Carlos Rodríguez – President, Puerto Rico Manufacturers Association (PRMA)



Companies expect incentives to be kept in place, regardless of which government is in place

18.07.2019

Tags: Puerto Rico, Manufacturing, PRMA, Association, Investment

Carlos Rodríguez, the newly elected president of the Puerto Rico Manufacturers Association (PRMA), underlines his main goal of achieving more collaboration within the association and the economic ecosystem, to facilitate lobbying efforts both in Puerto Rico and at the federal level in Washington, DC. He also highlights his aim to secure affordable energy prices and encourage entrepreneurship and investments in R&D on the island.

You have a very diverse background working in the pharma services industry and the transport sector. Could you introduce yourself to our international readers?

I started my own business when I was 21 years old, providing quality control equipment to the pharmaceutical industry, which made up a huge share of the Puerto Rican economy back then – with a presence of more than 120 pharmaceutical plants of 55 companies, employing close to 160.000 direct employees. In 1994, the industry started to destabilize as the expiry of the 936 law was announced, which until then provided huge tax breaks for companies in Puerto Rico. I then established a company in Mexico providing the same service, while also founding the first 3PL provider for pharmaceutical warehousing in Puerto Rico. The concept behind this company was to centralize large-volume raw materials, as pharma companies have a separate order process for different plants, despite producing the same products. All companies raised interest from

multinationals and we eventually sold the three companies in 2005 and I retired in 2009 from the industry.

After this, I devoted my time to a new sector, as I saw great potential in a local airline, which had great branding but was poorly managed. Due to my experience as an entrepreneur in a highly-regulated industry, I saw that I could bring value to this organization and started investing. In June of this year, I was also elected president of the Puerto Rico Manufacturers Association.

What have you identified as the main priorities of your presidency?

One of our main priorities, which we as an association and our tax committee have been diligently working on for many years, was reached this month, with the new incentives law being signed. The new law has been tailored to the needs of our members and we are comfortable in saying, that this new law will provide a clear path to the future of economic development in Puerto Rico.

The island has decades of experience in manufacturing, particularly in the pharmaceutical area, and highly talented people. Nevertheless, a key issue in the past for Puerto Rico was that governments have failed to keep their word on incentives packages. A big task is to communicate the benefits of these incentives clearly to potential investors, while ensuring the validity of these, not only for months but for the number of years they are designed for.

Companies expect incentives to be kept in place, regardless of which government is in place, as they base their analysis on investment and ROI based on the incentives, that are existing when coming on the island. Puerto Rico needs to understand the importance of keeping its word regarding incentives. The first step was to put this new law in place, as replaced the law from 20 years ago and provides a contemporary framework, also covering new industries in the digital space, which have been growing rapidly in the last few years. The government has been doing a great job of drafting this new legal framework in the last six years, so now is the time for us to ensure that the new incentives will stay in place and will not be modified, regardless of the government in power. We need to gain back the trust of investors, but this will be a lengthy process, which has no short-term solution.

Are the right incentives in place to ensure Puerto Rico’s pharmaceutical manufacturing sites receives the right modernization investments, so the blockbusters of tomorrow are also manufactured here?

The incentives included in the new law look very promising to retain and attract investment to Puerto Rico. I can assure you that companies making the decision to invest in Puerto Rico are satisfied with the financial incentives they find on the island, despite strong international competition. Looking beyond incentives, there is many more reasons why companies are attracted to do business here, for example, the long history of manufacturing expertise and the excellent academic training of our talented professionals in these industries.

Lobbying on the local level is one thing. However, many decisions about funding and incentives are taken at the federal level in Washington, DC. What is your strategy for approaching the lawmakers in the capital and what is the key message you want to convey to them?

We have been investing as an association for the last five to six years into our lobbying efforts in Washington DC. I strongly believe that the times, in which we have been the most effective in these years, was when we have gone to Washington as one voice. Our members, which are from a large variety of sectors, have to unite on common ground. The current situation is very complex, as, in the past, many senators and representatives knew Puerto Rico and its strategic capabilities, particularly in manufacturing. Today's picture is different, as many newcomers in congress do not have as much background information about the island as the older generation, so our job is to educate them and make them aware about the size of the economy and the impact of the manufacturing sector in Puerto Rico.

As the global manufacturing sector is entering an era where digitalization and industry 4.0 is on everyone's lips, are Puerto Rico`s academia and training institutions up to speed the latest trends and the needs of the local industry?

The educational committee of PRMA is in close contact with our members and the academia, to ensure the universities stay up to date with the requirements the industry is expecting from new employees. We have an active approach of identifying the skill set needs for new ways of manufacturing. Equally this exchange works the other way around, as many innovations and ideas are born on the campuses of our universities in Puerto Rico and can benefit the industry. Due to Hurricane Maria, some professionals have decided to leave the island, but we see a trend of Puerto Ricans returning to their home and I am sure that this will continue, as the government has put incentives in place to accelerate this movement.

A challenge, which has been existing on the island for years, are the high infrastructure costs, particularly for electricity and water. Puerto Rico is set to receive significant funds from the federal level to improve infrastructure in the upcoming years, so how can this benefit manufacturers and the supply chain on the island?

It is a fact that we need a reliable system and there are federal funds allocated to Puerto Rico to improve the infrastructure on the island. Right now, the Financial Oversight and Management Board for Puerto Rico is completing a restructuring support agreement for the Puerto Rico Electric Power Authority. PRMA has been very vocal about the need to keep the electricity cost at around 20 cents per kilowatt-hour. While this far over the US mainland level, our incentives and expertise in manufacturing are outbalancing the high price of electricity. Currently, the price is around 23 cents per kilowatt-hour and with the debt restructure plan for PREPA having a direct influence on the price, it will rise between two and four cents. This means that we will need to find efficiencies in generation and distribution to overcome the seven cents that we are currently away from reaching our price goal. We are in continuous contact with the authorities to deliver this message.

We have heard from many sides, that there is the ambition to transform Puerto Rico into a holistic life sciences hub. What is needed to attract more R&D to the island?

We have been talking about attracting more R&D to Puerto Rico for many years and for this to happen, the government needs to understand the benefits that this will bring in the long-term, as an R&D industry does not have an immediate effect on the economy. We are making big leaps in getting there, as we started to create an ecosystem for research, particularly driven forward by the Puerto Rico Science, Technology & Research Trust and its CEO Lucy Crespo. Attracting researchers goes beyond financial incentives, as it is crucial for them to have the security of being in the right environment to spend years of working in this certain place. The Trust has a very holistic approach to create such an environment, covering even cultural areas. As their board is not attached to the government, there is continuity in its activities and it is not subject to change due to political circumstances.

Our association is looking in different areas to identify opportunities for more R&D to Puerto Rico, but my approach will be to closely work with the Trust, as they have the expertise in this area. We want to support them in their endeavours to create an ecosystem, rather than starting our own program in this area.

Secretary of Economic Development Manuel Laboy highlighted that the government, next to retaining and attracting investment in healthcare, also wants to support local ventures that provide services to the big manufacturers. You have been leading your own company for years, so where do you see the opportunities and challenges for local start-ups in the healthcare sector?

Entrepreneurs start with a great idea and because they consider themselves an expert in their area. However, founding a business is not only about the idea, as there are many operational obstacles, such as patent registration, funding and permits. Looking at all these things, it is essential to streamline these processes, which requires an environment that supports entrepreneurs and start-ups. Incubators and accelerators, as provided by the Trust, allow founders to focus on the core task of developing their product, rather than administrative tasks. Puerto Ricans are very creative, but we need people to support the great minds on our island in terms of providing expertise for regulation and permits and funding.

You have stated in a previous interview that you would like to see more continuity within the association. What efforts have you made, and will you make to ensure this will happen?

In many associations – PRMA is not an exception – the general assembly decides on resolutions and how to move forward. The person responsible for the implementation should be the executive Vice President, working on daily issues in Puerto Rico and in Washington DC. The president is only elected for two years, and to really understand the complexity of all issues the association is involved in, takes probably a full year. Therefore, my first goal is to hire an executive vice president in the next few months, a position that is vacant, to be in charge of the daily tasks of PRMA – not only for two years but for a longer period of time, while the President can invest its time in governance and responsibilities on the macro level.

Where do you want to see Puerto Rico’s manufacturing industry by the end of your term as President of PRMA?

My vision is to find a common ground, which is in the interest of all our members, regardless of their industry. Puerto Ricans in general, need to find ways to work better together and I hope that

in the next few years we will see a more united Puerto Rico, defending the manufacturing sector and its impact on our economy and promoting our capabilities with one single voice. PRMA is an institution that works for this goal. We will also work together with the Private Sector Coalition of Puerto Rico, in matters that we can find common ground.

See more interviews