

Puerto Rico's path towards competitiveness

DEPARTMENT OF ECONOMIC
DEVELOPMENT AND COMMERCE
DEDC



Topics for Discussion

- 1 **Competitiveness approach**
- 2 **Logistics strategy to become a global supply chain center**
- 3 **Making permitting....finally efficient**
- 4 **What are DDEC's priorities on Energy**
- 5 **How is talent going to become our main competitive advantage**
- 6 **Global Trends & Investment Attraction Strategies for Puerto Rico**

MODEL OF COMPETITIVENESS FOR A MULTISECTOR ECONOMY

Connectivity and world class logistics

- Developing logistics and supply chain capabilities, achieving connectivity for our shippers making it a competitive advantage for attracting new production lines

Digitalization

- Developing our digital capabilities as a place to do business, from government to small business, achieving global exposure of our services and products

Fast and robust permit process

- Leveraging technology to make development and business creation agile and fast

Stable and low-cost energy

- Providing options and facilitating investment in low cost and high-quality energy for all kinds of businesses

High skilled talent

- Aligning academy to industry's needs and global trends, so talent and human capital becomes our main competitive advantage

Fair tax policy with attractive incentives

- Maintaining an attractive, low tax policy that give investors a reason to invest in Puerto Rico



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DEDC conducted a study to assess PR's potential as a transshipment hub, that evolved into increasing connectivity for shippers in Puerto Rico

Project goal and ambition



While this project started as a study of Puerto Rico's potential as an air cargo transshipment hub...



...the focus of the **project has since evolved into a larger and more relevant topic** for Puerto Rico's economy...



...to **improve connectivity for local shippers** and to become a best-in-class pharm logistics gateway

Key project outcomes



Several practical initiatives to **directly increase connectivity** (and transshipments) were identified...









...with a clear path forward to **develop connectivity enablers** (demand, infrastructure and capabilities)...



...and a recommendation to set up a **focused logistics team** to train, communicate and execute

Puerto Rico needs to **develop key capabilities** to match those that our biggest competitors have

Players	Facility	SJU	BQN	SIN	MIA	BRU	AMS
 Trucking	Live tracking (location/temp)	✓	Not known	✓	✓	✓	✓
	CEIV Certification	-	-	✓	✓	✓	✓
 Forwarder-integrator	Temp control facilities	✓	-	✓	✓	✓	✓
	value-add services	Not known	Not known	✓	✓	✓	✓
	Live tracking (location/temp)	Not known	Not known	✓	✓	✓	✓
 Customs	CEIV Certification	-	-	✓	✓	✓	✓
	Priority clearance	-	-	✓	Not known	Not known	Not known
 Ground handling	Active in pharma community	-	-	Not known	Not known	Not known	✓
	Temp control facilities	✓	-	✓		✓	✓
	Cooled dollies/recharging area	-	-	✓	Not known	✓	✓
	priority handling	Not known	Not known	✓	Not known	✓	✓
 Airport	CEIV Certification	-	-	✓		✓	✓
	Key pharma community role	-	-	✓	✓	✓	✓
	FTX status	-	✓	✓	✓	Not known	Not known
	Pharma.Aero participant	-	-	✓	✓	✓	-
 Airline Capacity	CEIV Certification	2	0	18	15	11	18
	# Freighter destinations '19	10	2	21	55	31	35
	# widebody belly destinations '19	4	0	81	50	37	85

To develop connectivity for shippers, there are **short term, tactical opportunities** and **mid to long term enablers** that will have the bigger impact

Develop connectivity for local shippers

Tactical initiatives to improve capacity

Tactical opportunities:

Materialize interlines and additional tech stops at BQN

Defend what you have:

Develop 'hub carriers', and maintain widebody pax flights from US majors

Longer term initiatives:

Develop starburst operations and add passenger flights to Europe

Connectivity is enabled by local demand, infrastructure and capabilities

Facilitate Puerto Rico air freight demand

Increased demand will drive further connectivity

Ensure infrastructure is not a constraint

Study shipper requirements, and identify priority infrastructure improvements

Build a team to execute and communicate

Market the full potential of Puerto Rico's capabilities

Next steps



- **Establish interim expert team** (ex Head of Avianca cargo and ex head of Schiphol Cargo)
- Develop **knowledge transfer** plan
- **Execute** connectivity initiatives



- Assess the logistics requirements of shippers in detail to close gap and **prioritize infrastructure** and handling improvements
- Fix data issues



- Develop a **communications and outreach plan** and execute it – conferences and pitching

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OGPe's main priority is to leverage technology to simplify processes and shorten lead time

Technology Optimization

- Integration with central government's interoperability systems will simplify documents required to users by integrating: CRIM, Property Registry, Treasury, etc.
- With the IDEAL integration all licenses required for *Permisos Únicos* will be automatic



Additionally, OGPe is working on **streamlining processes with other agencies** as well as **improving user's experience**

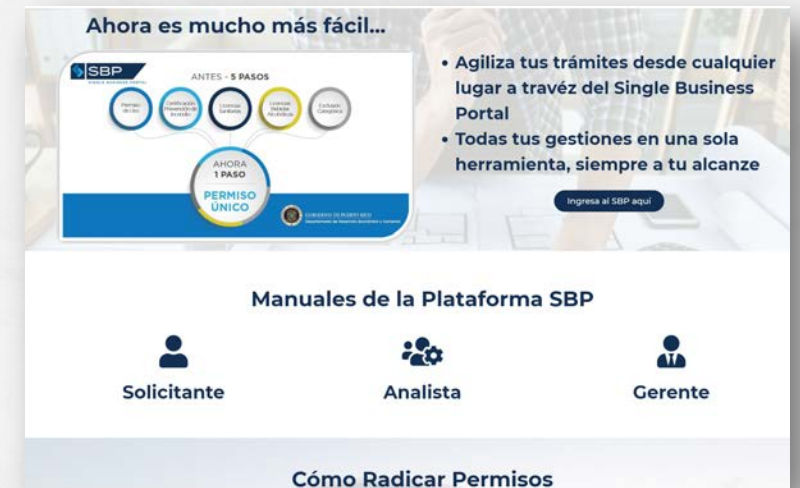
Streamline Processes

- Steering committee with all main agency leadership, along with private sector stakeholders is meeting weekly to discuss roadblocks and recommendations
- Pushing changes in laws and regulations to give more responsibility/accountability to professionals, shortening time on OGPe

Improving User Experience

Relevance information to anyone interested in applying for a permit, from OGPe and other agencies such as JP, Natural Resources, etc.

- Website also has all **educational material** to facilitate user's application process
- **Incorporating OGPe** to DEDC's service centers for businesses



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The Energy Policy Program is focused on supporting reliable and low-cost energy to become more competitive



1 Energy Transformation Support

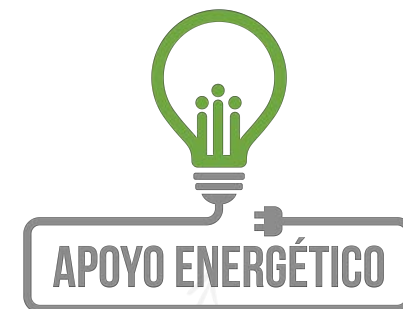
- We provide support to industries in their quest for **energy transformation**, being cogeneration or renewable systems:
 - Green Energy decrees
 - Technical and permitting assistance
 - Small business green energy program

2 Energy Public Policy for Economic Development

- **Liaison with CDBG, COR3, DOE & USDA** energy programs and opportunities with over \$12B of federal funds
- **Green Energy Trust** \$400M assignment to foster clean energy development for low- & mid-income households

Supporting industries' energy transformation, we help our overall competitiveness

DEDC will launch the program to facilitate investment in energy conservation



PYMES

\$20 millions in ARPA funding to incentive small and medium businesses to invest in energy conservation and lower energy costs

Objectives:

- Assist small and medium businesses invest in green energy alternatives
- Help small and medium businesses reduce their operational costs
- Give priority to small and medium suppliers
- Give priority to underserved regions and sectors

Goal of impacting over **1,000 PYMES**

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DEDC put together a 6-step path towards achieving **our goal of making human capital our biggest competitive advantage**

1 Choose Priority Industries

Define the industries on which we will spend the most time developing: Biosciences, Aerospace, IT and tech

2 Define skills needed – *begin Industry engagement*

Understand the needs on those industries and the global trends for these industries

3 *Map current suppliers for these skills – begin Academia engagement*

Create an inventory, that can be updated continuously, with a comprehensive list of what are education institutions are offering

4 Assign organizations to fill those gaps – *Industry/Academia alignment*

Identify players that will own development of programs and initiatives to fill those gaps

5 Define mechanisms to match workforce with organizations

Identify and/or create the tools (digital) to be able to better match opportunities to organizations and employers

6 Establish permanent communication channels among players along pathways

Develop the structure that gives continuity to this effort

In response to an Industry request, DEDC decided to convene all Presidents of Universities of Puerto Rico, along with Industry leaders



DEDC sat together the main industry leader in Puerto Rico, with the main education institutions in Puerto Rico to begin a **discussion on the industries' needs** in terms of talent.

Government

- Department of Education
- DEDC

Professional Organizations

- Medical Device Cluster
- IT Cluster
- PIA
- Hotel Association
- Aerospace Cluster
- PRMA

Educational Institutions

- Interamerican University
- Sagrado Corazón
- Polytechnic University
- UPR
- EDP



4th Industrial Revolution and Globalization Trends

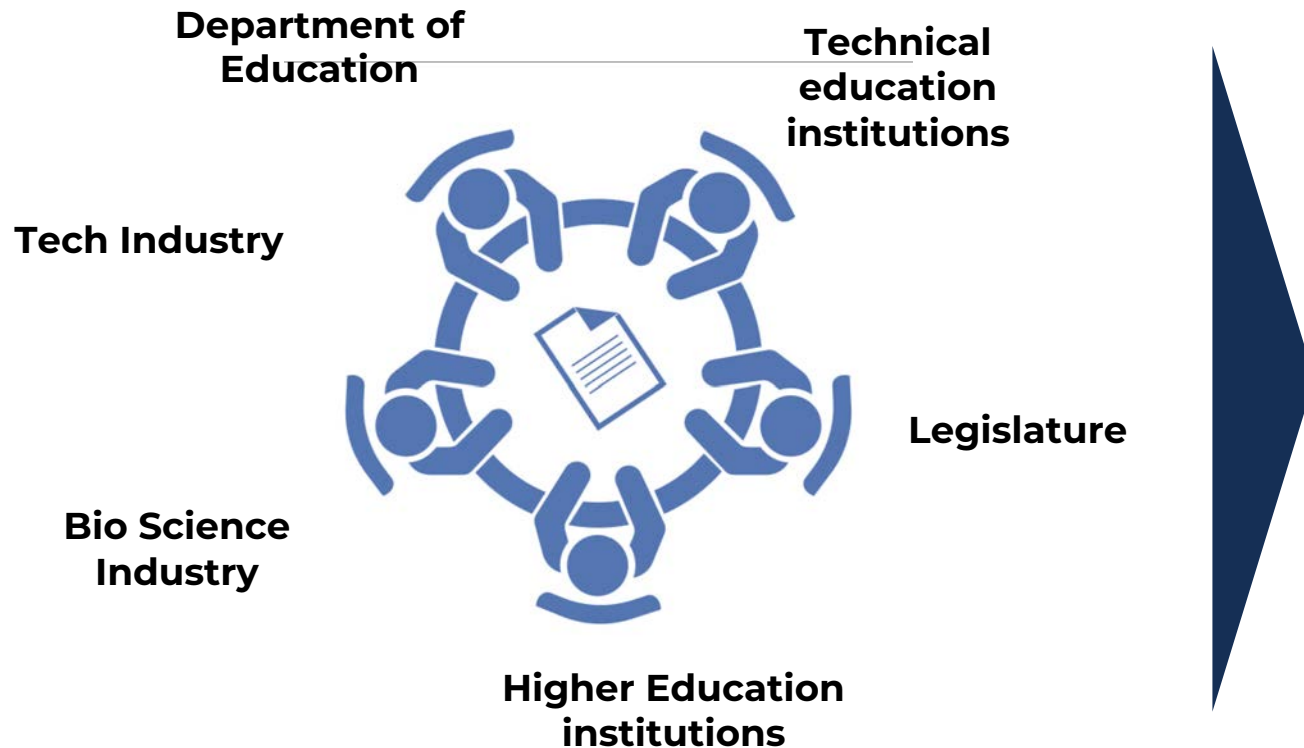
- Skills in critical areas such as **AI, cybersecurity and data management**
- **Automation** has become essential for engineers
- **Soft skills necessary have changed:**
 - Problem solving
 - Critical thinking
 - creativity
 - Self-learning
- Business graduates need to be **digitally fluent**



Update education models together with the industry

- New **curriculums and programs should be design in collaboration** with industry
- **Vocational programs** need to be updated
- Students should graduate with more **practical experience**
- **Faculty needs to be reinserted** into the industry
- Universities and high schools need to **expand offering to virtual options**

DEDC is leading the creation of a working group to align industry's needs academic offering: Puerto Rico's Workforce Group



Objectives of working group

- **Align stakeholders** on needs and priorities for a workforce development strategy
- Develop short-, mid- and long-term **plans to tackle workforce challenges** and global trends
- **Push and implement** cross industry/academy initiatives
- Make **public policy recommendations** to the Governor and Legislature

To support our efforts to develop the workforce that Puerto Rico needs to be competitive, **DEDC** runs the **Workforce Development** program, recipient of the **WIOA** funds

- **On the job training:** 50% reimbursement of training of the participant for the duration of the 6 months of training
- **Customized trainings:** reimbursement of 50% of the training. Especially designed to meet specific requirements by the employer
- **Incumbent Worker training:** 50% reimbursement of the cost of training for the employee; training model is employer promoted
- **Apprenticeship:** 50% reimbursement of the training. Upon the completion of the Registered Apprenticeship program, the participant obtains an USDOL credential which is nationally accredited and recognizes the skills that were acquired.

15 Local Workforce Development Areas



 Centro de Gestión Única (CGU) American Job Center

**Global Trends &
Investment
Attraction
Strategies for
Puerto Rico**



INVEST
PUERTO RICO

Invest Puerto Rico's mission is to promote the Island as a competitive investment jurisdiction to attract new business and capital investment

Focus Areas



Awareness Building

Marketing and Communications




Lead Generation

Business Development



Product Improvement

Strategy And Research



Stakeholder Engagement










Stakeholder Engagement



Organizational Excellence

Operations

Invest Puerto Rico developed a promotional plan to deliver on its role, with built-in flexibility to account for disruptors.

	Prioritization Levels	Target Sectors	Messaging	Channels / Outreach Modes	Geographic Focus
Tier 1: Core	Knowledge Services Industrial Value Chain	Software & IT Consulting & Technical Services	 Legacy & Prominence  Attractive Tax Policy  Human Capital	 Personal Networks  Website  Digital & Print  Conferences & Events	National Focus U.S. exclusive small & medium sized companies from tax competitive states Global Focus Europe, Latin America, Asia
Tier 2: Nurture	Logistics Enhancement Reinvention Opportunities	Business Support Services			Continuous Improvement
Tier 3: Disruption	Future Disruptors	Biosciences Innovation Tech.	 Privileged Setting  Organizational Support  Quality of Life		Product Improvement Research Value Proposition Talent Development Stakeholder Engagement

Recent global trends that represent **opportunities for Puerto Rico**

Trend



Talent & Workforce

- Accelerated move to **remote work** and increased interest in “quality of living”
- **No size fits all** on how talent prefers to work moving forward
- The “**Great Resignation**” – workers rethinking careers, work conditions, long-term goals, etc.
- Decrease in **traditional college** enrollment
- Talent turning to **digital resources** to learn about locations

Opportunity

- Remote working opens opportunities to **attract diaspora** Puerto Ricans back to the island
- Offer **mixed-use real estate** to support the changing landscape of worker needs
- Market Puerto Rico’s **low-turnover rates** in occupations that on the mainland employers have trouble retaining employees
- Offer **non-traditional skilling programs** that can fill in gaps in talent needs

InvestPR Actions

- Collaborating with DEDC, universities, alternative educators, and private sector to **catalogue and align workforce training and demand**
- Developing a broader talent strategy for business attraction including **awareness campaigns and digital resources** that can facilitate talent matchmaking
- To address immediate needs, launched a **Linked-In “Talent Puerto Rico”** group to promote connections between on-island talent, PR diaspora and businesses looking to hire

Recent global trends that represent **opportunities for Puerto Rico**

Trend



Reshoring Manufacturing

- Covid-19 had the most acute impact on global manufacturing and supply chains in modern history
- US is starting to undergo a **recalibration** between onshoring and offshoring to maintain the autonomy needed to survive future crises
- **US dependency on China and India** for active pharmaceutical ingredients has **increased** since the early 2000s

Opportunity

- Puerto Rico is already the **leading manufacturer** of critical pharmaceuticals and medical devices in the US, and has the know-how and assets to do more
- As a US jurisdiction with **easy and advanced logistics connections to the mainland**, the Island is well positioned to reshore from China, India, and other jurisdictions
- FDA, banking, federal courts, and other critical institutions to ensure the flow of trade are already in place

InvestPR Actions

- Hosted **an on-island tour for federal officials**, industry stakeholders, and investors to highlight the potential for reshoring during this critical juncture
- Conversations with Bioscience companies with manufacturing operations in India, Asia and other foreign jurisdictions are ongoing
- Participating in **key bioscience tradeshows and events** such as Bio International
- Completed a local **Pharma industry competitiveness** study to best understand how the Island can remain competitive

Recent global trends that represent **opportunities for Puerto Rico**

Trend



Supply Chain Disruptions

- The pandemic has disrupted nearly every aspect of the global supply chain
- **Increased shortage of shipping containers** causing goods to pile up at ports throughout Asia
- **Shipping costs** from Asia to US and Europe have **risen dramatically**, while costs of shipping from PR to US and vice versa have remained steady

Opportunity

- Opportunity to **better showcase** the Island's world-class logistic capabilities
- **Stability of Island's supply chain connectivity** in terms of price, frequency, and security between mainland US has been elevated during COVID-19
- Increase in tourism to the Island can also help support **increased air cargo capacity**

InvestPR Actions

- Created and currently maintains a weekly **Air Logistics Committee** that brings private and public stakeholders together to discuss how to best serve the industry
- Partnered with DEDC to support external consultant analysis of **Air Cargo Capacity** on the Island
- Spearheading a study of **cold chain logistics** to ensure capacity is aligned with future demand

Recent global trends that represent **opportunities for Puerto Rico**



Trend

Infrastructure Rebuild

- After the Hurricanes of 2017, Puerto Rico was given the historic opportunity to rebuild much of its infrastructure using federal funds
- \$70B in funds were allocated, disbursements currently underway
- COVID-19 provided an **additional injection of funds** via the federal government that will aid in rebuild

Opportunity

- Leverage significant inflow of funds to recreate much of its infrastructure in energy, telecommunications, etc.
- Infrastructure build can be turned into **an economic development tool**, as local and new businesses leverage reconstruction projects to grow on Island
- Puerto Rico has the chance to become the **"sandbox" for reconstructing better** after climate change and other natural disasters

InvestPR Actions

- Maintains an active **role mapping and promoting ICT tech infrastructure** on the island (through 5G/IoT Committee), as emerging industries increasing rely on it to grow and innovate
- Created and currently maintains a weekly Energy Committee to **discuss trends and innovations** in the industry on the island, and how to convert activities into economic development
- Work with infrastructure companies to facilitate their move to Puerto Rico and leverage available opportunities to grow their operations

Recent global trends that represent **opportunities for Puerto Rico**

Trend



Global Tax Policy Shift

- Overhaul of international tax rules, with leading global officials backing a **15% global minimum tax (GMT)**
- Historically, Puerto Rico has positioned itself as a US jurisdiction with reduced tax rates for businesses
- Since the introduction of the Global Intangible Low-Taxed Income (GILTI) by the Tax Cuts and Jobs Act of 2017, businesses aiming to operate in Puerto Rico have had to plan around the potential imposition of the GILTI to their Puerto Rico operations

Opportunity

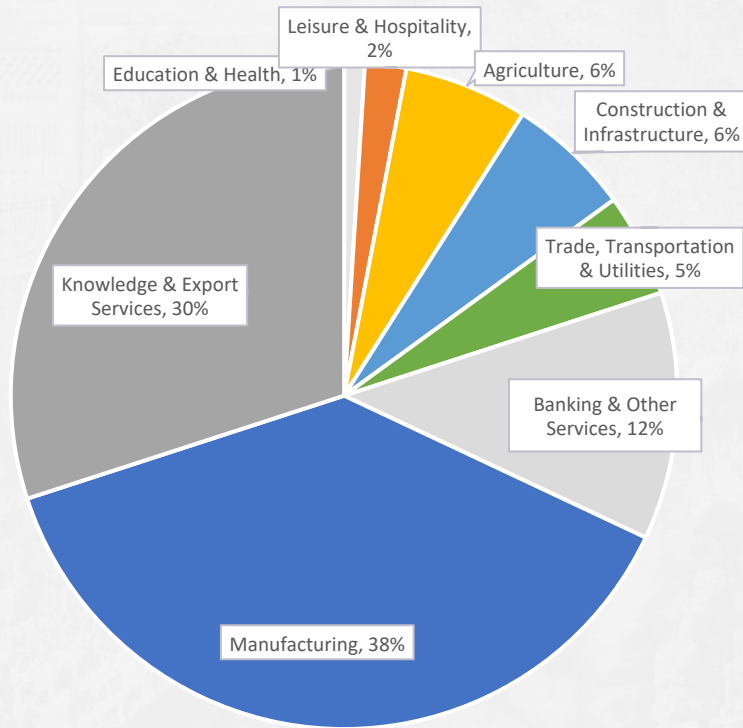
- Reposition Puerto Rico using **other competitiveness measures** not related to incentives
- While the GMT and GILTI will potentially impact the tax liability of PR operations of multinational companies, they will also create **competitive advantages** for mid-sized companies, foreign companies without US operations, and for US companies in States with high tax burdens

InvestPR Actions

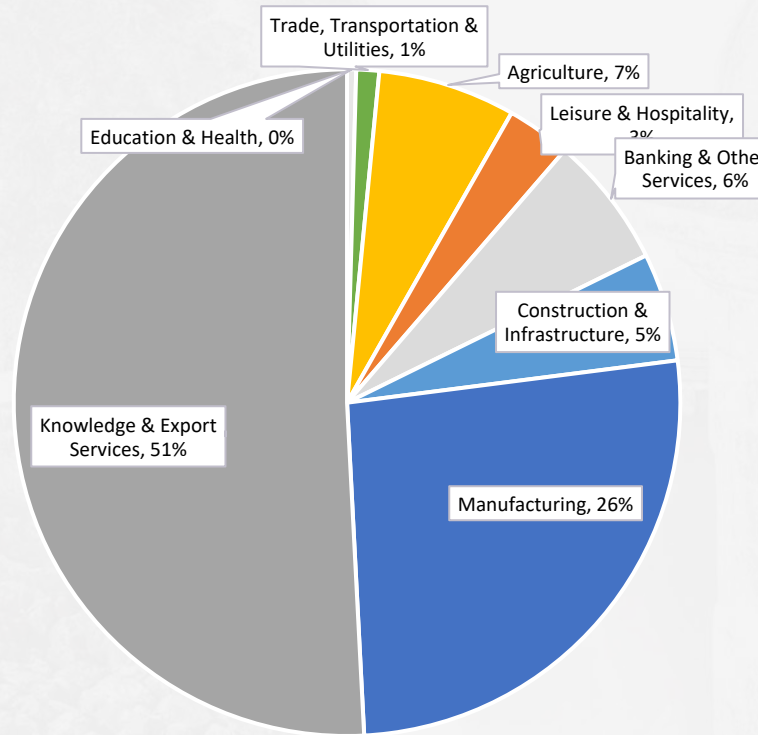
- Partnering with local industry groups such as the Pharmaceutical Industry Association and the Medical Device Cluster to **reposition PR's value proposition** due to effects these tax policies can have to incentives
- Targeting companies that will be **less affected by these tax policies**, like foreign companies without US presence
- Continue to support as a **thought leader in the global tax policy** space as these initiatives develop further, with an eye toward maximizing economic development on the Island

Trends are being reflected in Invest Puerto Rico's pipeline

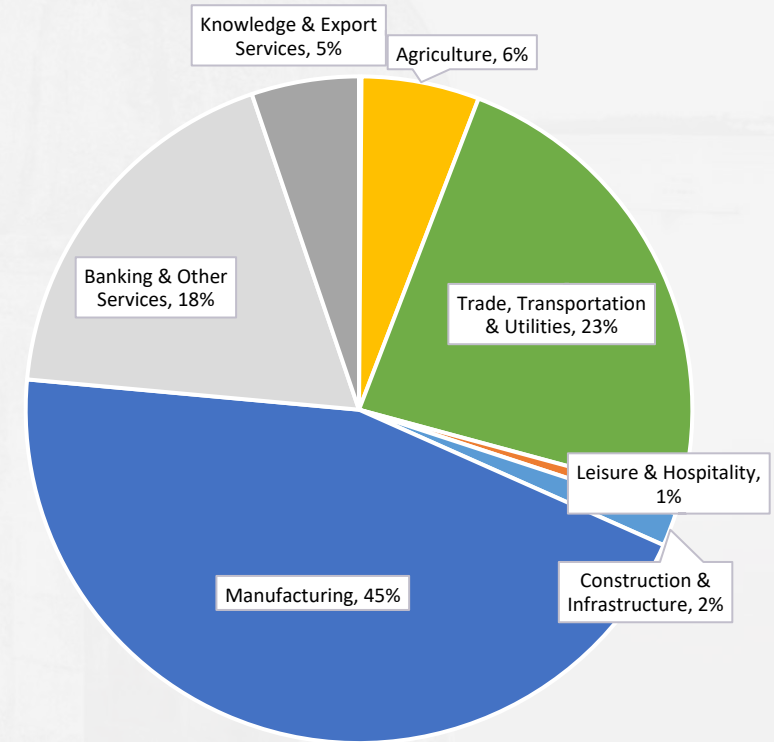
Leads by Sector



Jobs by Sector



Capital Investment by Sector



THANK YOU

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