



## Starting from scratch

Chief of Staff  
Jorge Silva Puras  
and Economic Development  
and Commerce Secretary  
Ricardo Rivera will lead the  
Acevedo Vilá administration's  
reengineering for a new  
Permit Process System

Ricardo Rivera

Jorge Silva Puras

By Frances Ryan  
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# Private sector to design new permits system for island

**Permits process totally designed from scratch; simultaneous fast-track initiative guarantees quick approvals on key projects and short-term relief**

BY FRANCES RYAN  
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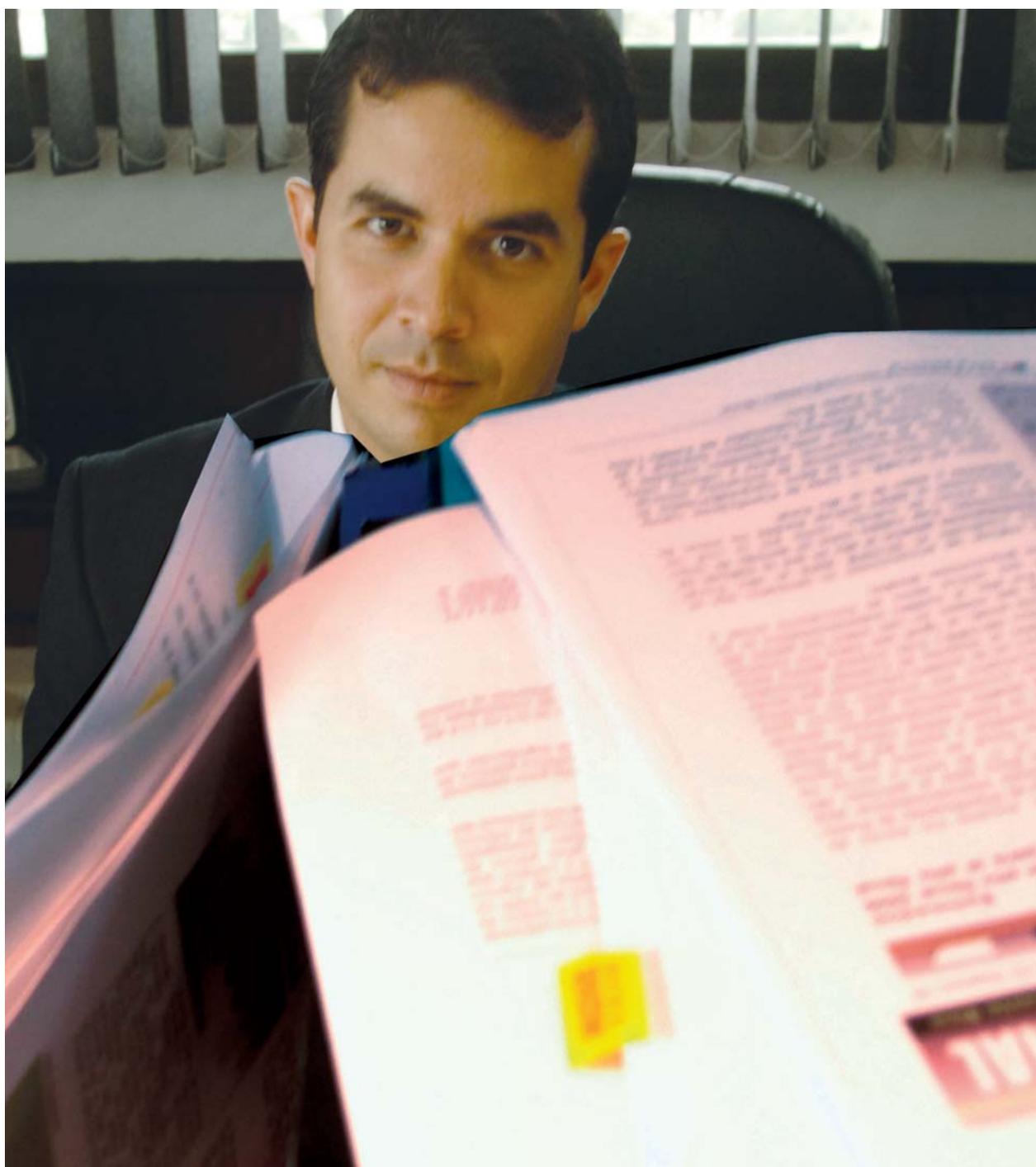
**T**hrow it out and start all over again. Puerto Rico's permits system that is. The Aníbal Acevedo Vilá administration will soon put into place a temporary plan to the permitting process web that continues to asphyxiate Puerto Rico's business community. Within the next few days the Governor will announce details of its new Permit Reengineering initiative aimed at replacing the existing system with a new permits process, a system that will be totally designed from scratch with a leading role of input from members of the private sector.

Running parallel to the reengineering efforts is a fast-track initiative, Phase I already underway, accelerates permit approval on already identified top-priority projects and delivers short-term relief measures in 20 areas of the permits system that can be improved immediately. Short-term improvements vary from the reduction of environmental impact declarations to automating the real-estate property registry to cutting excessive red tape in some processes and the consolidation of permits under a 'General Permit' document.

There are 20 short-term measures in the midst of implementation that will bring much needed relief within the existing system to those seeking any kind of construction or use permit. Final implementation of these fast-track measures, already underway, will conclude in June 2007.

The three-phase Permit Reengineering initiative begins later this month and will run through December 2008. At that time, a new permits system for Puerto Rico will be unveiled and implemented. Ricardo Rivera, secretary of Economic Development and Commerce (EDC), offers a glimpse of the mechanics of this new initiative that will be unveiled.

Unequivocally, Puerto Rico's nonfunctional bureaucratic permits process is the No.1 complaint from the island's business community, the very same community charged with the task of keeping our economy moving forward which it often can't because of this paralyzing situation which has turned the permit process into one that can take several years to acquire all the permits necessary from the almost three dozen agencies involved in the permit process.



Whether you are an individual citizen who wants to trim your private backyard, own a small neighborhood restaurant or are a multinational manufacturing company pouring millions of dollars into our local economy, chances are you are fed up with Puerto Rico's ever-increasing cost of doing business. This is mainly caused by a complicated, highly politicized and costly maze of

permits that continues to drown the island's economy in hundreds of obsolete and redundant processes that over the years have become a tangled bureaucratic process.

Currently there are at least 34 public agencies that intervene in the permits process in Puerto Rico, 119 procedures and 12 complicated stages

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that must be overcome just to secure one construction permit. On average, even the simplest of construction, commercial use and varied use permits can take up to five years. However, anecdotal information confirms that there are projects, like the Costa Serena project in the Piñones area of Loíza, first proposed in 1995, still awaiting Planning Board approval.

In the meantime, Puerto Rico waits and investors lose millions of dollars not to mention billions foregone in much needed economic activity and new jobs. In many cases, the now infamous process has scared off potential investors and has caused others to quit trying and go somewhere else.

A study by the University of Chicago Graduate School of Business carried out jointly with the University of Puerto Rico's School of Business Administration concluded the following about Puerto Rico's permitting process: "Whereby the government oversees the permit process for various activities from construction, real estate development, the commercial use of equipment and facilities and the periodical renewal of various business licenses, suffers from several serious problems that undercut the drive for employment growth and delays economic development. Permitting process is excessively slow and costly, fraught with uncertainty, subject to capricious outcomes, prone to corruption and susceptible to manipulation by business rivals, politicians and special interest groups."

#### LET'S START FROM SCRATCH

When asked about it, business people's responses run the gamut from fix it and move on, to implode the whole thing and start from scratch. Well, that's exactly what EDC's Rivera plans to do. "One has to be blind not to recognize that our [Puerto Rico's] permits process has completely gotten out of hand to the point of nearly paralyzing our economic development and jeopardizing our economic future. We have moved from a top priority to a crisis-management situation that must be addressed and solved immediately if we want to play any role or have any kind of success in today's fast-paced global economy. This is not a matter of politics but rather economic survival for Puerto Rico," Rivera said.

"However, we must not forget that while we're developing a long term

permanent solution to our permits process situation, we have many top-priority initiatives in place that must be addressed. We have to make sure we run both processes parallel to each other...one that addresses the immediate needs of projects now in the pipeline and concerns and the reengineering process of a more long-term initiative to permanently solve our permits situation," explained Jorge Silva Puras, the Governor's chief of staff.

The fast-track initiative, already underway, guarantees speedy approval of a list of key projects now waiting for approval that have been identified as critical to the island's economic development. "This is to ensure top-priority projects keep moving forward without getting caught in the permits web," Silva Puras continued. On average fast-track approval projects receive their permits within 45 days of application. Also, progress on each of these projects is reviewed by different infrastructure committees on a weekly basis with members from all concerned agencies.

Some of the projects included on the fast-track approval list include Ciudad Mayor, a \$6 billion infrastructure development for the metropolitan area; Ciudad Red, the expansion of the Tren Urbano (urban train) system to Caguas, Canóvanas and Old San Juan; Mayagüez 2010, a \$1.7 billion infrastructure plan to ensure the delivery of all the facilities for the Central American and Caribbean Games in 2010; the development of key tourism projects such as the construction of the new \$200 million Sheraton Hotel in the Convention District and key tourism ventures that will specifically help add hotel room inventory; key manufacturing biotech initiatives and ongoing support to the Puerto Rico Aqueducts & Sewers Authority's (Prasa) 15-year overhaul system to guarantee compliance with the Environmental Protection Agency (EPA) as well as the development of much-needed sanitary infrastructure to support future economic development.

"Also, a Governor's Steering Committee on Permit Reengineering will meet every two weeks to review written and verbal progress reports from the several teams that will handle the different phases of this reengineering process," explained Silva Puras, who will be a member of the committee with Ricardo Rivera, secretary of economic development and commerce;



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*Ricardo Rivera,  
Secretary of Economic  
Development and Commerce*



*Jorge Silva Puras,  
Governor's Chief of Staff*

Jorge Mas, deputy secretary of strategic projects for the Department of Strategic Development & Commerce and Ileana Echegoyen, consultant to the Governor.

#### PHASE I UNDERWAY: PRIVATE SECTOR LEADS REENGINEERING PROCESS

"Private-sector members know exactly what they need and how we can better deliver those services," said Rivera. "Most importantly, their participation in this process lends tremendous credibility to what we want to achieve, provides them with a voice to express their concerns, wants and needs and is a first-hand opportunity to secure the changes they want to see in the permitting system."

With the fast-track approval efforts moving full-speed ahead, the other side of this initiative, known as the reengineering effort, is positioned to become the engine of change. Phase I, Evaluation & Model Development, already underway is scheduled to conclude in December of this year, Rivera said. A group of private-sector professionals, known as the Reengineering and Process Committee, will represent the different industry sectors that frequently use the permits process.

"We consider members of these industries system users, meaning these are the people who most depend on permits, endorsements,

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approvals, reviews, etc. in order to conduct their businesses. They are the ones who know best what's wrong, what needs fixing and what can be modified because their businesses depend on the permits system," explained Rivera. "Different organizations and private companies have confirmed their participation and contribution to the Evaluation and Model Development phase with pledges of full-time involvement by those who have the knowledge and decision-making authority to be on the team."

Although the list of names is still being finalized, Rivera said the private-sector team will be composed of representatives from the Puerto Rico Manufacturers Association (3); Pharmaceutical Industry Association (2); Hotel Association (1); Puerto Rico Chamber of Commerce (1 + part-time committee support); Homebuilders Association (1); Engineers and Surveyors Association (1) and Architects Association(1).

**APPLYING SIX SIGMA**

The team, which will be helping in the development of a new permits system, will apply the Six Sigma

managerial principles made popular by Motorola in the U.S. Six Sigma is a methodology to manage process variations that cause defects, defined as an unacceptable deviation from the mean or target, and to systematically work towards managing variation to eliminate those defects.

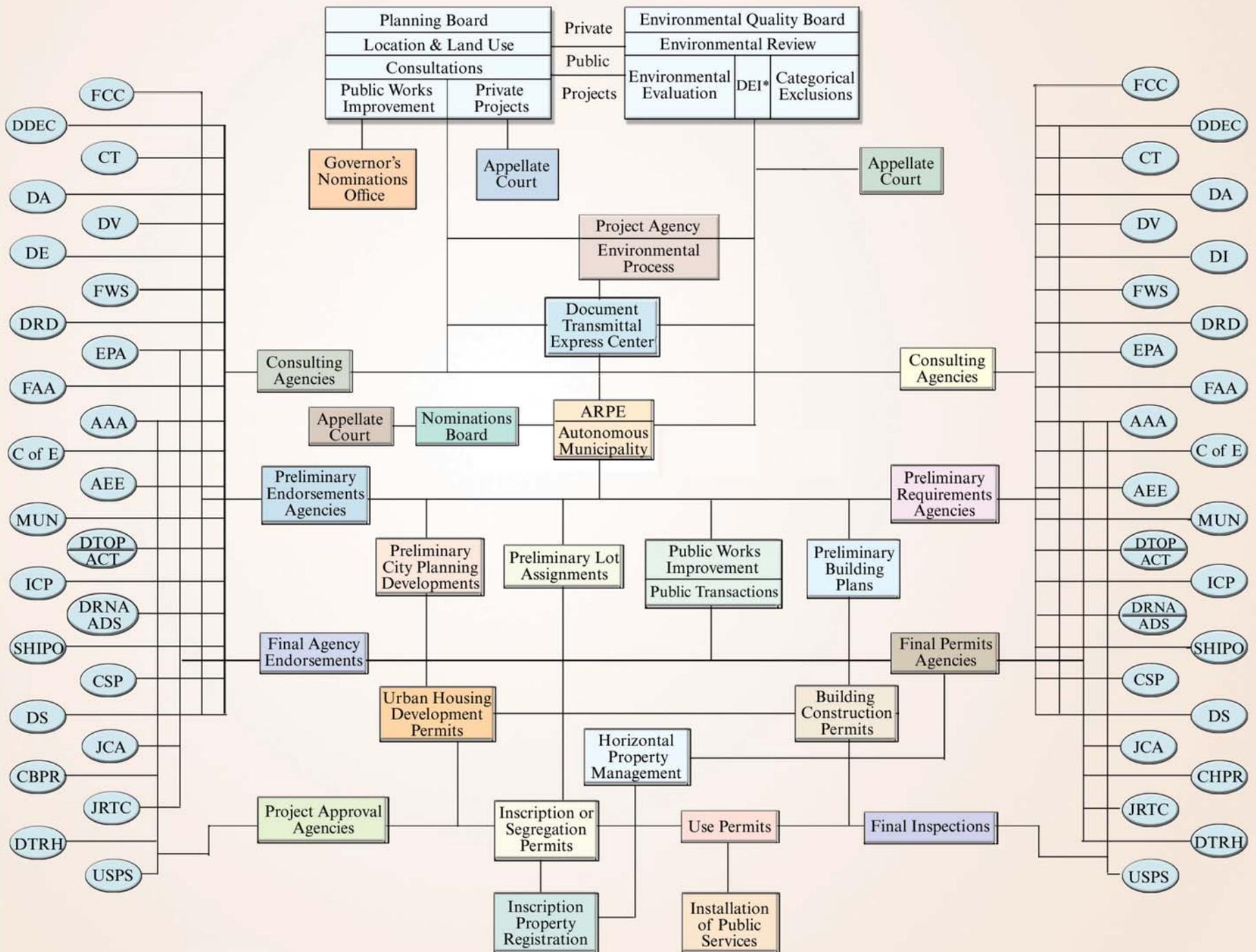
"The objective of Six Sigma is to deliver high performance, reliability and value to the end customer, or the people who use the permits system," explained Rivera, adding the three team members from the Manufacturers Association are Six Sigma black belt certified, people with the highest knowledge and experience

in these processes. "We're really excited about this because Six Sigma principles will help us stay on course and deliver on our objectives in a timely and measurable manner. Most importantly, the process will be completely transparent throughout. It's fantastic to have so many Six Sigma certified people on the island who can help in this reengineering process."

Six Sigma was pioneered by Bill Smith at Motorola in 1986 and was originally defined as a metric for measuring defects and improving quality; and a methodology to

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# Construction Projects Approval Process



\* DEI stands for Declaration of Environmental Impact  
 Source: Economic Development & Commerce Department  
 CB graphic by: Inda M. Rodriguez

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reduce defect levels below 3.4 Defects Per One Million Opportunities (DPMO). Motorola has reported more than \$17 billion in savings from Six Sigma to date.

### PHASE II: GOVERNMENT TEAM BECOMES THE FACILITATOR

From within the administration, a bridge team of six people, three from the industrial area, two from housing and one from tourism will partner with the Reengineering and Process Committee to facilitate its research process and identification of information in an expedient manner.

"This will be a hands-on team and it will have only a few months to help representatives from the private sector obtain all the information and

resources they need to finalize the new permits model," explained Rivera, noting that the results of this committee must be delivered by the end of the year.

"Ultimately, their goal is to come up with a streamlined process, not tainted by the existing permits process, and innovative mechanisms to actually measure deliverables and success criteria every step of the way and within a system that has transparency," concluded Rivera. "This process will be implemented in a way that could continue to move forward regardless of who is in La Fortaleza over the next four years. That's my commitment, because long after we're all gone, Puerto Rico needs to have a permits system that facilitates and encourages economic development...not an obstacle to it."

### PHASE II : LEGAL EAGLES TO SORT OUT PERMITS MESS

The overhaul process will continue with the creation of the Legal and Administrative Committee, which during Phase II of this reengineering initiative, will sort out the permits mess by "diving into the permits system to determine which laws, regulations, permits, endorsements, processes and other permit-related activities must be modified, eliminated or added," said Rivera. "The Legal and Administrative team will take the work product from Phase I as the basis of its work and will have from December 2006 through May 2007 to complete its legal review and administrative process."

Private-sector team members from Phase I will stay on board to work with the Legal and Administrative team during Phase II, of the legal discovery process, to answer any questions that might need clarification with regard to the proposed permits model. Official members of the Legal and Administrative team will include legal counsel for the EDC, the Governor's advisor on legislative affairs, Arpe's legal counsel, the director of the Planning and Financial Incentives Division of the Puerto Rico Tourism Co. and two legal counsels from the industrial sector. "The Legal and Administrative Committee will provide written and verbal progress reports every two weeks to the Governor's Steering Committee," reiterated Rivera, himself a member of the steering committee.

"Although the Legal committee will work with the output from Phase I, its biggest challenge will come from comparing recommendations against existing legal and regulatory systems in order to deliver its recommendations as to what needs to happen next. That set of recommendations will be captured in a document called: Roadmap to Change: Reengineering of Permits Process in Puerto Rico," explained Rivera, adding the legal committee must complete its work by May 2007.

Regarding the possible outcome of this process, which may result in the closing of key agencies or the consolidation of agencies under a one-stop-shop permits unit, Rivera and Silva Puras both felt it would be premature to comment on it. However, he did not dismiss such a possibility, stating: "If that's what it will take to fix this mess, that's what it takes. Notwithstanding, that would have to come further down

the line in this process when we know exactly what's needed and how it needs to be accomplished. Changing the nature of key agencies, even in the slightest, may require legislative action and the active involvement of the Legislature."

### PHASE III: IMPLEMENTATION AND BENCHMARK IS SET TO BEGIN MAY 2007

Silva Puras continued: "At this point we really have a chance to see the results of this process, and system users will begin to reap the benefits of a much-needed system reengineering."

"We'll see different regulations, types of permits and administrative orders," said Rivera. "Most importantly, we'll have a clear direction and a brand new permits system that will be designed to meet Puerto Rico's economic development needs for generations to come." Rivera is quick to point out, however, that the bulk of this process will be completed by the end of 2008 with the exception of some initiatives that may require legislation that could extend through 2009.

### IMMEDIATE RELIEF IN SIGHT

Before tackling the complicated permitting web, both Silva Puras and Rivera, agree there's a lot that can be accomplished in a relatively quick manner in order to bring some relief to local developers and system users. "We're already implementing several efforts that range from eliminating redundant processes, reducing criteria, eliminating paperwork, modifying regulations and others that will immediately shorten the permitting process for developers," continued Rivera.

In addition to the projects on the fast-track approval list, agencies like the Planning Board are set to take a more central role in the process while other agencies like the Department of Natural Resources are set for a long-needed overhaul of their operations (see chart and related story)

Among the main problems noted by construction industry professionals, is the delay caused by Declarations of Environmental Impact and other permits related to the environment, such as Regulation 25 and the delimitation of maritime-earthly zones. Government initiatives on the fast track program also seek to eliminate some of the rampant bureaucracy present in those agencies, which only complicates and delays

## Public Agencies that Intervene in the Permitting Process in Puerto Rico

Puerto Rico Aqueducts & Sewers Authority (Prasa)  
 Highway Transportation Authority (HTA)  
 Solid Waste Authority (SWA)  
 Puerto Rico Electric Power Authority (Prepa)  
 Permits & Regulation Authority (Arpe\*)  
 US Army Corps of Engineers (USACE)  
 Puerto Rico Firefighters Corps (PRFC)  
 Public Service Commission (PSC)  
 Puerto Rico Tourism Company (PRTC)  
 Department of Agriculture (DA)  
 Department of Commerce and Economic Development (DCED)  
 Department of Education (DE)  
 Department of Sports & Recreation (DSR)  
 Department of Natural & Environmental Resources (DNER)  
 Puerto Rico Department of Health (PRDH)  
 Department of Transportation & Public Works (DTOP)  
 Department of Labor & Human Resources (DLHR)  
 Puerto Rico Department of Housing (DH)  
 Environmental Protection Agency (EPA)  
 Federal Aviation Authority (FAA)  
 Federal Communications Commission (FCC)  
 Fish & Wildlife Services (FWS)  
 Institute of Culture (IC)  
 Construction Appeals & Zoning Board (JACL\*)  
 Environmental Quality Board (EQB)  
 Planning Board (PB)  
 Autonomous Municipalities – Permits Office (Ampo)  
 Municipalities – Planning & Public Works Office  
 Office of the Governor (GO)  
 Puerto Rico Telecommunications Regulatory Board (TRB)  
 Property Registry (PR)  
 State Historical Preservation Office (SHIPO)  
 Appellate Court (AC)  
 United States Postal Service (USPS)

Source: Department of Economic Development and Commerce (\*Spanish acronym)

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matters further. Or, add qualified personnel in areas where there's not enough staff to meet system's needs. With additional staff and technical equipment, some of the processes at the Permits & Regulations Administration (Arpe by its Spanish acronym) could help balance work distribution among existing technical staff, cutting their current workload and delivery time by almost half.

"Take for example the reduction of the number and length of time it takes to get a Declaration of Environmental Impact (DEI), which for some large construction projects can take up to five years adding millions to the project's costs. That will be significantly reduced by eliminating the 'ping pong' like process that takes place between the Planning Board and the Environmental Quality Board and fix responsibility in one place," explained Rivera.

About 90% of project impeachments stem from an obsolete and complicated system of public notices. By simply changing the criteria, one of the short-term measures contemplated within the fast-track program, these impeachments will

**PHASE I UNDERWAY:  
PRIVATE SECTOR LEADS REENGINEERING PROCESS, EVALUATION & MODEL DEVELOPMENT  
FAST TRACK APPROVAL PROCESS & REMEDIAL PERMITTING CHANGES  
SEPTEMBER - DECEMBER 2006**

**+**  
**PHASE II: GOVERNMENT TEAM BECOMES THE FACILITATOR & LEGAL TEAM  
DECEMBER 2006 - MAYO 2007**

**+**  
**PHASE III: IMPLEMENTATION AND BENCHMARK  
MAYO 2007 - DECEMBER 2008**

**=**  
**Reengineering of permitting process of Puerto Rico**

be substantially reduced and approvals received faster. Something as simple and long overdue as automating the Real Estate Property Registry, will help avoid unnecessary mistakes that currently slow down the permitting process. There are property registries that are over eight years behind.

There are several endorsements collected along

the permitting process, all of which because of delays of the overall permit process become obsolete at some point and need to be renewed. It is being contemplated that endorsements, once given, be good for the life of the project or business as the conditions of those endorsements are not likely to change. This simple change will save millions in time and money. ■

## House Bill 1950 to solve permitting process

### House Speaker Aponte ready to work with administration and private sector to identify final solution to permits chaos, top legislative priority in the House

BY FRANCES RYAN  
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House Speaker José Aponte has given top legislative priority to House Resolution 1950, filed May 13, 2005, requesting a comprehensive study of Puerto Rico's inefficient permit process and subsequently delivering the necessary public policies and initiatives to fix the problem once and for all. HR 1950 coincides with efforts from the Aníbal Acevedo Vilá administration to launch a comprehensive initiative that will result in a total overhaul of the island's complicated permits system. HR 1950 is scheduled for its third committee review within the next few weeks.

"We're ready to partner with the administration and the private sector in coming up with the best solution to our inefficient permitting process. During the last legislative session we focused our attention on getting the budget, the tax and fiscal reforms approved. But the best plans in the world won't save our economic future unless we come together with a permanent solution to this permits mess," said House Speaker José Aponte Hernández. "Last year we presented this initiative to members of the private sector including the Manufacturers Association, AGC (general contractors) and the Homebuilders Association among others. Their response was very positive."

HR 1950 had not seen much activity since it was first filed last year, until recently when it moved to the top priority list of the current legislative session. "This is a process that has to be

done right but in an expedient manner. Whatever changes are necessary will be made to ensure the system can work," said Aponte. "Even if that means consolidating or closing agencies to make way for a new, efficient and automated system."

For those in the administration working in the Permit Reengineering initiative, Aponte's words of collaboration will surely be welcome. The third phase of the reengineering effort may very well require fundamental changes in the way some agencies operate, thus requiring legislative action. "The commitment of the Legislature to finding an integrated solution to this problem will be of the utmost importance to our success in delivering a solution to this long overdue permits problem," expressed Ricardo Rivera, secretary of Economic Development and Commerce.

Aponte also wants to get moving on remedial efforts that would help expedite the current system until a permanent solution to the permitting process is found. "During a recent conference of the National Council on State Legislators, private sector companies expressed how they've rejected important bio-agriculture business opportunities on the island because of our lengthy and costly permitting process. Puerto Rico is one of a few U.S. jurisdictions where bio-agriculture initiatives can flourish all year round. Like these, there are hundreds of companies who take their money elsewhere because we haven't fixed our permitting system. We must do everything on our part to eliminate the No.1 hurdle hampering our future economic development," concluded Aponte. ■



*"We're ready to partner with the administration and the private sector in coming up with the best solution to our inefficient permitting process," said House Speaker José Aponte Hernández, author of House Resolution 1950 currently under review by the Economic Development Committee in the House of Representatives.*

## Fast track towards a saner permits process

Relief in sight from short-term solutions delivered by private sector; government finally moving towards improvement of permitting process, complete system overhaul underway

BY DENNIS COSTA PACHECO  
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Mention the name “permits” to any contractor, architect or developer, and you’ll likely get a sneer or a frustrated sigh. That is because Puerto Rico’s permits process has been notoriously slow and cumbersome, a fact that has been bemoaned by industry professionals for years. Yet a ray of hope is on the horizon, for the government has not only begun to listen to those calls for action, it has started to implement mechanisms to untangle the permits web once and for all.

The main plan from the Aníbal Acevedo Vilá administration involves a rebuilding of the whole permits system that promises to “start things from scratch” (see front-page story). In the meantime, there’s a parallel plan already in effect, one that will attempt to fast track the approval of permits under the current system. Many of the initiatives involved in this fast-track process (about 20) address some of the primary concerns of the private sector, particularly in the construction industry.

### COMPLAINTS HAND-IN-HAND WITH PROPOSALS

People in the construction industry have not just complained about the deficient permits process, they have submitted possible solutions, yet until recently such proposals have fallen on deaf ears. The Homebuilders Association, through its president Adolfo ‘Tito’ Gonzalez, recently presented a thorough proposal that lists specific problems within the permits process, by agency, as well as possible solutions to each problem. In conversation with CARIBBEAN BUSINESS, González discussed a three-pronged strategy suggested by the proposal.

“First we must take care of those changes in procedure within agencies that can be done with just a minor adjustment of the rules or, at the most, changes in management policy,” González said. Then there’s the problem with the big picture, continued González, principally concerning the Environmental Impact Declaration Process, which is arguably the most delaying factor in the entire permits process right now. “Clear definitions must be made about what exactly is environmental impact so the people involved can know right away whether a particular project falls within the accepted parameters.” Third, González suggested a shift in the attitude of government workers. “There’s palpable tension between the private sector and the government. From what we’ve seen so far, at least, there has been no support from the agencies in this regard,” stated González.

### FOR EACH PROBLEM, A SOLUTION

It seems like the proposals delivered by the Homebuilders Association and other pleas for



*According to Adolfo 'Tito' González, president of the Homebuilders Association, the certification law, which states that any certified expert can validate a project's document without the agency having to reevaluate it, plays an important role in untangling the permits web, yet many agencies decide to do unnecessary reevaluations regardless.*

action have prompted local government officials to finally come up with a detailed plan. A draft document prepared by the Department of Economic Development and Commerce (EDC) has listed specific problems as well as viable solutions, some of which are similar to those proposed by the Homebuilders Association and others.

One of the biggest problems involves the Declaration of Environmental Impact (DEI), which takes years to be analyzed and adds millions of dollars to a project’s cost. This, together with the *consulta de ubicación*, is currently one of the most delaying factors of any project, said González. The government, through the Planning Board, has tried to address the problem through the oft-discussed Land Use Plan, but the preparation of such plan has been plagued with obstacles, and its completion is not expected in the near future.

Instead, the current proposal aims to both reduce the number of requirements for DEIs and exempt some projects from unnecessary ones. According to industry professionals, many agency officials demand a DEI even if the project

doesn’t require it, just to cover their bases in case of a possible problem. Another big issue is with the infamous Regulation 25, which regulates the movement of soil, the cutting of vegetation and reforestation initiatives related to a construction project.

Arguably, the most problematic agency in regards to permits is the Department of Natural Resources (DRNA by its Spanish acronym). Industry people have long complained the agency essentially takes a project’s DEI hostage in its role as a commenting party.

There are also issues with permits for the extraction of material from the earth’s cortex, which usually take more than six months to solve one way or the other. The EDC sees this problem as a particularly urgent one, with many coastal projects having this type of problem.

The zoning of maritime/land zones (ZMT by its Spanish acronym) has also been in focus, namely, that it’s also too slow. In fact, even though technology that is readily available to consumers (like Google Earth) can make the process go extremely fast (“shouldn’t take more than a week,” commented González), the ZMT zonification actually takes years.

Many of the proposals call for the Planning Board to take a central role in permits-related affairs, in effect to make it the main proponent agency for permits. There are also calls for additional personnel at the Regulations and Permits Administration (ARPE) as well as a “general permit” by the Environmental Quality Board, similar to the one prepared by the Environmental Protection Agency.

The Department of Transportation and Public Works (DTOP by its Spanish acronym) has also caught its fair share of criticism. Sometimes it takes up to six months for the agency to give permits, professionals say, and the Request for Proposals (RFP) process is similarly slow. Slowness also seems to bog down the Institute of Puerto Rican Culture, whose Archaeology Council only gets together once a month. Talks are underway to eliminate the Institute of Puerto Rican Culture from the permits process.

Notifications for public hearings have also been singled out, particularly in the case of denials, of which 90% happen for purely technical reasons. Property registries also delay the process, in some cases taking up to eight years; the updating of high-tech equipment is necessary in this instance.

Lastly, the Telecommunications Regulatory Board of Puerto Rico has been under fire as well for the rampant bureaucracy within the agency. Its requirement for additional lines for Cable TV and telephone, for example, elevates the price of a home by as much as \$1,200. Industry professionals are currently calling for the reduction of requirements or outright elimination of this board. ■