

**Testimony before the 31<sup>st</sup> Legislature's Committee of the Whole  
Provision of a Temporary Residence for  
The Governor of the Virgin Islands and  
WICO PILOT**

**Joseph B. Boschulte  
President & CEO  
The West Indian Company, Ltd.**

THE HONORABLE NEVILLE JAMES, PRESIDENT OF THE THIRTY- FIRST LEGISLATURE, SENATORS, LEGISLATIVE STAFF, FELLOW TESTIFIERS, VIEWERS, LISTENERS, MEDIA AND MEMBERS OF THE PUBLIC PRESENT THIS MORNING.

GOOD MORNING. I AM JOSEPH B. BOSCHULTE, PRESIDENT AND C-E-O OF THE WEST INDIAN COMPANY, LIMITED.

THE WEST INDIAN COMPANY, LIMITED IS GOVERNED BY A BOARD OF DIRECTORS WHICH SETS THE POLICY OF WICO. THE BOARD OF DIRECTORS CURRENTLY INCLUDES RANDOLPH H. KNIGHT, CHAIR; JOYCE DORE-GRIFFIN, VICE CHAIR; EDWARD THOMAS, SECRETARY; ROBERTO CINTRON, MEMBER; MICHAEL DASWANI, MEMBER; BEVERLY NICHOLSON-DOTY, MEMBER; RICALDO LETTSOME, MEMBER; AND MYSELF AS CEO.

I AM HERE TODAY WITH MR. MICHAEL WATSON, A MEMBER OF THE BOARD OF WICO, WICO COUNSEL ATTORNEY ADRIANE DUDLEY AND MR. WILLIAM TAYLOR, ARCHITECT.

THANK YOU FOR INVITING US TO TESTIFY ON THE SHORT-TERM PROVISION OF A RENTAL PROPERTY FOR THE GOVERNOR AND RELATED MATTERS.

I HAVE SERVED AS PRESIDENT AND CEO OF WICO SINCE 2012. MY SERVICE AT WICO HAS GIVEN ME SOME HISTORICAL KNOWLEDGE RELATING TO THE LEGISLATIVE DISCUSSION SURROUNDING THE GOVERNOR'S RESIDENCE, THE HISTORY OF WICO, ESTATE CATHERINEBERG, AND THE HONORABLE GOVERNORS WHO HAVE MADE CATHERINEBERG THEIR RESIDENCE AND HOW THIS SITUATION CAME TO BE.

MR. WATSON IS HERE TO DISCUSS THE BOARD RESOLUTION REGARDING THE TEMPORARY RESIDENCE AND THE SURROUNDING EVENTS.

MR. TAYLOR WAS INTRODUCED TO WICO BY THE BOARD IN APRIL AS A PART OF THE OVERALL ASSESSMENT OF ESTATE CATHERINEBERG. WICO ENGAGED HIM TO PERFORM ASSESSMENT WORK ON THE ESTATE.

ADDITIONALLY, MR. TAYLOR IS HERE BECAUSE HE IS A HISTORIAN AND THE ARCHITECT OF RECORD ON THE RESTORATION OF THE HISTORIC AND AWARD-WINNING ARTHUR ABLE COMPLEX IN FREDRIKSTED, ST. CROIX.

THE ABLE COMPLEX IS COMMONLY KNOWN BY SEVERAL NAMES: THE FREDRIKSTED GOVERNMENT HOUSE, THE DANE SCHOOL AND THE FREDERICKSTED GRAMMAR SCHOOL.

MR. TAYLOR WILL ADDRESS THE CURRENT PHYSICAL CONDITION OF ESTATE CATHERINEBERG.

FINALLY, ATTORNEY ADRIANE DUDLEY WILL DISCUSS THE REVISED ORGANIC ACT AND PROVISIONS OF LAW AS THEY RELATE TO THE MATTERS AT HAND.

MR. PRESIDENT, WICO HAS SERVED THIS TERRITORY PROUDLY FOR MORE THAN A CENTURY. OUR COMMITMENT TO ALL THE ISLANDS – NOT INDIVIDUALS, NOT POLITICAL PARTIES, NOT PARTICULAR ADMINISTRATIONS - IS UNQUESTIONABLE.

NOW, AS THE TERRITORY IS POISED TO CELEBRATE ITS CENTENNIAL, WE REMAIN COMMITTED TO THE BEST INTEREST OF ALL THREE OF THE MAJOR ISLANDS, RECOGNIZING THAT A RISING TIDE FLOATS ALL SHIPS.

WICO HAS BEEN THE LEADING TOURISM ENTITY IN THE U.S. VIRGIN ISLANDS LONG BEFORE TOURISM BECAME OUR MAINSTAY.

AS THE FORERUNNER OF THE LOCAL HOTEL, RETAIL AND DISTRIBUTORSHIP INDUSTRIES, WICO CONTINUES TO DO ITS PART TO DRIVE THE ECONOMY BY BERTHING SHIPS WITH THOUSANDS OF CRUISE PASSENGERS WEEKLY. THOSE PASSENGERS IN TURN ALLOW US TO LEAD THE REGION IN HIGHER THAN AVERAGE CRUISE PASSENGER AND CREW SPENDING. THIS REPRESENTS, AT MINIMUM, \$446 MILLION DOLLARS IN DIRECT CONTRIBUTIONS TO OUR ECONOMY.

ONCE WE CONSIDER HEAD TAXES, PORT FEES, CRUISE LINE SERVICES AND OTHER EXPENDITURES, THE IMPACT OF WICO OPERATIONS ON THE OVERALL ECONOMY INCREASES EXPONENTIALLY.

SIMPLY PUT, TOURISM IS THE VIRGIN ISLANDS' NUMBER ONE INDUSTRY, AND WICO IS THE NUMBER ONE CONTRIBUTOR TO THAT INDUSTRY.

OUR RESPONSIBILITIES ALSO INCLUDE OWNERSHIP AND MANAGEMENT OF ALL COMPANY PROPERTIES AND ASSETS, INCLUDING THE ONE-HUNDRED-EIGHTY-FIVE YEAR OLD ESTATE CATHERINEBERG.

THE RESIDENCE WAS BUILT IN 1830 AS THE PRIVATE ESTATE OF LONG-TERM RESIDENT HANS HENRIK BERG. THIS HISTORIC PROPERTY HAS BEEN MAINTAINED AND AVAILABLE FOR USE FOR FIVE ADMINISTRATIONS: THOSE OF GOVERNOR FARRELLY, SCHNEIDER, TURNBULL, DEJONGH AND NOW MAPP.

WICO RETAINS FULL OWNERSHIP OF ESTATE CATHERINEBERG, AND HAS A ONE-DOLLAR PER YEAR LEASE AGREEMENT WITH THE EXECUTIVE BRANCH.

AS THE OWNER OF ESTATE CATHERINEBERG, WICO SERVICES OR COVERS MOST EXPENSES BASED ON REQUESTS FROM THE OFFICE OF THE GOVERNOR WITH THE EXCEPTION OF SOME LANDSCAPING DUTIES, CUSTODIAL AND SECURITY SERVICES.

SINCE ESTATE CATHERINEBERG IS AN ASSET, WE TREAT IT AS SUCH THROUGH REGULAR MAINTENANCE AND UPKEEP. THIS HELPS INCREASE THE PROPERTY'S INDIVIDUAL VALUE AND THAT OF OUR PORTFOLIO OVERALL.

AS YOU MAY BE AWARE, TOO MANY GRAND BUILDINGS IN OUR HISTORIC DISTRICTS HAVE BEEN LEFT TO FALL TO THE RAVAGES OF TIME AND NEGLECT.

IN SPITE OF THE INCREASING COST, WICO CANNOT BE IRRESPONSIBLE STEWARDS AND ALLOW AN ICONIC, HISTORIC AND MAJESTIC PROPERTY TO BECOME A HIGHLY VISIBLE WHITE ELEPHANT.

GIVEN OUR ALWAYS CORDIAL RELATIONSHIP WITH THE OFFICE OF THE GOVERNOR, BY TRADITION, THOSE EXPENSES ALSO INCLUDE COSTS ASSOCIATED WITH PROVIDING ALTERNATIVE HOUSING FOR THE GOVERNOR WHEN ESTATE CATHERINEBERG IS UNDER EXTENSIVE RENOVATION OR OTHERWISE UNINHABITABLE.

WILLIAM TAYLOR WILL DESCRIBE AND PRESENT SLIDES TO ILLUSTRATE THE CURRENT CONDITION OF THE ESTATE.

## **II PILOT**

UNDER THE LATEST AMENDMENT TO THE ENABLING STATUTE, WICO IS CHARGED WITH PAYING THE GOVERNMENT SEVEN-HUNDRED THOUSAND DOLLARS. THIS PAYMENT IS IN LIEU OF TAXES, AND MORE COMMONLY REFERRED TO AS THE PILOT.

WICO IS THE LEADING CRUISE DESTINATION IN ST. THOMAS, RECEIVING ROUGHLY TWO-THIRDS OF ALL CRUISE PASSENGERS AT ITS HAVENSIGHT

DOCKING FACILITIES. FROM 2003 TO 2006, WICO AVERAGED MORE THAN ONE-POINT-SIX-FIVE MILLION (1.65M) PASSENGERS ANNUALLY.

IN 2006, DUE MAINLY TO THE OPENING OF THE VIRGIN ISLANDS PORT AUTHORITY-OWNED CROWN BAY FACILITY, PASSENGER VOLUME DECLINED SUBSTANTIALLY.

TWO HIGHER-END CRUISE LINES WHICH HAD REGULARLY BERTHED AT WICO, SECURED LONG-TERM AGREEMENTS AT THE PORT FACILITY WHICH GUARANTEED PASSENGERS IN EXCHANGE FOR FEES AND CHARGES THAT WERE LOWER THAN WICO'S.

WHILE THE COMPETITION BETWEEN THE PORTS CLEARLY BENEFITED THE CRUISE LINES, COMPETING RATES AIMED AT SECURING EXCLUSIVE BERTHING CAUSED WICO TO LOSE REVENUES WE COULD ILL AFFORD.

AS A RESULT, FROM 2007 TO 2014 WICO HAS AVERAGED JUST OVER ONE-POINT-TWO MILLION (1.2 M) PASSENGERS, A LOSS OF OVER FOUR-HUNDRED-TWENTY-TWO THOUSAND (422K) PASSENGERS ANNUALLY.

THIS AMOUNTED TO A LOSS OF TWO-POINT-FOUR MILLION DOLLARS (2.4M) IN MARINE REVENUE PER YEAR.

ACCORDINGLY, SINCE 2006 WICO HAS BEEN UNABLE TO MEET ITS ANNUAL PILOT OBLIGATION.

TO FURTHER COMPOUND THIS FINANCIAL STRAIN, WORLDWIDE ECONOMIES WERE CONFRONTED WITH THE GREAT RECESSION WHICH IMPACTED REVENUES STARTING IN 2008. THE TRAVEL INDUSTRY, INCLUDING THE CRUISE INDUSTRY, SUFFERED GREATLY BECAUSE TRAVEL WAS SIMPLY A LUXURY THAT MANY COULD NO LONGER AFFORD.

SPECIFICALLY, THE TERRITORY SAW A DRASTIC DROP IN CRUISE SHIP ARRIVALS FROM ONE-POINT-NINE-ONE MILLION (1.91M) IN 2007, TO ONE-POINT-SEVEN-FIVE

MILLION (1.75M) IN 2008, THEN A FURTHER DECLINE TO ONE-POINT-FIVE MILLION (1.5M) IN 2009.

ALTHOUGH THE ECONOMY HAS EXPERIENCED A MODEST REBOUND AND WE HAVE EXPERIENCED IMPROVED FINANCIAL PERFORMANCE DUE TO PASSENGER DEMAND, WICO STILL HAS NOT BEEN ABLE TO MAKE ITS ANNUAL PILOT PAYMENT.

WHEN I TESTIFIED BEFORE THE 30<sup>TH</sup> LEGISLATURE'S COMMITTEE ON FINANCE LAST YEAR, THE OUTSTANDING PILOT PAYMENTS STOOD AT FOUR-POINT-SEVEN-MILLION DOLLARS. WE HAVE NOT MADE OUR 2014 PAYMENT. THEREFORE, OUR OUTSTANDING PILOT PAYMENT IS CURRENTLY FIVE-POINT-FOUR MILLION DOLLARS.

IT IS IMPORTANT TO NOTE THAT AS A BUSINESS, THE WEST INDIAN COMPANY IS ONE-HUNDRED PERCENT FINANCIALLY INDEPENDENT OF THE LOCAL GOVERNMENT. WICO'S INCOME IS DERIVED SOLELY FROM LAND AND WAREHOUSE RENTALS, MANAGERIAL FEES, WITH THE BULK OF OUR REVENUES COMING FROM THE PORT PASSENGER FEES.

WICO RECEIVES NO PUBLIC FINANCE AUTHORITY FUNDING AND, ASIDE FROM TWO MINOR HOMELAND SECURITY GRANTS OVER THE PAST TWELVE YEARS TOTALING ONE-POINT-TWO MILLION DOLLARS, WICO RECEIVES NO FEDERAL FUNDS.

WICO'S EMPLOYEES ARE NOT EMPLOYEES OF THE GOVERNMENT OF THE VIRGIN ISLANDS AND THEREFORE NOT ELIGIBLE TO PARTICIPATE IN THE GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (GERS).

AS YOU LEGISLATORS SEARCH FOR REVENUES TO MEET THE NEEDS OF THE TERRITORY'S ECONOMY, REST ASSURED THAT WICO IS DOING ALL IT CAN TO REDUCE ITS PILOT OBLIGATION.

DESPITE THE CHALLENGES WHICH EXIST BECAUSE OF THE CURRENT UNCERTAIN ECONOMIC CLIMATE, INCREASING AND UNRELENTING REGIONAL COMPETITION FROM TRADITIONAL DESTINATIONS AS WELL AS NEWCOMERS SUCH AS CUBA, WE ARE CONFIDENT OF WICO'S ABILITY TO ADAPT AND WITHSTAND THE CURRENT BUSINESS CLIMATE – AS WE HAVE ADAPTED AND WITHSTOOD AND WEATHERED MANY STORMS OVER OUR 100 PLUS YEAR HISTORY.

I REMAIN AVAILABLE TO ADDRESS ANY QUESTIONS YOU MAY HAVE REGARDING MY TESTIMONY.

*Rev: 7/8/2015*

**The West Indian Company Limited**  
**Taxes Payable Analysis**  
**Fiscal Years 2007 Thru 2014**

ACCT#	Description	10/1/2013 Balance	Additions	Payments	Audit Adjustments	9/30/2014 Balance	9/30/2014 Actual GL Balance
2451-34-400	TAXES PAYABLE OPENING BALANCE	\$ 4,700,000.00	\$ -	\$ -	\$ -	\$ 4,700,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '14 LIABILITY)		700,000.00			\$ 5,400,000.00	\$ 5,400,000.00
		10/1/2012 Balance	Additions	Payments	Audit Adjustments	9/30/2013 Balance	9/30/2013 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 2,600,000.00	\$ -	\$ -	\$ -	\$ 2,600,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '11 LIABILITY)		700,000.00			\$ 3,300,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '12 LIABILITY)		700,000.00			\$ 4,000,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '13 LIABILITY)		700,000.00			\$ 4,700,000.00	\$ 4,700,000.00
		10/1/2011 Balance	Additions	Payments	Audit Adjustments	9/30/2012 Balance	9/30/2012 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 2,600,000.00	\$ -	\$ -	\$ -	\$ 2,600,000.00	\$ 2,600,000.00
		10/1/2010 Balance	Additions	Payments	Audit Adjustments	9/30/2011 Balance	9/30/2011 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 1,900,000.00	\$ -	\$ -	\$ -	\$ 1,900,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '10 LIABILITY)		700,000.00			\$ 2,600,000.00	\$ 2,600,000.00
		10/1/2009 Balance	Additions	Payments	Audit Adjustments	9/30/2010 Balance	9/30/2010 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 1,400,000.00	\$ -	\$ -	\$ -	\$ 1,400,000.00	
	PwC AUDIT ADJ ENTRY @09/30/08 IN LIEU OF TAX PAYMENT FY 2008 - CHK #91729			100,000.00		\$ 1,300,000.00	
	IN LIEU OF TAX PAYMENT FY 2008 - CHK #91968			100,000.00		\$ 1,200,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '09 LIABILITY)		700,000.00			\$ 1,900,000.00	\$ 1,900,000.00
		10/1/2008 Balance	Additions	Principal Payments	Audit Adjustments	9/30/2009 Balance	9/30/2009 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 1,400,000.00	\$ -	\$ -	\$ -	\$ 1,400,000.00	\$ 1,400,000.00
		10/1/2007 Balance	Additions	Payments	Audit Adjustments	9/30/2008 Balance	9/30/2008 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 1,000,000.00	\$ -	\$ -	\$ -	\$ 1,000,000.00	
	PwC AUDIT ADJ ENTRY @09/30/08 IN LIEU OF TAX PAYMENT FY 2007 - CHK #87557			700,000.00	1,000,000.00	\$ 2,000,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '06 LIABILITY)				(600,000.00)	\$ 1,300,000.00	
	TAXES PAYABLE ADJ (TO REFLECT '08 LIABILITY)		700,000.00			\$ 700,000.00	
		10/1/2006 Balance	Additions	Principal Payments	Audit Adjustments	9/30/2007 Balance	9/30/2007 Actual GL Balance
	TAXES PAYABLE OPENING BALANCE	\$ 1,000,000.00	\$ -	\$ -	\$ -	\$ 1,000,000.00	\$ 1,000,000.00