



UNITED STATES VIRGIN ISLANDS

Economic Development Authority

**Wayne Biggs, Jr.
Chief Executive Officer**

**TESTIMONY BEFORE THE
36TH LEGISLATURE OF THE VIRGIN ISLANDS
ST. THOMAS, VIRGIN ISLANDS**

**Honorable Milton E. Potter, Senate President
Committee of the Whole**

MONDAY, MARCH 3, 2025

1 Good Day Honorable Senate President Milton Potter, distinguished members of the 36th
2 Legislature, other testifiers, the legislative staff, the Virgin Islands Economic Development
3 Authority team, ladies and gentlemen in the viewing and listening audience. I am Wayne
4 Biggs Jr., Chief Executive Officer of the Virgin Islands Economic Development Authority
5 (“USVIEDA”). Thank you for the opportunity to provide testimony on behalf of the
6 USVIEDA regarding consumer goods pricing and the economic pressures affecting the cost
7 of living in the Virgin Islands.

8

9 **U.S. Virgin Islands Economic Development Authority (USVIEDA)**

10 The USVIEDA is the umbrella organization which assumes, integrates, and unifies the
11 functions of the following subsidiary entities: the Economic Development Bank (“EDB”),
12 the Economic Development Commission (“EDC”), the Enterprise Zone Commission (“EZC”),
13 and the Economic Development Park Corporation (“EDPC”). It is a semi-autonomous
14 governmental instrumentality responsible for the development, promotion and
15 enhancement of the economy of the U.S. Virgin Islands.

16

17 The USVIEDA operates under one seven-member Governing Board (“Board”) in order to
18 achieve maximum efficiency of operation; to avoid duplication of services, positions, and

19 responsibilities; to reduce expenses of personnel, physical plant and operations; and to
20 develop comprehensive programs for the economic development of the U.S. Virgin Islands.
21 The USVIEDA has not done any studies on the cost of living in the Territory, nor has it done
22 any study on the pricing structures of consumer goods in the Territory. As such, I will defer
23 to Economist Dr. Mark Wenner and the Bureau of Economic Research (“BER”) who may
24 present actual data points. My testimony will be based on empirical evidence.

25

26 In my opinion several factors contribute to the high cost of living and the higher cost of
27 consumer goods in the Territory. Some of the factors are as follows: (1) we live on islands
28 and since we produce little and manufacture very little we have to import most of our
29 consumer items, (2) cost of shipping and freight, (3) cost of fuel, (4) cost of electricity, (5)
30 tax structure, (6) small size of the market, (7) lack of economies of scale (due to consumer
31 population size), and (8) online competitors.

32

33 **Imports**

34 Imports can affect consumer goods pricing by directly influencing the cost of goods
35 brought into a country, often leading to higher prices for consumers when import cost
36 (excise taxes and/or custom duties) or other import costs such as tariffs are added to the

37 final price of the imported product; essentially, the cost of importing a good is passed on
38 to the consumer in the form of a higher price at retail.

39

40 **Cost of Shipping and Freight**

41 The cost of shipping and freight directly impacts consumer goods pricing by being factored
42 into the overall cost of a product, meaning that higher shipping costs often lead to higher
43 prices for consumers as businesses pass on these additional expenses to recoup their
44 losses; this is especially noticeable when there are significant fluctuations in freight rates
45 due to market conditions, fuel costs, or global events.

46

47 **Cost of Fuel**

48 The cost of fuel directly impacts consumer goods pricing by increasing transportation costs
49 for businesses, which are then passed on to consumers in the form of higher prices for
50 products, essentially meaning that when fuel prices rise, the price of goods that need to
51 be transported also tends to rise as well; this can contribute to overall inflation.

52

53 **Cost of Electricity**

54 The cost of electricity directly impacts consumer goods pricing by increasing the
55 production costs of manufactured goods, as electricity is a key input in many
56 manufacturing processes, leading companies to raise the final price of products to offset
57 these higher energy expenses; essentially, when electricity prices rise, so too can the price
58 of the goods produced using that electricity. Additionally, the current high cost of
59 electricity in the Territory increases the cost of doing business here, that cost is
60 incorporated into and passed onto the consumer by the business through the pricing of
61 the goods.

62

63 **Taxes**

64 Taxes directly impact consumer goods pricing by adding an additional cost to the
65 production and distribution of goods, which is typically passed on to consumers in the form
66 of higher prices at the retail level; essentially, when a company is taxed on its products,
67 they usually raise the price of those products to recoup the cost of the tax, leading to higher
68 prices for consumers. While levied on the business, the cost of the gross receipts tax is still
69 mostly if not entirely passed on to the consumer in a higher retail price. Gross receipts
70 taxes and other taxes levied on business inputs have been shown to result in “forward
71 shifting” of costs on to final consumers. Though gross receipts taxes are business taxes and

72 as such are sometimes viewed as progressive, in reality, they have potential to be more
73 regressive than sales taxes as they pyramid and are passed on to consumers.

74

75 **Small Size of the Market**

76 A small market size typically leads to higher consumer goods prices because there is less
77 competition among sellers, allowing them to charge higher prices with less pressure to
78 lower costs due to lower sales volume, resulting in potentially less price sensitivity from
79 consumers in a limited pool of buyers.

80

81 **Lack of Economies of Scale**

82 When a business lacks economies of scale, it means they cannot sell goods at a lower cost
83 per unit due to a smaller sales volume, which often results in higher prices for
84 consumers as the business has to charge more to cover their higher costs per
85 item; essentially, smaller consumer base leads to higher prices for consumers.

86

87 **Online Competition**

88 Some local businesses may choose to strategically price certain items slightly higher to
89 offset potential losses from customers shopping online for cheaper options. Online

90 shopping can make it easier for customers to compare prices and purchase from online
91 competitors at lower prices due to economies of scale and reduced overhead, potentially
92 taking business away from local stores. In addition, if a customer can buy a product online
93 without leaving their home, they will be less likely to visit a local store – negatively
94 impacting foot traffic and sales volume.

95

96 There are many factors that affect consumer goods pricing and the high cost of living in
97 the U.S. Virgin Islands, I've highlighted a few factors that are glaring to me in my testimony.

98

99 Thank you for the opportunity to provide testimony on consumer goods pricing and the
100 economic pressures affecting the cost of living in the U.S. Virgin Islands to the Committee
101 of the Whole. I am available to answer any questions you may have related to my
102 testimony.

103