

The Virgin Islands Consortium

Governor Mapp Says He Refused New Rum Companies Because They Wanted Similar Deal To Diageo, Cruzan Rum

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ST. CROIX -- Governor Kenneth Mapp said on Wednesday night that he refused to do business with two rum companies -- [not three as his Senior Policy Advisor Frankie Johnson had stated](#) -- because the companies wanted an agreement similar to Diageo USVI's and Cruzan Rum's, and that was something the governor said he was not willing to do.

The response to Mr. Johnson's revelation that Mr. Mapp had turned down rum companies came during the governor's Virgin Islands Political Consortium interview on

Wednesday, held at Government House, where the governor fielded questions on a number of matters.

"We don't have any interest because we're not in the business of giving away the revenues of the treasury and then putting the burden on the citizens that live and work in the Virgin Islands and conduct business here," said the territory's leader.

Mr. Mapp, though expressing no intention of revisiting the deal, has nonetheless spoken vehemently against the agreement, contending that the administration of John de Jongh gave up too many concessions, which he contends has cost the local government dearly.

For example, the Internal Revenue Matching Fund, known as the rum cover-over funds that the territory receives annually from the U.S. Treasury, hover between \$225 million to \$250 million, most of which go towards paying the territory's bondholders. Of the remaining funds, Diageo USVI and Cruzan Rum receive the lion's share for promotional fees and molasses subsidies, as per the government's agreement with the companies.

This year, the governor said the rum-cover funds to be received from the federal government jumped from \$227 million to \$251 million. He said the rum revenues to the general fund this year will be \$24 million, \$20 million of which will go to the rum companies, while \$4 million will remain with the local government.



That construct, Mr. Mapp has contended, does not benefit the USVI, and he would not offer any other rum company a deal that mirrors the current. He also reminded that the local government paid \$250 million to build the Diageo plant.

"The molasses subsidy on rum is 16 cents a gallon by the rum company, and the people of the Virgin Islands pay the difference. It takes one gallon of molasses to produce one gallon of rum. When the Diageo deal was ratified in 2008, one gallon of molasses was

\$1.68, so when you took out the 16 cents, the people of the Virgin Islands paid \$1.52 for molasses. You multiple that by Diageo's 9 million gallons of rum, and that's about \$13 million a year in rum subsidy," Mr. Mapp explained. "Today in 2018, a gallon of molasses on the spot market to produce one gallon of rum is \$2.98. Diageo pays 16 cents, and the people of the Virgin Islands pay \$2.82 for that gallon of rum... So when you bring rum companies to the territory under that regimen, we, with the rum companies that exist today, could find ourselves going to the general fund to take money out to pay to the rum companies."

When Mr. Johnson revealed that the governor had turned away the rum companies, Democratic gubernatorial candidate Albert Bryan saw an opportunity to chide his opponent.

"If we're saying that the governor had three offers to build distilleries here that's shame on him. We had offers to build three distilleries in the Virgin Islands; that would have fixed our retirement system overnight," Mr. Bryan said. He added that even if the agreements with each of the rum companies resulted in \$20 million per deal to the government, "that's \$60 million for the Virgin Islands. You can't lose what you don't have."

"If you have zero now and people are bringing \$60 million, that's \$60 million more," he said. "That would have fixed our system, and that's exactly why you need to change course, because you're hearing from the governor's special assistant telling you that three distilleries, not one, not two, three distilleries knocked on our door and he told them no. That's not a good thing; I don't know if we should applaud that. I mean that's quite shocking from my perspective."

On Wednesday, Governor Mapp said anyone who says bringing rum companies here would help fix G.E.R.S. was misguided.

"When someone says to you let's bring more rum companies in because it will fix the G.E.R.S., or it will help the government, it's because they have yet to look at the deal that this government signed in 2008 with Diageo," Mr. Mapp said.

"If you may recall, in 2008 former senator Adelbert Bryan and I were the only two people that testified not against Diageo; I don't have any problem with Diageo and I concede that producing rum in the Virgin Islands and selling it on the U.S. mainland is a good thing. But the deal that was constructed and the subsidies that were provided really is destroying the rum revenues for the people of the Virgin Islands.

"We just got 24 more million dollars in rum revenues -- from \$227 million to \$251 million. Of the 24 new million dollars, the people of the Virgin Islands get \$4 million, and the rum producers get \$20 million," the governor added.

He went on: "Campaigning is really easy. You can get out and say something that sounds good, and when someone responds you could say they're not making a good decision. But if you don't understand the details of the arrangement, then you will make the kind of decision that my predecessor made that have us paying 100 percent for the cost of producing rum, a 100 percent for the plant that's producing rum, and then giving up almost 50 percent of our rum as a subsidy to the rum producer."