



REMARKS BY THE GOVERNOR  
OF THE COMMONWEALTH OF PUERTO RICO  
HONORABLE RAFAEL HERNANDEZ  
TO THE SEVENTH LEGISLATIVE ASSEMBLY IN ITS  
FIRST ORDINARY SESSION

JANUARY 30, 1976

## INTRODUCTION

Honorable Presidents of the Legislative Chambers;  
Honorable Senators and Representatives;  
Chief Justice and Justices of the Supreme Court;  
My Colleagues of the Executive Branch;  
Friends:

My presence here today represents a respectable democratic continuity of which I am proud to be a part.

I would like this occasion to manifest an authentic fraternity in the focusing of our reality and in the solution of our problems. After all, it is Puerto Rico who is present in this Assembly; you and I are no other but our country's delegates.

We are going to start a dual dialogue: one, between the Executive and Legislative Branch; the other, between our country's three political perspectives, all actually represented in this legislature.

We are in agreement that ideological differences have to be subordinated to the common welfare of Puerto Rico.

Nothing will be kept away in the facts we must face. Our government is to be based on truth. The first step in the solution of problems is the exact and real knowledge of them, without delusions or misapprehensions.

I am deeply convinced that the best way to strengthen

democracy is to let citizens know as much as possible what goes on within the government. There is not better antidote against democracy's enemies than a well informed citizenship. Knowing what goes on enable people to understand things, even those with which they disagree. For this reason I have chose to govern as openly as possible, and to help our citizens by all our means, to have the desired information pertaining to the government.

I proceed now, in fulfillment of my Constitutional obligations, to give you an account of the state of our country.

#### Economy

Economy in Puerto Rico has continued in the same keynote as these past years. The government sector has been the main element in the process of growth.

During the past six months, total volume of government paid salaries went up by 24%. Government, as well as public enterprise investments, showed a marked process of acceleration, excelling by 33% those of last year.

These public enterprise efforts were reflected on the the total economy of the country. Net income has shown a 7.6% increase afecter deducting price raise effects.

It has to be added that the government needed \$1.2

million for its contribution to public employees medical insurance.

As a total, obligations for this year exceeded by \$24.8 million the anticipated resources.

This prevailing conditions of public finances force me to give an account of the existing situations in different government organisms and public agencies.

Up to December, 1972 the Land Authority owed the Puerto Rico Development Bank \$45.7 million which were almost totally assigned to sugar cane transactions.

The Land Administration owed the Puerto Rico Development Bank also, and for the same reason \$565.5 million. Besides, and as a result of the former administration's policy, the P. R. Development Bank will have to finance all sugar cane transactions made by these two corporations during the present crop, which will bring additional losses exceeding \$20 million.

We have started pertinent action to compensate the Puerto Rico Development Bank within a reasonable period of time in that part of the debt contracted by the Land Authority and the Land Administration which they cannot pay.

The Water Resources Authority faces a serious financial problem this current year. Less than two years

after the last tariff revision, the Authority expects a \$3.5 million deficit by next July 30, 1973.

A similar situation is anticipated for the Aqueduct and Sewers Authority unless substantial savings are made in its current year transactions.

New tariff revisions have been suggested in both cases, but I am determined, with your collaboration, to find alternate solutions to this problem.

The Industrial Development Co. is also confronted with difficulties in financing public works within their responsibility.

The Economic Development Administrator is at present trying to make re-adjustments to furnish the Company with the necessary funds so that its programs will not be affected.

The Highways Authority's financial problem is of a different sort. It has used a substantial part of its credit margin, and consequently, cannot make any investments next year unless an additional tax is imposed on gasoline.

According to a preliminary report, the actual balance of the public debt fund is much lower than it should be. During the past years this reserve fund was lowered to such an extent that it requires \$40 million to get it back

to the proper guarantee level expected from a sound fiscal administration. We shall start to deal with this situation in our budget.

In this rendering of facts which I have offered, I have made no reference to the internal situations prevailing in public agencies and organisms. These agencies are working in the midst of serious budget limitations because of heavy financial displacement during the first semester of the current fiscal year. This, in many cases, means that they will face a deficit toward the end of the year, if pertinent steps are not taken.

The Bureau of the Budget and the directors of government agencies and departments have been instructed to coordinate expenses with total available resources, taking care, however, not to reduce vital government service.

Finally, I wish to inform you that the Emergency Fund needed for unexpected and unforeseen disasters comes up at present to scarcely \$1.5 million. A wise policy advises to keep this fund at more or less \$10 million.

Such are the facts, gentlemen of our Legislative Assembly; such is the situation which has forced us to follow a restricted and austere policy in our public expenses.

It is sad that at a time like the present, which there is such need and outcry for more public service and more jobs, this situation just described forces us to act with such limitation.

The only thing that can be done during the next years is to tighten our belts and to have a wise administration. However, we must not let these provisional circumstances prevent us from achieving the quality of government that the people of Puerto Rico demand.

Personal System:

The government is also facing serious difficulties in the public administration area.

The Personnel Law's fundamental purpose is to make sure that public employees will render the best service and that their selection and promotions will be based only on their manifested efficiency.

Reports from different agencies indicate that there has been a decided attempt to freeze certain positions of public trust after November 2, 1972.

In a specific case, an agency director's secretary of the former administration remained in her position because she was considered a person of full trust. Some agencies have lost their flexibility and their possibilities for administrative development. On the one hand, they have

gone way over their budget, and on the other, all its personnel is frozen.

Reports also indicate that funds were not provided for thousands of employees salaries. This situation implies a violation of the Personnel Law and represents an attempt to neutralize the people's will.

We shall take legal action which will restore the people's faith in their government and in the programs meant to offer proper public service based on fitness and excellency.

In the meanwhile it is absolutely necessary that we join our efforts to raise the principle of excellence to the place it deserves in our administration.

My dear friends who share with me the responsibility to take care of our public affairs, such is the economical, financial, and administrative state of the country at this time when it is my constitutional duty to stand before you and render an account on this subject.

#### The Most Urgent Problems

For obvious reasons, I cannot refer in this message to all the problems of our country; so I shall speak only about those which I consider the most important; and I shall not deal with all government programs nor with all government branches. During the course of this session I



shall submit to your consideration specific recommendations in relation to their problem areas.

Some of our most important problems are:

1. Unemployment

We have a chronic unemployment problem. Many persons are looking for jobs, and many jobs are in need of adequate personnel. We have failed in having this well equipped and ready personnel; and this situation must not continue.

We need to revise our approach to Education and to reorganize our job searching system.

There are certain regions in Puerto Rico which have been deprived of the job opportunities available in others. This could be solved by creating a fund from tax collection on industries whose tax exemption has ended and from federal aids. The fund could be used to establish different enterprises in these regions. These enterprises would generate jobs during their construction period, and later, besides providing job themselves, they would stimulate the establishment of other enterprises, either public or private ones. We have called this, the Joint Plan for Employment and Development (Plan Unido para el Empleo y el Desarrollo).

To this effort in job production we shall add that of

the Right to Work Administration, whose budget we have increased by more than a 100%.

Our highest unemployment rate ranges from the ages of 16 to 25; that is, the part of our population with the greatest physical, mental, and spiritual strength. They cannot be blamed, however. They have not had the opportunity to choose from alternatives in their education and training. We shall rectify this deficiency, as we do not want our youth to waste their potentiality. We shall create special mechanisms to employ this youths in tasks which will benefit our society and their own personal achievement.

## 2. Industrial Development:

Our Industrial Development Co. plans to increase its incentives and to protect Puerto Rican inversion so as to create employment sources in the private sector. Puerto Rico can and must have greater participation in its industrial development; we have to help as much as possible our local enterprises to get on their own feet.

The Industrial Development Co. is also organizing an office in London for the obvious reason the England has joined th European Economic Community and that Puerto Rico must be present there for whatever benefit it can obtain from this common market in the process of development.

Another good opportunity for us is the special circumstances of Japan's and the United States' payment scales and the efforts of both countries to level the situation. As a result, Puerto Rico could have an opportunity to attract Japanese capital to the Island. To that effect, the Industrial Development Co. is considering the opening of a promotion office in Tokyo.

As for the petrochemical industry, we already have the basic plants which can bring about the development of other industries using their product as a raw material. This second type of industry would offer two advantages; one, they would not constitute an ecological hazard, and two, they would provide a larger number of jobs than the original ones. We shall encourage the development of these industries rather than the establishments of new refineries.

### 3. Environmental Quality:

We believe that ecological concern and social environment must go along with economic development.

The beauty of our beaches, the purity of our water, and the serenity of our mountains can be more fully enjoyed by a prosperous people. We want to show the world that it is possible to achieve economical progress and at the same time protect and improve the environmental

quality. We shall plan in such an integrated way as to embrace all the human and natural aspects of our environment.

4. Agriculture and Rural Communities:

Puerto Rico was once an almost exclusively agricultural country. Today it is an industrialized one; agriculture has diminished and impoverished. Thus, agricultural policies must be reexamined and re-oriented.

I think there are four immediate agricultural problems that have to be dealt with:

1. The Sugar Cane Industry, whose production has decreased from 640,000 tons in 1968 to 295,000 last year, to less than 250,000 in the current one. This has happened in spite of the government's purchase of sugar mills and of the expensive incentive programs started in 1969.

2. Farmers who operate productive and even flourishing enterprises, but who are affected by lack of capital to modernize their business, lack of technical knowledge, not enough sales opportunities, and price instability in their production.

3. Lack of resources and of adequate policies in credit agencies.

4. Small scale farmers and rural, mountain zone

residents who cultivate marginal production lands are faced with a defficient sales system which makes them live in extreme poverty conditions and force them to give up agricultre.

In order to deal with each and one of these problems, we have plans and ideas which we propose to undertake quickly and vigorously.

Plans to restructure the sugar cane industry have been already announced, so I shall sum them up very briefly:

- \* Consolidation of sugar cane grinding in less mills.
- \* Simplifying the system to help farmers by rewarding them for their produce rather than granting them subsidies for the use of determined cultivation methods. To integrate under a single corporation, a subsidiary of the Land Authority, all sugar cane operations handled by the government.

For the benefit of those farmers who own agricultural enterprises potentially productive, I propose the creation of an Agricultural Development Corporation which would promote variety within agriculture.

This corporation would also encourage the

establishment of several new agricultural undertakings possible in today's Puerto Rico; and it would be on the alert to any new possibilities arising out of technical and economical changes.

So as to take care of the credit problem, we shall enlarge the Agricultural Credit Corporation's resources in order to be able to fill the farmers financial needs.

Our efforts to improve the quality of lif of our rural community residents will include a land distribution program. This land will be bought by the government and will be distributed among farmers. It will also include the development of public works which beside creating jobs, will improve life conditions of the region; we shall improve housing; and we shall adopt other measures sponsored by a new Rural Development Corporation which I am proposing. This corporation will be an instrument through which our rural communities will fully participate in the new Puerto Rico we propose to create.

##### 5. Housing

The housing problem in Puerto Rico is critical, affecting mainly the lesser income groups. One third of the urban and rural housing is inadequate. A better proof than one one shown by statistics is the taking over of public land by homeless people, which lately has become so

frequent. Majorities as well as minorities, are committed with our people in this problem; and we have to give it priority.

We are confronted, nevertheless, with an additional difficulty in dealing with this problem: the freezing of public housing funds by the federal government. This measure affects all types of housing helped by the federal government, and it means that a difficult problem has become more difficult. However, we must not flag, as we have been able to cope with more complicated situations in the past.

We propose to face this crisis with measures like the following:

1. To take care of more than 10,000 families' housing needs by the distribution of lots and buildings supplies through a Personal Effort and Mutual Aid Program with the technical help of the Housing Authority.

2. To assign the Urban Renewal and Housing Corporation the surplus funds of the \$150 million of authorized bonds not yet issued, for low cost housing.

3. To try to get private banks to finance housing for low income families.

4. To expedite the course of low cost housing projects not affected by the freeze.

5. To try to lessen production costs of low cost houses.

The secretary of our recently created Housing Department is working with maximum priority in an all embracing program to achieve those objectives. We want to at least double the number of houses built annually in Puerto Rico.

6. The Consumer:

The continued increase in consumers good prices and services call for immediate attention. We cannot accept this situation passively.

The mechanism of price, production cost, and distribution is an extremely complex one. It includes in its functioning process, on one side, and consumers on the other. And the functioning of this mechanism in Puerto Rican economy goes beyond our territorial limits to those countries with whom we have commercial relations.

The complexity of this mechanism calls for sharp intellect and adequate technical and administrative ability. Simultaneously, it requires an adequately organized group of consumers to face its power.

I propose to submit legislation toward the creation of an additional organism in our cabinet whose specific function shall be to prevent disproportional price



increase so harmful to our consumers.

I shall also propitiate the creation of non-official entities to represent consumers. Also, consumers right to take part in different government boards shall be acknowledged. Specifically we shall grant subscribers from the Water Resources Authority and from the Aqueducts and Sewers Authority representation in their respective Board of Directors. We shall also study new ways to prevent the increasing cost of services in water and electricity, so that these do not reflect in corresponding increases in actual tariffs.

Finally, we shall create an import and export public corporation to guarantee an organism capable of dealing with disproportionate increases in consumers goods prices.

7. Hospital and Medical Services:

The right to live and to search for happiness are natural, basic human rights. Both imply the need for health: society has to provide everyone with all the benefits of modern medicine. To achieve this, it is necessary to establish a universal health insurance covering all Puerto Ricans.

A resolution authorizing the designation of a commission to make the necessary studies towards this insurance was approved last week by this Assembly. Today

it became a law; and we hope to have this committee's reports and recommendations for next month. Then I shall call the Legislature to a special meeting, and we shall consider those measures which will help us to offer medical care and hospitalization to everyone.

8. Drugs:

The problem of drugs is a difficult and complicated one. It is not enough to deal with addiction in itself; it is necessary to deal simultaneously with the complex share of social, economical and cultural factors behind it.

At the present we have the following plans to deal with this problem: to create a new organism that will deal specifically with drug addiction and where all programs having to do with this will be integrated. This organism will be able to give technical and economic support to private entities interested in this matter; it will create an institute for the training of personnel to deal with drug addiction; it will take care of treating addicts less than 18 years old; and it will develop programs against addiction in jails.

This organism will also be enlarged so that it will cover treatment for alcoholism, emotional disturbances, and any other problems which could affect our citizens'

welfare.

9. Transportation:

The serious and increasing transportation problem in San Juan and the metropolitan area gave rise in the past to a study of the possibilities of creating a fast collective transportation system which would solve the terrible traffic congestion affecting us.

I am pleased to inform you that such study has progressed and that we are in a position to have public hearings on the route to be followed by this system to acquire land, to start final sketches of the system's first stager, and to legislate so as to create a Transportation and Public Works Authority to be responsible for the study, design, financing, construction, and final operation of the system.

10. Tax Reform:

Puerto Rico, like any other country, has increasing expenses. Every year we need more and more resources to be able to give a satisfactory service to our citizens.

Last week this Assembly approved a measure to create a Commission to make an integral reform of our tax system to be put into effect within the next 18 months. The purpose of this reform is to create a system that will provide enough income to achieve our country's aspirations

within a reasonable period of time, to distribute as fairly as possible the tax burden, and to keep up motivation for a vigorous private economic activity.

This legislation permits partial reports on achievement so as to judge recommended measures in the different areas being studied. We hope to consider the first results of this study in a special meeting of the Assembly.

However, we are not going to wait until this reform is finished to start our action for more tax revenue, and to provide more equity to the actual system. The Secretary of the Treasury is working on a plan which he hopes to have ready within the next few weeks. This plan will provide additional funds and will propitiate more equity in this respect. The Secretary is also preparing a program to collect indebted taxes and to fight tax evasion.

11. Electoral Reform:

Puerto Ricans undoubtedly will feel the hardship of the past elections. There were serious failures menacing citizens' right to vote; it was almost necessary to postpone election day. This called for an electoral reform

I am pleased to inform you that today I signed the

law which creates the Commission for Electoral Reform. All political parties will be represented in this commission, and everything having to do with political parties and elections will be studied. I would like to recommend specific legislation on electoral reform for the beginning of October, as there is so much to be done in order to renew and to modernize political processes and organisms in Puerto Rico. Approved legislation is our prologue to start moving Puerto Rican democracy again.

12. Constitutional Ammendments:

Twenty years have passed since our Constitution was approved. During these twenty years there has been intense debating about making several ammendments to this basic document. These ammendments are of different types:

- a) 8 years limit to governor's period.
- b) Creation of an elected vice-governor.
- c) Reorganization of Legislature.
- d) Lowering of age requisite for Chamber and Senate Candidates.
- e) Raising of personnel merit principle to constitutional level.
- f) Creation of electoral court to substitute actual Board of Elections.
- g) Creation of a ninth senatorial district in

Aguadilla.

In order to achieve these Constitutional reforms, I propose the creation of a Constitutional Reform Commission consisting of adequately qualified citizens.

Honorable legislators; fellow countrymen:

I have outlined as briefly as possible the main points of the tasks we have ahead. During the course of this session I shall submit additional reports about other specific problems.

I would have preferred the country's situation to have allowed me to present a better and more optimistic picture of our actual financial and administrative conditions; however, things are as I have described them, and it is my obligation to let the country know, so that everyone will be conscious of the reality in which our government has to move.

This is not a time for complaints or reproaches. Our problems do not belong to only one group of citizens; they belong to everyone. Today we are conscious of all these problems; today I ask you to join in the search for their solutions. Puerto Rico is our main issue; so, let us begin to work.