



VIRGIN ISLANDS PORT AUTHORITY



# TESTIMONY

PRESENTED TO THE 35TH LEGISLATURE  
COMMITTEE ON ECONOMIC DEVELOPMENT  
& AGRICULTURE

THE HONORABLE JAVAN E. JAMES  
CHAIRMAN

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## TESTIMONY OF CARLTON DOWE, EXECUTIVE DIRECTOR OF THE VIRGIN ISLANDS PORT AUTHORITY

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Good afternoon Honorable Senator Javan E. James Sr., Chairman of the Committee on Economic Development and Agriculture and to all the honorable senators of this committee and of this august body, all legislative staff and to the viewing and listening audience. I am Carlton Dowe, the Executive Director of the Virgin Islands Port Authority, herein after referred to as "VIPA" or "the Authority." I thank you for the opportunity to offer testimony on behalf of the Authority regarding:

1. A status update on the VIPA Airports Public Private Partnership (P3) project for the airports,
2. A proposed bill to appropriate \$3.2 Million from the Tourism Advertising Revolving Fund as a loan to the Virgin Islands Port Authority ("VIPA") to cover legal, engineering, and consulting fees associated with the Public Private Partnership project to modernize and enhance the Henry E. Rohlsen Airport on St. Croix and the Cyril E. King Airport on St. Thomas.
3. An update on priority ongoing capital projects for VIPA,
4. VIPA's goals for the upcoming Seatrade Cruise Global Conference,
5. And to conclude, I will provide an update on VIPA and Seaborne Airlines and detail the Authority's goals for improving inter-island travel.

## VIPA Airports P3 Project

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As you are aware VIPA has undertaken a Public Private Partnership (P3) as a financial and procurement method to bring about the modernization of the Cyril E. King Airport (CEKA) and the Henry E. Rohlsen Airport (HERA). For the benefit of the listening public, please allow me to provide a summary of the project.

The definition of a P3 model is a procurement and financial process whereby public infrastructure projects are owned by the public sector, and developed or re-developed by private investors with private funding. This method has been successfully done for airports, bridges, highways and other transportation systems throughout the United States and Europe. Developing a public project through a public-private partnership allows a project to be financed using private funds rather than public monies. This way taxpayers do not bear the burden of the cost of development or re-development but the public community gets the benefit of the development.

There is a distinct difference between a public private partnership and privatization. Privatization occurs when a government-owned business, operation, or property becomes owned by a private, non-government party.

The VIPA Airports P3 Project is **NOT a privatization project**. It is a public private **partnership**, which means VIPA maintains ownership of the airports, and the people of the Virgin Islands get modernization of the territorial airports, without having to bear the cost. The operation of the airports pays for the upgrades. The

public also gets the benefit of expertise and infusion of enhanced management of the airports as a result of having a private entity that has airport management experience. Permit me to repeat myself, because I wish to make this fact abundantly clear: the Virgin Islands Port Authority will continue to own the airports and will continue to be the holder of the airports' operation certificates.

We have reached out to all the stakeholders and have tried to make sure we keep everyone apprised of our plans and the status of the P3 process. We consider the stakeholders to be public officials such as the members of this body, the Governor, the delegate to Congress; the airport tenants and users, our VIPA employees and their unions; community groups such as the Chamber of Commerce, Hotel and Tourism Associations, and the federal partners and regulatory agencies, such as Federal Aviation Administration (FAA). VIPA is also actively engaged in a public relations campaign to keep the residents of this territory informed about the purpose and the processes involved in this project. We will continue to keep the stakeholders abreast and involved through transparency as we go towards the end of this process.

On December 29, 2022, VIPA issued a Request for Qualifications for interested groups to present proposals for the development of our territorial airports. We have held an Industry Forum, which invited interested persons to the territory to tour our facilities. We had tremendous attendance, which is an indicator of the level

of support in the project. We expect to receive solid responses from several experienced firms. Once we select a short list of qualified firms, we look forward to issuing a Request for Proposals in May 2023.

VIPA is being guided through the P3 procurement process by advisors who have done these types of procurement and financial methods. We have financial, legal, and technical advisors that are working with us throughout the process. If all goes well and we can stick to our timelines, we expect to begin negotiations for an Operational Agreement with a selected firm early in Calendar Year 2024.

#### **Bill No. 35-0034: \$3.2 Million Loan to VIPA for Airports P3 Project**

I am in receipt of a proposed Bill No. 35-0034, sponsored by you, Chairman James, which is intended to help VIPA pay fees associated with the VIPA Airports P3 Project. The proposed Bill will appropriate \$3.2 million from the Tourism Advertising Revolving Fund as a loan to the Authority to cover legal, engineering, and consulting fees associated with the VIPA Airports Public/Private Partnership (P3) project to modernize and expand the Henry E. Rohlsen Airport on St. Croix and the Cyril E. King Airport on St. Thomas. The provisions of the Bill require VIPA to repay the monies to the Tourism Advertising Revolving Fund within 90 days after the effective date of the contract between VIPA and the winning bidder of the Airports P3 project. We are in agreement with this bill, and we appreciate the financial assistance. The money will be a great help to get us the very best support and advice as we go through the P3

process. We are in full support of this Bill and commend you Chairman James as the bill sponsor for your forward thinking and understanding how critical this project is to the Virgin Islands economy. We thank you and all other senators who have signed onto this Bill for your continued support of the Port Authority.

### **USVI Ports Capital Projects**

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VIPA is actively engaged in several major port capital improvement projects in progress on St. Croix, St. John, and St. Thomas. The following are the priority projects that are currently in process:

#### **St. Croix**

- **Wilfred “Bomba” Allick Port and Transshipment Center Cargo Terminal –**  
VIPA recently completed a new 42,000 square-foot cargo terminal at this port. The facility is one of the largest cargo storage facilities on the island and has ten bays, with commitments from interested tenants to lease the facility. All work has been completed at this facility, and a certificate of occupancy is expected within the next 30 days.
- **Gordon A. Finch Molasses Pier Paving –** VIPA completed construction of a new 19,000 square-foot cargo facility at the Gordon A. Finch Molasses Pier in Krause Lagoon, St. Croix in June 2022. However, the paving of the gravel lot at this port was removed from the original project due to cost saving measures. The 34th Legislature appropriated \$679,250 to fund the paving of this facility. This will

facilitate safer movement of the cargo trucks and other vehicles that will frequent the facility. Work will be completed 90 days after a notice to proceed is issued by VIPA.

VIPA intends to move all cargo activity from Gallows Bay in Christiansted to the Gordon A. Finch Molasses Pier. VIPA completed phase one of the Gallows Bay Port Transformation Project in 2021 and continues to progressively convert Gallows Bay from a mixed-use passenger and cargo facility for yachts and smaller cruise vessels. This will open doors for new economic opportunities for the people of St. Croix.

- **Ann E. Abramson Marine Facility Repairs** – Repairs are underway at the Ann E. Abramson Marine Facility, which is the cruise port on St. Croix. VIPA is replacing the damaged storm panels that protect the pier during heavy wave action. The deteriorated tender landing pier is also being rebuilt and will be replaced with a new service pier measuring about eighty feet long by fifteen feet wide. These repairs were also funded via appropriations from the 34th Legislature and the Bryan/Roach Administration. VIPA awarded this project to Eleven Construction via a competitive bidding process.

### St. John

- **Loredon L. Boynes Sr. Dock Improvements** – The renovation project at the Boynes Dock began in February 2023. The project includes resurfacing the pier, installing a canopy adjacent to the existing terminal, and adding a male and



female restroom and an electrical room for an emergency power generator. VIPA awarded the project to Rodriguez and Garland via a competitive bidding process. The project is expected to be completed by October 2023. The Legislature of the Virgin Islands appropriated the funding for this project, which is estimated to cost \$1.5 million, via Act Numbers 8644 and 8401.

- **Enighed Pond Community Park Design** – The Legislature of the Virgin Islands appropriated \$400,000 for the design of a multi-purpose facility for community gatherings and cultural events in St. John via Act No. 8473. VIPA engaged the residents of St. John to develop ideas and a concept for this park, which will be built on VIPA-owned land at Enighed Pond in Cruz Bay. VIPA officials met with the St. John community and received enthusiastic participation and feedback from the residents. The presentation with project renderings can be downloaded from VIPA's website: [www.viport.com](http://www.viport.com).
- **Cruz Bay Fish Market** – In September 2022, VIPA met with the fishermen of St. John, the Department of Planning and Natural Resources, and the STT/STJ Historical Preservation Committee to discuss plans to design and build a fish market in Cruz Bay at the Victor Sewer Marine Facility. We have engaged our consultant Moffatt & Nichol to create a preliminary layout. This project is funded via a \$920,000 appropriation from the 34th Legislature per Act 8515.

## St. Thomas

- **Cyril E. King Airport Parking and Transportation Center:** VIPA began construction of a new, multi-level Parking and Transportation Center at the King Airport on St. Thomas in March 2021. This facility will provide over 550 parking spaces and a designated area for taxis and rental car agencies. The estimated cost of the project to date is \$29.1 million project – funded primarily by a \$20 million U.S. Economic Development Administration grant, with the remainder funded by the Virgin Islands Port Authority via its operating budget and car rental customer facility fees collected. Half of the Parking and Transportation Center should be completed and open to the public by the end of this summer, with full completion of the Parking and Transportation Center expected by the second quarter of 2024.

A free, temporary parking lot adjacent to the former Island Beachcomber Hotel was made available as of February 20th for employees and persons traveling via the Cyril E. King Airport on St. Thomas. While daily parking is permitted, overnight parking is not allowed in this lot.

- **Red Hook Terminal Restroom Renovations:** In February 2023, we began renovating the male and female restrooms at the Urman V. Fredericks Marine Terminal in Red Hook. Temporary restroom facilities are available on-site for the project's duration. The contractor, Continental Construction and Engineering, expects to be completed with the renovations in four months – just in time for the

Fourth of July Festivities in St. John, which is when the terminal has its heaviest passenger traffic. VIPA is funding this \$210,000 renovation project.

- **Lindbergh Bay Beach Restrooms:** The newly renovated public restrooms at Lindbergh Bay Beach on St. Thomas are now open for public use. In August 2022, VIPA awarded TMZ Construction a contract to refurbish the restrooms, which had fallen into disrepair due to repeated vandalism. The repairs cost the Port Authority \$84,660. VIPA has implemented new operating rules to prevent any future destruction of the facility. The restrooms open at 6 a.m. and close at 6 p.m. daily.

### **VIPA's Self-Insurance Program**

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Act No. 8565 was approved by the 34<sup>th</sup> Legislature in March 2022. The legislation authorizes the Virgin Islands Port Authority to establish a self-insurance program to cover and manage certain risks. VIPA has experienced increasing insurance premiums and low claim experiences in the areas of third-party personal injury and property damage claims. This program allows the Authority to attain cost savings by establishing a self-insurance program to cover some of its risks, such as third-party claims, with minimal exposure. Items covered under this program include all automobiles owned by VIPA.

VIPA's Administration and Finance department implemented this program on November 1, 2022. Notice of self-insurance was submitted to the VI Bureau of Motor Vehicles and we included a listing of all vehicles registered to VIPA. Insurance cards

have been placed in all VIPA vehicles. We have also selected an independent loss adjuster that will address any claims and established a bank account for the program. In addition, all VIPA employees have received drivers' education training and will continue to receive this training annually to emphasize the importance of safe operation of the Authority's vehicles and equipment.

### **Seatrade Cruise Global 2023**

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The Virgin Islands Port Authority will partner with the Virgin Islands Department of Tourism to promote the U.S. Virgin Islands at the Seatrade Cruise Global conference to be held in Ft. Lauderdale, FL from March 27- March 30, 2023. VIPA will use this opportunity to network with cruise industry leaders and to obtain reports on the current state of the industry in the Caribbean and internationally as the world adjusts from the COVID-19 pandemic. The conference will feature 170+ industry speakers discussing the leading industry trends, and over 500+ cruise industry suppliers on the show floor - which results in a myriad of networking opportunities and sector receptions.

The USVI's cruise industry is on a steady rebound. While the cruise industry came to a stand-still during calendar years 2020 and 2021, VIPA worked closely with the Bryan/Roach Administration and cruise industry executives to develop protocols to safely resume cruise visits to the territory in July and August 2022 on St. Thomas and St. Croix respectively. The USVI has already seen a marked increase in calls in

FY23. This increase is most noted on the island of St. Croix where scheduled visits tripled the number of calls reported in 2022 as a result of a partnership between VIPA and Royal Caribbean Group, who have committed to improving the USVI's cruise and tourism product. We continue building on that partnership between VIPA and Royal Caribbean and have meetings scheduled to meet with them while we are at Seatrade.

### **Improving Inter-Island Travel**

Chairman James, in your invitation to provide testimony here today, you requested that I provide an update regarding Seaborne Airlines. Seaborne currently provides seaplane service downtown to downtown between St. Croix and St. Thomas. Seaborne no longer operates from the airports. The airport operation is conducted by Silver Airways, an affiliated company to Seaborne. Unfortunately Silver Airways has suspended the airport service between St. Thomas and St. Croix. Silver provides service between San Juan and between St. Croix and San Juan. Seaborne does not provide airport service between St. Thomas and St. Croix. Their lease agreement with the Virgin Islands Port Authority expires in 2028. The agreement includes a clause which grants their airline the exclusive use of the seaplane ramps at the Edward W. Blyden IV Marine Terminal in Charlotte Amalie, St. Thomas and the Aage Ovesen Seaplane Facility in Christiansted, St. Croix. We have approached representatives of the airline to discuss the removal of the clause from the existing agreement. They

have responded to let us know that they are considering the removal of the clause, but to date no final decision has been made.

Regarding your concerns about inter-island travel, I speak frankly when I say that I and everyone at the Port Authority share your concerns. It is a major issue that affects all of us. A worldwide shortage of pilots caused by the COVID-19 pandemic, as well as demands for certain routes has negatively impacted air travel around the world. We certainly feel the impact here in the U.S. Virgin Islands as we notice a lack of flights between St. Thomas and St. Croix due to retiring pilots, or pilots who leave the territory to work for larger airlines. While I cannot divulge too much information at this time, I will inform this body that I am meeting with someone in the industry who has expressed an interest in providing air service connecting St. Croix and St. Thomas. We are optimistic about this venture and hope to soon have good news to report.

VIPA's management recognizes the need for local aviators. We plan to assist our community by cultivating interest in the field of aviation. VIPA recently hosted welcome receptions at the Cyril E. King Airport for two Virgin Islanders who are now flying for major airlines: Adrian Tutein who is a co-pilot for American Airlines and Sheldon Martin, a co-pilot for United Airlines. These receptions were publicized around the world and garnered great interest in the aviation industry.

VIPA is also in discussion with the VI Department of Education to introduce the field of aviation into the local curriculum. In addition, the VIPA aircraft rescue firefighters on St. Croix and St. Thomas have resumed tours of the Port Authority's airport fire stations, much to the delight of the youngsters of our communities. We hope to inspire an interest not only in airport firefighting but other aviation-related fields for our youngsters. They are indeed the future of this territory.

Chairman James, this concludes my testimony. My staff and I remain available to answer any questions and address any concerns that you may have.