

Suggestion to Improve the Economy of Puerto Rico

My name is Ismael Zapater, born in Santurce, and living in the US since 2007. I have a Master in Science in Industrial Microbiology, and have been employed by a multinational pharmaceutical company since 1990. I relocated to the USA because of downsizing in my company, linked to 936 phase out, and because quality of life in Puerto Rico became intolerable.

My suggestions are broken into major classifications as follows:

1. Utilities – Promote investment by lowering utilities.

- a. Accelerate transition of **power plants** from heavy bunker and kerosene-like fuels to natural gas. This will lower utility costs and make investment more attractive.
- b. Evaluate if **renewable energy** production is cost effective (wind, solar, tide, ocean temperature differential technologies) and accelerate implementation to further reduce energy costs.
- c. Simplify power rate system. Current system is convoluted and rigged to compensate for AEE corporate inefficiency. Rates vary from area to area. Rates in San Juan are higher than in Jayuya for example. Make rates uniform to increase revenue.
- d. Break the current AEE corporate structure, which creates an untouchable clan-like governing body, with very high salaries. That is a resource drain.
- e. Go after clients that steal electricity by rigging meters and house connections and impose harsh penalties to discourage this behavior and recoup funds. Do the same with water authority clients.
- f. Invest in water authority (AAA) infrastructure, and dredge the reservoirs.

2. Infrastructure. – Promote investment by making easier and cheaper to move people and goods. With savings in gas, people will buy more goods.

- a. Current highways are in dire need of repairs due to years of neglect are some are plain unsafe. Repairing roads is a must.

- b. Traffic is a major issue, especially in the city. Alternative light rail projects to discourage driving must be aggressively explored. Out of the box solutions such as buses (being implemented in China) that resemble catamarans, allowing them to move over car lanes and traffic congestion.
 - c. Aggressively pursue installations of charging stations to promote the use of small, efficient electric cars.
 - d. Pass regulations so that trucks move their cargo at night, which should improve traffic and facilitate goods transport.
 - e. Extend the Tren Urbano so that line reaches the airport, and the cities of Caguas and Carolina. Lines can be constructed over the expressway medians so that industrial centers such as Barceloneta can be reached.
 - f. Implement sustainable urban planning practices, such as rezoning practices. E.g. former residential areas are re-classified as commercial, with no parking spaces, creating excessive traffic, making sidewalks not accessible because cars need to park somewhere in those area.
3. **Safety – A safer environment promotes investment by reducing costs due to crime associated with larceny and drug trafficking.**
- a. Heavy technology investment must be pursued to provide Police with technology such as laptops in patrol cars, license tag readers, traffic light and surveillance cameras, communications, and weapons.
 - b. Police training must be revised to be up to standard with major city standards.
 - c. Psychological evaluation of police candidates is a must to weed out “John Wayne” type people.
 - d. Drug trafficking fuels underground economy and undermine legal commerce. Must be dealt harshly. E.g. making drug trafficking a mandatory life sentence.

4. **Government – Increasing government efficiency reduces operational costs and promotes investment.**

- a. Implement on-line self-service for all services:
 - i. Car / Boat registration renewals.
 - ii. Driver license renewal.
 - iii. Traffic ticket payments
 - iv. Work permits, business license applications.
- b. Replace all archaic government computer and information systems by one common platform: **SAP**. This reduces the number of employees performing paper-based transactions, reduces lead time and reduces fraud and illegal activities. This will also reduce payroll requirements by allowing fewer employees to do the same work.
- c. Eliminate complexity in industrial and commercial permit issuance.

5. **Revenue – Improving revenue collections system ensure adequate funding for infrastructure investment and attracting commercial investment.**

- a. Implement in technologies for sales tax monitoring technologies to reduce tax evasion.
- b. Increase staffing resources to revenue department, such as tax inspectors, to monitor business that deal strictly in cash transactions to reduce sales tax and income tax evasion/fraud. Currently, business such as parking lot operators, movie theater, and even doctors do not accept credit cards to force clients to use cash.
- c. Revise tax codes to eliminate loopholes typically used by private business such as luxury car use as part of business. This will make tax system fair.
- d. Implement in technologies to monitor private and business commercial transactions to reduce tax evasion and fraud.

6. **Education - Current public education system is totally inadequate. By improving schools, students will be competitive with their US counterparts. This will provide incentive to stay in the Island, obtain a degree without**

incurring into heavy debt, and providing investors with an educated workforce, up to date in the latest technologies.

7. Others

- a. Exempt non-continental US territories and States from shipping laws requiring that only US merchant ships be able to ship goods to and from said territories. These requirements are clearly monopolistic and increase operational and shipped goods costs. These practices are obsolete and do not promote trade between the territories.
- b. Corruption is a cancer that discourages investment and must be dealt harshly. Corrupt officials that require bribes in order to grant government contracts are the reason why so many entrepreneurs have left the Island. Government positions should be limited to four years, especially in the case of mayors. There are lots of defeated politicians that serve as “advisors” to elect officials of the same political party, with six-figure contracts. There are a lot of government appointments that are granted due to family ties, friendships, or political affiliations, and that has to stop. Corruption in the long term undermines economic development.
- c. Tax and utilities fraud must be dealt harshly.
- d. Tax exemptions must be granted to US territories to promote investment without being a corporate loophole. Section 936 promoted heavy investment based on manpower requirement, so company built facilities that were very inefficient, requiring additional manpower, which in turn increased the tax exemptions. However, no investment (besides salaries) was done to the Island infrastructure, and all those revenues remained in corporate coffers. An effective tax exemption system must be implemented to compensate for the increased costs due to being an island. Aerospace, Biotechnology, Electronics, all could benefit of benign tax systems which in turn would require some of that tax savings to be returned to the Island to further improve infrastructure.
- e. **Agriculture** – Making agriculture an attractive investment would make the Island self-sufficient, decreasing the dependency of American agricultural goods. We currently produce only 5% of all foodstuffs, and import 95% from the states. Soils are very rich and productive, and exploiting this

resource could make the Island a major exporter of fruits and vegetables that are not grown in the US. Shipping times to the US are shorter, which would guarantee a fresher product to US consumers. Bananas exported from Central America must be shipped green and artificially ripened in the US so they will not spoil in transit. Making agriculture profitable will encourage local entrepreneurs to invest in operations that will create additional jobs. Such goods can also be consumed by local schools.

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