

## The Ponce solution: Maritime competitiveness



BY RAFAEL HERNÁNDEZ COLÓN

Advanced by Ponce's Mayor Mayita Meléndez and embraced by Gov. Luis Fortuño, the Ponce solution is on its way toward opening the logjam that has prevented the \$280 million investment in the Puerto de las Américas Rafael Cordero Santiago from becoming operational.

It is a path the municipality's former Mayor Cordero would have espoused witnessing: the solution to the nine-year unsuccessful effort by the central government to secure a world-class operator to run and invest in the port's needed additional phases to implement Dr. Ernst Frankel's strategy for a transshipment port. Today, to develop such a port requires a \$750 million investment in infrastructure, plus \$250 million to equip it. Puerto de las Américas lacks the infrastructure required to attract transshipment companies: at least two docks of 1,200 feet each. Puerto de las Américas has only one at 1,200 feet.

Caribbean transshipment ports already established with more footage, lower wages and no Jones Act restrictions make this venture unattractive. The transshipment port in Freeport, Bahamas, has 8,200 linear feet of dockage. Workers in Puerto Rico's ports make \$54.40 an hour (including marginal benefits) while their counterparts in Puerto Caucedo, in the Dominican Republic, and in other Caribbean ports, make around \$7.55 an hour. Transshipment from Puerto Rico to the mainland U.S. would fall under the Jones Act. A recent study by the U.S. Maritime Administration indicates that the U.S. Merchant Marine, which falls under the Jones Act, is 2.7 times more expensive than its international counterparts.

These cost factors have turned investors away from Puerto de las Américas toward other ports such as Puerto Caucedo, which has been fully developed by private capital. In eight years, the number of containers handled in this port has risen to one million. Given that our efforts to implement the Frankel strategy haven't landed a world-class operator, despite three worldwide requests for proposals, it is evident we have to rethink the model under which we have been working.

Ponce has stepped up with an alternative strategy to Frankel's. The Government Development Bank commissioned a study and found it workable and, to his credit, Gov. Luis Fortuño overcame central-government resistance to the municipal solution, with the Legislature approving a bill, on its way to the governor, necessary to implement that solution. Significantly, Sen. Alejandro

García Padilla voted in favor of the bill, rising above local Ponce politics, where candidates have taken the usual political stand of opposing whatever their opponent proposes.

The governor's stand, rising above bureaucratic pressures, and García Padilla's stand, rising above local politics, bode well for the project. It could be the start of something broader, which is much needed in Puerto Rico. I won't call it the Ponce solution, in this broader context, lest I be accused of local nationalism; rather, I will call it the Brazilian solution.

investment. Ponce has put forward a convincing business plan toward that end.

The highly efficient, modernized port operations will not only contribute to our economy as we know it, but also going further, will allow us to insert our economy into the global supply chains, will contribute to our local industries and will stimulate foreign investment by providing lower transportation costs, greater reliability of services and increased frequency. Modern logistics services, which the Ponce solution intends to provide, are one of the most important factors

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Remember when we used to call Brazil the "sleeping giant." Well, the giant is no longer asleep. The economy grew at more than 7% last year, and Brazil is narrowing its infamous gap between rich and poor. It forms a part of Brics, the actual powerhouse of the world economy: Brazil, Russia, India and China. What was the Brazilian solution? Simple, but better said than done: Laying aside ideologies, facing realities, working together from both sides of the aisle. To put it another way: depoliticizing the quest for a better economy, which in our context means laying aside status ideologies and political posturing. Working creatively and pragmatically with the tools we have at hand. The way the Ponce solution has advanced from the municipal administration to the governor, from the governor to the Legislature, garnering bipartisan support. Now, it is on its way to the governor as a beacon of light, showing that pragmatism can win over ideologies or politics as usual.

The dynamics intrinsic in the Ponce solution have made this opening possible because it addresses shipping, an important component of our competitiveness. The solution intends to provide Puerto Rico an alternative port to the already congested and inefficient San Juan Port, an alternative that will modernize shipping operations on the island. Port operations will contribute significantly to the competitiveness of our exports and lower the costs of our imports. This can be done with the infrastructure in place at Puerto de las Américas (with the giant cranes actually sitting idle), with proficient management and a modest additional

for companies interested in investing in Puerto Rico. This will result in value-added operations seeking to take sustainable advantage in their supply chains.

Maritime competitiveness is, of course, only one of the factors that must be improved to regain our position as one of the most attractive places in the world for investment. The Vía Verde natural-gas pipeline is also on its way to deal with our energy costs. As was to be expected, the Vía Verde project has brought opposition from the usual suspects. It is my impression that the alternatives they have proposed have been studied, but have been found wanting. With careful consideration of all valid objections, it is very important for this project to move forward.

The Ponce solution has another type of opposition. It comes from our government's centralist culture, which assumes governing is something that can only be conducted from San Juan and the beehive of interests maintaining the congested and inefficient, but profitable operations in the San Juan Port. The Ponce solution seems well on its way toward surmounting this opposition. As with the case of Vía Verde, Puerto Rico will be the winner for it. ■

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