

Testimony regarding: Committee of the Whole hearing titled “**Addressing Economic Pressures: Understanding the Cost of Living in the Virgin Islands**”.

May 3, 2025

Good day Mr. Chairman, Senators, Ladies, and Gentlemen,

My name is Scott Barber, and I am the President and General Manager of Universal Business Supplies, a local business that operates in the USVI. I am also a member of the board of directors of the St. Thomas St. John Chamber of Commerce, and I am here today representing our local Chamber of Commerce.

The testimony that I am sharing today is in regards to this hearing titled “**Addressing Economic Pressures: Understanding the Cost of Living in the Virgin Islands**”. As requested by Senate President Milton E. Potter, my specific testimony will focus on “**factors that affect the cost of doing business in the Virgin Islands**”.

It is a well known fact that small businesses are the lifeblood of our Virgin Islands community. Small businesses in the USVI provide jobs for most of the employees in the VI, and generate a significant amount of money for the USVI Treasury in the form of excise taxes, customs duties, payroll taxes, business license fees, gross receipts taxes, and other fees paid to the VI Government.

Unfortunately, the high costs for rent, utilities, food, building materials, and other imported goods, all significantly impact the cost of doing business in the USVI. These factors contribute to many businesses going out of business, and also keeps prospective entrepreneurs here in the VI from venturing into the business arena.

In my testimony today, I will share ten factors that have been affecting the cost of doing business in the VI. I will start with:

1. **Business rent** - It is a well known fact that the high costs for business rental space, and the high costs of purchasing land and buildings in the VI, continues to have a major impact on businesses who are trying to survive, and other businesses who are trying to thrive in the VI. Also, since there is a lack of rental space this also impacts the cost of doing business due to supply and demand issues.

2. **Utilities** - WAPA's high rates, and outages, has impacted all businesses in the VI and has put many businesses out of business. With some of the highest electricity rates under the U.S. flag, businesses in the VI spend significantly more on utilities, especially those that use high energy or require refrigeration such as restaurants, and grocery stores. Also, main street and other downtown stores run their AC with wide open doors so they can still attract tourists. Of course, this has a major impact on the downtown businesses cost of electricity since the cool air quickly mixes with the heat from outside.

3. **High Fuel Costs** - The high cost for gasoline and diesel is another factor that impacts the cost of doing business in the VI. Especially for delivery trucks, and other company vehicles, high gas prices have an impact on doing business in the VI.

4. **Shipping and Taxes** - It goes without saying that nearly all goods, including food, clothing, supplies, building materials, inventory, equipment, cars, and raw materials, must be imported. The costs associated with importing goods includes, but not limited to: shipping fees, insurance, excise tax, customs duties, gross receipts tax, and other logistical costs. Businesses must pass these costs to other businesses, and also consumers, making products and services more expensive. These issues, and others, definitely have a significant impact on the cost of doing business in the VI

5. **Skilled labor issues** - Finding skilled labor in the VI continues to be a major challenge for businesses, and even more so since the impact of the pandemic. Even though the personal health issues associated with the pandemic have declined dramatically, there is still a significant challenge associated with finding employees to fill open positions. We are all aware that many of our graduates leave the VI for stateside opportunities, and unfortunately, the potential candidates for open job positions are often times lacking in basic writing skills, basic customer service skills, and also lacking in proper attitudes, which makes it challenging for them to effectively work in the business environment.

6. **Overall Cost of Living** - Employees in the VI require higher salaries to afford the high cost of living, but businesses often will struggle to pay competitive wages because of day to day business struggles. Subsequently, the high living expenses lead to frequent employee turnover, which increases recruitment and training costs, which in turn, increases the cost of doing business in the VI. Since residents spend a large portion of their income on necessities like mortgage or rent, groceries, transportation, utilities, and other needs, they have less to spend on non-essential goods and services. This especially impacts retail stores, restaurants, and entertainment businesses. Some businesses reluctantly turn to pushing up their prices to sustain operations, but this can lead to less customer demand, which leads to a continued downward spiral.

7. Insurance and Hurricanes - It's a well known fact that businesses face high insurance premiums and hurricane risks and these issues can lead to costly repairs, and long and sometimes permanent business closures.

8. Limited Market Size - Due to the small population of the VI, the potential customer base for businesses in the VI is limited. This affects the revenue that can be generated, thus affecting the ability of a business to be profitable enough to stay in business.

9. Government Hiring - The large amount of federal government funds that are available in the VI has enticed many candidates to apply for higher paying jobs at places such as, VIHFA, Office of Disaster Recovery, and other locations where the federal funded positions can attract job seekers. This impacts the small businesses who have a hard time competing with the salaries and benefits that can be paid to employees of the VI Government using federal dollars.

10. Mainstreet and Waterfront issues - Even though we can all see the positive effects of the completed Main Street project, and also the completed phase 1 Waterfront project, the lengthy time that it took to complete both projects has taken its toll on the downtown business community, and has caused many businesses to close their doors permanently. This has had a major impact on doing business in the downtown area, and the impact is still being felt today with a significant number of businesses shuttered. Also, the uncertainty of continued construction of the waterfront project, not knowing when phase 2 will begin, and not knowing what the impact of phase 2 of waterfront construction will bring to the downtown area, has many businesses in the downtown area reluctant to expand, and many other potential businesses reluctant to even start the process of opening new businesses in the downtown area.

These 10 factors that I have shared are some of the issues that effect the “cost of doing business in the Virgin Islands”. I close by stating that small businesses VI are the ones that hire people in the VI, pay salaries to employees in the VI, supports the charities in the VI, the ones who re-circulate their money in the VI economy, the ones who support other businesses in the VI, and the ones who pay taxes into the VI treasury, thus providing much needed funding to pay the salaries of police, firemen, teachers, nurses, etc. Local small businesses, in essence, are the ones who will make or break the economy of the Virgin Islands. The St. Thomas/St. John Chamber of Commerce looks forward to continuing to work with the Senate and other divisions of the Government of the VI, so that solutions to these issues can be established and implemented for the good of the business community, and the good of the overall Virgin Islands community.