



THE VIRGIN ISLANDS
PORT AUTHORITY
TESTIMONY - VIPA UPDATE

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**35th Legislature of the U.S. Virgin Islands
Committee on Economic Development and Agriculture**

**The Honorable Senator Javan E. James Sr.
Chairman**

NOVEMBER 13, 2024



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VIRGIN ISLANDS PORT AUTHORITY TESTIMONY

Good morning, Honorable Senator Javan James Sr., Chairperson of the 35th Legislature's Committee on Economic Development and Agriculture, all senators present, legislative staff, and the listening and viewing audience. I am Carlton Dowe, the Executive Director of the Virgin Islands Port Authority (VIPA). Thank you for the opportunity to present testimony regarding a status update on the VIPA Airports Public/Private Partnership Project for the Henry E. Rohlsen Airport in St. Croix and the Cyril E. King Airport in St. Thomas. We have also been asked to provide an update on all current projects for VIPA and all cruise ship ports.

ABOUT THE VIRGIN ISLANDS PORT AUTHORITY

The Virgin Islands Port Authority (VIPA) is responsible for managing the ports and airports in the U.S. Virgin Islands. Our primary objective is to facilitate the efficient movement of goods and passengers while ensuring safe and efficient operations. VIPA also plays a crucial role in the territory's tourism industry and economic growth. We operate the two airports and most of the public seaports in the USVI. Additionally, we are responsible for maintaining the harbors in the territory.

AIRPORTS PUBLIC/PRIVATE PARTNERSHIP (P3)

The Virgin Islands Port Authority (VIPA) is embarking on an exciting new Public/Private Partnership (P3) project transforming the Henry E. Rohlsen Airport (HERA)

on St. Croix and the Cyril E. King Airport (CEKA) on St. Thomas. This project, which will involve the redevelopment of HERA and CEKA, will bring state-of-the-art amenities, private investment, efficient airport operations, and long-term maintenance plans to these two important assets. I want to take this opportunity to restate that the territory's airports **are not being privatized**. By definition, privatization is when the asset is transferred and owned by the private entity. VIPA will remain the owner of both airports and will continue to receive all federal grants from the Federal Aviation Administration (FAA).

On March 26, 2024, the VIPA Board selected VIports Partners, a consortium now operating under the official name "SkyCity", to partner with the Authority to redevelop the Cyril E. King Airport (STT) and Henry E. Rohlsen Airport (STX). As part of the P3 (DBFOM) design, build, finance, operate, and maintain structure, Sky City will develop, finance, and operate the airports on behalf of VIPA during the lease term.

The Cyril E. King Airport terminal will undergo a complete renovation while remaining operational, and the VIPA Board has approved a new terminal at the Henry E. Rohlsen Airport in St. Croix. Both terminals will feature passenger boarding bridges and stair access to accommodate various types of aircraft using the airport facilities. Although plans to add passenger boarding bridges are included for both CEKA and HERA, the design of both terminals is still in progress. We will provide more information once the ongoing transition process is complete.

We are currently in the transition phase of this project. The VIPA team has been working closely with SkyCity to finalize the details of the terminal designs, construction plans, and the specifics of the partnership agreement.

Regarding VIPA's Employees: During June, July, and August, in conjunction with SkyCity, we held several meetings and workshops with our aviation division employees. These were done in a general meeting and one-on-one format. VIPA hosted 401K and GERS workshops and meet-and-greet sessions with SkyCity representatives. The Authority has also hired an independent consultant to provide one-on-one guidance and support for any employee who has questions about this process and helps them evaluate whatever offer. She has hosted office hours for this purpose and is available for appointments.

We are aware that some employees would like to work for SkyCity while remaining members of the Government Employee Retirement System (GERS); however, this is not legally possible. **By law, the Government Employees' Retirement System (GERS) is only for employees of the U.S. Virgin Islands Government.** Employees that are not yet vested in GERS that elect to separate from the Port Authority and choose to work for SkyCity may withdraw their employee share from the system. Those that have already been vested but choose to leave VIPA to work for SkyCity are required by law to leave their contributions with GERS until they are of retirement age, at which point they will be able to receive their benefits.

Understandably, there will be some level of anxiety. To date, employee offers have **not** yet been finalized, and negotiations are still ongoing. We expect to complete employee offers before the end of this year.

We are planning for the financial close of the P3 agreement in the second quarter of calendar year 2025, with construction expected to begin in 2025. Both airports will be under construction simultaneously, and the project is anticipated to be completely operational in five years.

AVIATION PROJECTS

CEKA Runway 10-28 Rehabilitation

We continue to experience regular incidents of runway pavement failure at CEKA. The lifespan of the existing runway, which was constructed in 1990, was ten to fifteen years. We have long exceeded the lifespan of the runway, and as a result, we are experiencing regular pavement failures. Frequent emergency repairs are required to ensure the safety of all travelers. These emergency repairs require us to shut down CEKA's only runway resulting in diversion of flights to nearby airports, and delays for all incoming and outgoing flights. While other airports with multiple runways can shut down a runway that may need repairs, unfortunately we do not have that luxury at CEKA, which only has one runway. Any runway repair requires a full shut down of our airport. We sincerely apologize for this inconvenience. However, we must use this opportunity to inform the public that **safety is always our main concern.**

VIPA, like approximately 3,300 airports that fall under the Federal Aviation Administration's (FAA's) purview in the National Plan of Integrated Airport System (NPIAS) received federal funding for major capital projects related to the runway under the FAA's Airport Improvement Program (AIP). VIPA has been working with the FAA to program the necessary funds for the 2024/2025 Runway Rehabilitation since 2017. VIPA has completed the design and is preparing to put this critical project out to bid as soon as we receive approval from the FAA that the necessary funding is available and able to be utilized.

We are working closely with local and federal agencies involved in the project to accelerate the process to begin as soon as possible. In the meantime, we have engaged a rapid response team to repair any pavement failures during normal operating hours. We have also contracted a private company to perform asphalt repairs at night after the airport is closed.

CEKA Taxiway A West Reconstruction

The reconstruction of the western portion of Taxiway Alpha at the CEKA airfield will be completed and open for traffic imminently. This project entailed the removal of 58,000 square yards of 30-year-old asphalt from the taxiway. The asphalt was replaced with Portland cement concrete, providing a smoother surface area, better durability than asphalt, and requires less maintenance. We have also upgraded the light-emitting diode (LED) system on the taxiway.

Dale A. Gregory Transportation Center

Construction of the second half of the Dale A. Gregory Transportation Center at the Cyril. E. King Airport is steadily progressing. While half of this new parking facility has been in use since April 2024, we expect construction of the second half to be completed and open during the first quarter of Calendar Year 2025.

HERA Apron Reconstruction

The reconstruction of the cargo apron to the east of the terminal is in full swing. The project initially began in April 2024 with the necessary demolition of Phase 1 to reconstruct concrete pavement that has been in use for more than 50 years at the airport. Concrete pours have been taking place since September 2024 and will continue through the majority of 2025. VIPA is in the early phases of this project and is expected to be completed in early 2026.

USVI CRUISE PORTS

We will now transition to our cruise ports and provide an update on the Authority's marine projects.

USVI Cruise Ship Traffic Statistics and Projections.

There are approximately **595** cruise ship visits scheduled in Fiscal Year 2025 (October 1, 2024 – September 30, 2025). An eleven percent overall increase in cruise ship passenger traffic is expected with the largest growth in St. Croix, which has 101 scheduled calls in FY25 versus the 57 calls received in FY24. Three years ago, St. Croix received **less**

than 40,000 cruise ship passengers. As of **September 30, 2024**, we recorded **144,930** cruise passengers arriving in St. Croix, and in FY25 we anticipate **275,000** passengers.

I recall years ago when we would have five ships in St. Thomas and none in St. Croix. Thankfully, those days are a thing of the past. This is directly attributed to the increase in Royal Caribbean ships visiting St. Croix as part of the agreement between VIPA and Royal Caribbean Group. Other ships that have called on Frederiksted include Carnival Cruise Line, Virgin Voyages, luxury yachts owned by the Ritz-Carlton, and the Norwegian Jade which made its inaugural call to St. Croix on October 24th and brought the Ubersoca Cruise to the shores of St. Croix.

For over 20 years, cruise ships berthed in St. Croix for free while it cost VIPA \$400,000 annually to operate the facility. This was not sustainable. The discussion about increasing fees was not easy or comfortable but it was necessary. In our negotiations with Royal Caribbean, we began to charge \$5 per passenger and in October 2022, we increased it to \$7 per passenger for cruise ships berthing in St. Croix. In 2023, Royal Caribbean agreed to pay an additional \$5 per passenger which is only paid by Royal Caribbean ships. This five-dollar Capital Cost Recovery Charge will be used to improve the cruise facilities in St. Croix and in St. Thomas.

Partnership with Royal Caribbean Group - Improvements to Frederiksted and Crown Bay Cruise Ports

VIPA's partnership with Royal Caribbean Group has already yielded noteworthy results, as we have observed an increase in cruise traffic from Royal Caribbean and Celebrity ships. Efforts are underway to enhance the Frederiksted Pier to accommodate Freedom-class ships, with discussions about the possibility of even larger class vessels. Additionally, improvements are planned for the Crown Bay cruise port, including constructing a third cruise ship berth. This will be paid for primarily from the Capital Cost Recovery Charge or "CCRC".

Charlotte Amalie Harbor Dredging Project

The West Indian Company requested that the harbor be dredged to minus 40 feet, and we are preparing to dredge to the requested depths. Dredging is necessary to accommodate the ships that are increasing in size, and to address sediment deposits caused by vessel movement, storms, and landside runoff.

VIPA's Board recently approved amending the VIPA Marine Tariff to increase port dues charged to all cruise ships entering the St. Thomas/St. John District by three dollars (\$3.00). This increase will be used to fund anticipated costs associated with the project. A public hearing regarding the increase in port dues was held on October 15, 2024, as required by law.

We thank the Bryan/Roach Administration, the Legislature, and the Public Finance Authority for its assistance in providing \$18.4 million in appropriations for this project.

We will not have a final cost for the project until bids are received. We plan to issue the bids in the next few weeks.

Ann E. Abramson Marine Facility

Our contractor is replacing the south tender landing service pier at the Ann E. Abramson Marine Facility. The pier is used by tour operators, divers, and other small vessels. Pile driving has progressed over the last few months and VIPA is expecting the project to be completed and open for use in mid-2025. The actual pile driving was delayed due to supply issues, however as we stand today, that portion of the project has been completed. This project was funded via Act 8447, an appropriation requested by Governor Albert Bryan Jr. from the Legislature of the Virgin Islands.

MARINE PROJECTS

Crown Bay Cargo Port Development

VIPA executed a grant agreement with the United States Maritime Administration (MARAD) for the Crown Bay Cargo Terminal Improvements project in January 2024. This project, supported by VIPA's private sector partners Tropical Shipping & Crowley, works to repave, replace, and upgrade the aging port infrastructure at Crown Bay. VIPA's consultants are currently wrapping up the 90% design package with the expectation that the construction project will be ready to bid in early 2025.

Urman V. Fredericks Marine Terminal

Dredging at the Noel Boynes Car Ferry Dock in Red Hook was completed last December. The restrooms at this facility were also completely renovated. We plan to resurface the entrance and facility road at this facility in the upcoming months.

Loredon L. Boynes Sr. Dock Improvements

The improvements to the Boynes Dock in Cruz Bay, St. John, will be completed by the end of this year. The project entailed 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. Additionally, we are currently advertising for a custodian position to ensure that the restrooms remain open when the facility is open. It is funded via appropriations from the St. John Capital Improvement Fund via Acts 8644 and 8401.

St. John Community Park

VIPA has engaged the residents of St. John to develop ideas and a concept for a multi-purpose facility for community gatherings and cultural events in St. John. The park will be built on VIPA-owned land at Enighed Pond in Cruz Bay. VIPA and our consultants have completed the necessary geotechnical investigations for the future community park and are working on ground improvements as a part of the Schematic Design phase. VIPA anticipates that this work will be completed in January 2025 and will re-engage with the community in the first quarter of 2025 to reintroduce the project and discuss the next

steps of the process. The Legislature of the Virgin Islands appropriated \$400,000 for the facility's design via Act 8473. The Legislature also recently appropriated \$10 million to construct this facility via Act 8920.

Cruz Bay Fishermen Facility

The Legislature has appropriated funds via Act 8515 to build a fishermen's facility at the Victor Sewer Marine Facility (The Creek) in Cruz Bay St. John. VIPA and our consultants are working on the design development package and are preparing to put the full design package out to bid in mid-to-late 2025.

Wilfred Allick Port & Transshipment Center Terminal

MARAD has selected VIPA for an award of grant funds for the reconstruction and modernization of the Wilfred "Bomba" Allick Port and Transshipment Center in St. Croix. VIPA partnered with Tropical Shipping to receive this grant. VIPA is currently working through the pre-award National Environmental Policy Act (NEPA) process and is expecting the award of this grant in mid-2025. VIPA has also received approval from MARAD to begin design as a pre-award activity. This work is starting up just now and VIPA expects design to last approximately 12 months for the project.

Gordon A. Finch Molasses Pier Terminal

The contractor is addressing the final punch list items at this facility. We have tenants prepared to rent the space in the facility, and we expect to begin the move-in process before the end of this year.

Chairman James, this concludes testimony. My team and I are prepared to answer any questions you may have regarding the information presented.