

**IEDC EDAT in Southwest Puerto Rico
Phase 1, February 24 – February 29, 2020**

During the week of February 24, 2020 Frankie Clogston (IEDC staff), Zytha Kock (IEDC staff), and Gil Salinas (IEDC volunteer) traveled to Ponce, Puerto Rico to conduct Phase 1 of the Economic Development Assessment Team (EDAT) assignment. The goal of this assignment is to assist with the development of regional cooperation for economic development in southwestern Puerto Rico, an area that was heavily impacted by the 2020 earthquakes. IEDC has been asked by EDA to prepare a regional study of the South of Puerto Rico with the goal of identifying the region's strengths, weaknesses, opportunities and threats and developing an overall strategy for economic growth and resilience. This report will serve as a mini CEDS, for the formation of an Economic Development District in Southwest Puerto Rico.

For Phase 1 of the EDAT the goals were:

- Conduct preliminary conversations with stakeholders to gain familiarity with the region and situation
- Identify the geographic boundaries for the IEDC EDAT Project in cooperation with EDA
- Conduct a preliminary SWOT analysis to guide Phase 1 of the EDAT
- Conduct logistical planning for the EDAT scheduled for March 22 through Marcy 27.

Preliminary Stakeholder Conversations

With assistance from PRIMEX, the Southern Chamber of Commerce, Invest Puerto Rico and the City of Ponce, IEDC identified stakeholders to meet with. In addition to meetings in San Juan, the Southern Chamber of Commerce, helped bring together stakeholders and provided the IEDC team with a space to meet. In all the IEDC team met with over 25 stakeholders:

Manufacturing			
Efrain Montero Arroyo	Sofrito Montero – Best Seasoning Group	Food Production	Juana Diaz
Manuel Domenech	Medtronic	Medical Devices	Villalba
Dante Castillo	Sartorius	Pharmaceutical	Yauco
Fernando Garcia	PRIMEX (meeting in San Juan)		San Juan
Entrepreneurship			
Eva Caban Garcia	DECEP/ University of Puerto Rico – Ponce		Ponce
Eileen Figueroa	Professor Pontifical Catholic University of Puerto Rico, President of ICSB Puerto Rico		Ponce + surroundings
Agriculture			
Francisco Santana	Grupo Vesan	Vertical	Ponce

Montalvo		Farming	
Ricardo Caraballo Padilla	Apiarios Caraballo Corp	Apiary	Yauco
Miguel Pereira	Govt. Affairs Lead, Bayer	Crop Science	Juana Diaz?
Small Businesses			
Will Ramos	Realtor		Yauco
Nestor Torres Rivera	SBDC Regional Director		Ponce
Liliana Cubano Calderon	President "Hecho in PR"		San Juan
Universities			
Luis Badillo	Dean of Architecture, Pontifical Catholic University of Puerto Rico		Ponce
Damasco de Jesus	Representing the UPR Ponce rector		Ponce
Betzaida Cruz	Vice President of Finance, representing the Ponce Health Sciences University rector		Ponce
Samuel Velez	Representing the rector of Interamericana University		Ponce
Vocational Institutes			
Juan Orego	Representing Rector of Automeca Technical College		Ponce
Maria de Pilar Bonnin	Director, Trinity College		Ponce
Tourism			
Jose Reyes Feliciano	Porta Caribe	Tourism Promotion Agency	Ponce
Abel Mislá Villalba	Hotel Melia	Owner of multiple hotels	Ponce
Municipal staff			
Crystal Bell	Director of Tourism and Economic Development		Ponce
Janice Rullan Borrero	Federal Programs Director		Guayanilla
Resiliency Organizations			
David Southgate	Center for Creative Land Recycling	Brownfields	Yauco + Penuelas
Regional Planning Organizations			
Viviam Puig Gonzalez	Past Director of DISUR		Ponce
Nelson Perrea	Director of PRTEC		Mayaguez
Other			
Roderick Miller and Gail Norton	Invest Puerto Rico (meeting in San Juan)	San Juan	

Geographic Boundaries of the EDD

EDA analyzed existing cooperation agreements between the 16 municipalities of the South of Puerto Rico, and recommended the following 6 municipalities for the pilot EDD program:

1. Ponce
2. Juana Díaz
3. Peñuelas
4. Guayanilla
5. Yauco
6. Guánica

Ponce, Peñuelas, Guayanilla, Juana Díaz and Yauco are already member of the same planning and permitting consortium. Gaunica is added to cover all of the Southwestern coastal municipalities, and because it was the epicenter of the earthquakes.



Preliminary SWOT Analysis (draft)

Strengths

- Developed supply chains in following industries:
 - a) Medical device manufacturing
 - b) Medical & Health sector
 - c) Food and beverage tied to local agriculture sector
 - d) Aerospace & Aviation (with support from outside region)
 - e) Logistics – Port of Ponce with roll on/roll off facility in automotive sector
- Manufacturing Footprint
 - a) Medical device manufacturing
 - b) Pharmaceutical products
 - c) Electronics manufacturing

- d) Food and beverage processing, manufacturing
- e) Construction products & raw materials
- f) Metal Industry (primarily scrap)
- g) Petroleum refining and chemicals
- h) Importation of Argon supply
- i) Other: Transportation equipment, industrial machinery, leather products, paper products, apparel, rubber products, stone and clay materials.
- Infrastructure Assets – Airport (1), Maritime Ports (4), Foreign Trade Zones (1), Interstate (1)
 - a) Deepwater Seaports
 - i) Port of the Americas, Ponce
 - (1) Capacity for container
 - (2) Roll On/Roll Off Facility
 - (3) Scrap metal HUB for the South
 - ii) Port of Guayanilla
 - b) Free Trade Zone No. 163, 521 acres in following areas:
 - i) Mercedita Industrial Park
 - ii) Port of the Americas, Ponce
 - iii) Port of Guayanilla
 - iv) Industrial area in Guayama
 - c) Mercedita Airport, Ponce
 - i) Boarding traffic: JetBlue Airways
 - ii) Cargo traffic: FedEx Federal Express and DHL Worldwide Express
 - iii) MRO: None, but counts with small air repair shop
 - d) Interstate quality highway, connectivity to San Juan
 - i) Good connectivity from Ponce to other Southern Cities
 - ii) SITRAS, public transportation system available
- More than 30,000 students enrolled in 6 universities in Southern Puerto Rico
 - a) 20 top academic programs, including law, architecture, medicine, engineering, biotechnology, biomedical sciences, nursing and education.
- Tourism, Leisure & Hospitality
 - a) History, landmarks, art, food, beaches, mountains, rain forests, adventure, islands, watersports, fishing, waterfalls, dry forest reserve, festivals, historic forts, Spanish cathedrals, unique architecture and shopping.
 - b) Cruise Ship Terminal at Port of Las Americas, Ponce
 - c) La Guancha Boardwalk, Ponce (hit hard with earthquake)
 - d) Future arrivals include Marriot Hotel and Hard Rock Restaurant
- Medical & Health
 - a) 8 hospitals in Southern Puerto Rico
 - b) Nearly 15,000 beds
 - c) 10,000 health professionals
 - d) 1,100 physicians
 - e) 50,000 direct & indirect jobs
 - f) \$10 billion industry
- Agriculture & Food, Beverage Industry
 - a) Most of agriculture is locally grown exotic fruit, such as avocados, bananas,

- mango, grapefruit, papaya, star fruit, pineapple, cantaloupe, kiwi and tomatoes.
- b) Coffee is an emerging agro-sector for S. Puerto Rico, with nearly half of it exported to the U.S. and Europe
- c) Fish, poultry and juices also account for major economic output.
- d) Locally produced premium rum, is the second-largest producer to the U.S., and also distributed to South America, Europe and Asia.
- Other Strengths:
 - a) Large labor force
 - b) Powerful brand
 - c) Strategic partnerships
 - d) Intellectual property
 - e) Raw products, specifically in agriculture

Weaknesses

- Lack of Economic Development Professionals
 - a) One economic development official in Ponce
 - b) However, person is splitting with other job functions
- Planning for site development:
 - a) Shovel ready sites
 - b) Greenfield sites
- No Relations with Site Selectors
 - a) Southern Puerto Rico not on radar of site selectors
- Restrictions at Port of Ponce
 - a) Channel depth is marketed at 50-feet deep, in reality, it's only 35 feet at the dock
- Labor Force
 - a) High turnover rates among companies
 - b) High unemployment rate
 - c) Vocational trade schools in question
 - d) Lack of talent for forward-thinking companies
 - e) Prevalent socio-economic mindset
- Mercedita Airport, connectivity
 - a) Only flights are at 3 a.m.
 - b) Travel time not conducive for:
 - i) Business travel
 - ii) Tourism, leisure
- Underutilized Port and Foreign Trade Zone
- Vertical integration within industry nonexistent
- Other weaknesses not tied to infrastructure:
 - a) Political instability with former Governor scandal
 - b) Spanish-style hierarchy mindset

Opportunities

- Most important opportunity of all:
 - a) Unification through regional economic development entity
 - b) Structure without politics
 - c) Every community as a seat at the table
- Second most important:
 - a) Create economic development culture in region
 - b) Designate economic development officials per city
 - c) Create a Workforce, Business Retention & Expansion program
- Port of the Americas, Ponce
 - a) Identifying routes for transshipment of container traffic
 - i) To and from South America
 - ii) Post Panamex cargo
 - b) Roll On/Roll Off Facility
 - c) Ship dismantling operations
 - i) Working with colleges to develop welding programs
 - ii) Three cities in U.S. which dismantle ships (ghost fleet)
 - d) Ship building, through U.S. Jones Act
 - e) Only four cities in U.S. certified for building U.S. ships
 - f) Partner with private ship builder for operation at Port of Ponce
- Cluster development for following:
 - a) Aerospace & Aviation (support for Lufthansa MRO)
 - b) Medical device manufacturing
 - c) Knowledge based sectors
 - d) Call center operations
 - e) Ship building / ship dismantling operations
 - f) Additive manufacturing
- Other Opportunities related to cluster development:
 - a) Development of Microgrids (one already in existence)
 - b) Mercedita Airport only has two flights (one is at 3 a.m.)
 - i) 2-year period to change existing cabotage laws
 - c) Entrepreneurship programs for support, launching pad, etc.
 - d) Center of Innovation, linking higher education with industry
 - e) Cybersecurity training & education
 - f) Development of shovel ready sites
 - g) Capital from private sector (PPP3, venture, angel, etc.)
 - h) Manufacturing Association (representation)
 - i) Tourism, i.e., follow up on development of cruise ship(s)
 - j) Medical tourism, spinoff from medical sector
 - k) Talent pipeline, i.e., recruit homegrown talent from mainland

Threats

- Biggest threat to Southern Puerto Rico:
 - a) Exodus of young talent
 - b) Universities are exporting the talent
 - c) Majority going to mainland U.S. (New York, Florida and Texas being the benefactors)
- Tax Rate Credits or Abatements, dependency for business development for following:
 - a) Job creation
 - b) Purchase of products made in Puerto Rico
 - c) R&D
 - d) Large industrial capital investments
- Electrical Capacity
 - a) Very high rates
 - b) Reliability
 - c) Validity (quality)
 - d) Dependency on energy tax breaks and incentives
 - i) Lack of a grid similar to mainland U.S.
 - ii) Need for backup generation
 - iii) Such incentives only get the price to a normal rate in mainland U.S.
 - e) Energy Production (not enough from the following sources):
 - i) Natural gas
 - ii) Solar Energy
 - iii) Wind Energy
 - iv) Hydro Generated
 - f) Politics within Power Company
- Natural disaster(s)
 - a) Cruise Ship Terminal at Port of Las Americas, Ponce
 - b) La Guancha Boardwalk, Ponce (hit hard with earthquake)
 - c) Electrical grid breakdown
 - d) Disruption of shipments between North & South of the island
 - e) Access to city services in all cities outside of Ponce
- Global economic downturn(s)

Phase 2

Through Phase 1 the IEDC team gained understanding of the local circumstances, and an introduction to important stakeholders. For Phase 2 we would like have deeper and broader engagement with stakeholders, including more in every category, focusing on the 6 municipalities identified and capture other stakeholders which have so far not been included, such as resiliency organizations, mayors, and arts and culture organizations. Based on the preliminary SWOT analysis the expert volunteers that will be part of the Phase 2 EDAT team can identify what topics they need to pursue, and what unknowns need to be further explored.