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Kingshill, VI 00851

March 31, 2016

Ref: Proposed Bill NO. 31-0343

Dear Senate President, Committee Chairs and Senators,

My name is Kimberly McCollum. I have been a resident of St. Croix for ten years and currently serve as President for the St. Croix Chamber of Commerce. I wish to thank you for this opportunity to represent our position here today.

In response to Proposed Bill 31-0343, formerly 31-292, the St. Croix Chamber of Commerce respectfully submits the following position and comments:

We continue to support and maintain the position jointly submitted previously with the St. Thomas-St. John Chamber of Commerce on January 5, 2016. Equally do we support the most recent testimony submitted by Mr. Ferguson on behalf of the St. Thomas-St. John Chamber. It would only be repetitive for me to provide the same list of valid issues that have already been so well provided. Therefore, I choose to provide another perspective on this matter.

The role of the Economic Development Authority is to promote the U.S. Virgin Islands as a location desirable for attracting outside business entities to set up operations here, in our communities, as opposed to the numerous alternative locations that exist with similar tax incentives. With the many economic challenges that we have experienced this past decade, this role is more important than ever. It is of great concern to the St. Croix Chamber that the intent of this proposed bill, while meant to serve the community and its residents, fails to recognize the reverse impact it may in fact create.

Without question, the economic security of St. Croix is based on a different history and content than that of St. Thomas. The devastating closure of the Hovensa refinery in 2012, left an impact few expected we could recover from. Hundreds of residents left the island and the impact was felt in practically every business in St. Croix. The residents that remained have exhibited a determination and fortitude worthy of immense recognition. Only a few short weeks ago, The Avis dedicated an edition to the revitalization of St. Croix and downtown Christiansted. Numerous new businesses were showcased and several of these were even recognized at our Chamber's Annual Excellence in Business Gala on March 12th. The reason I point this out is that the contribution of commerce that has allowed for this renaissance is highly attributed to the presence of and employees of EDC companies. Outside of the employees that are actually employed by these companies, the demand for goods and services they provide is the stimulus for these and other businesses that are being planned. The market for these businesses creates an increased demand for positions to be filled, thereby contributing to the reduction of overall unemployment.

While we may prefer that many of the management positions that exist in EDC companies be filled by residents that have been established for more than a year, such a desire cannot change the fact that we may not currently have residents that have the knowledge or expertise to fill these positions.

If we indeed want this to change, the manner in which to do this is not to negate the existing contracts, nor is it to re-define the rules by which we attract these businesses to operate here in the USVI. The proposed changes are more apt to direct these business opportunities to other locations more willing to accept and accommodate their needs. We all know this already exists in Puerto Rico. The real solution is not to drive these businesses away, but to work in collaboration with these entities and our educational resources to provide the types of curriculums and training

programs necessary to increase the capabilities of our native workforce. Currently our local educational offerings do not cater to these specific needs and the truth is that a standard degree will not fill these requirements.

Due to the decades of existence of the Hovensa refinery, St. Croix now has a highly skilled industrial and trade workforce. This has been stated by numerous sources that have seen this demonstrated in the quality of work and detail they have unexpectedly found here when working with local resources. If the same time and efforts are put into place to serve this new type of EDC entity, then it is only a matter of time before the entire USVI can offer an equally experienced labor force to fill the necessary positions that currently require imported personnel. The cost to import this necessary skill set is much greater than filling these specialized needs locally, so it is not an intentional slight to import persons to fill these roles, it is a necessity.

The EDC program as it exists affords us a wealth of resources by which to serve our communities. It is up to the legislature, the citizens and the educational institutes to work in concert to ensure that we capitalize on these resources to the fullest extent that serves our entire community. This cannot be achieved by creating a climate of commercial instability in which businesses fear to establish operations due to volatility of legislative amendments de-structuring the very programs put in place to encourage them. The better decision is to embrace the opportunities presented and put effort into structuring the real programs that we need to nurture our workforce and attract more of these opportunities from the outside.

We must recognize and remember that the most important contributions provided by these EDC businesses may not be the few direct offerings the program enforces, but the greater indirect motivations and deliverables they make available. It is our mandate to secure these and utilize them for the betterment on our entire community.

If the intent truly is to improve the opportunities for our local workforce, I will offer these suggestions for consideration:

- 1) Create a forum for communication exchange between the Legislature and the EDC businesses so that a more complete and thorough understanding exists regarding the requirements and expertise necessary for these businesses to operate. This will allow for a realistic collaboration of planning how to prepare our local labor pool to ultimately fill these positions.
- 2) Work in unison with all educational entities to create the exact preparatory programs to achieve these goals. The success of the Hovensa workforce was due in part to the educational programs put in place and the parties that participated in these programs, some of which began at the early high school level. Department of Education, Department of Labor and the Hovensa Training Center along with others formed a winning solution to fill the many positions necessary to operate one of the largest refineries in the western hemisphere. While the type of education/training that is now required for a new type of employee may be different, there should be no impediment to the creation of these programs. Even though we may be somewhat captive by living in island communities, we are fortunate to have two locations for higher level education at a university level. If we want to continue to attract these types of business opportunities, we should capitalize on our educational resources and formulate programs specific to filling the needs of these businesses.
- 3) Above and beyond the opportunities offered by EDC businesses, there should be consideration and focus on how to assist more local businesses to hire. The usual employment requirements of an EDC beneficiary is a minimum of ten (10) local employees. There are many local businesses that receive no tax relief or benefits because their goods and/or services are only performed locally and not outside the territory. However, these businesses are the backbone of our business community, often hiring and providing work for far more than ten (10) employees. I submit that there should be considerations for these businesses that also spur our local economy and pay myriad taxes. They too should have incentives which assist in maintaining their role in our community.
- 4) In keeping with this topic, many of these same local businesses are defeated in numerous work opportunities locally by “foreign” businesses that are allowed to compete in our market, but are not subject to our taxation and cost to conduct business. The continuous explanations of why Puerto Rican and other companies are

allowed to compete against and be awarded work that would create and maintain employment for our local workforce for some length of time are simply not adequate. Statements are made that they are hiring locals, but no one reports the numbers that are hired locally compared to the employees they bring with them which contribute little to our local economy and do not pay taxes in the territory. Since a large part of this work is construction oriented, there can be little argument that our labor pool cannot provide for these positions. The employees/laborers that they bring typically work for much lower wages than our local average for the same positions. Unlike EDC companies, these companies bring little to our communities and rob employment opportunities that can be filled by Virgin Islanders. And yet, these companies are performing more and more work in our islands, especially in St. Croix. I would suggest that stronger legislation to prevent and monitor this activity would be much more beneficial to our local workforce than to drive away one of the few sources we currently have in EDC beneficiary companies that contribute much both directly and indirectly to our economy as well as our community.

I offer the cooperation and support of the St. Croix Chamber of Commerce to work with you to identify real obstacles and work toward the improvement of our community and the Territory.

Respectfully,

Kimberly McCollum
President, St. Croix Chamber of Commerce