Interview: Tom Forester – President, CRB Caribe – Puerto Rico



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CRB Caribe operates as the Puerto Rican affiliate of US-based CRB, an architectural and engineering design firm specialized in the life sciences industry. Tom Forester, general manager of CRB Caribe, describes the subsidiary's adaptation to new trends in Puerto Rico's manufacturing sector, and outlines his strategy for growth in the future.

What have been the key trends of the last few decades in the Puerto Rican pharmaceutical industry that are particularly noteworthy?

I founded CRB Caribe with a partner from CRB in the US in 2004. Over the last 32 years I have worked in various roles as a designer in different firms and as an employee of BMS in the 1980s. Back then, the concept was to have everything, including the API plants for chemical synthesis and the entire process, train in the same site. That is no longer the case due to cost and opportunities to get chemicals at a lower price elsewhere. We are seeing a move in Puerto Rico towards biopharmaceutical products and processes in the oral solid dosage area finishing and packaging and less in the APIs. In terms of technology, everything is moving towards being more automated. That is a good thing, despite how it may seem. There are consequently new kinds of jobs, and we can get a lot more done when everything is automated, making more with less.

Moreover, another trend we see is that Puerto Rico has had outstanding success in compliance with worldwide regulatory agency audits. Our clients export to the world market; they and CRB are very

successful in meetings with every audit from regulatory agencies worldwide, including the FDA.

What was the inspiration to found CRB Caribe?

I had worked with a couple of big design companies before meeting the CRB organization through a joint venture with Amgen. I thought it was an excellent fit for me; CRB had the passion, enthusiasm, client focus and horizontal operation. At that time, CRB's clients were asking them to serve Puerto Rico given the company's track record, success rate and loyalty. We made that connection and I have been here ever since.

Section 936 of the Federal Tax Code was phased out at the same time as this company's founding. How did you adapt?

Puerto Rico has had these tax incentives for over sixty years, always sold as temporary measures. Some tax acts expired in 1954, which lead to Section 931, followed by Section 936 in 1975. In 1995 it was announced that Section 936 would be phased out after ten years. I am hoping some new tax incentive will emerge because many of Puerto Rico's bondholders are US citizens and want to know from their Congressmen what will be done about their bonds. Rather than say we will allow Puerto Rico to take Chapter 11 and go bankrupt, we ought to give 936 back to develop more manufacturing to help pay for the debt. It is undoubtedly challenging; we are seeing fewer new plants but there is lots of investment that has not depreciated and many plants are still relatively young. CRB Caribe specializes more in helping with expansions and renovations rather than solely pursuing big projects. We can handle both big and small projects, and for larger projects we can leverage with CRB, as we did with our $100 million range project for Merck in Las Piedras. Puerto Rico in general is a declining market and has been since 1995, not just in life sciences but electronics and others as well. Primary income is needed for the island which consumes a lot on imports. Most of the primary income and fresh capital comes from manufacturing. The rest of the economy is suffering as well due to the reduction in this sector.

Nevertheless, some companies have been making significant investments in just the last few years. Are these new arrivals enough to counterbalance the dwindling of the private sector since 1995?

The real decline started in 2006, and I do not think we are winning the race. The rate of reduction is faster than the rate of increase. But the government is trying its best to recuperate. For example, we have had interested clients in the US whom PRIDCO received and introduced to the Governor. So they are very interested in helping and collaborating. This will hopefully bring a much-needed sense that there is a real and strong commitment to making federal and local tax incentives

permanent. I have 30 years of experience, and even when I started in the 1980s there were already lots of experienced people already here. We have the technology, good infrastructure, and the local ecosystem of service providers all at a much more competitive price than in the US. We need a firm commitment from the US, Congress and the local government to continue. Puerto Rico has all the elements to help CRB Caribe's clients with patients; ultimately their goal is to give them a high-quality, accessible product. I think they can achieve that here in Puerto Rico.

So how has CRB Caribe been affected by all of this?

We are doing well; in fact CRB Caribe will do a bit better in 2015 than 2014. We are not decreasing but also working very hard to serve our clients. We are a group willing to work harder, go further and do more with our clients. The company is always early in terms of acquiring the latest technology. CRB Caribe has invested lots of effort and resources in Building Information Modeling (BIM) 3D technology, which allows you to create building designs as an electronic model, with each component having properties which the client can see and give to the contractor who can pull all his materials straight from the model, such as fabrication and shop drawing. Advanced construction companies can pre-fabricate many things indoors because it gives them better quality control. They use BIM 3D technology, and CRB's participation will lower overall costs and save the clients from having to generate it themselves. Today we are focused on hiring and training new and young talent, namely mechanical and process engineers. CRB Caribe will be here for the long-term as long as there is business here.

What are some of the other competitive, value-added services that CRB Caribe offers that put it ahead of the competition?

The core businesses of our clients are biopharma processes. We have a group of well-known and very talented process, instrumentation and automation engineers. The industry values that; we also have a very strong relation with CRB in the US, where 90 percent of their work is with biopharmaceuticals and have similar process expertise. CRB Caribe will focus more on continuous manufacturing; we are the right people for this.

What is the strategic importance of CRB Caribe in the context of the global CRB organization?

Every big or small pharmaceutical company wants companies that can serve them well anywhere, based on their standards, systems. CRB Caribe can do this in Puerto Rico, following every company's procedures in terms of corporate mandates. It is the same in the US or Puerto Rico; we can exchange talent between headquarters and ourselves. If you need an expert in one place, we

can bring them. What our clients do is worth a lot more than a few hours for someone's trip. When we do projects here of a certain magnitude, it is the same corporate leaders that manage the projects in the US. Since they must have quality and consistency, repeatability is important. I talk to the same leaders that my colleagues in the US do. CRB Caribe is currently engaged in a couple projects, working with the plant managers but the corporate global leaders must also be involved. Being part of a big organization, we help them help the local people meet their corporate mandates or standards. If a plant has not had experience in a big project for a long time, they will need our help to help corporate get all those things done in the way they need to be done.

Everyone is trying to have performance-based agreements. We are looking forward to more people who want to do performance-based projects in which the entire team is responsible. In our case, we always work as a team and every successful project brings more clients.

The future of Puerto Rican manufacturing holds potential in tandem with the development arm of R&D. As that evolves, where does CRB Caribe fit into the picture?

CRB has many people in biopharma professional organizations, always in sync with what is going on in the industry. They frequently communicate and talk to different leaders. We have at least an annual meeting of every office leader but we are always connected through the web simultaneously. There is always communication for the future. Doing the BIM 3D is one way of integrating everybody, even for maintenance or training. But we can't stop at 3D; we have to keep up-to-date. For example, we are now using disposable technology in biotech. CRB Caribe has experts in this area. This company is in sync because professionals are close-knit in their connection to many industry organizations. The industry takes great care for their suppliers to know what is going on and notify them of new trends because they want to have solid, up-to-date suppliers that can solve problems that are not part of their core business.

What is your vision for the medium to long-term?

CRB Caribe will grow gradually. Some larger pharmaceutical design companies will probably leave Puerto Rico because of low ROI. CRB is privately owned by its employees, so the interests are different. I think there might be a concern among pharmaceutical companies here in that they will have some supply chain issues if they do not take care of their suppliers. We are certainly committed to staying in and serving Puerto Rico, and we are looking at other countries like Panama, Curacao or the Dominican Republic. So we are receptive to our current clients requesting us to operate in other countries. Many of us could leave but we stay because we like it here. Other big companies have shareholders that do not work in the company, so those companies might

obtain better returns elsewhere. I hope some legislative changes will improve the situation in general for manufacturing, which represents almost 40 percent of Puerto Rico’s GDP. Puerto Rico depends greatly on imports so you have to export something to balance that capital. Puerto Rico is currently at a crossroads; if some new federal incentives are created and the government is also firm about the incentives, perhaps we will see some positive growth in the near future.

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