



An exclusive newsletter
for Synergi Partners
Puerto Rico

OPEN?

for Business

The government rules are finally relaxing, and then what....?

Puerto Rico was the first jurisdiction under the American Flag to order a lock down and serious curtailment measures regarding the Pandemic. This is an important, and correct, decision by governor Wanda Vázquez in the middle of March. We have also been the jurisdiction where the curtailment has been kept the strictest and the longest. Although it is debatable if the extensions have been warranted, it is what it is. To date we are still under lock down from 10pm to 5am every day. Given the economic pressure the government has reluctantly allowed most, if not all, the economic sector to partially open under restrictions as to how to operate. The reality stateside is worrisome at its best, Texas, Florida, among the states that adopted

President Trump attitude towards the pandemic are backtracking because of the dire consequences of such policy that disregards the health issues of the crisis.

One of the “realities” that business owners are realizing is that the existence of the virus is here to stay and unlike hurricanes, which cause much destruction and economic havoc, the virus has no end. In that sense is akin to the earthquake crisis the southwest of the Island is facing. In other words, those that felt that once the lock down was eased we would go back into “business as usual” are soon realizing that permanent changes in the business ecosystem have indeed occurred. The question is what are we going to do about it.

Puerto Rico Business Insider® is published by Intercomunicaciones FPR, Inc, all rights are reserved.

EDITOR IN CHIEF

Luis E. Pabon-Roca, Esq. has been practicing law for over 25 years, mainly in the area of litigation of employment and constitutional issues. His practice includes counseling in the sectors of Health, Construction, Retail, and Hospitality. He co-hosts the number one (15-20 share according to Arbitron) morning radio political analysis program in Puerto Rico Univision Radio (Wkaq-580) and has a daily segment of political analysis in Puerto Rico Telemundo/NBC (Channel 2).

All information and opinions rendered are not intended to be legal advice or opinion but a general educational orientation regarding recent developments affecting business in Puerto Rico. Readers should seek experienced professional/legal advice for their specific situation and facts.

Puerto Rico Business Insider

Intercomunicaciones FPR
249 Las Marias, Urb Hyde
Park, San Juan, P.R. 00927.
(787) 309-7175
lpabonroca@microjuris.com

Synergi Partners

SynergiPuertoRico@
synergipartners.com
(787) 520-7503



All businesses have to be evaluating how the “new normalcy” affects our “old normalcy” of doing business. Both in the short and long term basis an assessment should be made to insure our future viability and success. These are a few of the changes that have to be taken into consideration:

1. Telework is here to stay:

Call it remote or virtual many business owners discovered that many activities within their operation could (had to) be realized without physical presence. This concept has two conceptions. The relationship among our employees and the business (we may call this internal virtuality) where they can stay at home and provide most, if not all, the functions they were hired to do. The second, which we may call external virtuality, is with regards to our business and our clients or suppliers. Although initially this was treated as temporary measures while the pandemic lasted we now have to realize that many of the changes are here to stay. A quick example: Supermarket deliveries before the pandemic were for the young technical oriented (so called millenials in a generic way). Today a significant portion of the supermarket clients is opting for this method.

2. Customers are really afraid:

Given the strong emphasis the Puerto Rico government placed on protection people are afraid to go out and consume as they used to. If you compare with the attitude in states that were not as proactive (Texas, Florida) our population is much more disciplined and

concerned regarding the use of personal protective equipment, social distancing, etc. Nowadays, after the surge in many of these “relaxed” jurisdictions, one can observe that the use of facemasks has increased in the population that a few weeks ago “looked funny” at those who were protecting themselves. Although it can be argued that this fear is unwarranted to some extent, from a business point of view it has to be taken into account since perception is reality. In the case of Puerto Rico, the more Dantesque images are produced stateside the more we will feel that being overcautious is the way to go. Even for those who look elsewhere for the information that forms their opinion, the images of Ecuador, Peru and Brazil, to name a few, are simply horrible. The questions then is, how are we going to project that our operations are safe and our clients can be tranquil that doing business with our enterprise will not put them at risk?

3. Hours of Operation:

For many years various governments had toyed with the idea of mandatory closing in the morning hours to control crimes, massacres, accidents, etc. The constitutional problems presented by that type of measure, as well as the political fallout, prevented previous governors from moving in that direction. As a matter of fact, at least on retail, the move was in the opposite direction with the so-called “closing law” virtually eliminated by governor Roselló. And then the pandemic arrived... Three months into the crisis we have the most liberal Executive

Order and still people cannot be on the streets during most of the night hours. (10pm-5am). Again we need to ask ourselves, has this changed the population patterns of consumption, behavior and conduct. Does a 24-hour operation makes sense? Is hanging out after 9 a thing of the past? For now that seems to be the case. Will this be a permanent change? Do we need to adjust our business with this regard?



4. Is the customer the same or did the decision process changed?:

It is a well-known marketing strategy for some fast food chains to sell to the kids not to the parents. Anyone that has had children in the car while deciding where to grab lunch knows that either you agree to the children taste or you will have a difficult lunch. You may think that Covid-19 affected my analysis. Let me share a simple scenario. The more we move into telework and home offices for employees, who is going to decide what office furniture to buy, the purchasing agent, the employee or the employee's family?. If you are in the business of selling office furniture you typically dealt with one person per business who took that type of decision. Are we ready to cater to these new decision makers? Are the products that we are selling compatible with a home setting in terms of size, look, functionality?

5. Is my business viable?:

Business owners have to coldly look at the service they provide. The same can be said for trades and professions. How many repairpersons you know for faxes. E-Mail practically eliminated the

fax technology. Remember carbon paper? Would you invest in the production of carbon paper? It does not mean that it is the end of the world, but we have to evolve and change with the market. I am sure most of the typewriters have some sort of service person but if you were in that business and did not evolve you are probably very unhappy. Make sure you do a soul-searching analysis to determine if your business is going to come back and when. For example, is cinema going to come back as we knew it or has it permanently been affected? An example of adaptation was announced this week. You can now reserve the whole cinema hall for your private groups and the minimum quantity can be as low as 15 persons at a very reasonable price. If you are a tour operator in Puerto Rico most of your business came from the cruise ships. That industry is in a standstill worldwide.

The more optimistic projections are a comeback in the second quarter of 2021. How do you survive until then? When there is a comeback, will tourists be willing to go aboard? Once aboard, will they be comfortable going to the different ports of call? These are

the difficult realities that need to be faced. At some point the PPP loan is going to end or the ERTC credits if you are one of the lucky ones with that support in place will finish.

Now is the time to adjust and adapt. It is the time to reinvent our ventures, to identify new activities, to eliminate others. Business owners have to address issues such as labor and employment structures, technology that we have ignored because "I will get around to it when I have time". Issues of effective supervision and employee retention, insurance coverage, privacy, suppliers have to be reviewed. Last but not least, is the business ready for the next crisis? In Puerto Rico we have recently gone through hurricanes, earthquakes, and the pandemic, what is next we do not know but, do we have the correct team members? Now is the time to review every part of our operations, from Attorneys and CPA's to advisors on federal credits and benefits. From Computer techies to security systems, all aspects of our ecosystem should be looked upon. In other words, everything should be evaluated, reviewed and adjusted for the next one...



BUSINESS

Aspects of doing business in Puerto Rico that should be taken into consideration when applying for Employee Retention Tax Credits (ERTC)

It is obvious that Federal Legislation may include Puerto Rico but rarely it is approved with Puerto Rico in mind. Such is the case of the CARES Act, hurriedly approved to combat the Covid-19 pandemic. Synergi Partners Puerto Rico's President Rodrigo Masses Artze has recently published a "Puerto Rico Economic Manifesto" where he advances the notion that the technical analysis to be performed for the ERTC in Puerto Rico has to be different from the stateside workout, and that as such, the technical presentation has to be more exhaustive than at first sight.

As we all know for Puerto Rico the pandemic is the "cherry of the pie" (if it were at all something positive). In the last three years Puerto Rico has faced two major hurricanes, an on going series of earthquakes, without having superseded the 2008 economic crisis while facing a serious political crisis with the PROMESA Act and Pueblo v. Sanchez Valle, among other laws and jurisprudence.

All of this has to be taken into the historic context of Puerto Rico, where the basic infrastructure systems such as electricity, water, highway and communication were subpar and under some sort of

crisis at least since the eighties.

Given that the CARES act aid, including the ERTC, are pendent on showing economic slowdown and/or government lockdown Mr. Masses suggest that in the case of Puerto Rico even “normal” is not normal as compared to doing business stateside. He adds to the equation that being an Island the supply chain stability is also a strategic concern in particular for the food, medical and health related products.

Another concern, curiously being discussed nowadays by the Government, is the airport management with regards to the pandemic. Puerto Rico has been able to keep its numbers low, both contagion and medical facilities use. But three of the historically major air traffic areas are exploding state side (New York, Texas, Florida). Will the lack of a biological barrier in the airports cause the pandemic to explode in Puerto Rico? This inevitably will affect the business ecosystem. The

more you close the more difficult is to bring back the economy, the more you open the possibility of doomsday increases.

According to Masses “Every effort should be made to assure that Puerto Rico can benefit from the Trump Administration’s effort to re-shore manufacturing. The obstacles present require that a comprehensive public-private effort be made to deal with these, that would include energy costs, a dysfunctional government and lack of confidence in DC on the local Government’s capacity to deal with the challenges facing Puerto Rico’s economy”.

As we have previously stated, part of the solution is to identify economic resources that are available. Synergi was able to integrate unprecedented numbers of millions in aid in the Maria aftermath. These monies went directly to the business community bypassing local government. This is why it is important to have their technical assistance when filing for the ERTC or any other federal credits. Their consultation is free and they work on a contingency basis so you only pay when you are paid.

Feel free to call at (787) 433-8000 or write to SynergiPuertoRico@synergipartners.com.

