
Creditors Cry Foul on Puerto Rico's Latest Fiscal Plan.

NEW YORK (Reuters) – A large group of Puerto Rico's creditors united on Wednesday in condemning the U.S. commonwealth's revised fiscal plan, calling it a step backwards in rebuilding from years of mismanagement and the devastation caused by Hurricanes Irma and Maria.

Puerto Rico Governor Ricardo Rossello speaks during a Facebook live broadcast in the library of the governor's mansion, in San Juan, Puerto Rico January 24, 2018. REUTERS/Alvin Baez
Unveiled by Governor Ricardo Rossello on Tuesday, the plan highlighted the use of $18 billion in additional money from the U.S. federal budget to turn a deficit into a surplus of $3.4 billion within six years.

"The Plan fails to provide a credible basis on which to restructure the island's debt, while completely lacking a foundation for revitalizing the local economy and restoring access to the capital markets," the creditors said in a joint news release.

Before the storms, the recovery plan had projected a nearly $4 billion surplus through 2021. But after the hurricanes, the government forecast a $3.4 billion gap for the same period that would not allow any repayment of the island's debt.

Puerto Rico was already in crisis when Maria smashed into it. The bankrupt U.S. territory, whose finances the U.S. Congress placed under federal oversight, owed $120 billion in combined bond and pension debt. It had near-insolvent public health and retirement systems, and was suffering from a shrinking population.

The creditors say the new plan remains opaque on issues such defining essential services versus what the government wants to pay; not fully accounting for cash held in accounts that might be available to meet fiscal plan needs; not sharing 2015 audited financial statements; using an outdated migration forecast; and using healthcare cost and plan participation assumptions that contradict the government's own outmigration forecast.

Puerto Rico's financial oversight board is expected to evaluate Rossello's revised plan in the coming weeks and, after a public hearing, determine whether to certify it.

The benchmark GO bond, trading in default without a yield, traded just under 60 U.S. cents on the dollar before Maria hit. On Wednesday it traded at 29.25 cents, up from an all-time low of 21.1820 cents on Dec. 14 74514LE86=MSRB, according to Thomson Reuters. COFINA senior bonds last traded at 50.90 cents 74529JAR6=MSRB from 59.11 cents the day before Maria hit.

This group of debt holders, some of whom are fighting one another over who should be paid first out of any available debt servicing funds, are: bond insurers Ambac, Assured Guaranty, National Public Finance Guarantee Corp; holders of so-called COFINA senior debt which is backed by sales tax receipts; a group of mutual fund creditors that includes Franklin Advisers and OppenheimerFunds; Syncora; The Puerto Rico Funds; and individual investors.

by Daniel Bases

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