The Virgin Islands Consortium

Opinion: Moving Forward Despite Irma

Opinion / **Published On September 14, 2017 12:14 PM /**

Staff September 14, 2017

One of my favorite maxims is "never let a crisis go to waste".

Why does this speak to me?

It reminds me that there is opportunity in the most challenging of situations. The emphasis is not on any crisis. It is the opportunity that each crisis represents for change.

Crisis focuses our attention. In the moment we are receptive to alternative solutions, which solve our problem and assure us that, once addressed, we need not revisit the same situation again in the near term.

Consider this thought in the context of several challenges we as a community confront.

We must rebuild our community from hurricane Irma's destruction. We must address the financial problem of government operations. We must stabilize and expand our economy giving particular attention to the decline in cruise tourism, which has been the mainstay of our tourism product for forty plus years.

In the past few years since the closing of the St. Croix refinery, St. Thomas and St. John tourism have supported the territory's economy. Irma's destruction changes this. In the coming weeks and months we will know how dramatic is this change.

Both islands will require months if not years to fully recover. The winter season starts in a mere two months. Vacationers are deciding travel schedules at the same time headlines inform of Irma's damage to our infrastructure.

In a competitive environment, absence of product provides others an advantage.

Destroyed infrastructure requires substantial reinvestment. Federal assistance may require match funding.   Local spending needs a source of funding whether from tax revenues directly or from borrowed funds.

Our local government has limited capacity to match federal grants, no access to the capital markets and limited cash flow beyond funding some basic operating expenses.

Irma will undoubtedly produce a momentary boost of economic activity. FEMA funding and insurance proceeds will stimulate construction spending. Families will draw from savings to fund repairs. There will be a pick up in spending on home improvements and consumer durables including automobiles. Businesses and workers will benefit from this increased consumption.

Government tax revenues will see an uptick. However, this will have a circumscribed life. Reconstruction is not an ongoing activity. Absent actions that institutionalize positive economic change, we will be soon be back at the point we were before Irma, with more personal and institutional debt, less savings and more financial exposure.

Offsetting the benefits of increased construction activity is the inevitable drop off in tourist activity.

Spending on hotels, shopping, restaurants, boating and villa rentals will fall. Many of our hotel facilities now require substantial repair. Tourist visitation will decline. Absent an aggressive campaign, St. Croix tourism will suffer as the media paints the entire Virgin Islands with one brush and fails to distinguish that the ravages wrought on St. Thomas and St. John were avoided by St. Croix.

It is imperative that we be planful in addressing reconstruction and repositioning of the economy in the aftermath of hurricane Irma. This will require fighting the impulse and popular pressure to immediately replace what was lost to the storm.

The decisions we now make will have long-term implications. We must do what is essential; possibly using temporary fixes, until we can fully consider what is in the community's long-term interest in terms of rebuilding our infrastructure and repositioning our economy. The finished product must be more resilient, competitive and more able to compete in a changed regional, global and ecological environment.

Locals, particularly skilled government workers, should be encouraged to take advantage of the upswing in entrepreneurial activity stimulated by hurricane reconstruction. This can contribute to reducing government's head count through attrition.

Government and EDC beneficiary spending can be supportive of start-up ventures, where possible and prudent. Support will need to be sustained beyond the reconstruction period to allow these new businesses to become sustainable.

These and other productive initiatives are elements of a creative economic development policy.

Port call statistics inform us that Cruise tourism is on the decline. A walk down Main Street on St. Thomas gives anecdotal evidence to this reality. Vendors offer similar products with high margins and low inventory cost, and for rent signs emerge on a strip that heretofore demanded and received key money from new aspirants.

A critical eye to how we restructure our tourism product can offer opportunities for entrepreneurial expansion. Diversification beyond cruise tourism will create opportunities for eco tourism; historical and cultural tourism; expansion of our marine industry and re-emergence of a boating industry. We now have the opportunity to regain some amount of what was a $100 million plus industry lost in the mid 1980s because of the six passenger uninspected yacht restrictions imposed by the Passenger Vessel Safety Act of 1993. The Virgin Islands was exempted from this provision of federal law in 2015. Mega yachting can also contribute substantial revenue to local businesses if aggressively promoted and supported.

The good news is that air arrivals were up before Irma visited. These visitors stayed at hotels, found accommodations in the sharing economy, chose boat charters, stayed longer and contributed more diversely to our economy. Their ecological footprint was less pronounced than is the footprint of cruise tourism. By calling on a wider variety of venues and having time to engage with the community its history and culture, the economic and social benefit from these visitors was more inclusive.

If we are willing to take the long view, we will broaden the territory's appeal across the tourism product spectrum as we rebuild.

St. Croix is actually setting an example, albeit in small numbers. The numbers of restaurants are increasing, car rentals are up as are off-season visitors, and the island retains its genteel appeal for both residents and visitors. As numbers increase so will offerings and venues. Visitors want to be and experience what resident's experience. That is the true tourist experience. It produces dividend to both the visitor and the community, is shared among savvy travelers, and grow destination subscription.

Economic diversification beyond tourism requires a candid assessment of competitive advantage grounded in fact based strategic analysis, bottom up planning and policy development. It requires an overarching organizational structure which government can provide.

That strategy will consider existing land use and available resources, the capacity of our educational institutions to deliver technical skill training and integrate our cultural, natural and artistic resources. It will focus on expanding our quality of life, community offerings and amenities. It will address safe streets, the availability and sufficiency of affordable housing, affordable and responsive public transportation systems, and strong environmental policies.

It will take a hard look at our community's aging demographics and workforce and initiate efforts to encourage immigration of young workers, which in these Virgin Islands is now statistically well below the national median. Taken together, this strategy will stimulate local business development, drive a higher quality of service, accelerate innovation, elevate per capita income and make economic development more inclusive.

It will focus on the importance of *place* recognizing that a location populated by individuals who want to be there is an attractive destination for prospective workers, visitors and retirees

Accomplishing this is not easy and requires deliberate thought, planning and careful execution.

Community organizations can help define the vision; government must provide the organization and coordination; businesses can provide the competitive leadership and wealth creation; and our university and educational system the knowledge transfer and training essential to ensuring the local workforce is ready to staff a redirected economy.

Our present situation does not allow for extended delay in moving ahead. However, absent a well thought through strategy, we will compromise the effectiveness of using a crisis advantageously.

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Feature Image Credit: Darryl Potter.