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**GOVERNOR GARCIA PADILLA ADDRESSES PUBLIC ON THE
WORKING GROUP FOR THE FISCAL AND ECONOMIC RECOVERY OF
PUERTO RICO'S 'FISCAL AND ECONOMIC GROWTH PLAN'**

San Juan, P.R. – Governor García Padilla today addressed the public on the Fiscal and Economic Growth Plan (FEGP) from the Working Group for the Fiscal and Economic Recovery of Puerto Rico. The FEGP offers a comprehensive set of economic growth and reform measures aimed at achieving long-term fiscal stability and growth for the Commonwealth and its residents, but acknowledges that even with the enactment of these, the Commonwealth will run deficits for the foreseeable future absent significant debt relief.

The following are Governor García Padilla's remarks as prepared for delivery today and the address can be viewed again here: <https://youtu.be/uB91tudwxhA>.

"Puerto Ricans,

"As you all know, our Island faces a fiscal and economic crisis unprecedented in its recent history. The inherited public debt and the recession, caused by decisions made in the past, have forced us to adapt to a new reality. Our people have been asked to make many sacrifices.

"In 2005, toll rates and the University of Puerto Rico's tuition were increased. In 2006, water and sewer rates were increased. In 2007, a legislative proposal was introduced to establish a sales tax for the first time.

"In 2009, excise taxes on alcohol, cigarettes and some motor vehicles were increased. Also, a 5% income surtax was imposed to individuals, corporations and cooperatives. At that time, a surtax was imposed on real property taxes that doubled the contribution for our homes and businesses. And you'll remember that an additional tuition fee of \$800 was imposed on UPR students. In 2010, 30,000 government employees were laid off and the employer contribution to the retirement system was increased. In 2011, a new contribution of 4% was imposed on foreign corporations with manufacturing operations in Puerto Rico.

"In the current term, we injected capital into the Highway Authority and the Water and Sewer Authority, reduced the hiring of professional services by 75 percent, adjusted government spending with the passage of Act 66, restructured the Metropolitan Bus Authority, consolidated public schools, and extended Act 154 for foreign corporations that

operate in Puerto Rico. We imposed a tax on transfers of foreign stores and are now in full transition to a VAT system. At the same time, we have reduced the amount of loans to finance operating expenses.

“I understand, as I know you also do, the sacrifices that all these measures required of you in the attempt of governments from both parties to balance the budget. I have no doubt that other governments had good intentions. I differ from them in considering it important that the creditors share these sacrifices. Now we must sit down with our creditors.

“To continue exclusively with the policies of the past decade will only further impoverish Puerto Rico. More taxes scare off investors and weigh on our middle class. They will fail to move us forward. Puerto Rico needs sustainable economic growth to secure the well-being of our people and pay our debt.

“In turn, growth depends on achieving a real balance between our revenues and our expenditures. We need a clear, shared, and strong idea on what our resources are and which needs we can address with them.

“To do this, I asked members of my administration, the leadership of the political opposition, and various sectors of the civil society to sit down and work together on a five-year fiscal and economic growth plan. Some withdrew from the process. To them, and to those in all other sectors of our Island, I reiterate my call for unity. This is no time for games; it’s time to work for the Commonwealth.

“The outcome of this initiative was given to me yesterday and was made public a few hours ago. The plan is the product of two months of hard work and collaboration of many of our fellow citizens who want to redirect Puerto Rico to the right path. It focuses on measures of competitiveness that foster economic development. Moreover, without laying off any employees, it includes additional cuts on public spending that seek a sustainable balance between expenditures and revenues of the Commonwealth and recommends the creation of a fiscal control board to ensure the future course of the plan.

“On the other hand, some union leaders have said publicly that current workers have already been asked to do enough. And I think they are right. Therefore, we cannot add any burden on current workers. Nor have I recommended additional taxes besides those that have been adopted in the past last decade.

“Now, the key finding of this plan is that even if we implemented all the measures contained in it, they wouldn’t be enough to achieve the necessary balance. The massive public debt of Puerto Rico is an impediment to growth. It is time for the creditors to come to the table and share the burden of the sacrifices.

“The Plan is a roadmap - the beginning of a negotiation - but to walk that path, we need the participation of our creditors.

“To that end, I have appointed a team of experts in debt restructuring that will sit down with creditors and negotiate with them terms under which Puerto Rico can return to a sustainable path of economic growth. I will also send legislation to create a fiscal control board. This important step will give continuity to all the fiscal and economic recovery measures that we’ll eventually adopt to bring Puerto Rico to the right path.

“As in any jurisdiction, Washington also has a role in this effort. They have to hear the call that Puerto Ricans need to receive fair allocations of Medicaid and Medicare, that the decision of the IRS regarding contributions paid by foreign companies under Act 154 becomes permanent, and that we must have a legal framework to meet the Commonwealth's obligations in an orderly manner.

“To be clear, the primary purpose of this process, similar to the one that has begun to show results in the Puerto Rico Electric Power Authority, is to restructure the public debt. The plan's fiscal measures alone will not solve our problems. Only a comprehensive debt restructuring with the participation of creditors will return us to a sustainable path of economic growth. As we have done successfully with PREPA, I ask all sectors to give this process space.

“If creditors are not willing to partake in this process, Puerto Rico will have no alternative but to proceed without them. That path doesn't suit us, nor them, and will result in years of litigation and defaults and a major humanitarian crisis. It will force us to choose between paying a creditor, a teacher, a policeman or a nurse. These are decisions I'd prefer not to make, but I will make them if I have to – always looking out for the best interests of our Commonwealth.

“We may be publicly attacked by outside interests who will want to force us to pay without thinking about the consequences that will have on the well-being of our people. They'll attack us because they'll want to see us on our knees. To avoid these consequences in Puerto Rico, unity of purpose and will is needed. This must not become another battleground ahead of next year's elections. This crossroads requires seriousness, commitment and selflessness.

“I am confident that if we all sit at the table with Puerto Rico in mind, with our sons and daughters in mind, willing to leave them a brighter future, we can return to a path of sustainable growth.

“Fellow citizens, let's assume our historic responsibility. Do not do to our children what other governments did to us. We have to be willing to do what has to be done so that our children do not inherit the same problems we inherited.

“May God bless you and may God bless Puerto Rico.”

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