

(H. B. 1994)

(No. 164)

(Approved August 29, 2006)

AN ACT

To amend Sections 3, 5, and 8 of Act No. 14 of January 8, 2004, as amended, known as the “Puerto Rican Industry Investment Act,” to ensure that cooperative enterprises are included in the benefits granted through this Act; and for other related purposes.

STATEMENT OF MOTIVES

In view of the alarming fiscal crisis faced by Puerto Rico, Cooperativism has become an essential tool to ensure the survival of enterprises that have been forced to close or reduce operations. Although for years it has been productive for the good of Puerto Rico, the citizenry and Government in general have recently begun to recognize it as a real alternative for the Island’s economic development.

At present, various laws that promote its rapid growth and development have been enacted. However, there are some government and private sectors, that due to lack of knowledge, have been unable to perceive Cooperativism as the hope of many. In view of the closing of different factories, their employees have decided to organize themselves and form cooperative enterprises in which associates become owners and seek ways to improve their operations in order to ensure their success. As we can see, because of such closings, cooperative enterprises have been formed that produce goods as varied as clothing, shoes, foods, injection moldings, and even technological equipment. According statistics of December 31, 2004,

these cooperatives provide 514 direct jobs and 1,696 indirect jobs. Furthermore, their assets are of approximately \$7.5 million and their sales of \$8.9 million.

These cooperative enterprises, however, have not received unconditional support from the Government of the Commonwealth of Puerto Rico, especially when their members are mostly Puerto Rican. They feel that at times they are marginalized, even though they have every right to expect and receive the existing governmental benefits. At present, there is the Puerto Rican Industry Investment Act, which is supposed to support the growth, development and strengthening of Puerto Rican industries through all available and feasible mechanisms within the constitutional, governmental and economic parameters available, in order to achieve maximum creation of jobs for the Island.

The Puerto Rican Industry Investment Board, attached to the Industrial Development Company, is created through this Act. The Executive Director of the Industrial Development Company is, in fact, its Chairperson. It is well-known to all that the persons who have directed said agency have come from backgrounds that are different and alien to cooperativism.

The general complaint of the members of cooperative enterprises is that they have not been properly supported by the Puerto Rican Industry Investment Act, and it is for said reason that the Legislature of Puerto Rico deems it imperative to emphasize and ensure their inclusion in this Act. On the other hand, through this Act, different benefits are granted to cooperative enterprises, since it is herein provided that the Administrator of the Cooperative Development Administration shall be a member of the Puerto Rican Industry Investment Board, and shall watch over the best interests of Puerto Rican Cooperativism from the same.

Furthermore, the percent of investment parameter to be granted to a cooperative enterprise is hereby increased, which shall be undoubtedly of great benefit this sector which promotes the organization of persons as a group to satisfy their needs.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Subsection (a) of Section 3 of Act No. 14 of January 8, 2004, as amended, is hereby amended to read as follows:

“Section 3.- Declaration of Public Policy

It shall be the public policy of the Commonwealth of Puerto Rico to support the growth, development and strengthening of Puerto Rican Industry, through all available and feasible mechanisms within the constitutional, governmental and economic parameters available, in order to achieve maximum creation of jobs for the Island. This Act shall have the following objectives:

- (a) To guarantee the greatest possible participation of Puerto Rican producers of goods and services in government purchases of goods and services, to support the formation and expansion of local capital and cooperative enterprises, to induce the creation of more and better jobs, and to achieve the economic development of Puerto Rico.
- (b) ...
- (c) ...”

Section 2.- Section 5 of Act No. 14 of January 8, 2004, as amended, is hereby amended to read as follows:

“Section 5.- Puerto Rican Industry Investment Board

To expedite the execution of the aforementioned public policy, the Puerto Rican Industry Investment Board is hereby created, attached to the

Industrial Development Company. It shall be composed of the Executive Director of the Industrial Development Company, who shall be its Chairperson, the General Services Administrator, the Secretary of Agriculture, the Cooperative Development Administrator, or their designated representatives, and two (2) additional members designated by the Governor of Puerto Rico, who have experience in local industry, but have no direct or indirect interest in any industry or enterprise that could be eligible for the benefits of this Act. The latter shall serve for a term of four (4) years. Should a vacancy arise, the member designated by the Governor to replace him/her shall serve for the remainder of the term of the member who ceased his/her functions. The Board shall meet at least (1) once a month, and the members who are not Government employees or officials shall be entitled to charge a per diem of one hundred (100) dollars for each day that they attend a meeting, pursuant to the applicable law and regulations. Four (4) members of the Board shall constitute a quorum, and the decisions shall be made by majority vote of those present.”

Section 3.- Section 8 of Act No. 14 of January 8, 2004, as amended, is hereby amended to read as follows:

“Section 8.- Classification of Goods and Services

The Preference Board shall classify the services rendered in Puerto Rico, as well as articles extracted, produced, assembled or packaged in Puerto Rico, or distributed therein by enterprises with substantial operations in Puerto Rico, or by agents established in Puerto Rico, taking into consideration, when assigning the corresponding investment parameter, whether the article or service is offered by an enterprise having substantial operations in Puerto Rico, using the following factors: the value added in Puerto Rico, the number of jobs, the local payroll, the research and

development operations in Puerto Rico, and, in the case of the purchase of goods, the country of origin of the materials used. Provided, that the Board shall assign the corresponding investment parameter within the following items:

- (1) Articles distributed by agents established in Puerto Rico, up to two (2) percent.
- (2) Articles packaged in Puerto Rico, up to three (3) percent.
- (3) Articles assembled in Puerto Rico, up to four (4) percent.
- (4) Articles that constitute Products of Puerto Rico, up to ten (10) percent.
- (5) Articles offered by small or medium Puerto Rican or cooperative-based enterprises established in Puerto Rico, up to two (2) percent.

It is further provided that the Board shall have discretion to grant an additional five (5) percent in extraordinary cases of articles and services, agricultural products, and products of cooperative enterprises pursuant to the parameters established by regulations.

...”

Section 4.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 164 (H.B. 1994) of the 4th Session of the 15th Legislature of Puerto Rico:

AN ACT to amend Sections 3, 5 and 8 of Act No. 14 of January 8, 2004, as amended, known as the “Puerto Rican Industry Investment Act,” to ensure that cooperative enterprises are included in the benefits granted through this Act; and for other related purposes,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 13th of July of 2007.

Francisco J. Domenech
Director