passenger terminal freight facility. | VIPA Local | 3,300,000 2,000,000 | 5,300,000 | Positive | 1/99-1/01 | 20 |
| VIPA | Enighed Port St. John, V.I. | Construction of freight terminal. | VIPA Local | 8,000,000 8,000,000 | 16,000,000 | Positive | 1/00-1/04 | 20 |
| VIPA | Rohlsen Airport Runway Extension | Expansion of airport runway. | FED VIPA | 12,000,000 3,000,000 | 15,000,000 | NA | 1/00-1/02 | 50 |
| VIPA | Rohlsen Airport Runway Renovation. | Renovation of airport passenger terminal. | VIPA FED Local | 3,266,753 26,393,247 8,000,000 | 37,660,000 | NA | 1/97-4/01 | 50 |

| APPLICANT | PROJECT TITLE | DESCRIPTION | FUNDING SOURCE | AMOUNT | TOTAL | ENVIRONMENTAL IMPACT | START/FINISH DATE | JOB POTENTIAL |
|-----------|--|---|--------------------|-------------------------------|-----------|----------------------|-------------------|---------------|
| VIPA | Maintenance Building Cyril E. King Airport | Construction and renovation of maintenance building which will provide maintenance services to VIPA seaports and airport on St. Thomas and St. John. | VIPA | 2,000,000 | 2,000,000 | Positive | 1/01-12/01 | 12 |
| VIPA | Crown Bay Cargo Dock Expansion | Construction of dock expansion. | VIPA | 3,500,000 | 3,500,000 | NA | 12/00-7/01 | 20 |
| VIPA | Crown Bay Cruise Dock Extension | Construction of dock expansion. | PFA EDA | 3,000,000 2,000,000 | 5,000,000 | NA | 2001-2002 | 100 |
| DPW | Waste Water Project Corrective Action STT/STX | Improvements to 33 waste water facilities including pump stations and treatment plants. Include monitoring systems, lighting, grating, ventilation etc. | PFA | 3,000,000 | 3,000,000 | NA | Ongoing | - |
| DPW | Waste Water Project Corrective Action St. Croix. | Reconstruction of a 24" sewer main which has deteriorated and resulted in numerous leaks. | PFA | 2,500,000 | 2,500,000 | NA | Ongoing | - |
| DPNR | Enterprise Zone | Revitalization of distressed communities particularly, the towns of Christiansted and Federiksted on St. Croix and the town of Savan on St. Thomas. | CDBG EDA SBA | 225,000 150,000 150,000 | 525,000 | NA | Ongoing | - |

| APPLICANT | PROJECT TITLE | DESCRIPTION | FUNDING SOURCE | AMOUNT | TOTAL | ENVIRONMENT IMPACT | START/FINISH DATE | JOB POTENTIAL |
|--------------------------------|--|---|--|---|-----------|--------------------|-------------------|---------------|
| St. Croix Foundation | Sunday Market Square Rehabilitation | Refurbishment of building in Christiansted which will eventually create economic revitalization in the area. | CDBG FHWA USDARD Donations Other | 367,000 300,000 50,000 50,000 1,757,000 | 2,227,000 | Positive | 10/99-10/03 | 30 |
| DPNR | Rothschild Francis Market Square | Rehabilitation of the Market Square which would include street improvement landscaping, lighting and refurbishment of dilapidated buildings. | EDA DPW Local | 100,000 700,000 10,000 | 810,000 | NA | 9/99-9/01 | 50 |
| Anti-Litter | Anti-Litter & Beautification Commission | Community development activities including the recycling of plastics and cans, grants for neighborhood improvements and the year's summer program | Local | 1,400,000 | 1,400,000 | NA | 1/91-ongoing | 120 |
| DPNR | Restoration of Territorial Museums Fort Christian & Fort Fredrik | Rehabilitation of both museums which includes major repairs to the structure of both buildings. | EDA Local | 3,600,000 600,000 | 4,200,000 | NA | 1/95-1/02 | - |
| St. Thomas Chamber of Commerce | Charlotte Amalie Revitalization | Revitalization of specific areas of the historic town of Charlotte Amalie. | Private Sector DPW EDA CDBG | 1,156,007 722,505 722,505 289,001 | 2,890,018 | NA | 2001-ongoing | - |

| APPLICANT | PROJECT TITLE | DESCRIPTION | FUNDING SOURCE | AMOUNT | TOTAL | ENVIRONMENT IMPACT | START/FINISH DATE | JOB POTENTIAL |
|-----------|--------------------------|--|----------------|------------------------|-----------|--------------------|-------------------|---------------|
| VIPA | St. Croix Marketing Plan | Marketing Plan to attract businesses to St. Croix and plans for the development of an industrial park to accommodate new industries. | EDA VIPA | 300,000 130,000 | 430,000 | NA | 2001-ongoing | |
| VIPA | RedHook Terminal Project | Development of a passenger ferry terminal and roll-on/roll-off cargo ramp at Red Hook, St. Thomas. | EDA VIPA | 3,500,000 1,500,000 | 5,000,000 | NA | 2001-ongoing | |

Definitions:

- DPW - Department of Public Works
- VIPA - Virgin Islands Port Authority
- EDA - Economic Development Administration
- Local - Virgin Islands Government
- FED - Federal Government
- FHWA - Federal Highway Administration
- CDBG - Community Development Block Grant
- PFA - Public Finance Authority