



AGC
PUERTO RICO CHAPTER
THE CONSTRUCTION ASSOCIATION

Statement of

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Statement to Natural Resources Committee, U.S. House of Representatives

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Good morning, Chairman Grijalva and distinguished members of the Natural Resources Committee of the U.S. House of Representatives. My name is Eduardo Pardo, I am a resident of San Juan and current president of the Puerto Rico Chapter of the Associated General Contractors of America. AGC Puerto Rico represents more than 300 companies from general and specialty contractors to subcontractors, suppliers, and industry related services.

Thank you for the invitation to appear before this Committee and the opportunity to present our testimony regarding the execution of Puerto Rico's Post disaster reconstruction and power grid development by the federal and Commonwealth governments and other key stakeholders, including LUMA. We deeply appreciate the efforts of the Committee to identify obstacles and implement solutions that will hopefully set forth more agile processes and accelerate the reconstruction and modernization of Puerto Rico's infrastructure.

Most of us can agree that the reconstruction process is taking much longer than expected and that in some areas, such as power, little progress has been made. Today, Puerto Rico's infrastructure is much weaker and more vulnerable than ever. As recent as Monday, 175,000 of PREPA's clients lost power for more than two hours, meanwhile traffic

between Ponce and San Juan is experiencing major interruptions after gigantic rocks detached and impacted the lanes due to unusually heavy rainfall.

Having said that, AGC Puerto Rico wants to state for the record that recently we have seen much needed increased and ongoing activity in the use of federal funds and projects out for bid in certain areas, such as:

- The Puerto Rico Aqueduct and Sewer Authority, which is currently executing its plan to reconstruct, improve and build new installations financed with a mixed source of funds, including FEMA and own funds. Different from other agencies, PRASA communicates and works closely with local contractors and issues bids regularly.
- The P.R. Department of Housing, which manages CDBG funds, has removed hurdles and implemented more efficient processes to enable more bids and construction activity. They currently have various projects underway such as housing reconstruction and repairs and photovoltaic and water cistern installations. They are also implementing a design build mechanism, which in our opinion helps to accelerate projects.
- Certain municipalities, which after so many years and obstacles, have been able to access funds and are issuing bids for a diversity of projects of different magnitude and nature. Municipalities are using the design build approach to accelerate certain projects.

However, other areas are stuck, especially the electrical power grid. **Rehabilitation and modernization of Puerto Rico's power grid should be the NUMBER 1 PRIORITY for everyone on the island and the mainland. However, five years after Hurricane Maria, AGC Puerto Rico doesn't know of ANY significant projects currently underway to achieve a resilient and modern network. In fact, AGC Puerto Rico and its members, including leading energy contractors (both in terms of size and experience), have been sidelined by LUMA in the efforts to develop and execute the plans to invest the more than \$10 billion in federal funds assigned by the U.S. government to significantly expand people's access to reliable and cost-effective energy services.**

Our main objective of today's testimony is bringing before this Committee our main areas of concern and solutions, which are the following:

- Government Red Tape and Bureaucracy

Unnecessary steps and requirements by both the Federal and the Commonwealth governments are complicating, delaying, and increasing the costs of reconstruction. AGC-PR welcomes the appointment of Secretary of Energy, Granholm, to hopefully identify situations that are affecting the progress of reconstruction works in all areas and implement solutions that will bring transparency and cost and time efficiency, including the use of design build and maximization of local contracting.

- Priority Projects

The modernization and reconstruction of Puerto Rico's infrastructure is a monumental project that has no precedent in the history of the United States. To effectively address it, AGC Puerto Rico strongly recommends making a list of at least 5 priority projects in different areas such as the electrical grid, roads, water, schools, etc. These projects, which shall be designated for their significant contribution to resiliency, and quality and stability of services to the residents, shall have an expedited permit and construction procedures. Secretary of Energy Granholm shall lead the task of identifying the projects and developing procedures. AGC Puerto Rico has plenty of experience in streamlining processes, therefore we are available to collaborate.

- Budgets

Repair and reconstruction costs post hurricane Maria were estimated in 2018. Since then, construction costs have increased dramatically due to inflation, supply chain and demand factors. According to AGC of America, construction prices nationally jumped 19% year to year from 2020. In Puerto Rico, prices have experienced a larger increase, in some cases more than double, especially in labor. This has created a gap between estimates and actual costs. Currently, proposals are higher than budgets, which means that projects cannot begin. To be able to undertake the projects that Puerto Rico needs based on the expert analysis of federal and local agencies, the federal and local governments must expedite budget adjustments to address inflation.

- Local Contracting

Maximizing the participation of local contractors and suppliers to reconstruct the island's infrastructure is vital to Puerto Rico's economic recovery and progress. Local contracting will create wealthy and well-paying jobs that will remain in Puerto Rico, whereas outside contractors and employees will repatriate revenues aimed to have a local economic impact. Section 307 of the Stafford Act states that preference shall be given to firms operating in the area affected by the disaster or the emergency, in this case Puerto Rico. AGC Puerto Rico understands that the percentage of preference should be determined and included in the guidelines, to ensure transparency and compliance. (See Attachment 1 – Section 307 of Stafford Act)

- Labor

Access to skilled labor is a major concern. At present, Puerto Rico has roughly 30,000 construction workers in the formal economy, and over 25,000 in the informal economy. AGC Puerto Rico and the construction industry is proposing the implementation, by Executive Order from President Biden, of a Parole for Significant Public Benefit to allow non-Citizens living in Puerto Rico with an undefined migratory status to work in construction projects financed with FEMA disaster recovery funds. (See Attachment 2 – Proposal) This will be a feasible mechanism to significantly expand the pool of available workers in the time frame needed, without having to bring in workers from other jurisdictions. **AGC Puerto Rico and our members have unsuccessfully tried using other mechanisms, such as seasonal H2B visas. We must note that construction companies on the island have not received any construction workers under the H2B visa program in recent years, despite having applied. H2B visas were not designed and are simply not meant for the construction industry.**

- PLA Requirements

Removing unnecessary requirements, such as the Project Labor Agreements established by LUMA and imposed on local contractors, is fundamental for undertaking the transformation of the electrical grid. AGC Puerto Rico has repeatedly stated that LUMA's

imposition of a PLA negotiated with a labor union outside of Puerto Rico will increase costs dramatically, and significantly limit the number of projects that will in fact be built. LUMA's chosen union, or any other stateside union, will not be able to supply the amount of construction workers that will be needed, instead they could reduce the limited resources that we have available. The U.S. Government, the Commonwealth and Puerto Rico's construction industry must work together and push for implementing innovative solutions to address the skilled labor issue and expand our pool of human resources significantly without adding unnecessary burden to the island's infrastructure, such as the abovementioned Parole for Significant Public Benefit.

AGC Puerto Rico thanks you for your time and urges the members of this Committee to include our recommendations in your report, so they can be implemented. We are available to answer your questions and to collaborate as you may deem necessary to accelerate the reconstruction and modernization of Puerto Rico.