

## EXECUTIVE SUMMARY

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# The Value and Contribution of the UVI RTPark to the US Virgin Islands

# Introduction

This Executive Summary highlights the findings of a study on the value and contribution of the Research and Technology Park (RTPark) to the United States Virgin Islands (USVI).

The RTPark is a specialist economic development agency that seeks to bring investment into the USVI by attracting technology and knowledge intensive firms into the Territory. The Study was commissioned by Governor Kenneth A. Mapp on the tenth anniversary of the program and conducted by an internal team in Summer 2016. It shows convincingly that the RTPark program is of positive value to the USVI economy and society.

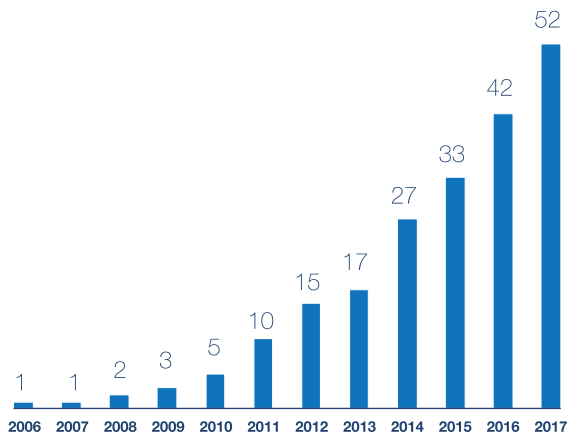
# The RTPark Program

The RTPark was established in 2002 and secured its first client in 2006. It was created through a vision of leaders at the University of the Virgin Islands (UVI), working closely with members of the legislature and the private sector. Their aim was to create a platform for diversifying the USVI economy and for stimulating growth and development of the islands.

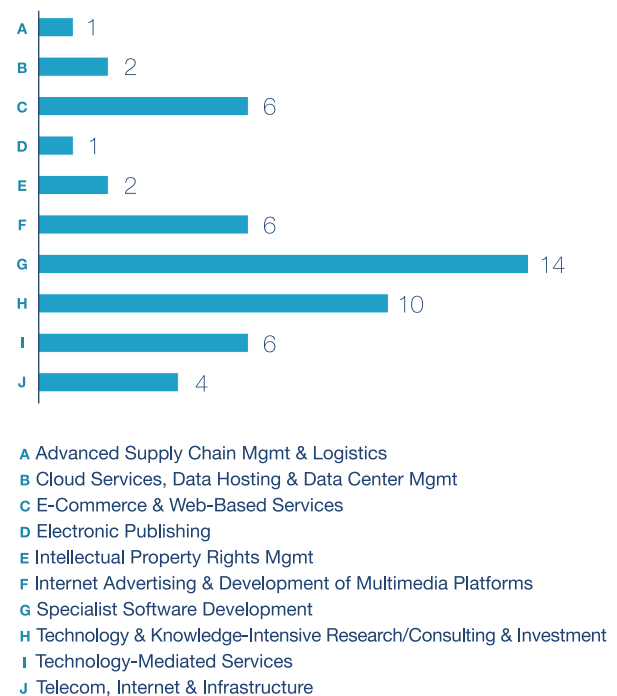
The RTPark manages a tax incentive program and offers advisory and technical services. In exchange for a 90 percent tax write-off for 15 years, companies make investments in the USVI, set up residence and undertake a range of other engagements with the Territory. This includes making socially beneficial commitments to UVI and other bodies.

The program secured its first client in 2006 and has grown tremendously over time, attracting increasing numbers of impact investors in high-growth technology clusters (see Figure 1). RTPark clients are engaged in a diverse number of fields in technology and knowledge intensive domains (see Figure 2).

**FIGURE 1:**  
RTPark – Growth In Client Base\*



**FIGURE 2:**  
RTPark Clients – Business Segments\*



\*FIGURES 1 and 2 Source: RTPark Program Client Database 2017

## Methods and Data

The study was conducted between April and September 2016 and involved 3 main steps. Firstly, the design of a framework to analyze the ways in which companies make net contributions to the USVI. On the positive side, these included direct economic contributions such as employment; direct social contributions such as UVI scholarships; and indirect contributions, for example through the purchase of property, education and health services. On the minus side, were the taxes foregone by the Government as a result of the tax incentive program. The comparison between positive contributions and costs was then calculated.

The second step involved the collection of the data required for the measurement of net contributions. Since the Study was commissioned in early 2016, information was assembled for the year 2015. Where possible, data for January-June 2016 were included. Data were collected through: reviews of RTPark client records; a survey questionnaire distributed to 34 companies (90% response rate); and structured, key informant interviews with 18 principals from 15 companies.

The third step involved analyzing the data and assessing the contributions of RTPark companies to the USVI economy.

## Key Findings

The net contribution of the RTPark to the USVI is overwhelmingly positive

The RTPark made a net positive contribution of US\$70 million to the USVI economy in 2015, equivalent to 2.0 percent of the Territory's gross domestic product.

Gross contributions were an estimated \$91.5 million and offsetting tax benefits to RTPark clients amounted to \$21.5 million. The largest category of gross contributions was business expenditures, consisting of payments to meet payroll, independent contracting and other services, as well as, investments in equipment and infrastructure.

**TABLE 1:**  
Net Benefit: RTPark Program, 2015

RTPark Gross Contributions		(\$ million)
1*	Business expenditures ( <i>Payroll, independent contracting, service provision, other investments</i> )	83.0
2	Expenditure on UVI commitments ( <i>Scholarships, internships, special projects</i> )	0.5
3*	Other USVI expenditure ( <i>Consumption, social and community investments</i> )	8.0
<b>A</b>	<b>GROSS EXPENDITURES: LINES 1+2+3 (A)</b>	<b>91.5</b>
<b>Tax Benefits to RTPark Companies</b>		
4	Taxes paid by RTPark companies	6.5
5	Taxes foregone by USVI	28.0
<b>B</b>	<b>TAX BENEFITS TO RTPARK COMPANIES: LINE 5 – 4 (B)</b>	<b>21.5</b>
<b>NET BENEFITS TO THE USVI (A) – (B)</b>		<b>70.0</b>

\* Note: Categories (1) and (3) are estimates; categories (2), (4) and (5) are actual amounts.

## RTPark companies provide numerous work opportunities that are well rewarded

RTPark companies created 488 full-time, part-time, and independent contracting work opportunities in 2015. This was equivalent to 1.0 percent of the territorial labor force. They also provided 1,541 service contracts. Telecommunications and infrastructure companies were significant employers, accounting for 33 percent of all work opportunities and 83 percent of service contracts.

Work opportunities are well rewarded. On average, full-time workers were paid US\$74,203 annually, which was more than twice the mean annual wage of US\$35,000 in the USVI. For part-time work and independent contracting, average earnings were US\$10,428 and US\$22,135, equivalent to 30 percent and 63 percent of the USVI mean annual wage, respectively.

**TABLE 2:**

### No. of Work Opportunities and Service Contracts by Business Type, 2015

	A	B	C
No. of full-time, part-time and independent contracting work opportunities	488	160	328
No. of service contracts	1541	1285	256
Expenditure on payroll and services USD million	72.7	33.4	39.3
Expenditure on service contracts USD million	44.2	24.4	19.8

A TOTAL FIRMS

B TELECOMMUNICATIONS AND INFRASTRUCTURE FIRMS\*

C OTHER FIRMS

\* Broadband VI LLC, Choice Communications LLC, Innovative Entities, and Tropical Telecom Ltd.

## Virgin Islanders account for a large proportion of full-time and part-time work opportunities

Based on data collected for the half-year period January-June 2016, 351 work opportunities were created by RTPark companies. This was compared to 488 for January-December 2015. Of these, Virgin Islanders accounted for 179 or 51%, including 56 or 43 percent of independent contracting opportunities. Their employment at telecommunications and infrastructure companies was particularly high where they accounted for 94 percent of all full-time and part-time work opportunities.

**FIGURE 3:**

### Work opportunities for Virgin Islanders, January-June 2016



## There is a great demand for workers with strong technical skills and advanced training

RTPark firms rely heavily on highly-skilled workers with advanced training, particularly in areas such as programming, database administration, IT and network management, software development, and troubleshooting. Nine in ten managers and technical employees are educated to university level; and over 50 percent of work opportunities are represented by technical workers.

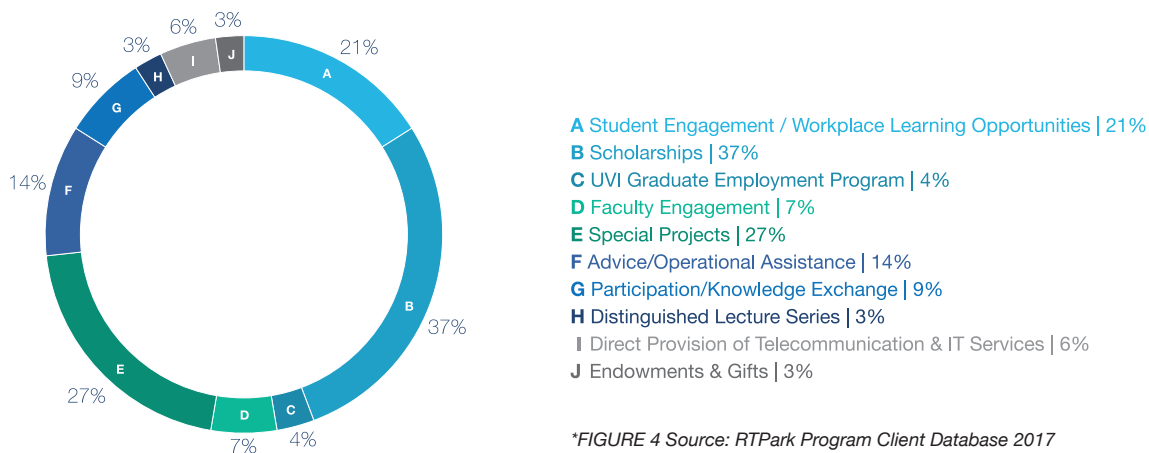
Interviews with principals at major companies revealed that USVI was unable to meet their demand for skilled workers. There were many reasons for this: difficulties in sourcing technical and other professional skills locally; insufficient training opportunities in areas such as telecommunications, programming, statistics, software development and IT; inadequate professional experience; a lack of professionalism and good work ethic; and undeveloped or ineffective job-matching tools.

## RTPark Companies build workforce of the future

Several companies were proactively engaging with UVI to deepen student engagement in technical areas and expand learning opportunities through the direct provision of internships and scholarships.

UVI commitments made by RTPark companies are very valuable. In 2015, the value of executed commitments to UVI was \$0.5 million. These funds were used for a range of activities including scholarships and internships, purchase of equipment, direct support for special projects, and advanced training in computer programming. See Figure 4 for current data on how RTPark companies make commitments to UVI.

**FIGURE 4:**  
RTPark Client Commitments to UVI Academic Programs\*



## Active high net worth economic agents are embedded in society

RTPark client firms are led by high net worth individuals who are embedded in the USVI and make substantial economic and social contributions. Evidence of this can be found in the purchase of vehicles, property acquisition and remodeling, recreation and leisure, and family health and education services. Based on data from five firms, property acquisition and renovation represented investment of at least US\$18 million in the Territory. Other than economic initiatives, RTPark firms also contributed on the community front, sponsoring various health, culture and sports initiatives.

## Tax incentives remain the motivating factor for firms to locate in the USVI

Companies that participated in the key informant interviews all confirmed that the availability of tax benefits was the single most important factor in their investment decision. Others included their excellent relationship with UVI and the advantage of operating within a U.S. legal and business environment. Companies also stated that their business operations had flourished and they planned to remain in the USVI, make further investments, expand their businesses and continue to act as ambassadors for the RTPark program.

## Conclusion

The USVI is in the midst of recovery from the devastation caused by 2 category 5 hurricanes in September 2017. This added to the significant economic challenges the Territory faced. Going forward, it is important to optimize the value and benefits derived from all significant assets. The RTPark program provides an effective and efficient means for the Territory to attract investment and does this successfully by building on the Territory's reputation as an open, business-friendly, and stable political and regulatory environment.

The findings of the study highlight the substantial value that the RTPark program brings to the USVI. RTPark clients make important economic contributions and additionally invest in society and quality of life in the USVI. The RTPark program has also demonstrated financial strength and financial integrity. Its engagement with key interest groups in society provides an example of good corporate citizenship. As a specialist investment facilitation program that showcases the USVI, it is delivering strong growth, contributing to diversification, changing perceptions of the Territory, and significantly enhancing its prospects.