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United States Virgin Islands

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I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island), transferred in 1996 by the United States Department of the Interior to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas. The Islands were Danish territory from 1754 to 1917, when they were purchased for US$ 25 million by the United States of America. The Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for the Territory.

2. The population of the Territory in 2004 stood at 108,775, with 4,252 people living in St. John and the rest almost equally divided between St. Thomas and St. Croix. About 50 per cent of the population is younger than 35 years of age. The composition of the Territory's population is 78 per cent black, 10 per cent white and 12 per cent other.[2]

II. Constitutional, legal and political aspects

A. General

3. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. With the adoption by the administering Power of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a Governor, who has been elected on the same ticket as the Lieutenant-Governor since 1970 by popular vote for a four-year term. The Governor is limited to two consecutive terms, but can be elected again after one full term out of office. The Governor appoints, with the advice and consent of the Legislature, the heads of the executive departments and has the power to approve or veto legislation and issue executive orders.

4. Since the Organic Act of the Virgin Islands was revised by the administering Power in 1954, there have been four attempts to replace it with a locally written constitution approved by the people of the Territory, which would organize the internal mechanisms of Government. Although the United States Congress authorized the adoption of a local constitution in 1976, none of the four attempts has been successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and, of those, 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the electorate had voted.

5. In October 2004, Governor Charles W. Turnbull signed into law the Fifth Constitutional Convention, which was to be the fifth attempt at elaborating a local constitution. The Convention was to be formed by 30 local delegates to be chosen in a special election in February 2006. The Convention was to forward a draft to the Governor, who then would submit it to the United States President. Upon approval by the United States Congress, a referendum to ratify the document could be held.[2] In his 2005 State of the Territory address, Governor Turnbull supported this

proposal, calling it perhaps the best mechanism to adopt their own constitution.[3] The Territory's Legislature, in December 2005, decided to postpone the Convention until July 2007, stating that more time was needed for proper preparation.[4]

6. At the Caribbean regional seminar on decolonization, held in May 2005, the President of the United Nations Association of the United States Virgin Islands, Judith Bourne, reiterated the need for authoritative information and education on international status issues of Non-Self Governing Territories, and on the self-determination options available to their people. She noted that while the Fifth Constitutional Convention legislation appeared to suggest an act of self-determination, federal law, however, clearly stated that "no constitution that the United States Virgin Islands adopts can affect its status as a 'territory or other property' of the United States as referred to in the territorial clause of the United States Constitution." United States Public Laws 94-584 of 21 October 1976, and 96-597 of 24 December 1980, specified that such a constitution should "recognize, and be consistent with, the sovereignty of the United States over the Virgin Islands …, and the supremacy of the provisions of the Constitution, treaties, and laws of the United States applicable to the Virgin Islands …, including, but not limited to, those provisions of the … Revised Organic Act of the Virgin Islands … which do not relate to local self-government".[5]

7. Concerning legal issues, see the 2005 working paper (A/AC.109/2005/9).

B. Recent elections and political issues

8. In the last elections for the position of Governor, held in 2002, incumbent Charles W. Turnbull of the Democratic Party, in office since January 1999, was re-elected for his second and last four-year term, with 50 per cent of the vote. Another incumbent, Donna M. Christensen of the Democratic Party, was re-elected in 2004 to her fifth two-year term as the United States Virgin Islands Delegate to the United States Congress, with 66 per cent of the vote. New elections are scheduled to take place in November 2006.

9. The last legislative elections held on 2 November 2004, resulted in the election of 15 senators, namely, 10 Democrats, 3 members of the Independent Citizens' Movement and 2 non-party affiliates. Although the results suggested a solid Democratic majority in the Legislature, three Democratic senators split with their party after the elections and, together with the Independent Citizens' Movement and the non-party affiliated senators, formed the Consensus Majority.[6]

10. In the State of the Territory address in January 2006, Governor Turnbull declared the State of the Territory one of ever increasing strength and growing confidence. Despite new and continuing challenges, the United States Virgin Islands had experienced, inter alia, solid economic growth, record Government revenues, reduced unemployment, increased investment in the public infrastructure, and a general improvement in the quality of life for the Territory's inhabitants.[7]

11. On 15 April 2005, the first meeting of the Inter Virgin Islands Council was held at Government House on St. Croix. It was co-chaired by Governor Turnbull and Chief Minister Orlando Smith of the British Virgin Islands. The Council discussed common issues facing the two Territories and reviewed the structure of 11 committees, dealing with issues ranging from mutual disaster preparedness, to inter-

territorial trade, and constitutional advancement. The Council also aspires to become a forum that manages and settles disputes in a peaceful, transparent and fair fashion.[8]

III. Budget

12. The precarious fiscal condition of the Territory at the end of the 1990s and the measures taken at the federal and local levels to avoid bankruptcy have been described in detail in the previous working paper (A/AC.109/2005/9, paras. 14-19). Since 2000, the Territory's budget has been agreed on in the framework of the Office of Insular Affairs 2000-2005 Strategic Plan, which, inter alia, called for all insular Governments to implement long-term plans to improve financial management by 2005. According to the Governor, his Administration has worked painstakingly to revitalize and strengthen the relationship with the federal Government by completing long overdue audits and bringing the local government into compliance with federal auditing standards.

13. The Government is presently working on the creation of an internal audit unit and a new financial management system, which is expected to be implemented within three to five years.[9] In June 2005, the fiscal year 2003 single audit of federal funds awarded to the Territory was completed, bringing it into compliance with federal reporting laws, and preventing it from losing federal funds under the Congressional Single Audit Act. The fiscal year 2004 audit was scheduled to be completed in February 2006.[10]

14. Despite signs of a financial recovery, the Government was expecting to face a fiscal deficit in 2005, which the Bureau of Economic Research projected at $92.4 million. To address the deficit, the Government embarked on cost-cutting measures, specifically measures to reduce the allotments to departments and agencies. Healthier revenues than expected, however, allowed increased budget allocations in the third and fourth quarter of fiscal year 2005. In addition, the Government, as at 30 June 2005, had issued about $550 million in general obligation bonds.[11] Additionally, to honour the Territory's efforts towards exercising fiscal constraints and discipline during the review period, the federal Government forgave a debt in the amount of $250 million.[7]

15. In May 2005, Governor Turnbull proposed a fiscal year 2006 budget of some $612 million, which represented an 8 per cent increase over the 2005 budget. Steady economic growth has been predicted for 2006, indicating that the economy is recovering despite external pressures such as soaring oil prices and the challenges related to the Economic Development Commission tax incentive programme and the American Jobs Creation Act.[12]

16. The proposed budget included an increase in funding for the Economic Development Authority to address the challenges from changes in the federal tax laws, thus ensuring the integrity of the Economic Development Commission tax incentive programme and continuing the Authority's lending programmes. The Office of Management and Budget predicted that Government revenue would be equal to funds needed to cover Government costs in 2006.[13]

17. On 12 October 2005, the Governor signed into law most of the budget bills which the Senate had approved a month earlier ($596 million). Five days later, he

also signed the Omnibus Appropriation Act of 2005 ($76 million) as well as the Legislature's budget for 2006 ($17.9 million).[14] The biggest shares of the approved budget for 2006 have been earmarked for the Virgin Islands Education Department, the Department of Public Works, and the Departments of Health and Human Services. Another $5.2 million in a "Christmas tree" bill of amendments passed by the Territory's Senate, was approved by the Governor in December 2005.[4]

18. In his 2006 State of the Territory address, Governor Turnbull also revealed that the overall General Fund revenues had increased almost 10 per cent in 2005 to a record $633 million. According to the Governor, the improved, across-the-board financial performance reflected a robust and reinvigorated economy. Individual income taxes increased by $25 million to a record $366 million; whereas corporate taxes nearly tripled to $117 million. Gross receipts taxes increased 10 per cent to another record $126 million. Even after the Legislature approved supplemental appropriations to meet critical needs at the end of 2005, the Government ended 2005 with a surplus.[7]

19. In November 2003, the Territory's Delegate to Congress, Donna M. Christensen, introduced controversial legislation that called for the creation of a Chief Financial Officer position. That person would be chosen by the Governor from a list of three previously nominated candidates, subject to confirmation by the Legislature, for a five-year period that would not be concurrent with the term of the Governor. According to a release from the Delegate, the Chief Financial Officer would assume the functions of the Territory's Office of Management and Budget, oversee and approve all spending, and be authorized by law to disapprove Government spending which would deepen or send the Government into financial deficit. The House of Representatives approved the bill in September 2004, but it expired as per congressional rule owing to inaction in the Senate. Brought forward again in January 2005 by Ms. Christensen, the bill was approved by the House of Representatives in June 2005. The Senate started consideration of the bill on 1 March 2006. [15]

20. In April 2005, in a letter addressed to the United States Department of the Interior, residents of St. Croix calling for that island's separation from the Territory demanded that the Department investigate the Territory's finances. Some Virgin Islands legislators agreed that a federal audit and a clearer picture of the Territory's finances would be helpful to assess the Islands' needs. They complained about a lack of financial documentation and that the gathering of financial data had been cumbersome and elusive, adding that records detailing Government debt, revenue and expenditure had been hard to come by.[16]

21. The current United States Administration believes that it is important that the Territory's self-government be preserved and that all challenges, including fiscal problems, be fully considered within the territorial Government.[17] According to media reports, the opposition of the current United States Administration to the bill represented a major political victory for Governor Turnbull, who had strongly rejected the initiative from the beginning, as did a number of members from the Islands Legislature. The Governor criticized the proposal, and characterized a Chief Financial Officer as someone who would be unelected and unaccountable, stating that it would represent a backward step on the journey to more self-government for the Virgin Islands.[3]

IV. Economy

A. General

22. In 2003, according to the Bureau of Economic Research, the gross domestic product (GDP) per capita in the Virgin Islands was estimated at $18,900; GDP was estimated to have grown by 3 per cent in 2004 and by 3.2 per cent in 2005. The growth in 2004 was derived from increased investments and consumer spending, as well as from an improvement in the United States economy, low interest rates, and federal tax cuts that fuelled an upturn in tourism and financial services activity contributing to an increase in the Territory's revenues. The growth in 2005 has been mainly attributed to increased tourism, continued strength in the financial services industry, important gains in the petroleum sector, as well as increases in rum sales and in construction.

23. In 2006, it is anticipated that the economy will continue to grow, although at a slower pace, owing to a decrease in consumer spending tied to higher interest rates and pending new Economic Development Commission rulings. Nevertheless, strong tourism and private sector development projects are expected to continue to support continued growth. A further increase in both air and ship passengers is anticipated to lead to significant revenues. A record number of 2.7 million tourists in 2005 is expected to be topped in 2006, increasing gross receipts and hotel room taxes. The rum industry has posted double-digit growth in the past four years. An increase of $25 million in excise taxes is predicted for 2006.[18]

24. The manufacturing sector has struggled owing to high production costs and increased competition, which has raised concern about "outsourcing" and employee retention. With regard to employment, the number of jobs in the oil sector has grown. The construction sector is expected to grow further in 2006, owing to major hotel and casino construction, an upgrade and extension of roads, housing and seaports, and the development of commercial and residential properties. As private sector growth has continued to climb, employment opportunities have increased. Jobs within the public sector have decreased, however, owing to administrative efforts to reduce local government positions through attrition, retirement and the elimination of vacant positions.[19]

25. According to Governor Turnbull, one of the key elements in the Territory's fiscal recovery plan was to strengthen the Economic Development Commission tax incentive programme. Commission beneficiaries generated about one third, or $127 million, of all income tax revenues and nearly 8.5 per cent, or 3,000, of jobs in the Islands prior to 2005. However, new federal tax laws introducing stricter requirements to the programme, could have a strong negative impact on the revenue of the Territory. The firm of PricewaterhouseCoopers, in a study commissioned by the Government, assessed that tax losses would be between $83 million and $100 million and that 2,000 to 2,300 jobs could be lost by 2007.[20] Despite these predictions, however, the Territory's Internal Revenue Bureau noted that positive economic factors have "buffered the beginning of the bite" of the federal tax law changes.

26. During 2005, local legislators worked to tighten some regulations in the Territory's economic development programme in order to provide an incentive for the United States Congress and the Treasury Department to ease the tax law

restrictions for the Territory. On 21 July 2005, Governor Turnbull and a large delegation from the Islands testified in Washington, D.C., before the Internal Revenue Service and the Treasury Department to gain exceptions and modifications to the residency and source-of-income rules affecting the Economic Development Commission tax incentive programme.

27. According to Governor Turnbull, the Government's so-called Congressional Outreach Programme in favour of the Economic Development Commission programme has been a success. It has led to increased congressional understanding of the political, social and economic problems of the Territory, the value of the Economic Development Commission programme, and congressional support for needed changes in the law. The Government intends to expand its Outreach Programme because recent regulations did not go far enough in protecting the Economic Development Commission programme.[7]

28. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power.

B. Economic sectors

1. Agriculture and fisheries

29. A number of public events were held in February 2006, including the 35th Annual Agricultural Fair, aimed at highlighting the achievements of the Territory's farming communities and promoting the agricultural sector.[21] On 27 February 2006, a four-day agriculture summit commenced at the Legislature to discuss the viability of the Territory's farming industry and to design a plan of action for upgrading the policy guidelines for the development of the Territory's agriculture.[22] A lengthy bill on sustainable farming is also under review in the Legislature.[23]

30. Early in 2005, the Fish and Wildlife Division of the Department of Planning and Natural Resources held public hearings on a draft conservation management plan for the fisheries and marine resources of the Territory. The plan includes information on the distribution and abundance of key species, a description of locations and conditions of key habitats, a description of the key problems of pollution, overfishing, habitat degradation, and proposals for necessary and priority conservation measures to implement the plan.[24]

31. At the beginning of May 2005, the Caribbean Fishery Management Council adopted new fishing regulations with inputs from the Territory's fishermen, including fishing bans of some species and area fishing restrictions.[25] In October 2005, a federal grant of nearly $350,000 was approved for the St. Thomas Fishermen's Association for the development of data on the Territory's marine life and the effects of pollution and soil runoff.[26] In December 2005, the Council met again to discuss strategies and new regulations in the next two years aimed at preventing overfishing in both territorial and federal waters.[27]

2. Manufacturing and industry

32. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can

be exported duty free into the United States, even if up to 70 per cent of the value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers.

33. The industrial sector remains dominated by Hovensa LLC, the third largest refinery in the Western Hemisphere and the eighth largest in the world. Situated in St. Croix, it produces 500,000 barrels of refined petroleum products daily. Jointly owned by the Amerada Hess Corporation and Petróleos de Venezuela, Hovensa completed a $535 million coker unit in 2002 and plans to complete construction of a $200 million desulphurization unit in December 2006 to meet federal Clean Air Act standards. In 2005, the refinery was also investing in the construction of a wastewater treatment unit, a gas turbine generator, a quality control laboratory, and additional gasoline production facilities. In 2005, the Government supported Hovensa construction projects with private activity bonds in the amount of $27.5 million and $101 million, respectively.[24]

34. As mentioned in paragraph 24 above, the rum industry has continued to generate record tax revenues for the Government, topping $85 million in 2005. The gain is a direct result of a tax rebate formula enacted by Congress in 1999, which expired on 31 December 2005. While continuing to seek a permanent extension, the Government hopes that the rum tax formula will soon be extended retroactively. The Government and partners in the rum industry are also working to extend tariff protection as long as possible, increase the brand identification of Virgin Islands rum and accelerate a shift to the production and sale of non-tariff-sensitive premium rums.[7]

35. Within the framework of the 2006 budget, funds have been earmarked for the Economic Development Authority to promote the Economic Development Commission programme to different types of industries lacking in the Territory. Manufacturing companies are specifically targeted, which could help diversify the economy, make them more competitive and provide more high-paying jobs.

3. Construction

36. Reversing the losses the construction sector has experienced since 2002, the sector improved in 2005 with the completion of the Hovensa coker unit, among other projects.

37. In 2005, the Government commenced or continued infrastructure construction valued at more than $200 million. The 2006 budget also foresees a number of construction, rehabilitation and repair projects of schools, roads, as well as health and sports facilities.[28]

38. In 2005, the Territory’s Legislature considered a number of re-zoning requests to enable the construction of business complexes and residential housing. Support was given to projects to build affordable homes, particularly for low-income and moderate-income families. Construction of the latter started in June 2005 and will continue throughout 2006.

4. Tourism

39. The tourism sector, the most important industry of the Islands, experienced a buoyant comeback in 2004, generating nearly 30 per cent of all jobs in the

Territory.[7] Hotel occupancy growth increased from 5 to 7 per cent in 2004. The trend continued in 2005, indicating an 80 per cent occupancy rate for the last quarter of 2005, and a projected 85 per cent rate for the first quarter of 2006. Passenger spending at the end of fiscal year 2005 stood at an average of $281 per person per day, with $305 spent per person per day in the St. Thomas-St. John district. As a result, gross receipt taxes increased from $100 million for fiscal year 2003 to $114 million for fiscal year 2004, and jumped again to $125 million for fiscal year 2005, an indication that the Territory has fully recovered from the decline in tourism following 11 September 2001.[29]

40. In 2004, most visitors came to the St. Thomas-St. John district, which saw nearly 2.5 million visitors, an increase of 10 per cent over 2003. While St. Croix's overall numbers remained a fraction of that number, the island experienced a 15 per cent increase in 2004, with more than 158,000 visitor arrivals.[30] In 2005, the number of visitors increased by a further 10 per cent.[7]

41. Danish charter flights, which had been arriving in St. Croix, since April 2004, were halted in June 2005 owing to low passenger numbers and rising fuel costs. Efforts are underway to revive the programme and make it attractive also for visitors from Norway, Sweden and Germany.[31]

42. In March 2005, the United States-based Delta Airlines resumed service between Atlanta and St. Croix after a five-year break. Another United States-based airline, Spirit Airlines, started service between Florida and St. Thomas in December 2005. According to the Governor, the additional airlift capacity has already significantly increased the Territory's share of business meetings and conventions.[7] The 28th annual Caribbean Tourism Conference took place in St. Thomas in October 2005. *Caribbean Travel & Life* magazine rated the Territory number one in 8 out of 30 categories, including "Best All-Around Destination" for St. John. The Territory's Tourism Department continues to run a fully integrated advertising campaign to promote tourism on St. Croix.

C. Finance

43. Financial services companies, many of which are Economic Development Commission beneficiaries, have been important to the Territory's economy. The sector continued to be one of the most vibrant sectors in 2005. Jobs in the first quarter of 2005 averaged 2,533, an increase of 5.7 per cent over the corresponding period in 2004. Nevertheless, the sector is expected to be the one most affected by the federal tax changes mentioned in paragraph 26 above. Some companies have contemplated pulling out of the Territory altogether. The strength of the sector in 2006 depends on federal monetary policy and the outcome of negotiations regarding the American Jobs Creation Act. A major conference for investors sponsored by the Department of the Interior, is expected to take place in March 2006 to showcase the economic potential of the United States Virgin Islands.[32]

44. In January 2006, Governor Turnbull announced the formation of a task force, with a mandate for two years, to study the feasibility of establishing a stock exchange in the Virgin Islands.

D. Transportation and communications

45. The Territory has five major docking facilities, which can accommodate cruise ships and some naval vessels. Three of the docks are on St. Croix, namely South Shore, Gallows Bay and Frederiksted. The remaining two are on St. Thomas, namely, the facilities operated in Crown Bay by the Virgin Islands Port Authority, a semi-autonomous Government agency, and the Islands-owned West Indian Company. For the St. Thomas-St. Johns district alone, 564 cruise ship calls have been scheduled for the period between October 2005 and April 2006.[33] The Government completed public sector capital projects related to the Island's transportation facilities valued at more than $200 million in 2005, including the $30 million Crown Bay port and retail complex on St. Thomas.[3]

46. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry E. Rohlsen Airport on St. Croix. With regards to public transportation in the Territory, the United States appropriated $2.4 million to enhance the system to upgrade the Islands' VITRAN bus service.[34] On 9 May 2005, 10 new buses went into service. Funds were also provided for upgrading and building new bus maintenance facilities, providing training to VITRAN employees and improving other VITRAN services across the Territory.[35]

47. On 29 July 2005, Congress passed a highway and transportation bill that earmarked some $115 million for the Territory's roads, including appropriations for two "special" highway projects on St. Thomas and St. Croix. The bill also amended the Territory's designation for federal mass transit funding. The Territory gained the status of an urbanized area, thus enabling increases in funding mass transit in the years to come. According to Governor Turnbull, the Government would be able to use the funding for the improvement of local roads that lead to a federal highway, as well as for the improvement of ferry boats and ferry terminals.[36]

48. A new undersea fiber cable between St. Thomas and St. Croix has been laid, which provides the Government, private businesses and residential customers with an improved computer network, both between the Territory's islands and between the Territory and the mainland.[27] The France-based Global Caribbean Network and the Barbados-based Antilles Crossing Ltd. aim to improve Internet, telecommunications and data transmission services in 2006 by establishing a connection to St. Croix, considered home to one of the largest communications hubs in the world.[37] Meanwhile, the Virgin Islands Telephone Company is making increased efforts to better respond to an increased demand for services.[38]

E. Utilities, water and sanitation

49. Electricity is thermally generated using imported fuels. The Virgin Islands Water and Power Authority serves approximately 47,000 customers. Over the last year, the rising cost of oil, tight global supplies, geopolitical uncertainties and the falling value of the dollar prompted hikes in the price of gasoline, electricity and water. Virgin Islanders experienced eight increases in electricity and water rates between August 2004 and July 2005.[39] To keep utility rates down and alleviate financial losses, the Authority has started to look into enhancing efficiency and finding alternative, renewable sources of power.[40] Efforts have also been undertaken to find an alternative power provider.[41]

50. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

V. Military issues

51. As in the mainland United States, homeland security has become a major concern in the Territory; Governor Turnbull has approved more than $200,000 for homeland security operations in the framework of the 2006 budget.[13] The Government has asked for the return of the Coast Guard to help to stem a flood of illegal immigrants, and advocates for a permanent presence of the United States Customs and Border Patrol on the Islands.[3]

52. As at the end of November 2005, the Virgin Islands National Guard had deployed over 300 guardsmen and women to Iraq, Afghanistan, and Guantanamo Bay, Cuba. Soldiers have also been deployed in humanitarian missions to Haiti and in relief efforts to Louisiana following Hurricanes Katrina and Rita.[7]

VI. Social conditions

A. Labour

53. Employers in the Territory must follow federal and territorial labour laws, such as those regulating minimum wages, occupational health and safety standards and payment of Social Security tax and unemployment insurance. In recent years, the Government has focused on reducing employment in all three branches of Government, while promoting private enterprise and investments to create new jobs. The unemployment rate, which stood at 8.8 per cent in 2004, fell to 7.4 per cent in 2005.[19]

54. Although the cost of living in the Territory increased over the last eight years, salaries have not kept pace with rising inflation and have fallen far behind negotiated labour contracts and national standards.[42] In 2006, the Territory will receive more than $800,000 from the Department of Labor to strengthen its unemployment compensation system. The funds are intended to support the Government in the prevention, detection and recovery of improper benefit payments and the promotion of quick re-employment.[43]

55. Improved financial conditions have permitted the Government to increase the pay scale for Government employees in 2006. Revenues in the amount of $116 million have been committed towards upgrading the salaries of classified and unclassified central Government employees, employees of the University of the Virgin Islands and retirees, through the current year. About 85 per cent of these salary increases will affect classified unionized employees.[7] The minimum hourly wage in the Territory was raised by 50 cents in January 2006 and will reach $6.15 in January 2007, when an additional 50-cent increase will go into effect.[44] In addition,

Governor Turnbull rescinded a year-long reduction in salaries of executive branch employees and approved legislation that will increase the minimum annual salary of Government employees from $15,000 to $20,000, as from 1 January 2007.[45]

56. In November 2005, Governor Turnbull signed into law the Government Employees Retirement System Reform Act, which introduced a set of reforms aimed at correcting problems of the system, providing it with more autonomy and reducing its unfunded liability, which has been estimated to exceed $1 billion.[46]

B. Education

57. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. The 2000 census data, issued in February 2002, reflected school enrolment of children three years and older to total 32,119. Of those, 52.5 per cent attended elementary school, 23.2 per cent attended high school and 9 per cent attended college or graduate school. The census also reported that 60.6 per cent of the population aged 25 and over are high school graduates, while 16 per cent have bachelor's degrees or graduate degrees.

58. In December 2005, the Community Foundation of the United States Virgin Islands published a report, which revealed that nearly half of the Territory's youth aged 18 to 19 did not have a high school diploma and that 10 per cent of teenagers aged 16 to 19 were neither attending school nor working, a number that is slightly higher than the national rate of 9 per cent.[47]

59. According to Governor Turnbull, the Government has made considerable progress in education in 2005. All four public high schools were again accredited by the Middle States Association of Colleges and Schools after losing the accreditation in 2002. The Territory's schools also improved their national test scores over those of 2004. In 2005, a Territory-wide school assessment programme was implemented, and the Department of Education has revised its mathematics and reading curriculum, enforced stricter teacher standards and developed individual school improvement plans for each school in the Territory.[7]

60. The Governor, in his 2006 State of the Territory address, also laid out a plan to initiate a comprehensive school renovation and construction programme. For 2006, the Government has committed some $17 million to the repair of the Territory's ageing schools and educational facilities.[7]

61. On 23 September 2005, the Territory's three-year Compliance Agreement with the United States Department of Education to address management problems in the Territory's education funds and programmes expired. While the federal Government recognized that the Virgin Islands Department of Education had made significant progress in achieving the goals set out in the Agreement, it was found to have failed to achieve the most important goal, the implementation of a new, more transparent financial management system, as well as the appointment of a new federal grant manager who was supposed to handle all federal education grants until the new financial management system had been implemented.[48] Since 1 July 2005, all pending and new education grants had been withheld from the Territory to enforce compliance.[49] The announcement of a new federal grants manager, however, is

expected shortly after a 28 February 2006 deadline for applications to the post. The announcement would release over $30 million in withheld federal education grants.[7]

62. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and approximately 2,500 full- and part-time students. It offers bachelor's degree programmes in 33 fields and master's degree courses in education, business administration and public administration. The University improved its academic performance and was awarded 32 research grants in 2005 amounting to over $14 million. The University received $1.7 million in federal aid for programme development to bolster the education of black Americans, and got the second instalment of $1.7 million for a federally funded initiative to stimulate competitive research in the Territory.[50]

C. Public health

63. In order to fill gaps in the Territory's health system, the Primary Health Care Office gathered information for a report outlining the Virgin Islands health-care shortages, needs and challenges. The report, compiled by the State University of New York, revealed a shortage of trained health-care workers, lack of education programmes, a limited health-care infrastructure and funding constraints. The Territory's per capita health workforce was smaller and was paid less compared to that of the United States as a whole. Some 24 per cent of the Territory's population or 26,000 Islanders did not have health insurance, and both the annual limit on federal contributions to the Territory's Medicaid programme and the high percentage of uninsured residents had a negative financial impact on health-care providers, particularly hospitals.[51] Members of the Legislature, together with a research and planning team, have been working on a proposal to lower the percentage of uninsured residents from 24 to 13 per cent by the end of 2006.[52]

64. Governor Turnbull, in his 2006 State of the Territory address, announced that the Government would soon offer a comprehensive plan for health-care reform aimed at ensuring affordable health insurance, while providing increased choices of care and reducing the uncompensated cost of care for hospitals and other health-care organizations. The Governor stressed that a number of other programmes needed to be overhauled, including the Medicaid Programme.[7] Since January 2006, the nearly 12,000 Medicare recipients in the Territory were eligible for prescription drug coverage. Registration for the drug plan started in November 2005 and would run through 15 May 2006.[53]

65. For the third consecutive year, the Territory continued to have the highest number of confirmed HIV cases per 100,000 United States citizens. There are presently 862 people in the Territory who have been diagnosed with HIV/AIDS.[54] Local public health officials are working to combat the stigma and prejudice linked to HIV/AIDS and raise the level of education and awareness among those who go untested and untreated. The Department of Health has revamped and reorganized its programme addressing HIV/AIDS. With $2.3 million in federal grants, the Department is focusing on early intervention and community outreach programmes.[7]

66. The Department of Human Services continued to provide services for the neediest residents of the Territory. According to the Governor, the Department's success was reflected in the decline in the number of welfare recipients by 70 per cent over the last five years, from 2,900 individuals in 2000 to 496 in 2005.[7] The

Department has also been designated as the lead agency to coordinate efforts in the Territory to prevent and end chronic homelessness, which has been associated with poverty, mental illness and substance abuse. Efforts were under way to finalize an action plan for inclusion in the budget for fiscal year 2007.[55]

67. The report of the Community Foundation mentioned above (see para. 59) showed that almost one third of the Territory's children live in poverty, a slight increase over last year and almost double the national average of 18 per cent. St. Croix had the highest proportion of children living in families headed by single mothers, with 41 per cent, followed by St. John, with 32 per cent and St. Thomas, with 28.1 per cent. Some 10.7 per cent of infants born were low birth weight babies, defined as weighing less than 5.5. pounds. Birth weight was directly related to survival, development and continuing overall health.[47]

D. Human rights and related issues

68. See the 2003 working paper (A/AC.109/2003/1, para. 43).

E. Crime and crime prevention

69. In his 2006 State of the Territory address, the Governor called safety and security one of the Government's most important responsibilities. According to the Governor, the Police Department had made progress in its operation and in its war on crime. The completion and implementation of the Department's five-year Strategic Plan to fight violent crime had increased hope for further improvement. The Plan promoted the building of community and police networks to solve problems in the Territory. Neighbourhood Watch groups, Citizen's Integration Teams, and the "Cops in Schools" programme were reflecting the Department's efforts to bring entire communities together to address and confront crime issues. To fight drug and gang-related crime, the Department intended to develop a special intelligence unit in order to identify and disrupt gangs before they further threatened the survival of the communities. Governor Turnbull pledged to put more police officers and police cars on the streets and in the neighbourhoods.[7]

70. Nevertheless, high crime rates remain a matter of concern in the United States Virgin Islands. While law enforcement agencies reported a drop in the overall number of violent crimes reported nationally in the first six months of 2005, the Territory has seen an increase in every category. The number of violent crimes during the period increased compared to that of the first six months of 2004, with 48 aggravated assaults or shootings; of 21 homicides, most were linked to drugs and gang violence. Forty-nine rapes were reported during the first half of 2005, compared to 31 in the same period for 2004. Eighty-three robberies were reported from January to June 2005. As a consequence, juvenile arrests for violent crimes have continued to climb. The rate, figured per 100,000 youths aged 10 to 17, was 458.1, compared to a national rate of 276.[56]

VII. Environment

A. Protection of natural resources

71. According to the Environmental Protection Agency's Region 2 State of the Environment Report (1998), the ecosystems of the Caribbean islands face threats not only from natural disasters, such as hurricanes, but also from human impacts, such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. Governor Turnbull, in his 2006 State of the Territory address, emphasized that the preservation of the Territory's fragile environment was imperative. Construction of four modern wastewater treatment facilities had been completed, and plans were under way to improve solid waste collection systems, consolidate recycling and transfer stations and expand collection routes in order to reduce or eliminate current environmental, health and safety hazards.[57]

72. Nevertheless, a study by the National Oceanic and Atmospheric Administration concluded in August 2005 that the Territory's coral reefs were affected by at least 10 categories of stress, including climate change, disease, tropical storms, coastal development and runoff, coastal pollution, and tourism and recreation. The study's findings are expected to help local managers to devise sound plans to protect and restore the reefs.[57]

B. Disaster preparedness

73. The United States Virgin Islands faces recurrent hurricanes and flooding, in addition to being located within an earthquake-risk zone. The Federal Emergency Management Agency, in general, provides programmes of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency. In the aftermath of Hurricane Katrina, representatives of the Agency met with Government officials and representatives of the private sector to assess the level of local preparedness to respond to a major disaster.[58]

VIII. Future status of the Territory

74. For details, see paragraphs 5 to 7 above.

A. Position of the territorial Government

75. At the 9th meeting of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, on 16 June 2005, Carlyle Corbin, on behalf of the Government of the United States Virgin Islands, made a statement (see A/AC.109/2005/SR.9).

76. Mr. Corbin said that the United States Virgin Islands had made annual statements to the Special Committee since 1979, and shortly thereafter also to the

Fourth Committee. Although 26 years had elapsed, the constitutional and political status of the Territory remained unchanged. Member States were to be commended for their recommendations regarding political education and information on options available to residents of the remaining 16 Non-Self-Governing Territories, as well as their right to own their natural resources. If all the resolutions adopted and recommendations made had been implemented, the Territories would be much further along in their path towards self-government. The lack of progress could not be blamed entirely on the administrating Powers; the people of the Territories had not received adequate information on decolonization and self-determination. While emphasizing that more analysis of the issues was needed, he welcomed the Chairman's more focused approach on implementation.

77. During the Caribbean regional seminar on decolonization, held in Saint Vincent and the Grenadines from 17 to 19 May 2005, a representative of the United Nations Association of the Virgin Islands stated that the Special Committee's recent experiences of direct contact on the ground in non-self-governing territories had illustrated the need for, and usefulness of, accurate and authoritative information on self-determination being provided to the Governments and people of the Non-Self-Governing Territories by the United Nations. Recent events in the United States Virgin Islands revealed a profound lack of information and understanding of the issues of decolonization, self-determination and political status within the political directorate and the population, and a disinclination to accept correct information from local persons. There was an urgent need for the Committee to facilitate the provision of information and education on political status issues to the Territories.[5]

78. Mr. Corbin also made a statement on behalf of the Government of the United States Virgin Islands at the 5th meeting of the Special Political and Decolonization Committee (Fourth Committee), on 10 October 2005 (see A/C.4/60/SR.5).

B. Position of the administering Power

79. The last time the administering Power made a statement on this matter was at the 72nd plenary meeting of the General Assembly, on 9 December 2003 (see A/58/PV.72 and A/AC.109/2005/9, paras. 66 and 67).

C. Action by the General Assembly

80. On 8 December 2005, the General Assembly adopted without a vote resolutions 60/117 A and B. Section IV of resolution 60/117 B is devoted specifically to the United States Virgin Islands (see A/60/PV.62).

Notes

[1] The information contained in the present working paper was derived from published sources.

[2] Office of Insular Affairs (www.pacficweb.org); United States Central Intelligence Agency, *The World Factbook*, 2004.

[3] State of the Territory address, delivered by Governor Charles W. Turnbull on 31 January 2005 and reproduced in full by *St. Thomas Source* on 1 February 2005 (www.onepaper.com/stthomasvi).

[4] *The Virgin Islands Daily News*, 23 December 2005.

[5] For a summary of the statement, see *Official Records of the General Assembly, Sixtieth Session, Supplement No. 23* (A/60/23), chap. II, annex, para. 37.

[6] *The Virgin Islands Daily News*, 24 November 2004.

[7] State of the Territory address, 30 January 2006 (www.onepaper.com/stthomasvi).

[8] *The Virgin Islands Daily News*, 16 April 2005.

[9] *St. Thomas Source*, 26 July 2005.

[10] *The Virgin Islands Daily News*, 24 June 2005.

[11] *St. Thomas Source*, 15 November 2005, and *The Virgin Islands Daily News*, 26 July 2005.

[12] *The Virgin Islands Daily News*, 15 July 2005. In October 2004, President Bush signed into law the American Job Creation Act, requiring, inter alia, strict residence and source-income rules. The law, however, could jeopardize the Virgin Islands Economic Development Commission tax incentive programme, which provides tax breaks of up to 100 per cent of personal income tax. The new law requires the owners of Economic Development Commission companies to spend at least 183 days per year in the Territory and stipulates that income must be directly linked to the Territory.

[13] *St. Thomas Source*, 15 July 2005.

[14] *The Virgin Islands Daily News*, 18 October 2005.

[15] *St. Thomas Source*, 27 February 2006.

[16] Ibid., 21 April 2005.

[17] *The Virgin Islands Daily News*, 7 January 2005.

[18] An "excise tax" is a tax on the sale or use of specific products or transactions. *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005, State of the Territory address, 30 January 2006.

[19] *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005.

[20] *PricewaterhouseCoopers*, "Economic impact of H.R.4520 on United States Virgin Islands", 12 January 2005 (see www.pwc.com).

[21] *St. Croix Source*, 20 February 2006.

[22] *St. Thomas Source*, 28 February 2006.

[23] *The Virgin Islands Daily News*, 23 February 2006.

[24] Ibid., 6 April 2005.

[25] Ibid., 4 May 2005.

[26] *St. Thomas Source*, 25 October 2005.

[27] *The Virgin Islands Daily News*, 15 December 2005.

[28] *St. Thomas Source*, 15 July 2005; *The Virgin Islands Daily News*, 27 April and 26 October 2005, State of the Territory address, 30 January 2006.

[29] *St. Thomas Source*, 8 November 2005.

[30] *The Virgin Islands Daily News*, 11 April 2005.

[31] Ibid., 17 June 2005.

[32] *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005; State of the Territory address, 30 January 2006.

[33] *The Virgin Islands Daily News*, 2 August 2005.

[34] *St. Thomas Source*, 27 September 2004.

[35] *The Virgin Islands Daily News*, 2 May 2005.

[36] Ibid., 1 August 2005.

[37] Ibid., 19 December 2005.

[38] *St. Thomas Source*, 13 June 2005.

[39] *The Virgin Islands Daily News*, 11 July 2005.

[40] *St. Thomas Source*, 14 and 22 June 2005.

[41] Ibid., 30 November 2005.

[42] *The Virgin Islands Daily News*, 23 April 2005.

[43] *St. Thomas Source*, 3 October 2005.

[44] Ibid., 14 November 2005.

[45] *The Virgin Islands Daily News*, 7 and 23 December 2005.

[46] Ibid., 27 September 2005, *St. Thomas Source*, 3 November 2005; State of the Territory address, 30 January 2006.

[47] *The Virgin Islands Daily News*, 7 December 2005.

[48] Ibid., 23 June 2005.

[49] Ibid., 15 September 2005.

[50] *The Virgin Islands Daily News*, 19 and 20 July 2005.

[51] Ibid., 29 May 2005 and 1 August 2005.

[52] *St. Thomas Source*, 21 October 2005.

[53] *The Virgin Islands Daily News*, 27 April 2005.

[54] *Caribbean Net News*, 8 December 2005.

[55] *The Virgin Islands Daily News*, 19 May 2005; State of the Territory address, 30 January 2005.

[56] Ibid., 7 and 28 December 2005.

[57] *The Virgin Islands Daily News*, 22 August 2005.

[58] Ibid., 9 September 2005.