



Commonwealth of Puerto Rico

Office of the Governor
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PRESS RELEASE

Chief of Staff Presents Progress Report on Implementation of the Economic Development and Government Transformation Plan

San Juan, Puerto Rico – Chief of Staff to the Governor, Jorge Silva-Puras, today issued a report on the progress of the Economic Development and Government Transformation Plan launched in October 2006, in line with the Administration of Governor Aníbal Acevedo Vilá's program to promote Puerto Rico's economic development.

"Given the current recession, a major priority of the Administration is to promote an improved economy," said Mr. Silva-Puras at a press conference at La Fortaleza. "To accomplish this we have been accelerating implementation of the Transformation Plan in order to achieve our goal of propelling our economic development as soon as possible."

The report summarizes the steps taken as of this date to implement six strategies based on investing in a first-rate infrastructure; inserting Puerto Rico in the knowledge economy; promoting growth of local enterprises; reducing the cost of energy; and improving public services.

1. Achieve a first-rate infrastructure while facilitating private investment with new financing models.

"We have already constructed 72 kilometers of new roads," Mr. Silva-Puras said. "The intention is to develop more public works using proven financing mechanisms, such as public-private partnership models."

Projects considered for development under this model include the second phase of Route 66 between Canóvanas and Río Grande, which requires a total investment of \$260 million; the PR2/PR22 Corridor that runs 40 miles between Aguadilla and Hatillo, at a \$600 million investment; the Gas Pipeline to Northern Plants, at a \$150 million investment; the Arecibo Desalination Plan, which will require an investment ranging from \$96 million to \$115 million; PRASA's Automated Water Meter Reading Project at a \$400 million investment; the Beatriz Reserve at Turabo River, with a \$135 million investment; and the Valenciano Reserve, with a \$138.5 million investment.

In addition, the primary public corporations have already begun implementing their capital improvement plans for the 2007-2011 period, which entails a total investment of \$9.106 billion.

2. Introduce Puerto Rico in the knowledge economy, creating a center of excellence in biotechnology, engineering and IT on the Island.

In this regard, reflecting initiatives taken by this Administration, three biotechnology projects are underway. These initiatives under the Minds at Work policy include: construction of a Molecular Sciences building at the Río Piedras Campus of the University of Puerto Rico, at a total investment of \$50 million; the Biotechnology Plant for Bioprocessing Research and Training at UPR-Mayagüez, with a \$12.5 million investment; the Knowledge Corridor, which includes the UPR-Río Piedras, the Botanical Gardens, the Medical Center, the Comprehensive Cancer Center, the Molecular Sciences Building and development of the facilities of the former state penitentiary, known as the *Oso Blanco*; and the addition of scientific laboratories at high schools and universities.

These projects have been underwritten by the Science and Technology Trust and PRIDCO, which have promoted 20 industrial projects with a commitment to create 1,037 jobs and attract an investment of \$36.7 million.

3. Promote local entrepreneurship under the public policy of “Support to our Own” (*Apoyo al de Aquí*) with new financing alternatives and access to markets in Puerto Rico and abroad.

This is being done through programs such as “The Key to Your Business,” in which 700 “keys” representing \$30.8 million in loans are being made to small Puerto Rico enterprises and helping to create 1,713 direct and 3,121 indirect jobs.

At the same time, the Economic Development Bank assigned \$39 million to launch its Venture Capital Program, which is expected to help retain one thousand jobs. With the Permitting Express Center for Small and Medium Enterprises the waiting period to obtain the necessary permits to establish a business has been reduced from six to three months; and with the Interagency Center for an Expedite Permitting Process and its recently established Single Certification, the permitting evaluation process is now more agile and efficient.

4. Turn the tourist industry into an economic development engine for Puerto Rico.

To date, planning or construction is moving forward for 3,723 new hotel rooms to meet the Administration’s goal of constructing 5,000 by 2008. Among the most important projects approved this year are the Convention Center District Sheraton Hotel, the La Concha Hotel at El Condado, the St. Regis in Río Grande, Cayo Largo in Fajardo, and the W Vieques Resort & Spa.

In addition, the \$4 million incentives program to establish new routes and support initiatives to existing services has resulted in an increase in the tourist flow through the Island. Also, for the first time in history, the Tourism Company will access the bond market, with the proceeds to be used to acquire properties for tourism development and to construct infrastructure necessary to further develop the tourist industry.

As part of the strategy to diversify tourism, a public investment of \$3.3 billion is paving the way for construction of the infrastructure necessary for the 2010 Central American Games in Mayagüez, along with a public investment of \$300 million in the San Juan Waterfront.

5. Diversify Puerto Rico's energy sources to reduce by half the dependency in oil.

This will be achieved by using less expensive and more environmental-friendly energy generating alternatives such as natural gas, wind, thermal energy, and waste to energy, among others.

To this end, work has begun on the South Gas Pipe Project at a cost of \$70 million; the conversion of the Cambalache Generating Plant to a combined cycle plant with an investment of \$140 million; replacement of Gas Turbines in the Mayagüez area with an investment of \$120 million; and eolic energy production projects.

The Governor has also proposed legislation to stimulate energy savings and the use of alternative energy sources, initiatives that are pending approval in the Legislative Assembly. This includes a project to increase the deduction for purchasing solar heater equipment and another to make hybrid vehicles exempt from excise taxes. Also, the Electric Power Authority has assigned \$218 million for its capital improvements program to improve the services rendered to our citizens.

6. Transforming the government, without resorting to layoffs or privatization, and molding it to offer first-rate services to all the people in a sensible, effective and agile manner, while contributing to the economic development of our country.

Thus far, the government total payroll has been reduced by 15 thousand employees through freezing vacant positions, avoiding the authorization or renewal of new transitory and irregular employees, establishing early retirement programs, and creating a program of job opportunities in the private sector.

The Fiscal Reform that has been approved prohibits the use of debt to cover operational expenses and balance the budget; provides for the progressive and ordered reduction of the government deficit; orders the central government to comply with the constitutional mandate of proposing a balanced general budget; and requires sworn certifications from the heads of the public agencies regarding the financial statements of their dependencies.

Another initiative designed to transform the government is the historical reduction of expenses registered in fiscal year 2006-2007, when there was a reduction of \$268 million in expenditures compared to the previous year. For the current fiscal year projected spending is \$261 million less than in fiscal 2007, which would represent \$369 million less than the real expenditures registered for fiscal 2006. There also has been a historical reduction in the public payroll. From July 2007 to September 2008 the payroll was reduced by 8,000 employees without layoffs or privatization.

As for the public debt, the Special Tax Fund was created to cover the appropriation debt. We have strived to make a better use of all government properties, encouraging the sale and use in job-generating projects that promote investment and the development of new programs.

Other initiatives that generate economies are the use of technology to provide services, such as the ideal certification; the digital file in permit processing; the student information system; the COMSTAT System in the Police Force; the Website in the Department of Natural and Environmental Resources; the choice of filing the tax returns via Internet, the increased number of public employees subscribed to the direct deposit payroll system; the upcoming implementation of the payroll payment by means of an electronic card; the availability of executing on-line transactions in the government website, the access to the digital record of corporations in the State Department; the computerization of the complaint management system in the Consumer Affairs Department; and the publication of a Public Registry of Sex Offenders.

In order to make government more efficient, we have implemented training programs that have already impacted some 1,900 workers, new operational structures are being implemented in several agencies; and we have established alliances with not-for-profit organizations that provide educational services, such as *Centros CASA*, *Centros de Educación Especial*, *Operación Éxito*, and the programs *Lee y Sueña* and *Rincones de Lectura* to promote reading in young children.

Also, we have already begun decentralizing the delivery of government services to the municipalities to make them more accessible to the public. Some examples are the implementation of security cameras in certain municipalities; the support provided to the municipal economic development consortium; the delegation of powers and responsibilities to municipal governments; and the approval of more land distribution plans allowing them to achieve fiscal autonomy.

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