



**STATEMENT FOR THE RECORD BY RODRIGO MASSES  
PRESIDENT OF THE PUERTO RICO MANUFACTURERS ASSOCIATION  
BEFORE THE  
US HOUSE COMMITTEE ON NATURAL RESOURCES**

**Oversight hearing on: *The Status of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA): Lessons Learned Three Years Later.***

**May 2, 2019**

Chairman Grijalva and Members of the Committee:

Thank you for the opportunity to share our statement and especially for your interest in the 3.4 million U.S. Citizens residing in Puerto Rico, a US jurisdiction larger in population than twenty States, as it pertains to the status of our Territory; the Commonwealth of Puerto Rico.

I serve as the elected Chairman of the Puerto Rico Manufacturers Association ("PRMA"). PRMA is the primary voice of the private sector and especially, Puerto Rico's manufacturing. Our Members are the principal business sector driving the island's economy for the last 50 years. Our members generate approximately 250,000 American middle class jobs on the Island, produce close to 50% of Puerto Rico's GDP, and has been the island's primary wellspring of tax revenue for decades.

The focus of this hearing on PROMESA and the questions to be asked are not only vital for restoring the quality of life for those living in Puerto Rico but a priority task required to revitalize our economy and reverse our island's rapid loss of population to other locations in the United States. PRMA has been leading efforts focused on the need for meaningful, long term economic growth, necessary to improve the wellbeing of our people but also to stem the migration to the mainland.

Manufacturing and its economic ecosystem are the primary engine creating middle class jobs on our island. Its health and growth is critical for two critical long term challenges facing Puerto Rico: creating employment opportunities and the need for tax revenue to address the needs of the local government. Without growth, we will continue to see a brain drain as our young people continue to leave, the middle class shrinks and the government struggles to provide services and maintain infrastructure.

**Our message is simple and straightforward; only robust economic growth will serve as a solution to Puerto Rico's challenges. Austerity alone will fail to secure Puerto Rico's future.**



As the Committee well knows, the economy of Puerto Rico had suffered well over a decade of economic contraction by the time PROMESA was enacted on June 30, 2016 and Congress created the Fiscal Oversight and Management Board (FOMB). Despite what many had hoped from this historic Congressional action, the serious condition of the economy has continued to deteriorate hemorrhaging jobs and creating little new economic opportunity.

Many in Puerto Rico have publicly expressed their concern with the absence of a strong and proactive intervention by the FOMB in defense of Puerto Rico's economy during the negotiations concerning the Tax Cuts & Jobs Act in Congress resulting in dire consequences for the Island's future. Although we understand the far reaching and complex task the FOMB has at hand, PRMA w feels that the FOMB being a creature of Congress was in a particularly strong position to influence legislation so crucial to Puerto Rico's future.

Let's remember that PROMESA requires the taxpayers of Puerto Rico to fund the FOMB. Its estimated that the cost of the FOMB to the people of Puerto Rico is an estimated \$300 million so far; including millions in consulting contracts. This amount could pay for the health services under the local government's health program for 100,000 low income residents. I doubt very much that the return to our People from spending that amount in the FOMB has been positive. On the contrary, and as I indicate below, the actions of the FOMB have resulted in serious consequences both economic and socially.

We are concerned that after almost three years the FOMB has done little to advance the collective interests of Puerto Rico. The FOMB, through its actions or lack thereof has only increased the uncertainty that has clouded the economic prospects for Puerto Rico. This uncertainty raises questions concerning future local tax policy and how it will impact the operations the productive sector in Puerto Rico. The reform of PREPA and the need for attracting private capital investment into the electricity sector is in doubt.

We believe that the FOMB must be restructured and refocused to provide greater emphasis on economic development. Without a sustained development agenda Puerto Rico runs the risk of a relapse in its fiscal situation and unfortunately at this moment, there is no guarantee that any such development is a concern or priority of the FOMB. The lack of attention to implementing reforms and policies that will foster economic growth along with the FOMB's continued emphasis on austerity measures only deepens the economic contraction, discourages investment and works against the positive environment needed to jump start our economy.

The lack of economic certainty is the largest impediment to achieving PROMESA goals, including those that were part of the bi-partisan Task Force on Economic Growth that



was created to propose development initiatives. At PRMA, we understand that the primary mission assigned to the FOMB is returning Puerto Rico to a healthy fiscal situation. It is also our belief, given the economy's condition and outlook after both hurricanes, the new federal tax law's consequential treatment of Puerto Rico and the slow recovery process that the FOMB should place the highest priority on proposing and pursuing measures that stimulate sustained economic growth. As a creature of Congress, it is in a privileged position to argue for revisions of PROMESA that will help facilitate this.

We urge the Committee to make changes in the PROMESA authorizing statute that will shift the emphasis of the FOMB to economic growth and development.

We also urge the FOMB to rethink its own role and objectives. As mentioned, resolving the fiscal problems facing Puerto Rico will be impossible unless the economy returns to sustained growth generating new tax revenues and creating jobs. By continuing its current priority of imposing fiscal austerity, the FOMB will only make things worse. The FOMB current prescription will prevent economic recovery resulting in serious economic and social costs for the Island's residents and future generations.

We strongly urge the Committee to concentrate efforts in the following specific areas:

- 1- Collaborate with the local government and the private sector to aggressively pursue Congressional action to assure Puerto Rico remains a viable option to retain and attract manufacturing facilities and their productive capacity essential to our future economic wellbeing. Let's remember that manufacturing is ½ of the local GDP and the primary source of middle-class jobs.
- 2- Renewing our electrical grid together with a modernized regulatory framework that promotes private investment with the goal of achieving efficient and diverse distribution and generation of electricity at competitive rates. The recently approved Public Policy on energy is a major step in this direction.
- 3- Development and implementation of government reforms and economic policies that will attract new investment and lead to long term sustainable economic growth.
- 4- Continue efforts to secure a consensual solution to the island's debt load to eliminate uncertainty and thus stimulate economic investment.
- 5- The PRMA has been insistent on introducing transparency into PREPA transformation and other government actions. The same process of transparency should also apply to the FOMB's contracting practices. Sunlight is the best disinfectant.

I must also mention that it has recently been made public that the FOMB will target local, small and medium size businesses to recover payments made by the government to its suppliers before it declared bankruptcy. This will place an enormous burden on



these firms, many of which have been suppliers of government services for years. This is a major new source of uncertainty for business since it is now subject to legal proceedings for simply providing goods and services to the Government. How is an honest businessman to know if the Government is about to declare itself bankrupt? At the very least the FOMB's actions will undermine confidence in Government, increase the cost of its acquisitions and will, additionally, generate legal proceedings that will be very costly for the already battered local business sector. The PRMA will keep its options open to exercise all means at its disposal to oppose the intended legal proceedings against local businesses and prevent the FOMB from bringing additional harm to our economic wellbeing.

We appreciate your consideration and welcome the opportunity work with you and your Committee to advance economic growth in Puerto Rico. Thank you for the opportunity to share our statement with you and the Committee.

Rodrigo Masses

**CONTACT INFORMATION:**

*Mr. Rodrigo Masses  
President, Puerto Rico Manufacturers Association  
PO Box 195477  
San Juan, PR 00919  
Web: <http://industrialespr.org/>  
E Mail- [rodrigomasses@gmail.com](mailto:rodrigomasses@gmail.com)  
Tel: (787) 641-4455*