

Person of the Year Public Sector 2012

Person of the Year Private Sector 2012



José R. Pérez-Riera,
secretary of Economic
Development &
Commerce



Federico Stubbe,
chairman & CEO
of Prisa Group

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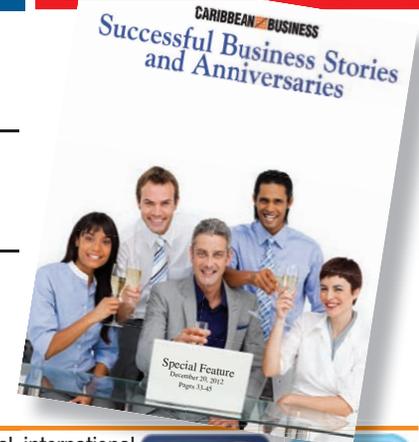
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José R. Pérez-Riera 2012 Public Sector Person of the Year

Pérez-Riera laid the foundation with new incentives to revive island's economic recovery



BY JOSÉ L. CARMONA
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When outgoing Economic Development & Commerce Department (DDEC by its Spanish acronym) Secretary José R. Pérez-Riera joined the administration of Gov. Luis G. Fortuño in January of 2009, Puerto Rico's fiscal situation was an inch away from the abyss.

The government's financial situation was so dire that many of the administration's efforts had to be focused on quickly stopping the severe bleeding from what Pérez-Riera described as "a real gaping hole" in Puerto Rico's finances.

That was the order of the day not just for the trio of "fiscal" agencies—the Government Development Bank, Treasury Department and the Office of Management & Budget—but also for the DDEC and its component economic development agencies.

"First things first; Puerto Rico was on the brink of bankruptcy and that had to be attended to first...with urgency. And we all had to do our part," Pérez-Riera recalled.

"It was almost impossible to go out and 'sell' Puerto Rico as an attractive investment proposition under those circumstances. So what we did, at the same time we were stabilizing Puerto Rico's finances, is we set out to undertake the most comprehensive

set of economic reforms in decades and bundled them up in a well-crafted Strategic Model for a New Economy [MENE by its Spanish acronym], hands down the most comprehensive and detailed economic development incentive plan Puerto Rico has had in a generation," the secretary added.

"To be honest, both the incoming administration and Puerto Rico's private sector need to look no further than the MENE for the next few years. It is really a well-thought-out and crafted economic development plan, and it would be a shame that it be discarded just because there's a change in administration," Pérez-Riera said.

As DDEC secretary, Pérez-Riera

has been responsible for the design and implementation of comprehensive policies promoting Puerto Rico's economic development. After all, the DDEC's main objective is to strengthen the island's business climate to attract new investments, promote exports and facilitate the creation of new jobs. And that's where the MENE comes in.

By Pérez-Riera's own admission, there is a general assumption out there that nothing was done on the economic development front during the first couple of years of the Fortuño administration. But that's really not the case at all.

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Manuel A. Casiano, chairman of Casiano Communications Inc. and publisher & editor-in-chief of CARIBBEAN BUSINESS (left) and José L. Carmona, senior reporter of CARIBBEAN BUSINESS, during the interview with José R. Pérez-Riera (center), secretary of Economic Development & Commerce, the 2012 Private Sector Person of the Year.

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Although the passage of more than a dozen new incentives and sweeping reforms was mostly put into place over the past two years, the fact is the foundation for these was laid out very early on in the administration, during the process of researching and drafting the MENE.

Spearheaded by Pérez-Riera, these new economic development tools contained in the MENE—including energy, permits and tax reforms, as well as new incentives for agriculture, exports, tourism and the film industry, to name a few—have the potential of luring foreign investment and economic activity to the island in a way not seen since the heyday of Section 936.

“Puerto Rico owes a debt of gratitude to Secretary Pérez-Riera. His leadership, tenacity and commitment to improving Puerto Rico’s business climate during these past four years, so that our economy could once again grow and create jobs—for the first time since 2006, when this long recession started—have been key to our success,” Fortuño noted.

“Secretary Pérez-Riera was very effective at leading our administration’s commitment to improve Puerto Rico’s economic competitiveness, as demonstrated by the significant improvement of our position within the World Economic Forum’s ranking of

economies around the world. Again, that’s not our administration claiming success; it’s experts from outside Puerto Rico, who looked at what we did here in terms of tax reform, fiscal discipline, permit streamlining, energy reform and the integration of technology, to name only a few of our most important reforms, and said ‘good job, Puerto Rico...that’s what you had to do in order to become more competitive, regain economic growth and create jobs,’” Fortuño added.

Pérez-Riera’s notable contributions to Puerto Rico’s economic development over the past four years as DDEC secretary, executive director of the Puerto Rico Industrial Development Co. (Pridco) and executive director of the Puerto Rico Trade Co., have earned him the distinction of being voted the CARIBBEAN BUSINESS Public-Sector Person of the Year for 2012.

“Obviously, our achievements in the areas of fiscal stabilization and the return to economic growth and job creation were the result of a team effort. Many people put in many long hours to make sure we could implement these reforms for the benefit of the people of Puerto Rico. But in that effort, we were all lucky to have had José Ramón [Pérez-Riera] at the helm of the Department of Economic Development & Commerce for the

whole four-year term, not only to turn the economic development program that we presented to the people into what eventually became the Strategic Model for a New Economy, but also to lead through the effort of promoting Puerto Rico as an ideal place to invest, do business and create jobs. He clearly deserves the recognition CARIBBEAN BUSINESS has given him as Person of the Year in the Public Sector,” the governor said.

STARTING FROM SCRATCH

“If you take a look at the different incentives and reforms that we developed and put in place over the past two years as part of the MENE, and you realize the depth that these provide for Puerto Rico and, in particular, for the private sector to be able to promote the island and to help local businesses grow, you realize that they weren’t developed over night. In fact, we started working on these from the beginning of this administration,” Pérez-Riera explained to CARIBBEAN BUSINESS. “It’s just that a lot of the things that we needed to do required us to start from scratch in many regards, including new legislation. A lot of the things we had in place didn’t take into account the situation we had in Puerto Rico and around the world, and what actually would work as a promotional or marketing tool to bring business from

abroad to Puerto Rico under today’s global and local economy.”

Pérez-Riera was quick to point out that all these economic reforms and new incentives are a lot more than mere regulatory modifications.

“Just take a look at the tax reform. It is really a paradigm shift in terms of the vision of what is the engine that moves the economy: the individual and the private sector or the government. The whole purpose of lowering tax rates across the board on both individuals and businesses is to leave more money in their pockets to invest, hire and grow the economy. That’s what our tax reform accomplishes, and I believe you can see the early results of that in the fact that for the first time since 2006, Puerto Rico’s economy started to grow in fiscal year 2012, once the effect of the tax reform started to be felt,” the DDEC secretary said.

“The tax reform is also a major change in how Puerto Rico understands how the government ought to be run, i.e., on the assumption that the government needs to be as efficient and lean as possible. The government needs to be able to run on the least amount of taxpayer money as possible to leave as much of that taxpayer money in the taxpayer’s hand so the private sector, not the government, can become the primary

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engine of economic growth,” he added.

Taxes on individuals and corporations are necessary for the government to provide essential services to the people and to maintain a platform on which businesses can thrive on the island. But when the government takes more in taxes than the real value of the services it provides or the platform it provides to businesses, then the equation is out of balance and must be revised, he said.

“When you subsidize something that, on a net basis, is good for the economy, then the subsidy is justified,” Pérez-Riera indicated. “But if the subsidy is provided the way Puerto Rico has traditionally spent its limited resources, then it becomes the perverse Robin Hood-type of syndrome, where you’re taking the funds from those who are in a position to invest in an economy and make it grow to give it to those who have no desire of being part of the competitive process that’s necessary for Puerto Rico to be able to grow in the world economy.”

At the corporate level, the tax reform brought the maximum tax rate of 41% down to 30% immediately, to make sure the Puerto Rico government stimulated the small and midsize businesses the best it could under the circumstances. It also reduced the tax brackets from seven to three—20%, 25% and 30%—which further benefited small and midsize firms.

Under the second phase of the tax reform, these three tax brackets would be reduced to just two—20% and 25%.

“That would be extraordinary for Puerto Rico in terms of economic development. It will put businesses here on the island in a position to be able to compete favorably with businesses outside of Puerto Rico. By the same token, the different ‘regulatory reforms’ that we’ve made have really served to support the process of bringing businesses to Puerto Rico,” Pérez-Riera added.

Case in point: Acts 82 & 83 of 2010 that make up the Renewable Energy Reform. Pérez-Riera said this Renewable Energy Reform not only established a Renewable Portfolio Standard (RPS) for the first time in Puerto Rico—it was also actually responsible for the construction and



“We had incentives that have really been a way of helping a particular group but have had no real economic development impact.” In contrast, the way Pérez-Riera and others in the Fortuño administration looked at incentives is that they have to work for Puerto Rico as a whole, not just for a particular group.

connection, in record time, of Puerto Rico’s first-ever renewable energy projects, such as Pattern Energy wind farms in Santa Isabel, AES Illumina’s solar park in Guayama and Gestamp’s wind farm in Naguabo.

“From basically being completely behind the curve, Puerto Rico is now in a position to be a leader in renewable energy. That has brought a lot of investment to the island from abroad and has drawn many eyes on Puerto Rico. It puts the government officials at Pridco and other agencies in a position to attract more of that type of investment to come down to the island,” the DDEC secretary explained.

These companies, Pérez-Riera added, are today investing in renewable energy and hopefully will continue to do so as the island moves forward. However, there are also many venture capital and private equity firms out there that, when presented with what Puerto Rico has to offer, might start considering and looking at other areas for investment here, he said.

“Renewable energy might have lured them to Puerto Rico, but hopefully they’ll start looking at other sectors such as tourism, which is still one of the areas with great potential, or look at exporting services. They’ll realize that Puerto Rico does have the necessary infrastructure,

in terms of our diversified economy and human capital, for them to be able to establish operations here on the island and be able to invest using Puerto Rico as their hub,” the Pridco executive director said.

A GAMUT OF INCENTIVES

Pérez-Riera said that, in the past, incentives in Puerto Rico were thought of as something that was taken out of one pocket to give to another to stimulate a certain economic activity.

“We had incentives that have really been a way of helping a particular group but have had no real economic development impact,” noted the executive director of the Puerto Rico Trade Co.

In contrast, the way Pérez-Riera and others in the Fortuño administration looked at incentives is that they have to work for Puerto Rico as a whole, not just for a particular group.

“We systematically went through everything that Puerto Rico has to offer and tried to make it better. Whatever Puerto Rico didn’t have, or had it in a way that didn’t work, we crafted an adequate legislative solution,” Pérez-Riera commented. “We put the incentives in place, making sure that these made sense from an economic development standpoint and from a fiscal perspective. I think that’s something that Puerto Rico hasn’t traditionally done very well.”

The end result is a long list of industrial and tax incentives that cover all the major economic development areas—whether for the cruiseship industry, gaming, manufacturing, export services, housing, film industry, financial and insurance services, agriculture, renewable energy, or research & development.

Of the various new incentives, one of the most attractive and promising is for the export of services. As explained by Pérez-Riera, it was structured in such a way that a local company only qualifies for the new law if the services are provided to clients outside of Puerto Rico and performed by Puerto Rico service providers with local labor.

Major national and international service providers with no current presence on the island would want

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to establish their own shops here to provide services elsewhere to take advantage of this incentive.

“So how do service providers in Puerto Rico inject themselves into this? We gave the local service providers a 4% tax rate on profits earned under this new tax law. They’re going to be able to compete on the price they can charge for their services. But also, they’re going to be able to invest in getting on a plane, meeting new people and telling them that they can do the job from Puerto Rico,” Pérez-Riera explained. “They’re not only going to sell themselves, they’ll be selling Puerto Rico as well.”

By using the export services bill, local and nonlocal firms will be able to pay much less taxes, which ultimately means they’ll be in a position to be able to earn more net profits than they’re making now, Pérez-Riera said.

BRIDGE TO THE AMERICAS

Pérez-Riera underscored the importance of maintaining Puerto Rico’s leadership position in the Caribbean and beyond by becoming relevant as a jurisdiction that adds value to investors looking to do business between the Americas, a leadership position that was strengthened recently when the World Economic Forum raised the island’s competitive position, to No. 31 out of the 144 economies evaluated in the 2012-2013 Global Competitiveness Report, the highest ranking Puerto Rico has ever had. It is also 11 notches ahead of where Puerto Rico stood three years ago, when it was ranked No. 42.

“We need to ensure that we can continue to push forward the leadership position we have in the region and extend it above and beyond Latin America to be able to act as a bridge between the Americas—between the mainland U.S., Central and South America,” Pérez-Riera said. “We are in a perfect geographical, legal and cultural position to be able to be that bridge if we seize the moment.”

Puerto Rico, Pérez-Riera noted, has all the expertise and world-class knowledge to compete on a global scale, but these haven’t been fully deployed.

“What we want, and should aspire to, is to get that secret out, to



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let people know what we have to offer, and that we can help them in whatever they want to achieve outside of Puerto Rico from Puerto Rico,” Pérez-Riera said. “And that’s something people aren’t going to discover unless we go out and tell them directly.”

The Pridco executive director said the private sector could lend a hand in the marketing of all the different incentives and reforms by doing roadshows and participating in conferences abroad.

“I think there needs to be a shift in how the service providers in Puerto Rico envision themselves, and for them to have the desire, the hunger,

the wherewithal to get out there and start drumming up some business to Puerto Rico,” he said. “The idea would be that, with even a small percentage of top-notch service providers in all the different fields—lawyers, investment advisers, engineers, architects, accountants, consultants, you name it—you’re going to have a critical mass that will elevate Puerto Rico’s recognition as an international services hub. With that, you are also going to have substantial economic activity and hopefully reverse the brain-drain and convert it into a brain-gain, because some people are going to move here to provide services and others are going to get

hired by the new firms, and all of these people will be buying homes, cars, eating at restaurants, etc., so there will be more consumer activity in the short-term.”

Long-term, Pérez-Riera said the island will be building, slowly but surely, an interrelated cluster of services where Puerto Rico could be looked at as a one-stop shop.

With every major city having an area of expertise—New York City in complex mergers and acquisitions and banking transactions, while California specializes in the software and movie industries, for example—Pérez-Riera said Puerto Rico has the expertise in many areas, but needs to define itself.

“We can be the conduit by which the integration of the Americas takes place, and I think there’s a great opportunity for us in this area, especially with the Hispanic population that’s growing in the continental U.S.,” said the DDEC secretary. “It really puts us in a very unique position.”

THE CASE FOR PRIVATE EQUITY

With all of these reforms and incentives in place, making it easier and more profitable to invest in Puerto Rico than anywhere else in the U.S., and with an economy that shows signs of having hit bottom and poised for accelerating growth in the future, Puerto Rico provides investors with a truly unique opportunity.

It is no secret that Puerto Rico’s financial sector has suffered a severe contraction and that access to investment capital and commercial lending has been limited. Nonetheless, many good businesses have survived the recession due to the strength of their products and services and their ability to adapt to a changing environment. However, many of these businesses operate today under strained financial conditions and have a limited capacity to invest in capital-intensive resources, as well as incur the costs of marketing and selling their products and services abroad. These conditions, combined with the incentives that Pérez-Riera has put in place, are ideal for private equity firms to invest in many of these companies at attractive valuations and help them and Puerto Rico’s economy flourish once again. ■

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Puerto Rico's economic turnaround

The numbers speak for themselves

BY JOSÉ L. CARMONA
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Puerto Rico now holds its highest competitiveness ranking ever since the World Economic Forum (WEF) has been keeping track: No. 31 out of 144 economies evaluated in its Global Competitiveness Report 2012-2013.

"This is the third-consecutive ranking increase for Puerto Rico, and it places our island four positions ahead of where it was last year, and 11 positions ahead of where it was three years ago," said José R. Pérez-Riera, Puerto Rico Economic Development & Commerce Department (DDEC by its Spanish acronym) secretary. "The increase validates what our administration has sought from day one: to show the world that Puerto Rico is open for business. And we've done that by putting in place effective measures to improve our economy and make the island a viable, attractive location for investment and innovation," he added.

The most recent competitiveness ranking coincides with the first time in six years that Puerto Rico's economy has grown instead of contracted, the secretary said. In fact, during fiscal year 2012, the island's economy saw positive growth of 0.4% and is projecting growth of 0.6% for the current fiscal year. That's a long way up from the negative 3.4% drop the island's economy experienced in fiscal 2009.

Also, the Government Development Bank's Economic Activity Index for the month of October registered a 0.2% year-over-year increase, maintaining the upward trend started in December 2011, a trend unseen since 2006.

Similarly, total employment in Puerto Rico in October 2012 rose to 1,090,000, an increase of 26,000 jobs in the past 18 months, since April 2011. Fiscal 2012 was the first full year of job creation in Puerto Rico since fiscal 2006.

"Greater competitiveness, which

is now a fact, along with the policies and reforms we've implemented to restore growth and improve our infrastructure, are moving Puerto Rico's economy toward sustainable growth and job creation," Pérez-Riera said.

HOUSE IN ORDER

Doing more with less has been a theme that has permeated during the entire administration of Gov. Luis Fortuño, and this was certainly true at the DDEC. Besides being the youngest secretary named at the beginning of an administration to date, Pérez-Riera has been the only DDEC secretary to hold three concurrent positions, as the executive director of the Puerto Rico Trade Co. and the Puerto Rico Industrial Development Co., as well as the only DDEC secretary to hold the position for an entire four-year term.

During those four years, the DDEC has implemented widespread internal changes leading to greater integration and efficiency within the agencies under its umbrella. These changes, which include the streamlining of processes and regulations, sharing of administrative resources, consolidation of the information technology infrastructure, and an integrated branding strategy, have been achieved while the DDEC's budget has been reduced by 27% from \$452 million in fiscal 2009 to \$327 million in fiscal 2013, and the department itself has become independent of the General Fund, resulting in savings of more than \$8 million over the past four years.

STRATEGIC MODEL FOR A NEW ECONOMY

The Strategic Model for a New Economy (MENE by its Spanish acronym) is the most comprehensive, thorough and well-thought-out economic development plan Puerto Rico has had in decades. It is a coherent plan that not only establishes the vision and guiding principles that direct government action in economic development



matters, it also details the specific measures the administration has taken to address the short-term economic crisis the island overcame and restore our mid- and long-term competitiveness.

The MENE also provides the specific organizational framework, commitments and performance metrics to assure these initiatives will be successful in meeting our objectives of growth, competitiveness and jobs. The MENE is a living document meant to grow and develop as we advance the implementation of its initiatives and strategies.

"For years, Puerto Rico has been in search of a coherent, all-encompassing economic development plan that would give direction to the government's efforts to reactivate our economy. With the creation of the Strategic Model for a New Economy, Puerto Rico now has the most complete economic development blueprint that we have ever had," indicated the former president of the Puerto Rico Chamber of Commerce, Jorge Galiano.

More than any particular initiative in the MENE, its conceptual framework should be maintained to continue to develop and implement concurrent initiatives in the areas promoting growth in all sectors of the economy, investing in our infrastructure, and improving our competitiveness through legal

and regulatory reforms, while not sacrificing our foundation of fiscal responsibility. "For years, the private sector had been asking for a real and tangent participation as part of the economic development agenda for Puerto Rico, and fortunately, our voices were heard by Secretary Pérez-Riera, and our comments and concerns were incorporated into the model, as were initiatives from other plans that Puerto Rico has had in the past so that now, we need look no further for a plan and can just focus on its implementation," Galiano added.

One important tool for achieving greater continuity of economic policies, in addition to maintaining the MENE, are the five private sector Governor's Advisory Councils created by executive order in each of the key sectors. These councils, made up of acknowledged leaders in their field, have been instrumental in aligning and validating the government's priorities in each area and have allowed for true multisector collaboration without the special-interest rent seeking and lobbying that characterizes the traditional dynamic between the government and the private sectors.

"One of the most important initiatives executed during Secretary Pérez-Riera's tenure is, without a doubt, the creation of the Governor's Advisory Councils. The idea of establishing a group of private sector experts to not only suggest initiatives and concrete steps to reactivate their sectors, but who are also responsible, alongside the government, for the implementation of the economic activity initiative, a not only positive but also necessary step to guarantee continuity of the Strategic Model for a New Economy, and to promote private sector priorities," said economist Gustavo Vélez.

Another important tool for achieving greater continuity of economic policies is the Science, Technology & Research Trust. Gualberto "Gil"

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Medina, who until recently was a trustee, said the following: “I believe Secretary Pérez-Riera hasn’t only been an extraordinary promoter of Puerto Rico’s economic development, but also an important player in the research & development agenda. His actions proved his commitment to the advancement of the science and technology initiatives, and he is, without a doubt, a firm believer in the importance of this sector and its potential to create the jobs Puerto Rico needs. Despite difficult economic circumstances, he was able to push through with a very ambitious economic development model that included many innovative and pioneering initiatives that have resulted in the repositioning of Puerto Rico as a very attractive place for the scientific community—including Act 150 of 2010, which stimulates the commercialization of intellectual property; Act 208 of 2011, which creates the Science District; and the administration’s tax reform.”

THE DEFINITIVE STORY ON ACT 154

Mired in a fiscal situation that required creative solutions and the

courage to implement them, the Government of Puerto Rico enacted the highly controversial Act 154 on Oct. 25, 2010. Act 154 is a revenue-generating measure that imposes certain taxes on companies that purchase certain products manufactured or produced in Puerto Rico.

Before the enactment of Act 154, the government had engaged in discussions with the U.S. Treasury Department and Internal Revenue Service so payments of the excise tax would be treated as a foreign tax that could be credited against a payer’s federal tax obligations. Thus, the Treasury and the IRS issued Notice 2011-29 on March 30, 2011, declaring that the IRS “will not challenge a taxpayer’s position that the excise tax is a tax in lieu of an income tax under section 903” with the consequence that the excise tax should be regarded as a creditable tax for U.S. federal income tax purposes.

While Act 154 provided the revenue the government direly needed, the measure also carried significant risk of “casualties”—of the affected companies leaving Puerto Rico or progressively transferring their product manufacturing lines to Ireland,

Singapore and other jurisdictions. In response, upon the enactment of Act 154, the DDEC secretary actively engaged the companies that would be affected to stabilize their reaction to the tax and maintain the partnership they have traditionally kept with Puerto Rico. Pérez-Riera met with the top management of the affected companies, often traveling to their headquarters in the mainland U.S. and Europe, to explain the fiscal need to generate additional revenue; describe the workings of the excise tax and source rule; assess whether the companies could claim being exempt from Act 154 or claim a credit under applicable regulations; stress the bottom-line benefits of the government having achieved the U.S. foreign-tax credit for certain excise tax payments; assist in managing the impact on the companies; and remind them that even with the additional taxation, Puerto Rico remains a more attractive location for the companies’ operations than other jurisdictions.

To date, Act 154 has generated more than \$3 billion, constituting about 20% of the total revenue of the Puerto Rico Treasury. At the back end, Pérez-Riera has stabilized

and, in some instances, repaired the relationship with the affected companies. Indeed, no company has left Puerto Rico because of the additional tax liability of Act 154, and in many cases, those same companies have signed new tax exemption decrees to extend their presence in Puerto Rico while investing heavily on the island and creating new jobs.

A HEALTHY PIPELINE OF PROJECTS

As Pérez-Riera transitions from public office, he also leaves in place a healthy pipeline of important initiatives ready to be implemented by the new administration. Among these, there is a project to install solar panels in more than 20,000 homes and provide electricity to residents at fixed rates for 20 years that are 40% below what the Puerto Rico Electric Power Authority is currently charging its residential customers. This project will be implemented as a sub-program of the Green Energy Fund created by Act 83 of 2010 and should exponentially broaden the reach of these incentives, as well as deploy them in an accelerated fashion. ■

José R. Pérez-Riera: attorney, banker and development czar

José R. Pérez-Riera served from 2009 to 2012 as secretary of the Puerto Rico Economic Development & Commerce Department (DDEC by its Spanish acronym) and executive director of the Puerto Rico Trade Co., and from 2010 to 2012 as executive director of the Puerto Rico Industrial Development Co. He is the only DDEC secretary to have held three concurrent positions. He is the youngest secretary named at the beginning of an administration to date, and is the only secretary in the administration of Gov. Luis Fortuño to hold the position for an entire four-year term.

As a member of Gov. Luis Fortuño’s constitutional cabinet, Pérez-Riera has led or has been involved in many of the most significant achievements of the Fortuño administration, and has been one of its main spokespeople in Puerto Rico, the U.S. and internationally. He was responsible for the creation of the

administration’s economic development model—the Strategic Model for a New Economy (MENE by its Spanish acronym).

Pérez-Riera was also tasked with the implementation of many important areas contained in the MENE. For example, he was a member of the Tax Reform Committee, which drafted the Tax Reform (Act 1 of 2011); he presided the Renewable Energy Public Policy Committee, which drafted the Renewable Energy Reform (Acts 82 & 83 of 2010); and presided the Executive Committee on Permit Reform, which drafted the Permits Reform (Act 161 of 2009). The secretary also served as one of the five members of Puerto Rico’s Fiscal Restructuring & Stabilization Board.

Pérez-Riera oversaw more than 1,300 employees and provided leadership for all economic development matters in Puerto Rico, including direct supervision of 10 agencies and public corporations. The DDEC’s

consolidated budget for fiscal year 2013 is \$327 million.

Pérez-Riera was responsible for the design and implementation of comprehensive policies promoting Puerto Rico’s economic development, as implemented through different agencies and corporations ascribed to the DDEC, including the Puerto Rico Industrial Development Co., Puerto Rico Tourism Co., Energy Affairs Commission, Port of the Americas Authority, Convention Center District Authority, Puerto Rico Trade Co., Puerto Rico Film Commission, Puerto Rico Land Authority, Horse & Racetrack Administration and Authority for the Redevelopment of the Land & Facilities of the Roosevelt Roads Naval Station. He was the chairman for these public corporations, and also served as a board director for other government entities such as the Ports Authority and Land Administration. Pérez-Riera also served as chairman of the Board of

Trustees of the Science, Technology & Research Trust.

Before his tenure as a public servant, Pérez-Riera worked as an investment banker and was vice president at Barclays Capital in New York, where he specialized in the Puerto Rico credit. He previously worked in UBS Investment Bank’s public finance group.

Before becoming an investment banker, he worked for several law firms and served as a law clerk for the chief judge of the U.S. District Court for the District of Puerto Rico. He is bar certified in Puerto Rico, New York, Florida and Washington, D.C.

Pérez-Riera earned a bachelor’s degree from Georgetown University and a juris doctor from Georgetown University Law Center in Washington, D.C.

He is married to Chris González and the couple recently welcomed their three-month-old son, José Ramón, to the family. ■

Most significant incentives:

FOREIGN TRADE ZONES (FTZS)

- Largest noncontiguous FTZ system in the U.S.
- Deferment of federal customs duties
- Deferment of Puerto Rico excise taxes
- 100% exemption on exports from the zone and sub-zones

MANUFACTURING - ACT 73 OF 2008

- 4% income tax on industrial income
- 0% to 1% tax rate on income for pioneer or novel products manufactured in Puerto Rico
- Up to 50% tax credit on investments in research & development
- Up to \$5,000 for each job created during the first year

TOURISM & HOSPITALITY - ACT 74 OF 2010

- Facilitates the establishment of tourism-related projects in Puerto Rico
- Tax credit of 10% of the total project cost
- 100% exemption on municipal construction excise tax, taxes on imported goods and sales tax
- 100% exemption on municipal licenses
- 90% exemption on income and property taxes

RENEWABLE ENERGY (GREEN ENERGY FUND) - ACT 83 OF 2010

- Rebates of up to 60% of eligible costs for Tier 1 projects (0-100 kW)
- Rebates of up to 50% for Tier 2 projects (101 kW-1 MW)
- Refund on acquisition and installation costs incurred during the installation of renewable-energy equipment for residential properties and small businesses

GAMING & HOSPITALITY - ACT 118 OF 2010

- Facilitates the establishment of major gaming projects on the island
- Tax rates as low as 8% available for up to 50 years for gaming and tourism operations
- Infrastructure investment in communities where facilities are built
- Creation of Green Triangle, comprising Vieques, Culebra and El Yunque National Forest

FILM & CREATIVE SERVICES - ACT 27 OF 2011

- 40% tax credit on all payments to Puerto Rico residents
- 20% tax credit on all payments to nonresident talent (in front of and behind the camera)
- 25% tax credit on development or expansion costs of studios, laboratories and facilities for the international transmission of television images or other media and related infrastructure

CRUISE INDUSTRY -ACT 113 OF 2011

- Incentives for increased passenger traffic from cruiseship visits
- Discounts on port tariffs and cash incentives for homeport embarkments
- Cash incentives for time in port and purchase of goods and services
- Incentives for vacation packages and tour transportation providers

HOUSING - ACT 132 OF 2010, ACTS 115 & 216 OF 2011, ACT 22 OF 2012

- No charges for stamps and vouchers to the buyer
- 0% taxes on property during five years for new homes
- 0% taxes on capital gains earned when selling existing residential and commercial properties
- 100% exemption on future capital-gains tax for sellers who purchased new property during the incentives window
- 50% exemption on future capital-gains tax for sellers who purchased existing residential and commercial property during the incentives window

INTERNATIONAL FINANCIAL ENTITIES (IFES) - ACT 273 OF 2012

- 4% corporate income tax
- 6% on dividends paid to Puerto Rico residents
- 0% on dividends paid to nonresidents
- 100% exemption on all real and personal property
- 100% exemption on municipal-license taxes

IMPORTANT REFORMS: PUBLIC-PRIVATE PARTNERSHIPS (P3s) - ACT 29 OF 2009

- New public policy providing clear legal framework for P3s



- Public-Private Partnerships Authority (PPPA) and a transparent concession process created
- No approval by the Legislature necessary once executive branch approves transactions, given that the Legislature appoints members to the PPPA's board

PERMITS REFORM -ACT 161 OF 2009

- The permits request and approval process has been dramatically simplified, and is 100% paperless and available online
- The permits request process can now be completed through one agency (previously 28)
- Private sector professionals can now approve permits, reducing government bureaucracy
- The administrative and judicial review process has been dramatically simplified

REORGANIZATION & MODERNIZATION OF EXECUTIVE BRANCH REFORM - ACT 182 OF 2009

- Positions the government and its different agencies as facilitators of social and economic development
- Reduces government bureaucracy and operational costs while increasing efficiency for services provided to citizens
- More than 250 basic services, such as payment of electric and water bills and copies of birth certificates, are offered online via www.pr.gov

RENEWABLE ENERGY REFORM - ACTS 82 & 83 OF 2010

- The acts establish and help Puerto Rico meet its target of 12% renewable energy production by 2015 and 15%

by 2020

- A Renewable Portfolio Standard (RPS) requires the island's retail energy providers to produce or purchase a specified percentage of their electricity from renewable energy sources
- \$290 million in incentives will be invested in renewable energy projects over a 10-year period through the Green Energy Fund

TAX REFORM - ACT 1 OF 2011

- Alleviates the burden on corporations and individuals, reinforces tax compliance, stimulates economic development and job creation, and simplifies the tax system
- Provides average savings of \$1.2 billion a year to individual and corporate taxpayers
- Maximum corporate tax rate has been reduced from 41% to 30%, with a further reduction to 25% after 2014
- Average effective tax rate for individuals will be reduced by 50% by 2016, with a maximum tax rate of 30%

TWO NOTABLE ACTS: EXPORT SERVICES - ACT 20 OF 2012

- 4% income tax rate on services for exportation provided by Puerto Rico businesses
- 0% tax rate on dividends or profit distributions from such businesses to Puerto Rico residents
- 60% exemption on municipal licenses
- 20-year tax decree, renewable for an additional 10 years, guaranteeing these benefits
- Puerto Rico corporations pay no federal taxes on Puerto Rico source income

INDIVIDUAL INVESTORS - ACT 22 OF 2012

- Provides substantial passive-income tax benefits for new Puerto Rico residents
- 0% tax rate on interest and dividend income
- 0% tax rate on short- and long-term capital gains
- Tax decree guarantees benefits through 2036
- Puerto Rico residents don't pay federal taxes on passive income received from sources outside of Puerto Rico when investing through certain Puerto Rico investment vehicles. ■

Persons of the Year Public & Private Sectors 1996-2011

Year	Public Sector	Private Sector
2011	Yanitsia Irizarry, Family Department secretary	Hugh Andrews, International Hospitality Enterprises founder
2010	Miguel Cordero, Puerto Rico Electric Power Authority executive director	Arturo Díaz Jr., Empresas Díaz Inc. chairman
2009	Carlos M. García, Government Development Bank chairman & president	Francisco Rodríguez Castro, Private Sector Coalition president
2008	José Ortiz Vázquez, Puerto Rico Aqueduct & Sewer Authority executive president	Rafael Rojo, Empresas VRM vice president-partner & Puerto Rico Home Builders Association president
2007	Terestella González Denton, Puerto Rico Tourism Co. executive director	Joaquín Rodríguez García, HIMA Group-San Pablo chairman & CEO
2006	Alfredo Salazar, Government Development Bank chairman & acting president	Adolfo González, Desarrollos Urbanos president & Puerto Rico Home Builders Association president
2005	Antonio J. "Toñito" Silva Delgado, Puerto Rico representative	José "Pepe" Méndez, Sistema Universitario Ana G. Méndez president
2004	Manuel Díaz Saldaña, Puerto Rico comptroller	Alfredo Volckers, Pavía Health executive vice president
2003	Antonio F. Faría, Government Development Bank president	José R. González, Santander BanCorp president & CEO
2002	William Miranda Marín, Caguas mayor	Frank Stipes, W. Holding Co. chairman, president & CEO
2001	Héctor O'Neill, Guaynabo mayor	Salomón Levis, Doral Financial Corp. chairman & CEO
2000	Pedro Toledo, Puerto Rico Police Superintendent	Jaime Fonalledas, Empresas Fonalledas president
1999	Pedro Rosselló González*, Puerto Rico governor	Richard L. Carrión*, Popular Inc. president & CEO
1998	Carlos I. Pesquera, Transportation Department secretary	Atilano Cordero Badillo, Empresas Badillo CEO
1997	Jorge E. Aponte, Office of Management & Budget director	José F. Méndez, Sistema Universitario Ana G. Méndez administrator & president
1996	Luis G. Fortuño, Economic Development & Commerce secretary	Tomás de León, United Retailers Association president

* Also selected as CARIBBEAN BUSINESS Men of the Decade