

PUERTO RICO

By J. M. Harris

Peter W. Harben Inc. Mineral Consultancy, Las Cruces, New Mexico US (peterharben.com)

Mineral products in Puerto Rico have traditionally been quicklime, silica sand, seawater salt and dimension stone. There are small reserves of copper nickel, cobalt, iron, chromium, lead, gold and silver, mainly in the centre of the island. In 1996, over 280 ha in Puerto Rico's mining region in Adjuntas were designated as a Puerto Rican State Forest by the Department of Natural and Environmental Resources and the mining law was amended in June 1995 to prohibit open-pit mining of metallic ores. That mining scene has thus been relatively quiet. The island's production is now centred on non-metallics - stone, sand, salt and clay, with many large limestone quarries. Sand and gravel resources are of increasing importance for construction and beach replenishment. In the past construction and industrial minerals have contributed about 1% of GDP and include cement, sandstone and traprock aggregates

Puerto Rican Cement's dry process plant at Ponce, along with the smaller San Juan Cement at Dorada, account for two thirds of the total value of minerals produced in the country annually. Last year was a challenging year for Puerto Rican Cement; net sales were US\$31.7 million during the fourth quarter compared with US\$36.4 million for the same period in 2000 and were impacted by decreases in sales volume of 5% in cement and 23% in ready-mix concrete for the period; cement sales for the company during the last quarter totalled 241,000 t and total sales in the Puerto Rico market decreased 8% to 464,000 t during the fourth quarter compared with 504,000 t during the same period of 2000. Income, however, from operations improved to US\$2.8 million for the fourth quarter from US\$1.8 million in the same period in 2000 due to improved efficiencies at the cement plant. Total cement sales in Puerto Rico declined 4% to 2.0 Mt for 2001 from 2.1 Mt in the previous year.

The company's aggregates processing plant in Carolina is in operation and expected to bring economies as well as an additional income stream this year along with other initiatives to reduce costs and improve efficiencies. Last year was impacted by a US\$2.7 million restructuring charge in the first quarter, competition from cement imports, decreases in construction activity in both governmental and private projects, and general economic conditions. In the final quarter of 2001, income from operations as a percentage of net revenues improved to 9% from 5% in 2000, and the company anticipates that the renewed efforts of the Puerto Rico Government to resume public works, which were reviewed with the new administration, will have a positive effect in the second half of this year with the anticipated start of construction projects over US\$1,000 million.

Sila Maria Calderon was elected Governor in 2000 and took office in January 2001. Her Popular Democratic Party, which supports the present 'commonwealth' status of Puerto Rico, gained control of the legislature in the November 2000 election. She formed a special commission to investigate secretly government actions in order to fight corruption and the first US Circuit Court of Appeals overturned a federal district court decision to bar the commission from conducting investigations; Puerto Rico's former Secretary of the Department of Natural and Environmental Resources was implicated in two of the three investigations and says he will ask for a review of the decision by the full appeals court. US military exercises on the island of Vieques remain another contentious issue. The US Navy has said that it will resume them in April for about 22 days with inert bombs, but President Bush has also said that the Navy should stop using Vieques by May 2003. A November referendum was supposed to decide the issue, but Congress

cancelled the vote which left the question up to the Navy Secretary.

However, Puerto Rico benefits substantially from its association with the US, although it lost some manufacturing jobs when certain tax advantages under the US Tax Code were eliminated in 1996. Another provision is under consideration which offers wage credits and other tax benefits. Multinationals can already designate themselves as 'Controlled Foreign Corporations' and so their profits that are not remitted to US parent or subsidiary companies are not federally taxed. The Free Trade Area of the Americas proposed for 2005 will mean more competition from other nations in the free trade area.

Nevertheless, with only a total land area less than three times the size of Rhode Island and located some 1,600 km east-southeast of Miami the fertile island is a commercially vibrant bilingual and bicultural economy. It thrives on its US infrastructure with economic growth averaging a dynamic 3% annually recently. A diverse industrial sector has surpassed agriculture as the primary locus of economic activity and income, and tourism with some 5 million annual visitors is also very significant. Encouraged by duty-free access to the US and by tax incentives, US firms have invested heavily in Puerto Rico since the 1950s.

The island also has many natural assets: an important location along the Mona Passage which is a key shipping lane to the Panama Canal, one of the biggest and best natural harbours in the Caribbean in San Juan, many

small rivers and high central mountains for water resources with a south coast relatively dry and a fertile coastal plain belt in north.

Puerto Rico relies on imports for most of its energy and exported about 11,000 bbl/d of petroleum products to the US at the start of last year. As of January 1, 2000, its refining capacity was 49,000 bbl/d from its Caribbean Petroleum Corp. refinery at Bayamon, which re-opened in February 1999; foreign trade zone status has been requested to make the facility more competitive. Last year Sunoco had planned to close its 35,000 bbl/d Yabucoa refinery, but efforts to sell it continued. In January 2001, Caribbean Petroleum Corp., MetLife Capital Corp., and Water Quality Insurance Syndicate reached a settlement with the US Federal Government and Puerto Rico to pay US\$83.5 million to settle claims resulting from environmental damage caused in 1994 by a 800,000 gallon oil spill. Liquefied natural gas has been imported from Trinidad since August 2000 to the new EcoElectrica regasification facility at Punta Guayanilla and a 16 mile natural gas pipeline has been proposed from it to thermal power plants. A 454 MW coal-fired plant is also under construction in Guayama and is due to come on-line mid-year. The EcoElectrica facility is one of the cleanest power plants in the world (a US\$600 million 507 MW gas fired project in Penuelas) and came on-line in March 2000. The Puerto Rico Electric Power Authority and private power producers are investing in new capacity to meet growing demand and are concerned about a possible power deficit in the next five years as a result of economic expansion.