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# USVI Tops First Quarter Tourism Rankings in Caribbean; Department Eyes Budget Boost Amid Praise and Criticism From Lawmakers

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**From left to right: Ian Turnbull, Joseph Boschulte, and Alani Henneman Todman - Division of Festivals director, Tourism commissioner, and Tourism assit. commissioner respectively. By. V.I. LEGISLATURE**

On Tuesday, it was the Department of Tourism's turn before the Senate Committee on Budget, Appropriations and Finance.

Tourism Commissioner Joseph Boschulte supported his department's request for a 13% bump in their annual allocation with testimony that highlighted outstanding growth in the sector. The just over \$30 million being requested will fund the department's operations with money from the

Tourism Advertising Revolving Fund. As Mr. Boschulte outlined the department's fiscal year 2024 budget plans; he highlighted a continued forceful marketing approach to ensure the U.S. Virgin Islands remains a top-tier tourism destination.

"We have to continue to stay aggressive," he noted, testifying that despite stiff competition from Jamaica, Puerto Rico, and the Dominican Republic, the U.S. Virgin Islands was number one for the first quarter of 2023. A roaring return of the cruise ship sector has been stronger than anticipated, Boschulte said, with vessels arriving into port an average of 92% full.

Boschulte credited the 30% increase in hotel room tax collections in 2022 to high occupancy rates, strong average daily rates, and a flourishing sharing economy, including Airbnb. A combination of these factors resulted in record revenues of \$45 million in the tourism advertising revolving fund in 2022, up from \$31 million in the previous year.

The department's 2024 budget plans include spending the proposed \$4 million increase in its budget allocation on marketing, advertising, and public relations. Boschulte pointed out that a significant amount of these funds will be allocated to digital media, social media, TV and print broadcasting, trade shows, and promotional events. The commissioner highlighted the success of the 'St. Croix Vibe' campaign in boosting the island's airlift profile, but acknowledged that St. Croix's leisure tourism traffic is less than St. Thomas. This is due to a higher proportion of local and business travelers on flights from St. Croix to the mainland, impacting how airlines allocate their assets.

Efforts to enhance the cultural experience for tourists also remain a top priority. Boschulte explained that the department aims to leverage the community and entrepreneurs' creative ideas and businesses. With a strategic emphasis on social media visibility, he affirmed, "I think those are the ways that the culture really gets out."

While she welcomed the good news regarding the sector, Committee chair Donna Frett-Gregory took issue with some aspects of the management team's decision-making. During her questioning, Frett-Gregory discovered that the department's 20 employees had not received raises since approximately 2017. With both Commissioner Boschulte and Assistant Commissioner Alani Henneman Todman agreeing that increases were well-deserved by the small team, the senator instructed department leadership to present Governor Albert Bryan with a proposal to that effect. "Have it signed, and pay the people," Frett-Gregory declared. "Y'all are doing an excellent job and you can't do it without your employees. So your employees have to feel good about themselves," she continued, indicating that she had information about discontent among the staff, "because everybody else in this government got salary increases." The senator promised that legislators would themselves allocate increases for Tourism employees if Boschulte had not submitted a request by the end of the budget cycle.

Frett-Gregory also raised concerns over fund balance inaccuracies and declared that the 2024 budget won't move forward until they are reconciled. "This is misleading because right now they're saying available for budget is \$77.6 million, but in fiscal year 2022, they said that you only obligated or spent \$16.8 million," Frett-Gregory said. She asserted that there will be a 90-day period for the Department of Finance to reconcile the discrepancies.

Additionally, Frett-Gregory criticized the department for its lack of transparency with key performance indicators (KPIs), insisting on a need for clearer data presentation in budget documents. "If you give me a nominal target, tell me what is the result of the target? We got to see the results," Frett-Gregory emphasized.

A significant amount of time during Tuesday's hearing was spent discussing the apparent disparities in treatment between local performers hired by the Department's Division of Festivals, and artists from outside the territory.

Senator Franklin Johnson asked why local artists were not receiving the same type of contracts that international artists got, expressing his dissatisfaction with the department's Festival Division. "We have to treat our people better," Johnson said, referencing both the delayed salary increases for Tourism staff and the different methods by which international and local artists are being paid.

Director of Festivals Ian Turnbull, explained that the payment systems differ due to some local artists being vendors in the government's ERP system. Senator Frett-Gregory took issue with this response, however, asking "so we treat our local artists one way and our international artists another way?"

Boschulte elaborated that while the system is the same, the ways to get paid are different. "If we have international artists that we have to book...we have an intermediary that goes out on behalf of the department," he said. Local artists, on the other hand, are paid through the system, not through the third-party intermediary.

Sen. Frett-Gregory expressed concerns over tax obligations, noting that locals paid their taxes, but questioning who was responsible for international artists' tax obligations. Turnbull admitted that for most international acts, the department incurs their taxes as part of their contracts.

Ultimately, Turnbull agreed that harmonizing payment methods going forward was something the Division would review.

Johnson also expressed concern about the cutback on the Crucian Christmas Festival, and he questioned Boschulte about the reduction in the festival's duration. Boschulte emphasized the economic pressures resulting in rising prices following the Covid-19 pandemic and a strategic shift towards "quality events over quantity". He explained, "So what used to be the cost to produce 10 Nights is if you want to have the same quality artists and not have it be watered down, we have to make some critical decisions...to have five or six or seven nights that everybody can appreciate. Money's made, we will have a good time versus having 10 nights."

However, Senator Kenneth Gittens showed frustration over perceived imbalances between the districts of St. Thomas and St. Croix. "What we want to see is that equality between the two districts. Enough just ain't happening on St. Croix, commissioner," Gittens said, lamenting the lack of presence and involvement from the Department of Tourism in St. Croix. Senator Samuel Carrion also pressed for tourism development work on the Big Island, asking the department about their plans to identify scenic lookouts in St. Croix and enhance tourism infrastructure. He urged D.O.T. to collaborate with other government agencies to create attractive points for marketing.

Boschulte welcomed the suggestion. "We will definitely look into doing more in terms of investing in other projects as Senator Gittens and you have mentioned," he said.

Senator Javan James, while commending the department for its efforts thus far, raised questions about the positioning of airport greeters, the development and promotion of sports through a \$1 million annual budget allocation, and the department's plans to enforce an Act supporting educational grants and scholarships for Virgin Islands culture.

Boschulte responded, "We will go back and revisit to better position our greeters," addressing the senator's concern about the visibility of greeters at St. Thomas and St. Croix airports.

In response to questions about new projects under the \$1 million sports promotion budget, Boschulte detailed plans for a HBCU basketball tournament and talks with professional soccer teams for potential training or exhibition games in the territory. He also mentioned agreements being finalized with various sports ambassadors, stating, "We have negotiated terms; we're finalizing a few deals that are very good for the territory."

The commissioner, however, noted that the department does not have a direct budget line for the enforcement of the Act supporting educational grants and scholarships for the study and training of Virgin Islands culture. "We'll restart the conversation with Government House to figure out where it is," Boschulte told the senator.

Senator Dwayne Degraff voiced his dissatisfaction with the dilapidated state of the department's St. Thomas offices. "It needs to reflect better for the magnitude and power that the Tourism Department has," DeGraff stated, suggesting the department invest in improvements to the complex. Boschulte assured the senator that the department would "look into acquiring that next building and doing some things."

In response to a question from Senate President Novelle Francis, Commissioner Boschulte said he did not see the recent establishment of a direct air linkage between the United States and the British Virgin Islands as a threat to airlift into the USVI. The relatively minor capacity and the high prices of the American Airlines flights into Beef Island have not made a dent in arrival numbers on this side of the border. "So since those flights have gone into effect this month, our flights are still coming in full into St. Thomas," Boschulte said. To the department, the new flights are a positive, "because if the region has more lift, I think all of us will ultimately benefit."

Strong airlift capacity notwithstanding, senators expressed concerns about the ability of the accommodation sector to keep up with demand. Carrion broached the subject of the sharing economy, emphasizing the importance of extending agreements with platforms beyond Airbnb.

Boschulte acknowledged these concerns, stating, "With regards to the sharing economy space, we are trying to work with Government House on having similar agreements with some of the other sharing economy providers. The only one that's in place is with Airbnb." The commissioner outlined the ongoing dialogues around expanding overnight accommodations on St. Croix, as well as discussions on hotel development. He cited promising signs of hotel development, though he cautioned that full realization of these projects could be at least 18 months away.

Specific concerns about the delay in the reopening of the Westin Frenchman's Reef in St. Thomas were also raised during the hearing. Johnson questioned the impact of the delay on conference tourism, pointing out that several conferences had been relocated due to the resort's delayed opening.

"We are as frustrated as you are with regards to the delayed opening of the Westin Frenchman's," Boschulte acknowledged. He shared that the department has been in regular contact with the resort's management, maintaining hope that it will be ready to welcome guests in the upcoming months.

In response to these concerns, Senator Frett-Gregory encouraged both the Economic Development chair and the president of the Senate to call a committee meeting to discuss the Frenchman's Reef

situation further.

Despite the at-times intense critique, legislators seemed pleased overall with the department's performance in shaping one of the sectors most vital to the territory's overall economy.

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