The Virgin Islands Consortium

At First Meeting Since Announcing Bid, Mosler Says He's Best Suited To Lead Territory Out Of Financial Crisis: 'It's The Stuff I Do Naturally'

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ST. CROIX -- The crowd was small and older, and remarkably quiet. They had visited on Wednesday evening the building adjacent to the Juan F. Luis Hospital once owned by Viya, to listen to Warren Mosler talk about his plans for governor. It was Mr. Mosler's first event as a gubernatorial candidate, and there, the businessman, whose assets spread across the territory and the U.S. mainland -- including the building in which the meeting was held -- made plain how he intended to right what he deems a ship that has veered dangerously off course.

Mr. Mosler, who is no stranger to the political scene in the territory, expounded on his understanding of finances as his main advantage over Governor Mapp and contending candidates. Finance, Mr. Mosler stressed, comes as second nature to him. "It's the stuff I do naturally the same way a doctor would treat people. This is what I do," Mr. Mosler said. And in a time when the territory has been shut out of the bond market, and with a budget deficit nearing $300 million, the candidate made the case as to why he'd be the best man to lead the territory back to stability.

In explaining how the territory could come out of over $2 billion in debt, Mr. Mosler said, "If the federal government were to pay off the bond holders -- and it'd be at a substantial discount right now, which helps us -- we'd owe the money to the federal government instead of the bondholders. The federal government doesn't have any risk because they are the ones paying the rum money [rum cover over taxes to the government], and then they would be getting it. So the same persons paying the money are the same ones getting it. There's no risk."

The federal government collects taxes on rum produced in the territory and sold in the U.S. Once collected, it remits the funds back to the territory annually. The funds average between $200 million to $250 million. But the local government never really sees the funds; the money is paid to the bondholders, with the government getting what remains -- last year roughly $30 million out of $224 million. The move would substantially help the territory's credit standing, Mr. Mosler contends.

The gubernatorial candidate also spoke of a recent $80 million bond purchase that the Virgin Islands Water and Power Authority made for new equipment, which he said came at a high interest rate of 15 percent. The purchase was made through a private group, as WAPA and the VI government do not have access to the open bond market because of junk-rated bonds.

The debt could have been avoided, Mr. Mosler said, through what he called payment in-kind bonds -- which he said WAPA executives had no knowledge of.

He explained, "Payment in kind bond means, let's say you owe WAPA money, the problem is they have to pay you back. And if they don't pay you back, you lose your money. Well, with the payment in-kind arrangement, you can loan WAPA money, and if they don't pay you, whatever they owe you, you can take it off your WAPA bill. So if I loaned WAPA $3,000 on this kind of arrangement and my WAPA bill is $100 a month, if they don't pay me back my money, I stop paying my WAPA bill until I've saved $3,000. Now you don't have to worry about getting back your money because you get you money by not paying them.'

Mr. Mosler added, "In large numbers, the banks love this. So if I'm a bank here and I loaned WAPA $5 million and they don't pay me, and it's a payment in-kind bond, everybody at my bank -- every time they go to make a WAPA payment -- I say, wait a minute, I'll keep the money. So the banks know they'll get the money because they get it by not paying WAPA."

Mr. Mosler spoke on other issues as well, including the government giving each student in the territory $10,000 to attend private school, a move he said would save the government $50 million annually in revenues; reduce the Senate to 7 senators representing St. Croix, St. Thomas and St. John; partner with cruise ship companies "to do what it takes to make St. Thomas their featured destination; and establish hospitality training for all government employees. Mr. Mosler also spoke of working to secure direct air travel between New York and St. Croix.

The candidate is one of many joining the 2018 gubernatorial contest, with Albert Bryan, Soraya Diase-Coffelt, Angel Dawson, Positive Nelson, Moleto Smith and Randolph Bennett all vying for the territory's top seat against the office's current holder, Mr. Mapp.