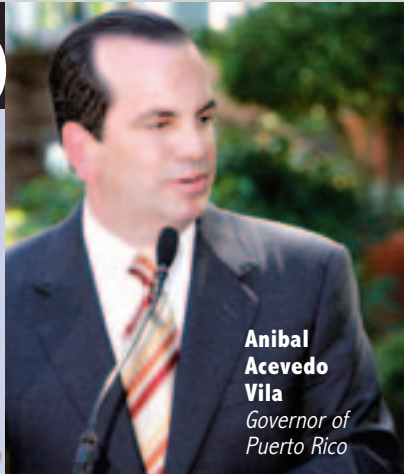




Puerto Rico



**Anibal
Acevedo
Vila**
Governor of
Puerto Rico



LOCATION
Caribbean island
between the
Caribbean Sea and
the North Atlantic
Ocean, east of the
Dominican Republic

EXPORTS
Chemicals,
electronics, apparel,
canned tuna, rum,
beverage
concentrates,
medical equipment

POPULATION
3,927,188 (July
2006 est.)

**EXPORT TRADE
PARTNERS**
US 90.3%, UK
1.6%, Netherlands
1.4%, Dominican
Republic 1.4%
(2004)

INDUSTRIES
Pharmaceuticals,
electronics, apparel,
food products,
tourism

Source: CIA
The World Factbook

Knowledge is power

There is something imperceptibly unique about Puerto Rico. The island's political status and its relationship with the United States have absorbed the country since Puerto Rico was ceded to America in 1898. The subject of political and military wrangling from the day Columbus wet his feet on the island's shore, colonial influences have played an indelible role in the country's heritage.

A territory of the United States, subject to the political will of congress yet self-governed, Puerto Rico has followed its own constitutional model since 1952. This alliance does not breed the kind of voter antipathy that exists in the UK and the US, where turnouts have been declining in recent decades. In the Puerto Rican general election of 2004, voter turnout was 81.7%.

"For fifty years, the citizens of Puerto Rico have supported our current relationship, voting again and again to continue commonwealth rather than adopt statehood or independence," states Anibal Acevedo Vila, Governor of Puerto Rico. How to define Puerto Rico, and its inhabitants? Four cultures have left their mark on the national identity. During the days of slavery Africans brought with them the "bomba" and "plena" music that permeates the island today. The Spanish left behind them catholic piety and the Spanish tongue. American influence delivered the island's second linguistic trait – English – and established the university system. The original inhabitants of the island, the Tainos, left a legacy that exists in the language of places, foods and musical instruments. Little wonder then that Puerto Ricans are open and

hospitable people.

Although protected by America's legal system and military, and financially buoyed by federal transfer payments, which currently account for some 20% of Puerto Rico's income, the island today finds itself at a crossroads. Widely regarded as a Caribbean answer to the Asian "tiger" economies during the 1970s, Puerto Rico swiftly fell off the pace, with analysts blaming the overbearing, if well-intended, nature of US involvement in the island's affairs. Section 936 was passed in the late 1970s, allowing US-based firms to manufacture goods in Puerto Rico. However, the policy to reduce the federal fiscal deficit during the Clinton administration provoked the elimination of that special tax treatment.

Following the abandonment of Section 936 in 2005, a government budget crisis ensued in 2006 that witnessed the closure of the island's public schools and some 42 government agencies, resulting in the partial shutdown of the government. The emergency ended after ten days, when new tax reforms were rushed through. For Mr Acevedo, it was time to reengineer the island's economic base. His idea was to harness know-how and spin off new companies through a new business model that encourages private investment. By this initiative, Puerto Rico could thus re-emerge as an innovation leader in the region.

The reality is that investor confidence for Puerto Rico has always been high in Wall Street. The problem, as in much of economics, is perceptual. After all, the manufacturing base has

Continued on page 2 ▶



**Jorge Silva
Puras**
Chief of Staff

Now with the Puerto Rico World Trade Center in San Juan (PRWTC), you can enjoy countless benefits. The PRWTC already offers the possibility of bringing together businesses and government agencies. Acting as a one-stop trade hub, the needs of international business leaders are always satisfied, including market research, WTCA on-line, trade shows and exhibit space, business services, trade education, group trade missions and worldwide exposure.

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► Continued from page 1

shifted to high-end products as the island finds a strategic fit in Central America. It may compete with Ireland in certain mid-level drug shelves, but its true context is as an extension of the US economy on this side of the Atlantic. In services, Puerto Rico has solid companies in banking, engineering and construction. The first steps will include the creation of incentives and competitive advantages. Then policymakers will need to capitalise more effectively on the US legal framework, the top-notch infrastructure and the 23,000 college students that graduate in Puerto Rico each year.

The island is generating its own competitive advantages through its new business model

“Something a lot of people don’t know – 17 out of the 20 most popular drugs in the US are produced here,” says Mr Acevedo. Now it is only a matter of lining up the tax structure with IT parks, and creating synergies with business tourism and advanced medicine.

Other market ideas include seed money for SMEs, streamlining the permits procedures for companies and promoting exports to nearby CARICOM markets. According to officials, this is the first administration that is making an effort to integrate government, private sector and education. It is not so much a hands-on approach as it is about focusing people’s minds on developing skills that suit market needs.

“We are a cultural, political and linguistic bridge since so much of the population is fluent in both languages. This is a great opportunity for development,” says Jorge Silva Puras, the Chief of Staff of the Commonwealth, “We have approved a new law, which provides economic incentives for developers. It gives us an excellent tool to get working on many of the promises we have made. We need to see the effects of this law on an island-wide scale.” ●

SAN JUAN

Caribbean capital



Puerto Rico has a long list of competitive advantages, from industrial zones and seaports to land availability and commonwealth status with the US. All it has to do is step up private investment and create strong business synergies

From a financial standpoint, San Juan is the capital of the Caribbean region. It has all the right assets to turn Puerto Rico into a regional hub: seaports, energy inputs and industrial zones. It just needs to capitalise on its neighbourhood.

At a time when US convention tourism is worth \$122 billion per year, San Juan has stepped up to the challenge. To establish Puerto Rico as an important player in the convention tourism sector, an ambitious project is being developed: the Puerto Rico Convention District. Located on the San Juan peninsula of Isla Grande next to Miramar, Condado, and Old San Juan, the Convention District consists of 113 acres of prime land that will include hotels, stores, residences and recreational areas.

The modern \$415-million Puerto Rico Convention Centre (PRCC) will be the drawing force for a new era of economic and tourist development in Puerto Rico. “Inaugurated just last year, the centre has already received praise for being the largest and most technologically advanced facility in the Caribbean,” says Ricardo Rivera Cardona, Secretary of Economic Development.

The new venue spans 580,000 square feet and was designed by the urban planners of the city’s Coliseum, which is ranked eighth in the world in terms of ticket sales. Private operators will play a vital part in completing the masterplan to create a complete urban resort. Manuel Sanchez is responsible for steer-



The new convention centre of the Americas

ing the Convention Centre District Authority into international waters and says, “The government has done its part. Private investment is expected to rise to \$900 million. In total, the district will have a budget of about \$1.6 billion.”

The convention centre is a central element of a much wider project: the San Juan Waterfront. It will spearhead the transformation of the city’s waterside area into an internationally acclaimed urban marketplace. The mixed-use waterfront development will further strengthen its position as an international hub for foreign trade, as well as combining business, residential and entertainment areas.

Along the rejuvenated waterfront, luxury and boutique hotels, condominiums, a marina, a 100,000-square-foot aquarium and vibrant public spaces will complement the cutting-edge convention centre’s sophisticated business atmosphere to offer conventioners a complete range of entertainment and recreational experiences. Surrounding the PRCC will be casinos, office buildings, commercial space, retail units, restaurants and theatres, as well as a 500-room four-star Sheraton hotel.

In total, 10.2 million square feet will be redeveloped to provide 600,000 sq ft of retail space; 2,600 hotel rooms; 780,000 sq ft of office accommodation; 3,000 residences; 7,800 parking spaces and 18 acres of public spaces and parks. ●



Ricardo Rivera Cardona
Secretary of Economic Development



Manuel Sánchez Biscombe
Executive Director Convention Centre District Authority

FOR MORE INFORMATION CONTACT: PRESS TRIBUNE, 405 King’s Road, Chelsea, London, SW10 0BB.

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Urban planners are fast-tracking infrastructure projects that will be key for the new business model

TRANSPORT AND PUBLIC WORKS

Big plans take shape en route to 2010



From new overpasses to improved ports, Puerto Rico is looking to achieve long-term sustainability and step up economic development

Mayagüez (pop. 100,000) may not compare to Beijing in size, but both municipalities are facing an imminent deadline. For Beijing, it is the 2008 Olympic Games and for Mayagüez, in western Puerto Rico, it is the 2010 Central American and Caribbean Games. Urban planners on the island are fast-tracking infrastructure projects that include roads, stadiums and mixed-use facilities. Meanwhile, the first stones have been laid at Ciudad Mayor, a futuristic masterplan in San Juan. The private sector is playing a key role.

There are more than 115 initiatives underway in Puerto Rico, with \$6 billion in outlays spread over the coming six to ten years.

There are currently more than 115 initiatives under way with \$6 billion in outlays spread over the next decade

Once the projects are up and running, the island will not only boast brand new infrastructure, the urban makeover will serve as a keystone for a new business model.

Javier De Jesús, the governor's former adviser on urban development, says, "Nothing is left to intuition when it comes to urbanization." Mr De Jesús, who works closely with engineering groups, affirms that public-private partnerships (PPPs) will help guarantee long-term sustainability. "Puerto Rico has not seen such PPPs at large-scale construction projects since the Teodoro Moscoso Bridge of the 1990s," comments Mr De Jesús.

Increases in construction activity, meanwhile, will create more than 23,000 jobs. Because Puerto Rico is essentially a rectangle, all four corners need to feel interconnected. Good highways are not enough.

The Department of Transportation and Public Works (DTOP), led by acting secretary Fernando Pont, is in charge of coordinating roads, bridges and seaports. On its to-do list is everything from extending the highway from Barceloneta to Aguadilla, to upgrading facilities at the Port of the Americas. One of DTOP's star projects is the Metropolitan Train, also known as the Tren Urbano. Conceived as a transportation link from Bayamón to San Juan, the train is giving rise to knowledge-based clusters along its path. It will make several stops within Ci-

dad Mayor's planned high-tech corridor. Cranes are already at work there on the construction of a Molecular Science institute. Site work for a cancer research centre is scheduled to begin in 2008.

Roads are not only useful for moving people, but also for moving goods. According to the DTOP, San Juan has serious gridlocks that trump its economy. "On any given Friday, the traffic can be unbearable," says a local transportation expert. By 2010, the DTOP plans to shorten travel time to Ponce and Mayagüez by investing \$225 million in a series of highway overpasses. A triple-decker overpass has already increased exits on the highway link between San Juan and Guaynabo, slashing bottlenecks by 15 minutes. Everything is falling slowly into place as the 2010 deadline approaches. Until then, the DTOP will continue to issue bonds through Citibank to cover its costs. ●



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HIGHWAY AND TRANSPORTATION
AUTHORITY



DEPARTMENT OF TRANSPORTATION
AND PUBLIC WORKS

Commonwealth of Puerto Rico

TOURISM

Leaving the US? Think of us



A caribbean island unspoiled by mass tourism and unhindered by passport regulations, Puerto Rico is as accommodating as they come

Think of the Caribbean and you could be forgiven for conjuring up images of Bahamian beaches, Caipirinhas in Cuba or beef jerky in Jamaica. It is unlikely that Puerto Rico would muscle itself to the fore of your consciousness. However, recent developments on the island, both physical and conceptual, warrant further scrutiny. The development of the Puerto Rico Convention Centre has placed San Juan at the forefront of business tourism in the Caribbean. For American visitors, the benefits are obvious. US citizens need no passport to enter Puerto Rico, and the long-standing relationship between the two countries has led to a juxtaposition of the joie de vivre of the Caribbean and the desire of American businessmen to mix business with pleasure. The temperate climate of Puerto Rico and its proliferation of excellent golf courses, restaurants and casinos are tailor-designed to accommodate business and leisure travellers.

In addition, Puerto Rico has not been party to the overdevelopment that blights other islands in the Caribbean. Footprints on the island's sandy beach-

es are a common enough sight, but Sandals and other mass-market resorts have failed to gain a foothold here, due in no small part to the sustainable tourism model propagated by Terestella Gonzalez Denton, Executive Director of the Puerto Rico Tourism Company, who says, "Sustainability is particularly important as the industry grows and we work to attract tourism to the various regions of our island and the various islands of our region. We must protect and maintain those things that make Puerto Rico and the Caribbean special – our history, culture, natural resources and the health and welfare of our people." Counterpart International's Caribbean Media Exchange on Sustainable Tourism (Cmex) was hosted earlier this month by Puerto Rico, which has been lauded for its leading example in the field. In fact, Puerto Rico's dedication to retaining its identity in the era of package tourism may explain how the sector remained buoyant during the country's fiscal crisis of 2006.



Terestella Gonzalez Denton
*Executive Director
Tourism Company*

According to Ms Gonzalez, the situation had little impact on tourist revenue. In fact, it was quite the opposite. "In terms of hotel room reservations, they were not affected at all. What's even more interesting is that Puerto Rico enjoyed a strong low season due to high internal tourist turnout," she says.

The fourth largest island in the Caribbean has long



Sun, sea, sand and sustainability are factored in

been a getaway for the city-weary. As recently as 2004, tourist revenue reached \$2.8 billion, according to the Development Bank of Puerto Rico. About 1.3 million non-residents visited the island that year and made 1.78 million hotel bookings. The sector accounts for 6% of net income. A large part of the tourist business in Puerto Rico, which employs 70,000 people, is related to Caribbean cruise ships. Stopover visitors to ports like San Juan have more than doubled since the mid-1990s. Year-round temperatures range from 74 degrees Fahrenheit (23 degrees Celsius) in the winter months to 81 degrees Fahrenheit (27 degrees Celsius) in the summer. "Throughout the years the tourism sector has had a clear agenda that has been the same for all governors and has never been altered by a change in political power. The only differences have been in regard to how to do it," says Ms Gonzalez. "All we need to do now is to make it a more vibrant sector so that we can adapt to any situation quickly." ●

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UNITED STATES

ATLANTIC OCEAN

CARIBBEAN SEA

PUERTO RICO

PUERTO RICO

JD COLLEGE

School of pragmatists

The shift toward a services-oriented economy means Puerto Rico will have to hone its technical skills. A college specialised in technical education with a range of associate degrees, John Dewey College (JDC) was founded in 1992 by Carlos Quiñones. Its slogan is "Education without obstacles" and has six campuses across the island. It is a school by and for pragmatists, people who think ahead at the job market instead of investing in extended academic careers. JDC offers degrees in accounting, graphic arts, nursing, computer science, medical billing, electrical engineering, among others. More than 85% of the student body carries out a mandatory internship.

"We have to plan ahead for the future. What we're doing is responding directly to the needs of Puerto Rican business in terms of technical skills. This type of employee is in high demand right now," says Dr Quiñones. ●



Carlos Quiñones
President
JD College

HIMA SAN PABLO

Health in the new millennium

Injecting investment to upgrade the healthcare sector, in addition to implanting a new business model in the Caribbean, Hima San Pablo Group creates new synergies to capitalise on health tourism

When the Hima San Pablo Group bought San Carlos Hospital for \$10 million earlier this year, it signalled a clean break from the past. The 96-room former clinic is being remodelled to become a sophisticated orthopedics centre. After a phased investment of \$250 million, San Carlos Hospital will re-open in June with 50 licenced beds that allow for greater privacy. With \$3 million worth of new equipment, it will not only help usher in a new millennium in healthcare. The move is also seen as a test of Puerto Rico's capacity to implant a new business model in the Caribbean.

Hima San Pablo started out with two highly ambitious partners and seed capital of \$1,000. Today, the group owns four hospital complexes and is considered one of the island's top business groups. By sales of hospital management software alone, it is considered an innovator. Hima San Pablo believes in creating synergies. It has built its own hospital security firm and operates its own laundry services. As part of a broader regional strategy, its network

of hospitals will soon attract "health tourists" from nearby islands, and even the US. After all, healthcare in Puerto Rico is 60% cheaper, than in the mainland—and regulated by the same laws. Currently, the group is expanding its clinic in Caguas through a joint venture with Houston-based investors. One of the partners is Ross Perot's lawyer.

"Right now, we're going through a period of facility shortage. The industry has never been classified as such and identified properly," says Joaquín Rodríguez, the CEO and chairman of the board of Hima San Pablo.

In Puerto Rico, all citizens have access to universal healthcare. But it is not always optimal and in terms of business, it is difficult to quantify. Mr Rodríguez aims to explain to policymakers that the sector has undergone a technological boom that could easily cascade down the value chain. For now, he is happy to staff his clinics with 1,200 of the best doctors in Puerto Rico. But they alone will not modernise the entire island.

The group is proving to be an industry pioneer and has relied on Westernbank to finance its new state-of-the-art equipment, such as immunopathology laboratories for its Cancer Center and, according to Mr Rodríguez, healthcare will soon become the most powerful industry on the island. ●



Joaquín Rodríguez
CEO & Chairman of
the Board of Hima
San Pablo Group

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The HIMA+San Pablo Group:
 When you are in Puerto Rico,
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A LEADER IN THE FIELD

The evolution of a revolution

As one of Puerto Rico's most prestigious financial institutions, and the country's fastest-growing commercial bank, Westernbank differentiates itself by focusing on customer relations and offering a personalised service

When the Wall Street Journal listed Puerto Rico's Westernbank in 2004 as among its Top Guns - the top ten best performing companies in the US for shareholder benefits over a ten-year period - jaws dropped throughout the US banking industry. Although sectorial experts had followed the bank's growth with interest, few suspected that this Puerto Rican bank founded in the city of Mayagüez could be one of the most profitable, efficient and visionary banks under US regulation. The only financial company to make the list, Westernbank was cited as having provided accumulated stockholder benefits of an average of 50% over the previous decade.

Closer inspection reveals yet more remarkable facts. Founded in 1958, Westernbank is Puerto Rico's only bank, and one of the few in the US to have shown consistent profitability every year since their establishment. The second largest bank on the island in terms of total assets, Westernbank is also Puerto Rico's fastest growing - assets and loans have grown at a compound annual growth rate of 28.8% over the past five years, meaning the bank is virtually doubling its size every two-and-a-half years, without the help of consolidations or mergers. Westernbank also has the highest percentage of reserves to non-performing loans in Puerto Rico, and one of the highest in the US.



Westernbank has increased both total assets and loans at a compound annual growth rate of over 28.8% for the last five fiscal years

CEO of parent company W Holding Inc. Frank C. Stipes comments, "We are the only bank in Puerto Rico open seven days a week, eleven and a half hours a day. We were highly criticised for doing this. Nonetheless, we remain the most efficient bank in Puerto Rico, and one of the most efficient banks in all of the United States. We have always been ahead of the curve. We were the first bank to launch internet banking in Latin America, and among the first 75 banks in the whole world to do so. We became the first biometric bank in the world in 1992."

Westernbank's strong organic growth throughout the past decade has earned it the tag of the "hungry banker" by US securities firm Brean Murray. According to a report released by the company last year, Westernbank still holds a 61% market share in the

west of the island where its roots lie. It has also pursued an aggressive expansion plan in the past five years towards the northeastern economic heart of the country, in particular around the capital of San Juan, where it has opened mega-branches complete with coffee cash bars, big screen TVs and tellers who personally greet clients at the door. Focusing on customer service and convenience, Westernbank has used extended weekday and weekend hours to bring in clients.

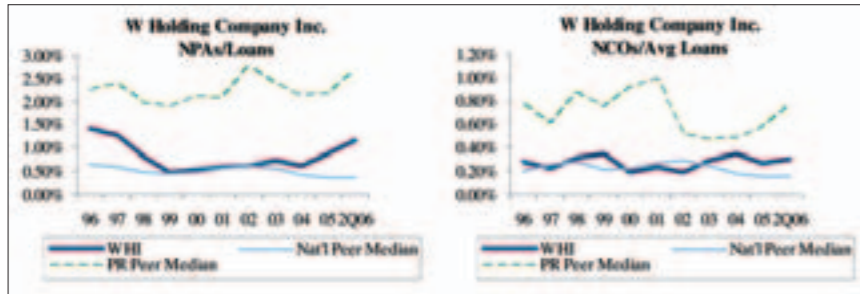
The bank has also established itself as a market leader in business credit, which makes up 60% of the island market share. After becoming a full service commercial bank in 1994, following a revision of state banking laws, Westernbank actively pursued commercial, industrial and real estate lending business, which has fuelled its rapid growth since then. Between 1994 and 2005, the bank enjoyed loan growth of 29.8%, deposit growth of 25.7%, total asset growth of 30.5%, and total equity growth of 32%. As of June 30, 2006, it had \$16.7 billion in assets and \$1.2 billion in equity. Westernbank's Business Credit division has grown by 50% a year over the past

"We have always been ahead of the curve. We were the first bank in Latin America to launch internet banking, and in 1992 we became the first biometric bank"

Frank C. Stipes

five years alone.

The bank has suffered, however, from the sharp decline in shareholder values experienced throughout Puerto Rican banking over the past three years. The country's financial industry, which is the third largest in Latin America after Brazil and Mexico, and which manages some \$200 billion in assets, benefits from an International Banking Entity Law. This has led to a heavy dependence on US securities among local banks, and the industry has suffered as a result of current interest rates. Furthermore, a US Securities and Exchange Commission investigation into accounting practices for mortgage loans resulted in earnings restatements for a number of Puerto Rican banks in both 2003 and 2004. Investor sentiment, already beginning to show signs of weakness, was further affected by the government's fiscal crisis in May of last year. Much of this has passed now, however, and the possibility of industry consolidation on the island is growing stronger. In line with Westernbank's emphasis on Puerto Rico first, Mr Stipes is a staunch supporter of consolidation, saying that it could turn the country into the Japan of the Antilles, and an island of greater opportunities. ●



W HOLDING

Seeking expansion and a united economic community

W Holding is the parent company of Westernbank Puerto Rico and Westernbank Insurance Corporation. CEO and chairman, Frank C. Stipes - the grandson of Westernbank's founder - took the helm and served as the bank's CEO and president from 1988 to 2005. Mr Stipes was the force behind the bank's phenomenal growth during that period. He oversaw the adoption of its commercial charter in 1994, brought in a heavy focus on commercial lending, and masterminded the bank's domestic expansion. Knowing that maintaining annual growth rates of 25% would be impossible without overseas expansion, he has now withdrawn from the daily running of the bank to further plan a strategy - with W Holding's president and Westernbank's former chief investments officer, Freddy Maldonado - for its expansion in and out of Puerto Rico, including establishing an east coast presence in the US from Maine to Key West.

Westernbank is applying for licenses in Boston, New York, Atlanta and Florida to date. "Our objective is to expand north and open more branches throughout the south of the United States, as we have done in Palm Beach," says Mr Stipes. "The next logical step will be to open more branches in different South American countries. This will help investors who are considering coming to the island for business as the same bank can handle their issues here and in their native country."

This link between North and South America is Puerto Rico's advantage, according to Mr Stipes. A supporter of a common economic community between the two continents, he believes that Puerto Rico can play an important role in forging that partnership. He explains, "Puerto Rico is the ideal place for a company to succeed. It allows firms to feel at home in Latin America while giving the added confidence of having North American stability on their side. These strengths make Puerto Rico the perfect country to unite South and North America. ●

INTERVIEW WITH FRANK C. STIPES

'We make our money the old fashioned way - we do not sell off or liquidate portfolios'

In July 2005, Frank C. Stipes stepped down as president of Westernbank to focus on the vision of parent company W Holding, signalling a new era in the evolution of the group

If the rates go down or up too quickly then the differential is larger or smaller, respectively. We then go back and adjust all the values and re-financing rates in order to have the greatest differential possible.



Westernbank's Frank C. Stipes has brought his trademark bold, dynamic and no-nonsense management style to bear on the bank's domestic and international reputation

Frank C. Stipes, at 32 the youngest bank CEO at the time, had been running Westernbank, which was founded by his grandfather, since 1988. Stepping down as CEO in 2005 to focus solely on the global expansion of the bank, he coined the event as the evolution of a revolution, saying Westernbank represented the face of a new Puerto Rico. Here he answers the hard questions on the island's banking troubles, and Westernbank's response.

Puerto Rican bank stocks have depreciated by an average of 57% since 2004. Was the recent fiscal crisis a major factor?

Frank C. Stipes: Several factors are involved, and not all of them are related to Puerto Rico. If we had to divide the responsibility, then 60% of the blame would fall on Puerto Rico and the other 40% on the general conditions of the financial world.

In the last 24 months, our preferential rate has increased from 3.75 to 8.25%. We are what one could call a hardcore bank. We make our money by obtaining the difference between the passive costs and what our assets yield. One obviously has to subtract the operational costs, which we are proud to say have decreased significantly. We make our money the old fashioned way: on ordinary income. We do not liquidate portfolios.

The bank depends on current interest rates.

Nonetheless, Westernbank has been extremely profitable. This year we expect a net gain of over \$100 million and we are growing by 15 to 20% annually. I would challenge anyone to find another company with such immense growth after being in the market for over 48 years. Even with the current situation in Puerto Rico, we still keep growing and that is a positive sign. We plan to capitalise on this and not allow the weaknesses of other banks on the island to affect us.

Can you comment on Cohen & Company's recent sell rating for Westernbank stocks?

Frank C. Stipes: Any recommendation made should be respected, even though they constantly change, as with the Do-

ral stock, which has crumbled to less than \$2 per share. Analysts were advising people to hold or buy this stock at the time. The rating actually gives others an opportunity because if people sell their stocks, others have a greater possibility to buy. Our view of the company has been always long-term. All world class companies such as Westernbank do not focus solely on short-term objectives, but on long-term goals and performance. Our track record is evidence of that. We are not involved with speculators, we care about investors.

Our strategy remains the same: we need to increase the spread. Our success is tied directly with Puerto Rico's success, and as individual incomes increase so will ours. ●

A considerable number of things have changed in Puerto Rico during the past 50 years...
We've been part of most of them
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WESTERNBANK

CAGUAS

Caguas: a digital model



Applying forward-thinking strategies that will benefit the region and the whole island, Caguas is investing in high-tech infrastructure to create knowledge clusters and connect academia with industry

South of San Juan, in central Puerto Rico, is the autonomous municipality of Caguas (pop. 150,000). Route 52B, the Las Americas Expressway, climbs up the green hills into what many identify as a different country. Named after Caguax, an indigenous tribal leader, the city was granted special trading rights by

MUNICIPALITY OF MAYAGÜEZ

The cradle of development



Dubbed the City of Pure Waters, Mayagüez is Puerto Rico's third-largest municipality, one of the island's largest economic generators and capital of the Porta del Sol ward. The Mayagüez Campus of the University of Puerto Rico is famous for its engineering school, many of whose graduates go on to work in prestigious American posts, predominantly at NASA. This is changing as more graduates seek employment in Puerto Rico.

Tourism forms the basis of the municipality's plans for wider development. Mayagüez welcomed its first cruise ship last December and further expansion at Puerto de Esperanza is underway. This rapid development has led to the award of the 2010 Caribbean and Central American Games.

Mayagüez 2010 has so far attracted \$250 million in investments. A new all-purpose stadium is planned, creating many jobs. Mayor of Mayagüez José G. Rodríguez comments, "It will be the cradle of sporting union, which will transcend frontiers and assist in the development of the city, the region and the island as a whole. Mayagüez 2010 will help us to foment awareness of Mayagüez and of Puerto Rico." ●

the Spanish Crown in 1820. Today, it is Puerto Rico at its most competitive, a place that believes in IT, biotech and digital cities. Mayor William Miranda has developed a unique policy of economic incentives and Caguas is often referred to as a business model for other regions.

"Here in Caguas we are improving our infrastructure in order to get more students interested in science. The positive energy resulting from these efforts will hopefully spread to other local governments," says Mr Miranda. The workforce stands at 62,000 and GDP per capita is well above Puerto Rico's average. More than \$200 million are being invested in infrastructure over the next five years, according to the Department of Economic Development. Part of the budget is reserved for fibre-optic cables that will promote the use of broadband internet and the municipal jingle is "Technology for the People". Mr Miranda is proud to lead projects such as INTECO, a strategic plan of eight municipalities that will create knowledge clusters and help link up university research departments with entrepreneurs. "We are already the first digital city," he says.



William Miranda Marin
Mayor of Caguas

"All we're doing here is supporting Puerto Rico's economy from our city and applying strategies that will benefit the region and the whole island. We take care of ourselves and don't wait around for the central government to take action," the mayor adds. To raise competitiveness, the municipality has had to implement unpopular measures like sales taxes. Much to their surprise, though, the central government adopted the same measure for all of Puerto Rico two years later. Large multinationals like Microsoft and Amgen, the largest biotech company in the world, have opened shop in Caguas. Because of their experience in Caguas, Amgen will be investing \$1.2 billion in expanding its facility for bulk manufacturing. ●

PRIDCO

Biotech at work



Protecting intellectual property and slashing bureaucratic red tape in a variety of sectors are just some of the ways Puerto Rico is using brainpower to move the domestic economy up the value chain

Puerto Rico has 23,000 university graduates per year, out of a population of 4 million. Its infrastructure is considered top-notch in the region. The spin-offs into knowledge-based industries should be natural. And yet, biotech industries that flocked to the island in search of tax holidays have run into red tape and high-energy inputs eat away at profits. The opening of a new bio-processes plant in western Puerto Rico will open a new chapter in biotech industries. As competitors such as Singapore and Ireland brace, Puerto Rico will leverage its own assets.

"Whoever is quicker and can market their products better will win this battle. Everything done here is done within the federal legal parameters of the US. We also offer intellectual property rights as a guarantee that ideas are not stolen," says Ricardo Rivera, the Secretary of Economic Development. Mr Rivera also mentions fiscal independence vis-a-vis other competing states in the US. This gives Puerto Rico an additional competitive edge. Still, high-end manufacturing will require a flexible framework.

As of June 2006, the Puerto Rico Industrial Development Company (PRIDCO) has begun to reengineer business practices. If 42% of revenue is generated by manufacturing industries, PRIDCO wants to exploit the advantages to the maximum. The new focus is on knowledge link-ups. Operation Brainpower, known as "Operación Mentes a la Obra", is part of a new strategy to move the domestic economy up the value chain. The Science and Technology Trust (STT) has been instrumental in creating a new Molecular Sciences Center outside San Juan. It will be joined as of 2008 by an oncology institute.

Legal changes have reduced the costs involved with registering a business. A panel of private sector experts is cutting away at bureaucratic red tape in manufacturing, tourism, engineering and biotech. As for energy, the new business model aims to reduce dependency on oil to less than 50%, and harnessing wind and tidal power is being considered. ●

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TELECOMMUNICATIONS

SunCom Wireless: street credibility

With six wireless operators fighting for a piece of the pie, SunCom is working hard to stay on top with unrivalled local market insight, leading-edge technology, unique products and services, and an obsessive customer-centric philosophy

As the service sector increasingly becomes an important pillar to Puerto Rico's economic development, it is turning to the wireless telecom sector for solutions that drive productivity and profits. This \$3 billion per year industry now represents two out of every three new telephone lines being activated and injecting upwards of \$170 million per year in capital investments.

There are more than two million mobile phone users on the island, with less than 20% being pre-paid, and very few countries in the region can boast a 54% penetration. For Raul Burgos, president of SunCom Wireless, this is both a sign of pride and economic strength.

SunCom's own subscriber base of over 320,000 has grown upwards of 21% in the last year. A significant feat considering 100% of the base is under contract with a zero pre-paid offering. This success validates their more than \$272 million cumulative investment since 1999. "It proves that Puerto Rico can be a highly profitable market," Mr Burgos points

out. "Puerto Ricans are relegating their fixed lines to connect to faxes or to the internet. Many are cancelling their conventional landline phones in favour of the benefits and convenience a mobile phone can provide," he says, adding that the adoption rate of new technology is very fast. "Wireless internet cards and PDAs, such as Sierra Wireless Aircards and BlackBerries, are becoming the norm amongst professionals seeking high productivity and mobility."

SunCom's understanding of local customer needs has been at the core of its success. In 1999 it was the first provider to offer bundled services for a single price and the following year it changed the competitive landscape by launching the first unlimited nights and weekends plans of its kind. In 2001 it was the first to aggressively deploy and market text messaging. In 2003 it launched an advanced GSM/GPRS/EDGE service island-wide

In 2005-2006, SunCom was commended by an independent industry research as having a world-class voice and data network, ranking it amongst the top 25 data networks in the world. SunCom likes to think of itself as one step ahead of its competitors, not only in street credibility but also in its obsessive approach to customer services. "We are always searching for exclusive products that other companies can't offer," Mr. Burgos adds.

The company is experiencing positive cash flow which allows them to continuously invest in obtaining the latest technology, expand their customer services and offer leading-edge products and fea-

tures. With a continuous growth in capitalisation, there is a shift towards added value services such as mobile internet and music downloads. The Puerto Rican consumer has shown tastes and behaviours that are more in line with those in European countries. "Many of the models launched here can be seen in Europe and not in the US. For example, the French brand SAGEM has been a huge success for us. We have been able to pinpoint the preferences for such European style products and have leveraged them

to our success," says Jorge Martel, SunCom's vice-president of marketing and new business development.

"The time has come to take risks, invest and reap the benefits our economy can provide. Its time to give Puerto Rico's economy the credibility it deserves," says Mr Burgos. Citing the island's world-class infrastructure with the globally ubiquitous GSM/GPRS/EDGE as its core, he points at wireless telecom as a key for

economic development. The solid networks mean large US based companies will use Puerto Rico as a service hub for their Caribbean basin operations and also stretch their coverage into parts of Central and South America.

The benefit of being part of the US is that it provides the island with a stable political and economic environment that is attractive for non-US based companies as well. "Different to the rest of the region, Puerto Rico offers potential investors with the utmost security on their investments and an unparalleled business opportunity," Mr Burgos adds. ●



Raúl Burgos
President
SunCom Wireless

So many good things to talk about.

We have sustained profitable growth for seven years. Our success is measured by outstanding financial results and the continuous expansion of our subscriber base. Our commitment is proven by the stability of our management team, most of whom have been with the company from day one.

We provide world-class data services and our voice connection ranks with the best, proven by independent studies. And, because we have the most advanced international technology - GSM/GPRS EDGE - we bring the most innovative products.

We are present throughout the island, with 25 stores, 13 service centers, over

150 outlets, B to B, Telesales, the virtual channel and two Customer Care Call Centers.

We are committed to Puerto Rico: Increasing annually our operational and capital infrastructure, creating approximately 1,000 direct and indirect high-skill jobs. Supporting civic, cultural and sports programs, including the Puerto Rico Olympic Committee and the Puerto Rico Art Museum. Because commitment to Puerto Rico and its people will always be the best topic to talk about.

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