Manuel A. Laboy Rivera – Secretary, Department of Economic Development and Commerce Executive Director, Puerto Rico Industrial Development Company

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Manuel Laboy Rivera, Secretary of the Department of Economic Development and Commerce (DEDC) and Executive Director of the Puerto Rico Industrial Development Company (PRIDCO) is discussing Puerto Rico's integrated economic development plan, which aims to retain and expand current investment by the industry, while also attracting new companies to the island. He also highlights the benefits of the new incentives code and the strong commitment of the Puerto Rican workforce to the biopharma industry on the island.

You have made great strides in changing the economic framework here in Puerto Rico since being appointed in January 2017, coming up with an integrated economic development plan. Can you tell our international readers what are the core pillars of this new plan?

Our economic development plan consists of three work streams: attracting new investment, retaining current companies on the island and encourage them to grow and, thirdly, supporting the growth of local companies, which are essential for the supply chain and also have the potential of becoming global players.

Due to the economic circumstances of Puerto Rico, we have been mainly focused on the second pillar of retaining the operations of the current companies in Puerto Rico, specifically in the biopharma and life sciences sector. Attracting large companies takes time and is very challenging and competitive. We already have 10 of the Top 20 pharma companies present on the island, so we need to ensure that these companies do not leave and remain the strong partner they have been to Puerto Rico in the past. With this notion in mind, we have established certain tactics to pursue these goals. We identified different factors that need to be addressed, to ensure a fruitful, long-term partnership. Close relationship between the government and the headquarters of these companies are essential, which requires communication and understanding their specific needs. Hence, we visited close to 20 headquarters of multinational companies doing business in Puerto Rico, mostly in the bioscience field, for example on the US mainland and in Germany. These visits have been crucial, as they have been neglected by previous administrations, while competitors like Ireland, Singapore and US states are regularly sending representatives to multinational pharma companies.

What is your strategy to attract new investment?

We created Invest PR, a new non-profit, private entity, in charge of promoting Puerto Rico and attracting completely new investments, for example the US company Romark and GK CMO. We believe that there is little awareness around the world for our capacities in biopharma, so through Invest PR, we can focus on being present worldwide and spread awareness, while PRIDCO can focus on retaining investments and improving relationships with companies already present on the island. The new entity will amplify the promotion of Puerto Rico in a more effective way, than we have done in the past through the government, as there has been too many other matters, that PRIDCO and the Department of Economic Development and Commerce need to take care of on the island. Romark has been a great example of attracting new companies, but it took around five years to finally inaugurate their facilities this year. We aim to speed up this process, but it will at least take two to three years to bring in new companies, so we need a solid pipeline and great promotion, of which Invest PR will take care of. On the other hand, it only takes us three months to close an expansion deal with companies that are present on the island, as we already understand their needs. We try to be active on both sides, attracting new businesses, while encouraging present companies to expand. Invest PR is here for the long-term, as it can provide continuity in the promotional efforts, which political actors, myself included, cannot ensure.

What would you highlight as the main strengths of Puerto Rico as an attractive investment destination?

The competitiveness of Puerto Rico is based on two main strengths. The island has a very solid pipeline of talented, well-trained professionals coming from our universities, particular in the bioscience field. While some of our talent leaves the island, we still supply enough to address the needs of the companies present on the island. We are active in the field of talent retention through our workforce development program at the Department of Economic Development and Commerce, based on federal funding of around USD200 Million from the Workforce Innovation and Opportunity Act. Our goal is to use these incentives for on-the-job training and on-the-job learning, while also keeping universities up to date with the requirements of the industry. The natural disasters we have experienced in 2017 have been very tragic, but it showed the commitment and resilience of the Puerto Rican workforce. Most companies have resumed with their operations only two weeks after the hurricanes, while some never stopped producing at all. They there able to so because Puerto Ricans showed up for work the very next day after Maria hit the island. This commitment has been acknowledged by many executives of biopharma companies, which visited the plants and sites to thank their workforce shortly after. Today, we also have better contingency plans for our ports, airports, hospitals, telecommunication systems and power grid and anything related to infrastructure.

What about tax incentives?

Puerto Rico indeed offers very attractive incentives, which by no means should be compared to the benefits of tax havens. In Puerto Rico, we do not have any shell companies funneling economic resources without having economic impact to the community. Our island is a low-taw jurisdiction, which encourages business to invest into Puerto Rico through preferential tax rates, tax exemptions, tax grants and cash grants. For us it has been important to drive forward the new incentives code, known as Act 60 of 2019, to promote the retention and extension of our long-term private partners in the area of bioscience, while at the same time being fiscally responsible and transparent about the use of these incentives. When measuring the ROI of the manufacturing sector, we see great results, not only in terms of economic impact for the island, but also based on the tax-payers perspective. The tax payer spends monetized tax credits and in exchange receives a multiplying effect, returning the money to the treasury, so it is a good investment for the government of Puerto Rico. With these results, we can justify the use of economic resources to support the bioscience industry, despite going through challenging economic times currently.

We are also encouraging the use of tax credits to promote research and development on the island and give out cash grants for projects. This is essential, especially in the bioscience industry, when companies decide where to establish new products or technologies. Here, we are in competition with other sites worldwide, so the cash grants help us to bid for bringing this technologies or products to Puerto Rico. Most of the time our offer is the most competitive one and we can attract this investment to the island. The new incentives code expedites the whole process, including applications, filing, reviews, approval and accountability and now the law has been approved, our job is to implement the code. It is also supporting the supply chain, which ideally consists of a mix of local companies and foreign players coming to island.

How has the government approached challenges, such as the high energy cost on the island?

The actual cost of doing business and in particular the high costs of energy have been addressed through a new energy policy law, which will expedite the whole transformation of the energy sector on the island. We will move towards renewable energy and transition towards micro- and mini grids, which tackle the shortcomings of the current system. Additionally, we are addressing the issue of permit certainty, by implementing a reform in this area, which has been finalized this month. As an example, German pharma company Sartorius requested a change of permit, from a use permit to a unified permit, which requires different transaction. They have filed their application and it was approved within one day, which is a great milestone, considering it this has been a permit for a very complex biopharmaceutical plant extension.

Can you give some examples of recent expansions of life sciences companies present on the island?

Aforementioned Sartorius has recently opened its expanded facility, creating 300 new jobs through and investment of USD130 Million. Before that, Stryker expanded with a USD45 million investment and Boston Scientific has made significant investments in its Dorado plant. Additionally, Puracap and Neolpharma reinvested in their facilities in Dorado and Caguas. In the next six months, we will announce three to four major expansions in the industry, including medtech company Medtronic.

How do you ensure the island’s attractiveness, in the light of the federal tax reforms currently being discussed in Washington DC?

It is a fact, that the Global Intangible Low-Taxed Income (GILTI) and Base Erosion Anti-Abuse Tax (BEAT) provisions may present a risk to Puerto Rico’s attractiveness, as they may change the tax structure for companies operating in Puerto Rico. We try to mitigate the risk through direct communication with the companies, to remind them of the incentives we have here on the island. The new incentives code can be seen as a response to GILTI and BEAT, to put Puerto Rico in a competitive position even though there is a risk due to federal tax reform. Our incentives in general are still very attractive and we always aim to mitigate the risks for our industry partners. We will also continue to lobby in Washington to achieve the best outcome for Puerto Rico within the context of the federal tax reform.

Do you have a final message to our international readers?

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