

Investing in Ecuador: Risks & Opportunities For A Telecom Company in Ecuador

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Source: Political Risk Yearbook, 2003

EXECUTIVE SUMMARY

This paper provides an analysis of the risks and opportunities present in Ecuador for Western Wireless Corporation. It begins with a country risk analysis based on the International Country Risk Guide (ICRG) system of analysis, including sections on Political Risk, Financial Risk and Economic Risk. Next it examines the telecommunications sector in Ecuador, followed by an examination of Western Wireless and its international strategy. The paper concludes with an overall assessment of the risks and opportunities for Western Wireless in the Ecuadorian market.

INTRODUCTION

The purpose of this paper is to analyze the risks and opportunities present in Ecuador for Western Wireless Corporation. It begins with a country risk analysis based on the International Country Risk Guide (ICRG) system of analysis. This system analyzes several variables under the main categories of Political Risk, Financial Risk and Economic Risk, assigning points to each variable. At the end a Composite Political, Financial and Economic Risk Rating is determined, providing an overall risk rating for the country that is ultimately categorized as Very High Risk, High Risk, Moderate Risk, Low Risk or Very Low Risk. Next it examines the telecommunications sector in Ecuador, including teledensity, the regulatory environment and the major players in the wireless market. This is followed by an examination of Western Wireless and its international strategy. The paper concludes with an overall assessment of the risks and opportunities for Western Wireless in the Ecuadorian market.

POLITICAL RISK ANALYSIS

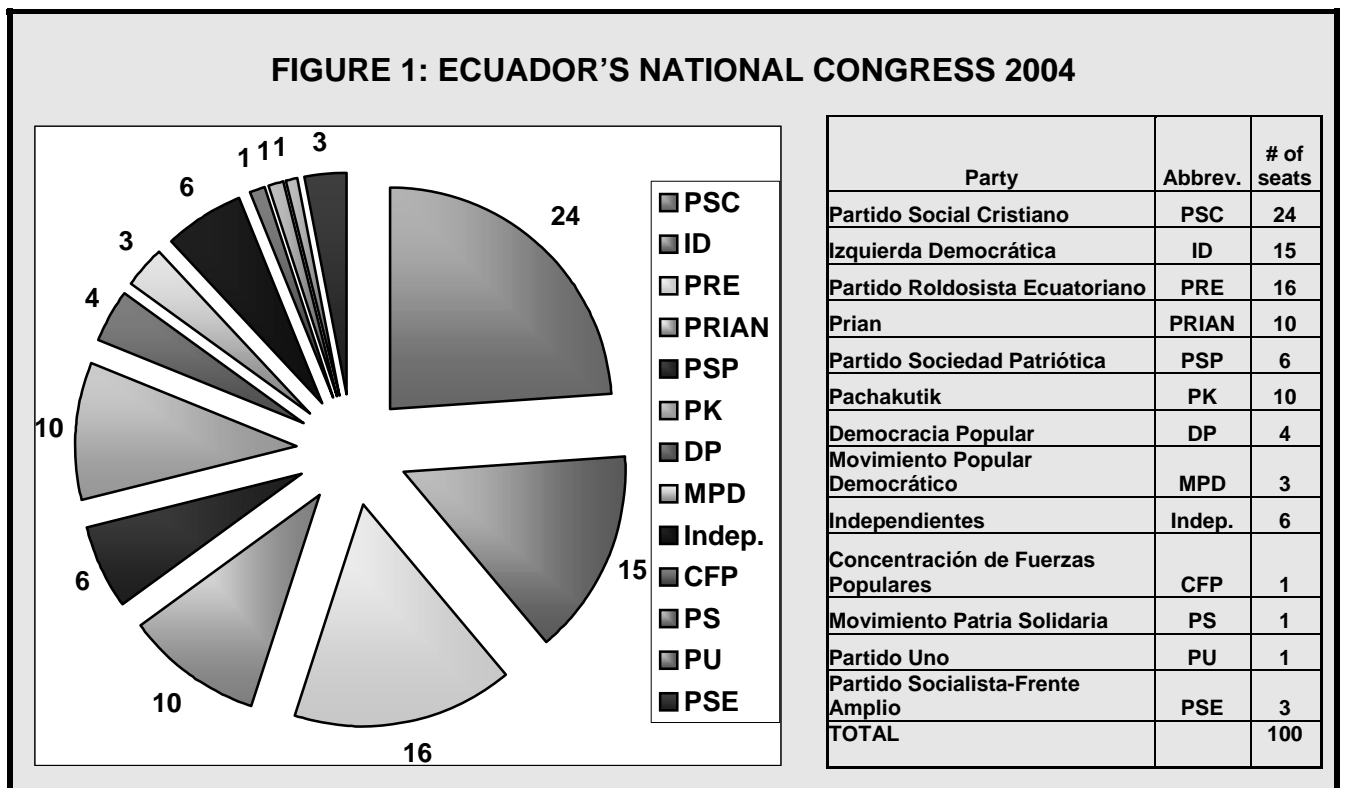
The political risk analysis will examine the following areas: government stability, socioeconomic conditions, Ecuador's investment profile, internal and external conflict, corruption, involvement of the military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and overall quality of the bureaucracy.

GOVERNMENT STABILITY

Ecuador has experienced a high degree of political instability since its return to constitutional, civilian rule in 1979 after nearly a decade of military rule. Conflicting regional economic interests have contributed to political divisions based on regional loyalties first and ideology second. Even populist movements have been split along regional lines because the interests of workers in Guayaquil conflict with the interests of peasants in the Sierra (Thoumi 1990: 55). Recent coups d'état include the ouster of

Abdala Bucaram in 1997 and the removal of Jamil Mahuad in 2000. Recent attempts to remove current President Lucio Gutierrez from office, though unsuccessful, demonstrate the tenuous position the president is forced to govern from.

Ecuador's national Congress is highly fragmented and due to a low degree of party discipline defections by members of Congress are commonplace. Figure 1 shows the current breakdown by political party.



Source: Congreso Nacional del Ecuador

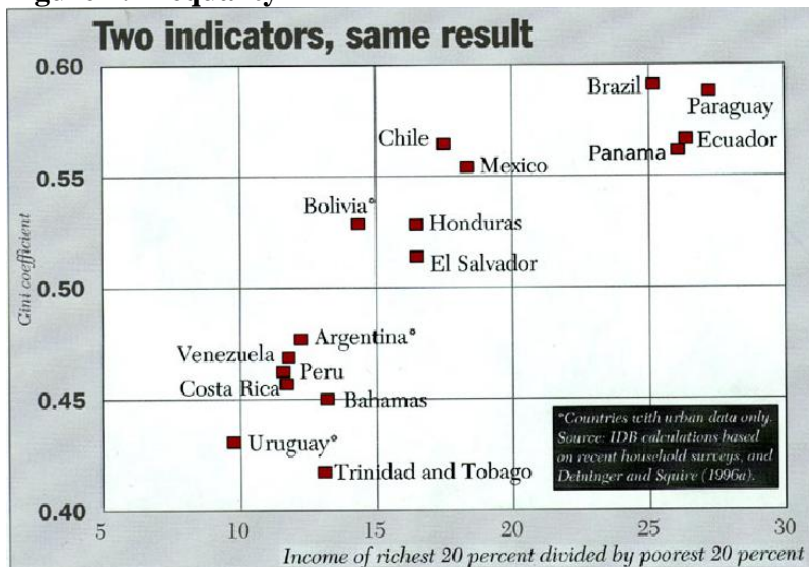
According to *Diario Hoy* (November 26 2004), the government's most recent alliance includes the following parties: PRE (center), Prian (right), DP(right), SP center, CFP (center), Socialists (left), Independents (left). The opposition is led by the PSC (right) and includes the ID (left) and Pachakutik (left), the President's former allies. The opposition is far from united, with Pachakutik publicly singling out prominent members of the PSC when it called on the government to collect on debts owed to the AGD and SRI (*Diario Hoy* November 28, 2004).

The president's challenge will be to maintain a coalition strong enough to not only allow the passage of legislation but also to protect him from impeachment. Due to uncertainty as to whether or not President Gutierrez will succeed in finishing his term in office, much less in carrying out reforms, Ecuador receives a very low score in the area of government stability.

SOCIOECONOMIC CONDITIONS

Ecuador suffers from a level of inequality that is high even by Latin American standards as is demonstrated in Figure 2. The unemployment rate is also high at about 11.5 percent as of May 2004 (IMF 2004). According to the World Bank, Ecuador's national consumption-based poverty rate increased from 40 to 45 percent between 1990 and 2001. Inequality, unemployment and poverty contribute to lower social cohesion, political instability, higher crime rates and they ultimately limit the potential size of the Ecuadorian market. Ecuador scores relatively low in this variable.

Figure 2: Inequality



Source: IADB (<http://www.iadb.org/idbamerica/archive/art/graphs/gre11987.jpg>)

INVESTMENT PROFILE:

RISK OF EXPROPRIATION OR CONTRACT VIABILITY – This area presents low risk – there is no recent precedent of expropriation – so Ecuador receives a high score.

TAXATION – The government guarantees equal treatment of foreign firms (EcuadorInvest), resulting in a low level of risk for this area and a high score for this variable.

REPATRIATION – There are no restrictions on entry or exit of capital (EcuadorInvest), resulting in a low level risk and a high score.

LABOR COSTS — Labor costs in Ecuador are relatively high due to the cost of firing workers and non-wage costs (World Bank 2004). As a result Ecuador receives a low score for this variable.

INTERNAL CONFLICT

In spite of its high level of political instability there is no evidence of a threat of violent or armed opposition to the government. Previous coups have occurred without violence from the opposition or on the part of the government. However, according to the National Police extortion related kidnappings have been gradually increasing in recent years, mostly in the northern provinces bordering Colombia. As a result, Ecuador receives a moderate rating in this area.

EXTERNAL CONFLICT

There is some evidence that the armed conflict in Colombia is spilling over the border into Ecuador. This mainly affects the border region in the north of Ecuador. This conflict is serious but for the time being is limited, therefore Ecuador receives a moderate risk rating.

CORRUPTION

Transparency International has consistently ranked Ecuador as one of the most corrupt countries in Latin America. In 2003 Ecuador was ranked number 113 out of 133, together with Iraq, The Republic of the Congo, Sierra Leone, and Uganda. Paraguay and Haiti were the only Latin American countries to receive worse rankings at 129 and 131 respectively. As a result Ecuador receives a very low rating in this area.

MILITARY IN POLITICS

Military participation in politics has generally been behind the scenes in the last decade with the exception of the participation of some officers in the removal of president Jamil Mahuad from office in 2000. Ecuador receives a moderate rating in this area.

RELIGIOUS TENSIONS

Ecuador is a predominantly Catholic country but allows freedom of religion. There is no evidence of significant religious tensions and Ecuador therefore receives a very high rating in this area.

LAW & ORDER

Ecuador suffers from weak rule of law. According to the IMF, Ecuador's "...judicial system is highly politicized, and the rule of law is unreliable. The citizens have unequal access to the law, and even policy makers face judicial insecurity, which weakens policy commitment" (IMF 2003, 12). Due to the high degree of uncertainty Ecuador receives a relatively low rating in this area.

ETHNIC TENSIONS

The indigenous movement in Ecuador is one of the strongest in Latin America and has been increasingly active in national politics in recent years. It was largely responsible for the removal from office of President Jamil Mahuad in 2000 and the election of current President Lucio Gutierrez in 2002. The breakdown of the coalition

that made Gutierrez's election possible has significantly increased political instability.

As a result Ecuador receives a moderate to low rating in this area.

DEMOCRATIC ACCOUNTABILITY

Ecuador's recent coups and attempts to impeach current President Gutierrez indicate the country's leaders have consistently shown weak democratic accountability. The president's current efforts to revise the constitution in order to remove the Supreme Court for purely political reasons is one clear example of a lack of democratic accountability at the highest level of government. Furthermore, approval ratings of the current president are below 20%, providing further evidence that the president is not responding to the electorate's overall needs and interests (CNN 2004). As a result Ecuador scores relatively low in this area.

BUREAUCRACY QUALITY

The bureaucracy is considered to be poor due to the heavy influence of special interests and clientelism (Rivera Vélez 2005). As a result Ecuador received a very low score for this variable.

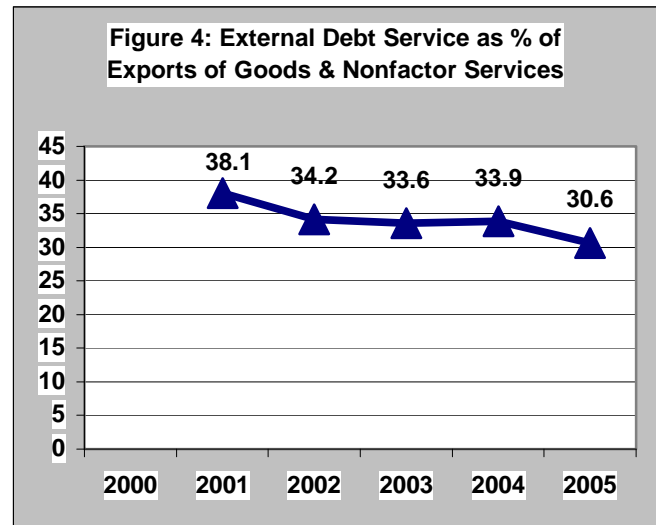
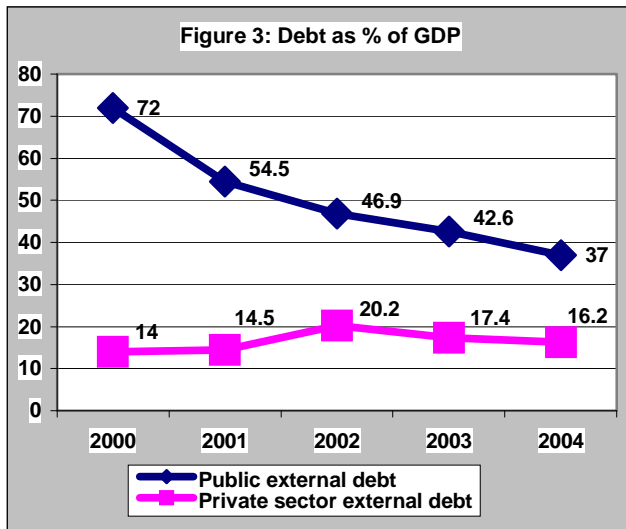
FINANCIAL RISK

The financial risk analysis will look at trends involving foreign debt, the current account, net international liquidity and exchange rate stability.

FOREIGN DEBT

Public external debt has declined significantly as a percentage of GDP since 2000. Private sector external debt, however, increased until 2002 and has since shown a slight decline. Total for 2004 was 53.2% (IMF 2004), earning Ecuador a moderate risk rating.

External debt service as a percentage of goods and services has gradually declined reaching 33.9% in 2004 and is projected to continue declining to 30.6 in 2005 (IMF 2004). Based on data for 2004 Ecuador receives a moderate score.

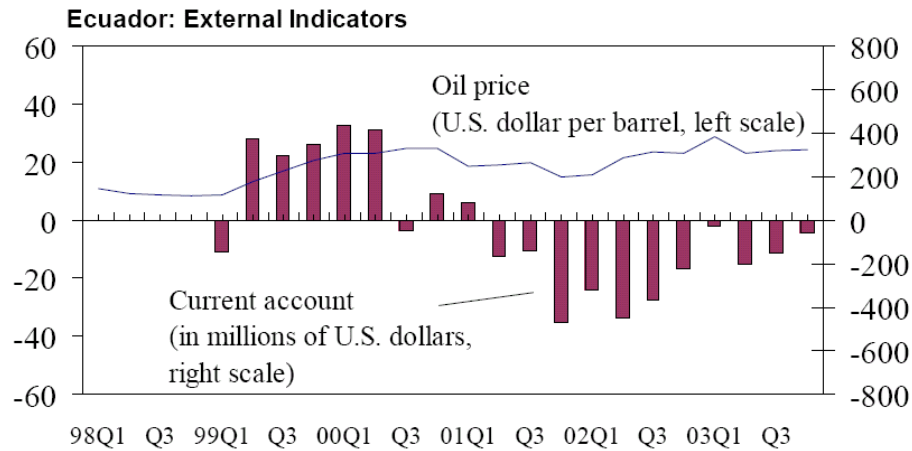


Source: IMF data

CURRENT ACCOUNT AS % OF EXPORTS OF GOODS & SERVICES

The external current account has been improving, largely due to high international oil and commodity prices, the depreciation of the U.S. dollar, and the end of imports related to construction of a new oil pipeline (IMF 2004). The EIU Country Report predicted that remittances from emigrant workers (\$1.7 billion in 2003 according to the Inter-American Development Bank) and a trade surplus due to high oil prices will contribute significantly to the current account balance, helping to offset rising debt service payments and foreign oil companies' profit remittances (EIU 2004). Figure 5 illustrates the recent improvements in the current account balance. Based on the 2004 data the current account balance equaled 10.5%, earning Ecuador a relatively high score in this area.

Figure 5:



Source: IMF 2004 (from Central Bank data)

NET INTERNATIONAL LIQUIDITY AS MONTHS OF IMPORT COVER

This ratio is very weak at 2.1, showing that Ecuador has sufficient reserves to finance less than 3 months of imports.

EXCHANGE RATE STABILITY

Ecuador no longer has its own currency having converted to the U.S. dollar in 2001, therefore appreciation or depreciation against the dollar is not an issue and Ecuador scores very high in this area.

In terms of Ecuador's competitiveness, the weakening of the U.S. dollar against other currencies in the past year and a decline in inflation have contributed to a modest improvement (IMF 2004).

ECONOMIC RISK

In order to analyze economic risk this section will look at trends involving GDP and GDP per capita, inflation, the budget balance and the current account.

GDP PER HEAD

For the purposes of this analysis

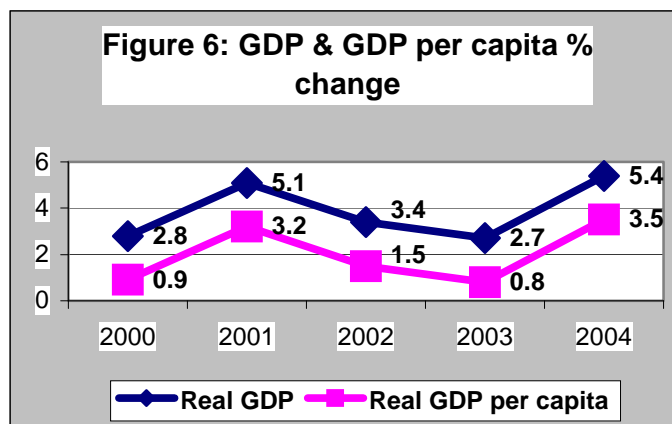
Ecuador's GDP per capita

(US\$2084 in 2003) was expressed

as a percentage of the average

GDP in Latin America and the

Caribbean (US\$56.7 million).



Source: IMF 2004

Ecuador scored quite low in this area. Figure 6 shows that GDP growth has been uneven since 2000, showing gradual but unsteady recovery from the crisis of the late 1990s.

As Figure 7 illustrates,

Ecuador's GDP growth is highly

dependent on its oil production

and oil prices. GDP growth

received a boost with the

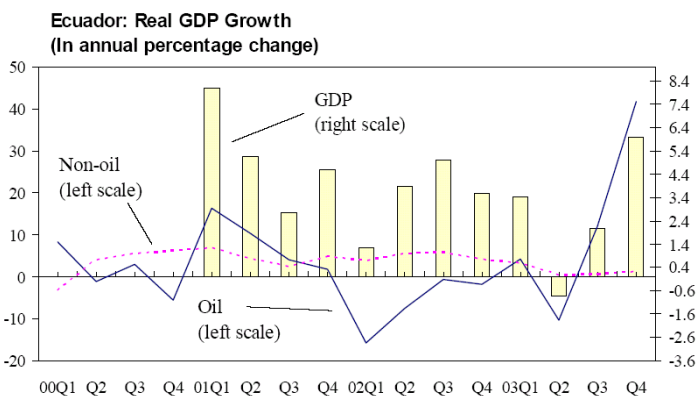
completion of a new oil pipeline

in October of 2003. Based on

growth in 2004 Ecuador receives

a very high rating in this area.

Figure 7:



Source: IMF— from IMF and Central Bank data

ANNUAL INFLATION RATE

Inflation has been declining steadily in recent years, as is illustrated in Figure 8.

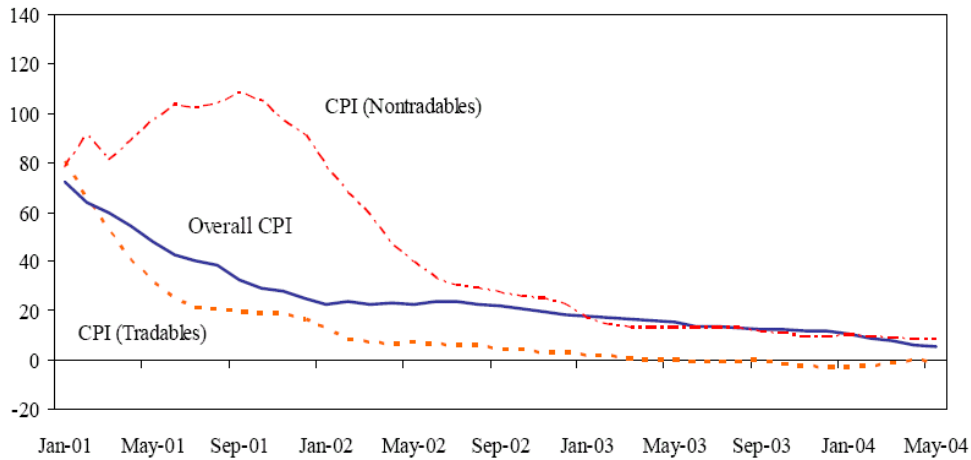
The 12-month consumer price index (CPI) rate reached 3 percent in May 2004, down

from 8.3 percent one-year earlier (IMF 2004). As a result Ecuador scored quite high in

this area.

Figure 8:

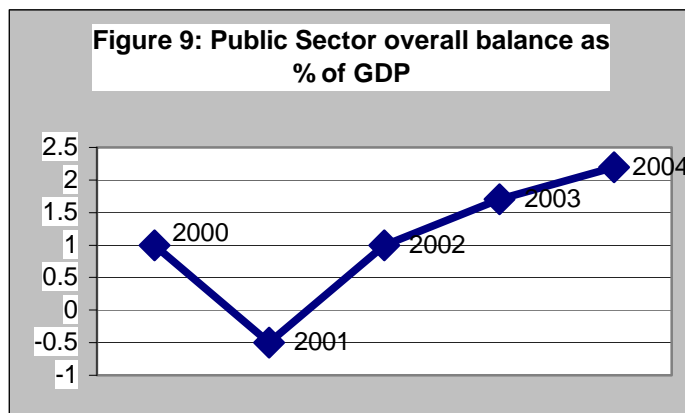
**Ecuador: CPI Inflation
(12-month percentage change)**



Source: IMF; data from Information Notice System (INS); and Central Bank of Ecuador

BUDGET BALANCE AS % OF GDP

As is shown in Figure 9, the Budget balance as a percentage of GDP has been improving steadily since it took a dip in 2001. As a result, based on the data for 2004, Ecuador scored high in this area.

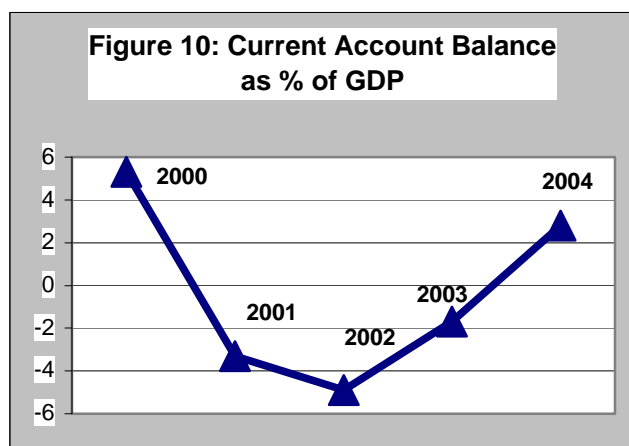


Source: IMF data

CURRENT ACCOUNT AS % OF GDP

The current account balance as a percentage of GDP worsened dramatically between 2000 and 2002 but has since improved, largely due to the effects of high oil prices, as mentioned earlier. Based on the data for 2004 Ecuador's rating in this area is relatively high.

CURRENT ACCOUNT AS % OF GDP



Source: IMF 2004

The current account balance as a percentage of GDP worsened dramatically between 2000 and 2002 but has since improved, largely due to the effects of high oil prices, as mentioned earlier. Based on the data for 2004 Ecuador's rating in this area is relatively high.

COUNTRY RISK ASSESSMENT

Ecuador's overall country risk score is 120.5 out of a possible 200 points. The Composite Political, Financial and Economic Risk Rating is 60.25%, which puts Ecuador in the category of moderate risk.

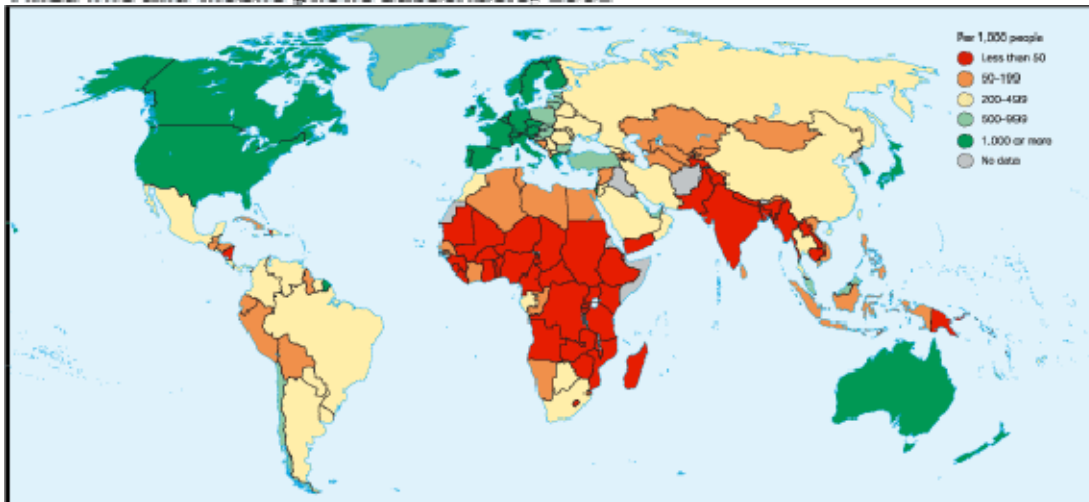
	POINTS POSSIBLE	POINTS REC'D
POLITICAL RISK		
GOVERNMENT STABILITY	12	2
SOCIOECONOMIC CONDITIONS	12	3
INVESTMENT PROFILE:		
RISK OF EXPROPRIATION OR CONTRACT VIABILITY	4	4
TAXATION	3	2
REPATRIATION	3	3
LABOR COSTS	2	0
INTERNAL CONFLICT	12	6
EXTERNAL CONFLICT	12	6
CORRUPTION	6	1
MILITARY IN POLITICS	6	3
RELIGIOUS TENSIONS	6	6
LAW & ORDER	6	1.5
ETHNIC TENSIONS	6	2
DEMOCRATIC ACCOUNTABILITY	6	2
BUREAUCRACY QUALITY	4	1
Subtotal		42.5
FINANCIAL RISK		
FOREIGN DEBT AS % OF GDP	10	5
FOREIGN DEBT AS % OF GOODS &	10	6

SERVICES		
CURRENT ACCOUNT AS % OF EXPORTS OF GOODS & SERVICES	15	13.5
NET INTERNATIONAL LIQUIDITY AS MONTHS OF IMPORT COVER	5	1.5
EXCHANGE RATE STABILITY	10	10
Subtotal		36
ECONOMIC RISK		
GDP PER HEAD	5	1.5
REAL GDP GROWTH	10	9.5
ANNUAL INFLATION RATE	10	9
BUDGET BALANCE AS % OF GDP	10	9
CURRENT ACCOUNT AS % OF GDP	15	13
Subtotal		42
TOTALS	200	120.5

ECUADOR'S TELECOMMUNICATIONS SECTOR

With one of the lowest teledensity levels in Latin America (see Figure 11) and projections for strong increases in users, Ecuador's telecommunications sector has the potential for tremendous growth (WINNE 2003).

Figure 11:
Fixed line and mobile phone subscribers, 2001



Source: World Bank

According to Ecuador's Superintendencia de Telecomunicaciones (Suptel), as of 2003 telephone lines per 100 inhabitants (including both main lines and mobile subscribers) was only 30.33. While growth of main lines has been steady but slow, mobile

subscribers have been growing rapidly, a trend that promises to continue given the low teledensity and inefficiency of the state-owned wireline providers, Andinatel and Pacifictel. The fact that efforts to privatize these companies have been unsuccessful combined with the high cost of expanding landline coverage relative to wireless coverage provide further reason to expect wireless services to be in high demand going forward.

Figure 12:

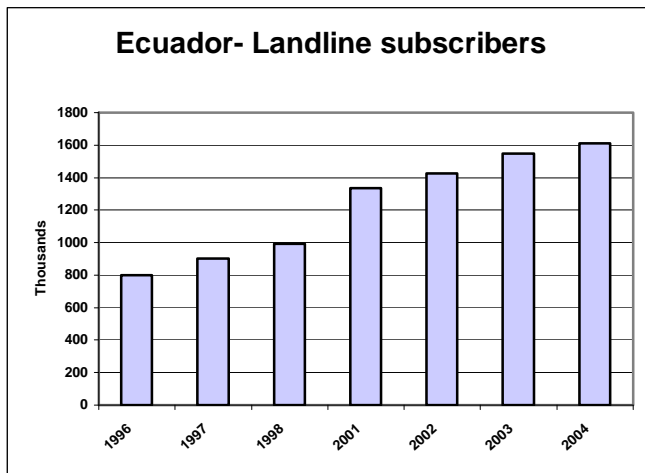
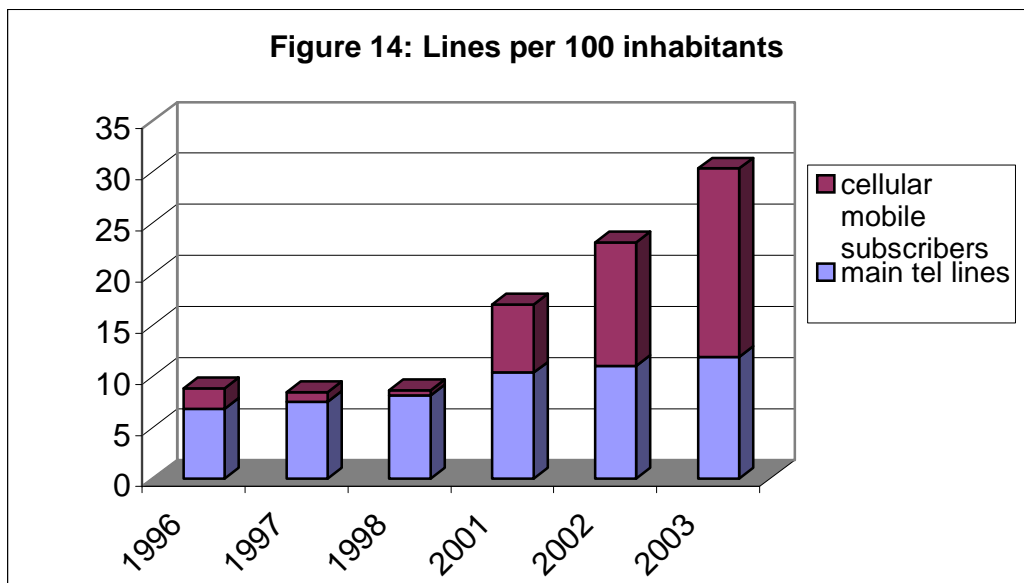
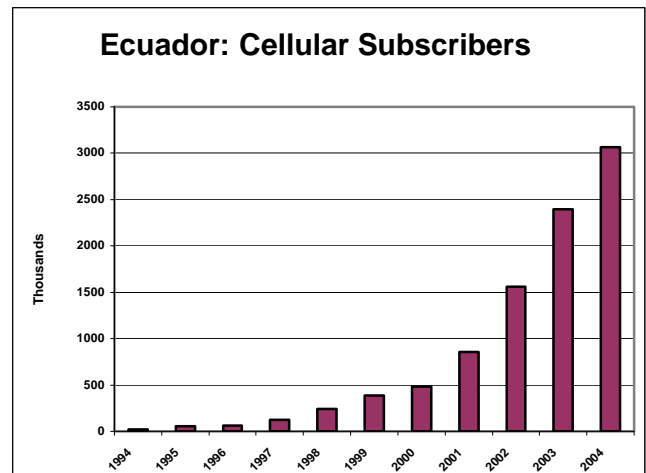


Figure 13:



Source: Data from ITU and Superintendencia de Telecomunicaciones (Suptel)

Rural areas tend to be underserved in Ecuador. Wireless companies are required to provide public telephone booths in rural and underserved markets as a way to improve

this situation. Another effort to improve rural telecommunications is the creation of the *Fondo para el Desarrollo de las Telecomunicaciones* (FODETEL), which was established in 2000 as part of Resolution No. 378-17-CONATEL-2000. It was designed to finance programs and projects aimed at installing or improving access to telecommunications services in rural and marginalized urban areas (Pileggi 2001) through a 1% tax of landline services. According to Byron Vasconez, regulatory manager of Bellsouth Ecuador, this measure is undermined by the lack of a clear regulatory definition of what constitutes a “rural” area and by tax evasion. Another option is to auction off rural areas by territory, where the bidder asking for the lowest subsidy is granted the status of sole provider for the offered territory. According to Vasconez, this has only been done in one or two areas, and all through wireline companies, due to the fact that none of Ecuador’s wireless carriers are interested in the rural markets. At the moment rural areas represent a niche market that is not pursued by any of the local wireless providers.

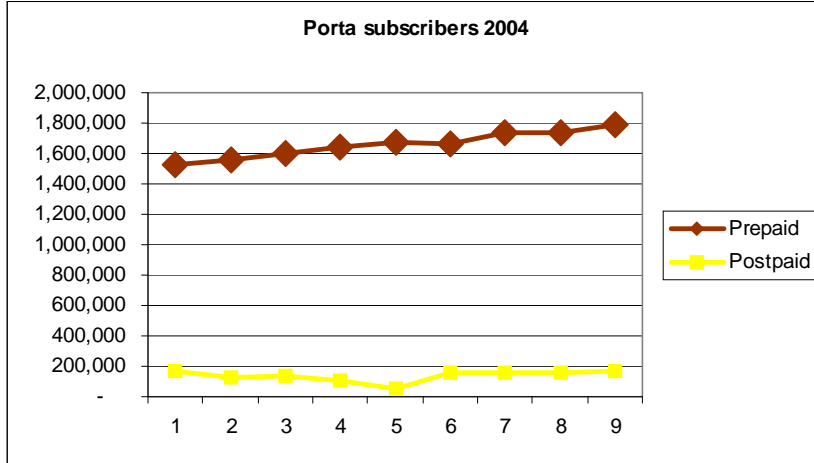
There are three providers of wireless telecommunications services in Ecuador: Porta, Bellsouth and Alegro. A brief description of each of these three companies follows:

PORTA (America Movil)

Owned by Mexican telecom giant America Movil, Porta is currently the largest provider of cellular services in Ecuador. Official statistics show the company has approximately 2 million subscribers. This number may be inflated, however, due to the reportedly common practice of delaying the termination of inactive pre-paid lines. As Figure 15 illustrates, the overwhelming majority of the company’s subscribers are pre-paid, raising the possibility that overall numbers are significantly inflated. The company

plans to invest \$120 million in Ecuador in 2005 in order to triple its penetration in Ecuador's cellular market (Dow Jones Newswires 2004).

Figure 15:

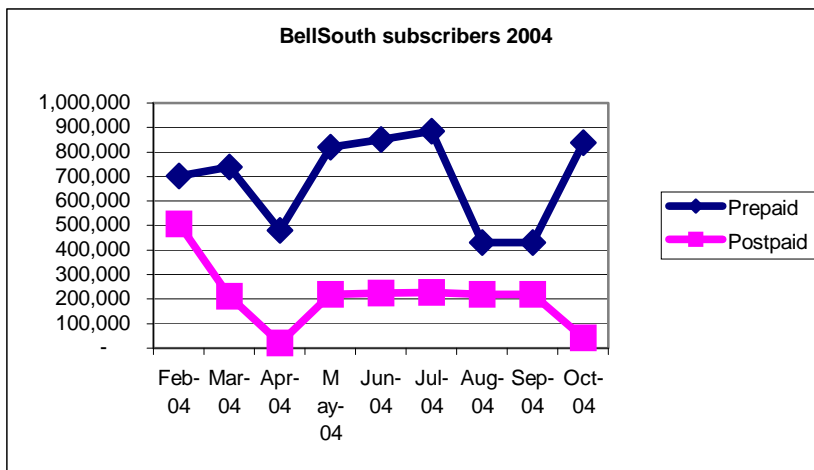


Source: Data from Superintendencia de Telecomunicaciones (Suptel)

Bellsouth Ecuador (OTECEL S.A.)

Although still operating under the name Bellsouth, as of October 14 2004 the company is no longer affiliated with Bellsouth Corporation having been purchased by Telefónica de Espana.

Figure 16:



Source: Data from Superintendencia de Telecomunicaciones (Suptel)

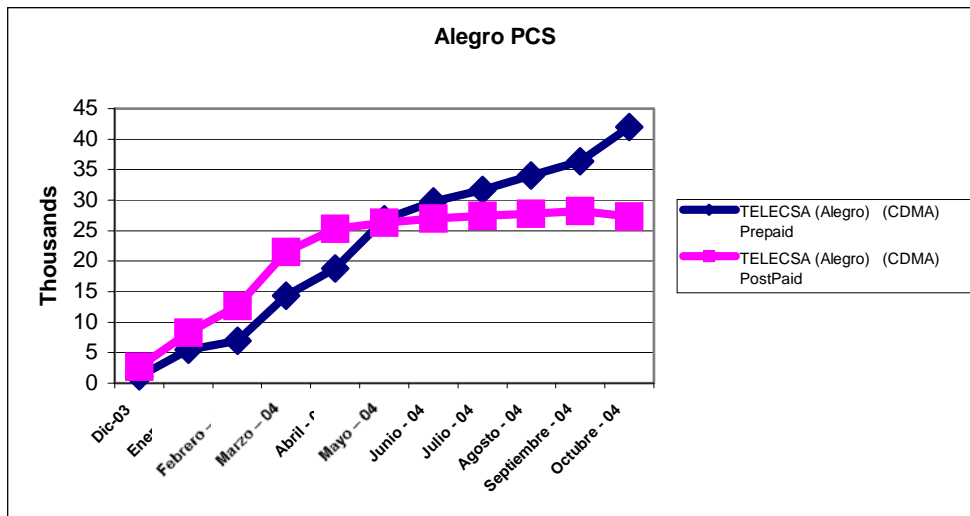
As Figure 16 illustrates, Bellsouth's number of subscribers has been highly variable and the number of post-paid subscribers appears to be decreasing over the course

of this year. According to the Superintendencia de Telecomunicaciones, Bellsouth has lost subscribers of its CDMA technology. It appears that the GSM network used by Porta is better for transmitting voice and data across Ecuador's topography and is therefore the preferred technology of subscribers (Diario Hoy November 1, 2004).

ALEGRO PCS

Alegro is the newest player in Ecuador's wireless market, having begun operations in December 2003. It was formed jointly by Andinatel and Pacifictel and is entirely state owned. Administration, however, is handled by Swedish telecom, Swedtel. It has coverage in Manta, Portoviejo and Santo Domingo, with plans to expand to Cuenca, Ambato, Loja and Esmeraldas, among other cities, by the end of the year (Diario Hoy September 21, 2004). As figure 17 illustrates, the company has seen steady growth in pre-paid customers over the course of the year, while post-paid growth started out strong and then leveled off beginning in April. As mentioned previously, actual growth in pre-paid customers may be lower than the official statistics reported due to the practice of not terminating inactive prepaid lines. The company currently uses TDMA and CDMA technologies, and may face the same challenge as Bellsouth against Porta's GSM technology which is reportedly more suitable to Ecuador's topography.

Figure 17:



Source: Data from Superintendencia de Telecomunicaciones (Suptel)

Regulatory Environment

Ecuador's telecommunications market is officially open to competition and the government is highly motivated to attract FDI to this sector, in spite of the existence now of a public wireless provider (Alegro). Conversations with Bellsouth employees confirm this based on the government's support of the entrance of Telefonica de Espana through its purchase of Bellsouth Ecuador earlier this year. However, they recount that relations with the government are complicated and can be difficult and there is some feeling by the private companies in the market that the government is favoring Alegro in its resolutions.

As was discussed in the country risk analysis, government bureaucracies have a tendency to resort to populism and clientelism, and the telecommunications regulators are no exception. One example is their decision to force wireless providers to charge for usage by the second, rather than rounding up to the nearest minute. Providers then had to change their billing systems and the switches used to record usage time. Even though this change was called for by the regulators as a way to save consumers money, the cost of the changes have been transferred to customers, contributing to making wireless

services in Ecuador relatively expensive to the consumer compared to other countries in Latin America.

Concluding Observations on Telecom Sector

High levels of poverty and inequality will continue to limit the potential market for telecommunications services in Ecuador. However with cellular services the option of providing prepaid services provides an advantage in this type of market that wireline service cannot provide. As a result demand for wireless services will continue to be strong in Ecuador going forward.

WESTERN WIRELESS CORPORATION

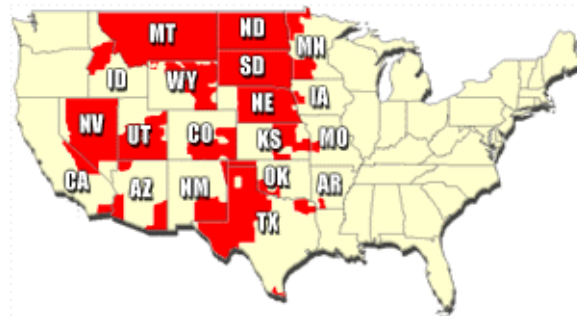
Western Wireless Corporation was formed in July, 1994 through the combination of Pacific Northwest Cellular and General Cellular Corporation. It specializes in providing cellular telephone service in the western United States, particularly in rural areas, under the Cellular One brand name. According to Hoover's Online, Western Wireless's top competitors are ALLTEL, Verizon Wireless and Cingular Wireless. (See Appendix 1 for management bios.)

Western Wireless Corporation (NASDAQ: WWCA) is a leading provider of communications services in the Western United States. The company owns and operates wireless phone systems marketed primarily under the Cellular One® national brand name in 19 western states. Western Wireless currently serves 1,231,200 customers.

Western Wireless Corporation

Western Wireless is committed to becoming the premier rural communications provider in the United States, with a focus on:

- **Quality:** Providing high-quality service to our customers.
- **Growth:** Expanding the business rapidly through superior systems, prudent acquisitions and excellent customer care.
- **Profitability:** Delivering an outstanding return on investment to shareholders by providing superior products, earning customer loyalty, and operating with an entrepreneurial spirit.



Source: <http://www.wwireless.com/>

Western Wireless owns 98% of Western Wireless International (WWI) Corporation, through which it serves a total of 1.67 million customers in ten countries.

Since 1996, WWI has built and launched wireless networks in Austria, Ireland, Slovenia, Georgia, Ghana, Côte d'Ivoire, Bolivia, and Haiti where it provides wireless services to over 72 million people (<http://www.ww-int.com/>). (See Appendix 2 for management bios and Appendix 3 for details of WWI operations by country.)

Our Primary Business

The primary business of WWI is wireless communications for mobile and fixed applications. In each of its markets, WWI's operating companies provide mobile voice telephony utilizing internationally accepted technology standards, such as GSM. In certain markets, WWI's operating companies also provide other telecommunications services, including wireless local loop, domestic and international long distance, internet access, pay phones and paging. Virtually all of these services are provided through wireless technology, which is often a more economic medium through which to deliver telecommunications services than traditional landline networks.

(Source: http://www.ww-int.com/corporate_overview.php)

According to its website, WWI's strategy is to pursue opportunities in two types of markets. The first type is described as one

[...] where there is substantial unmet demand for communications services and a high potential for rapid subscriber growth. These markets are often characterized by inadequate local landline telephone service which is unavailable to the majority of the population. WWI believes that wireless technology is a more economic medium through which to deliver telecommunications services in these markets. By introducing competition and providing customers with a high quality alternative, WWI has succeeded in expanding the size and service offerings of the telecommunications sector in these markets. These markets tend to have limited competition in the wireless sector and generally have wireless penetration rates below 20% (WWI website).

Examples of this first type include Côte d'Ivoire, Bolivia and Haiti.

The second type of market is described as

[...] countries with more developed telecommunications infrastructure and substantial wireless competition, but where the entry costs are sufficiently low and the growth potential is sufficiently high to present an attractive investment opportunity. These markets generally have wireless penetration rates in excess of 40% (WWI website).

Examples of this second type include Ireland, Slovenia and Austria.

Finally, once it has established operations in one country in a region, WWI's strategy includes leveraging "its resources in that region by acquiring additional wireless licenses or businesses in neighboring countries" (WWI website).

CONCLUSION

The Ecuadorian market offers an interesting opportunity for WWI. Although Ecuador as a country faces numerous challenges resulting in a moderate degree of country risk, the country's relatively low level of telephone penetration, high cost of wire-lines and relative lack of competition allowing high prices even in the wireless market provide opportunities for a fourth competitor to enter and prosper. Furthermore, the opportunity presented by Ecuador is consistent with WWI's overall strategy which has not been to avoid risk altogether but rather to seek specific types of markets. Ecuador meets the description of the first type of market that WWI's strategy targets: it has a high degree of unmet demand and potential for rapid growth. Furthermore, given WWI's current presence in Bolivia, expanding operations to Ecuador would be consistent with the company's strategy of leveraging its resources in a region through expansion to neighboring countries.

The recent acquisition by Telefonica of Bellsouth Ecuador presents a unique opportunity to WWI given that Western Wireless's COO, Eric Hertz, spent three years as President and General Manager of Bellsouth Ecuador. Not only does he understand the market, but he is also acquainted with many of the experienced Bellsouth employees recently laid off and replaced with Telefonica's own people. If WWI international were to expand their operations to Ecuador this combination would provide the company with a tremendous advantage in terms of finding and hiring employees.

One area of risk that should be kept in mind is that other players in the Ecuadorian market may not have the same restrictions imposed on them that WWI would in terms of

how they are allowed to negotiate with regulators. Given Ecuador's level of corruption and weak rule of law this could allow competitors some advantages over WWI. However WWI has certainly faced this same issue in its other markets and it has not prevented it from being successful.

Given WWI's experience providing rural areas with cellular service in the US it may be worthwhile taking advantage of the government's expressed interest through FODETEL of providing improved telecommunications to rural areas. However, the country's risk level should be taken into consideration and negotiations with the government should focus on obtaining incentives that such as tax breaks rather than incentives that rely on the government to pay in any way.

Finally the fact that the majority of cellular subscribers are pre-paid results in a market with a low level of customer loyalty. This makes retention of customers more challenging and implies additional costs, but presents an opportunity for new entrants to the market, making it easier for them to gain market share by stealing customers from their competition, at least for the short-term.

APPENDIX 1







Western Wireless Corporation: Corporate Officers	
<p>John W. Stanton Chairman and Chief Executive Officer</p>	<p>John Stanton is Chairman and Chief Executive Officer of Western Wireless. He began his career in the telecommunications industry at Ernst and Whinney Telecommunications Group as a consultant with a primary focus on the cellular and long-distance business.</p> <p>In 1983, Mr. Stanton joined McCaw Communications as Vice President responsible for instituting McCaw's original entry into the cellular business. Mr. Stanton served as Executive Vice President and Chief Operating Officer of McCaw Cellular from 1985 to 1988, during which time the company acquired more than 100 businesses and increased its revenues more than \$100 million. From 1988-1991 Stanton served as McCaw's Vice Chairman, and he served as a Director of McCaw and LIN Broadcasting until 1994.</p> <p>In 1988 John Stanton and Theresa Gillespie formed Stanton Communications which invested in businesses in various segments of the communications industry, including cellular, paging, telephone answering, alarm monitoring, voice mail, radio broadcasting and private cable television. Internationally, Stanton Communications was involved in private television in the Soviet Union and cellular service in Hong Kong.</p> <p>Mr. Stanton founded and became Chairman and Chief Executive Officer of Pacific Northwest Cellular in 1992, which was the nation's eighth-largest independent cellular company. Mr. Stanton was elected Chairman of the Board of Directors for General Cellular Corporation in 1992, when Stanton Communications and Hellman and Friedman acquired a controlling interest in the company. In July 1994, Mr. Stanton and partners merged Pacific Northwest Cellular and General Cellular Corporation to form Western Wireless Corporation.</p> <p>Mr. Stanton served as Chairman and Chief Executive Officer of VoiceStream Wireless, which was spun off from Western Wireless in May 1999, and sold to Deutsche Telecom in May 2001. He served as Chairman of Telocator, from 1986 to 1995 and is Chairman Emeritus of the Cellular Telecommunications Industry Association. In addition, he serves as a board member of Advanced Digital Information Corporation, Columbia Sportswear, Pacific Science Center and as a Trustee of Whitman College. A Seattle native, Mr. Stanton graduated from Whitman College with a Bachelor of Arts in Political Science. He received his M.B.A. from Harvard Business School.</p>
<p>Donald Guthrie Vice Chair</p>	<p>Donald Guthrie joined Western Wireless in November, 1995. Previously, he was Senior Vice President and Treasurer of McCaw Cellular Communications, Inc. from 1986 and, subsequent to the change of control to McCaw in 1990, Senior Vice President – Finance of LIN Broadcasting Corporation. He was intensively involved in the capital formation process at each organization which involved raising senior and subordinated debt and equity, both privately and publicly.</p> <p>Mr. Guthrie has an undergraduate degree in Economics and Statistics from the University of California, Berkeley and an MBA degree from the Wharton School of the University of Pennsylvania.</p>
<p>Theresa E. Gillespie Vice Chair</p>	<p>Theresa E. Gillespie has been the Executive Vice President - Finance and Accounting of Western Wireless Corporation since May, 1999, having served as Senior Vice President of the company since February 1997. Ms. Gillespie was Chief Financial Officer of Western Wireless, and its predecessors, since its inception in 1991 until February of 1997. Ms. Gillespie has also been Chief Financial Officer of certain entities controlled by Mr. Stanton and Ms. Gillespie since 1988. From 1986 to 1987, Ms. Gillespie was Senior Vice President and Controller of McCaw. From 1975 to 1986 she was employed by a national public accounting firm.</p>
<p>Mikal J. Thomsen President</p>	<p>Mikal J. Thomsen is a Founder and the current President and a Director of Western Wireless Corporation.</p> <p>Mr. Thomsen was President and Chief Operating Officer of Pacific Northwest Cellular (MARKETS Cellular Limited Partnership) from its inception in 1991 until it became a part of Western Wireless Corporation in 1994.</p> <p>From 1983 to 1991, Mr. Thomsen held various positions at McCaw Cellular, serving as General Manager of its International Division from 1990 to 1991 and as General Manager of its West Florida region from 1987 to 1990.</p> <p>In addition to the Western Wireless Board of Directors, Mr. Thomsen is a member of the Board of Directors for the Cellular Telecommunication Industry Association (CTIA), the Seattle Supersonics, Winebid.com and is Chairman of the Washington State University Foundation Board of Governors.</p> <p>A native of Tacoma, Washington, Mr. Thomsen holds a Bachelors Degree in Business (Finance) from Washington State University.</p>
<p>Eric Hertz Chief Operating Officer</p>	<p>Eric B. Hertz joined Western Wireless as Chief Operating Officer in May 2002. He has been a part of the telecommunications industry for 25 years. For 17 of those years, Mr. Hertz has provided leadership to wireless companies, domestically and abroad.</p>

	<p>Prior to his appointment with Western Wireless, Mr. Hertz led the expansion of fixed wireless local loop technology as West Region President of AT&T Wireless.</p> <p>From 1997 to 2001, Mr. Hertz led wireless cellular and data markets in Panamá, Guatemala, Nicaragua and Ecuador. As a part of Bell South's international management, he became the President and General Manager for the Ecuador operation in 1997. In 2000 he became Regional Chief Operating Officer for the Central America and Panamá regions.</p> <p>From 1989 to 1997, Mr. Hertz managed wireless operations in Wisconsin and Illinois for McCaw Cellular Communications and Bell South. In the early 1980s he joined a small rural operator, Maine Cellular, as the general manager where he led all planning and development for the new cellular business. He was influential in the granting of the license for cellular service in Southern Maine. His career began in 1977 at AT&T where he held various positions in sales, marketing management and operations management.</p> <p>Mr. Hertz has served on the Board of Directors for the Cellular Telecommunications Industry Association (CTIA), the Ecuadorian-North American Chamber of Commerce and the Fulbright Educational Foundation - Ecuador. Mr. Hertz graduated with a Bachelor of Science degree from the Worcester Polytechnic Institute and a Masters of Business Administration from the University of Pennsylvania Wharton School.</p>
<p>Wayne Wisehart Executive Vice President and Chief Financial Officer</p>	<p>M. Wayne Wisehart has been Executive Vice President and Chief Financial Officer for the Company since January 2003. Before joining the Company, Mr. Wisehart served as Chief Financial Officer for INNERHOST, Inc., a Web hosting services company, from October 2000 through February 2002, and President and CEO for Teledirect International, Inc., a marketing automation software company, from February 1999 through October 2000. From April 1998 through August 1998, Mr. Wisehart served as President and CEO of Price Communications Wireless, Inc. From June 1982 through April 1998, Mr. Wisehart served as Chief Financial Officer for Palmer Communications, Inc. and its subsidiary, Palmer Wireless, Inc., and subsequently for Price Communications Wireless, Inc. after it acquired Palmer Wireless, Inc. in 1997.</p>
<p>Bradley J. Horwitz President - International</p>	<p>Bradley J. Horwitz was Vice President - International Operations of AT&T Wireless prior to the formation of Western Wireless International. From 1992 to 1995, he also served as Chief Operating Officer for SmarTone, a Hong Kong cellular operator.</p>
<p>Gerald J. "Jerry" Baker Senior Vice President - Engineering and Technical Operations</p>	<p>Jerry Baker transferred to Western Wireless Corporation's domestic operations as Sr. Vice President of Engineering and Technical Operations in January, 2001, after spending almost 4 years as Vice President of Engineering and Technology for Western Wireless International.</p> <p>Prior to joining WWI in 1997, Mr. Baker was Chief Technical Officer for GTE Mobilnet's California operations for 3 years. He spent 6 years in various senior technical management positions with US West Cellular between 1988 and 1994.</p> <p>Mr. Baker was one of Mc Caw Cellular Communications' first technical staff members, joining McCaw in 1984 as Director of Engineering and Operations with responsibility to build a technical organization and McCaw's first cellular networks.</p>
<p>Jeffrey A. Christianson Senior Vice President, General Counsel and Corporate Secretary</p>	<p>Jeffrey A. Christianson has been Senior Vice President and General Counsel of the Company since February 2000. From 1996 to January 2000, Mr. Christianson served as Senior Vice President, Business Development, General Counsel and Corporate Secretary of Wizards of the Coast, Inc. From 1993 to 1996, Mr. Christianson served as General Counsel and Corporate Secretary of Heart Technology, Inc., a medical device company. Mr. Christianson is a member of the board of directors of The Humane Society for Seattle/King County and the Northwest Children's Fund, a Seattle-based non-profit community foundation.</p>
<p>Thorpe "Chip" Kelly Senior Vice President</p>	<p>Chip Kelly has been Senior Vice President since September 2000. Mr. Kelly started as General Manager in 1989 working for predecessor entities of Western Wireless, including Stanton Communications and Pacific Northwest Cellular. Over the years he has held a variety of positions in Sales and Marketing for the company.</p>
<p>Source: http://www.wireless.com/</p>	

APPENDIX 2

Western Wireless International: Corporate Officers	
Brad Horwitz President Western Wireless International Holding Corporation	Bradley J. Horwitz was Vice President - International Operations of AT&T Wireless prior to the formation of Western Wireless International. From 1992 to 1995, he also served as Chief Operating Officer for SmarTone, a Hong Kong cellular operator.
Stewart Sherriff Senior Vice President - Chief Technical Officer Western Wireless International Holding Corporation	Mr. Sherriff has served as Senior Vice President of Western Wireless International since February 2001 after having served as Vice President - Operations since September 1997. Before joining WWI, Mr. Sherriff was Head of Operations for SmarTone Mobile Communications (Hong Kong) from 1995 to 1997 and, in 1995, served as Regional Coordinator/BBS Specialist of Tretch Solutions, a contractor for AT&T Saudi Arabia. From 1993 to 1994, he served as Team Leader and System Designer for Optus Communications (Australia). From 1986 to 1993, Sherriff held various positions at Telstra (Australia), serving as Service Manager from 1992 to 1993, System Specialist from 1990 to 1992 and Technical Officer from 1986 to 1989.
Scott Alderman Chief Financial Officer Western Wireless International Holding Corporation	Mr. Alderman was appointed Chief Financial Officer of Western Wireless International in May 2002 after serving as Senior Vice President Finance from January 2000. Mr. Alderman served as Director of Finance of Western Wireless International from 1997 through 1999. From 1995 to 1997, Mr. Alderman served in several roles in the Corporate Development group of Western Wireless Corporation. Mr. Alderman has an undergraduate degree in Economics from Whitman College and an MBA from Harvard Business School.
Roger Blott Regional Vice President Western Wireless International Holding Corporation	Mr. Blott joined Regional Vice President of Western Wireless International in July 2002 after accumulating more than ten years of international telecommunications experience. Before joining WWI, Mr. Blott served as President and Chief Operating Officer of Intercel Holdings Ltd., a position he held since 2000. From 1995 to 2000, Mr. Blott held the positions of President of Millicom International Cellular Asia, Chief Operating Officer of Millicom International Cellular, Chief Executive of Afritel Inc. and Senior Vice President of Ellipso Inc. Mr. Blott held several management positions with Cable & Wireless PLC from 1989 to 1995.
Peter Simpson Regional Vice President Western Wireless International Holding Corporation	Mr. Simpson has been Vice President - Business Development since February 1999. From 1995 to 1998, Mr. Simpson was an independent consultant for various wireless communications companies, including Western Wireless. From 1985 to 1994, Mr. Simpson held various positions with AT&T Wireless Services Inc., formerly McCaw Cellular Communications, including Director - Product Development and Director - Strategic Planning for the Midwest Region. From 1980 to 1985, Mr. Simpson held various positions with GTE Business Communications Systems.
Rick Dunn Vice President and Controller Western Wireless International Holding Corporation	Mr. Dunn was appointed Vice President and Controller of WWI in April 2004. Prior to joining WWI, Mr. Dunn spent over 11 years (1991 to 1997 and 1999 to 2004) with the public accounting firm of Grant Thornton LLP, most recently as a senior manager focusing on the technology and manufacturing sectors. In the interim period (1998), Mr. Dunn was the corporate controller for StairMaster Sports/Medical Products, Inc. Mr. Dunn is a licensed Certified Public Accountant and member of the American Institute of Certified Public Accountants and the Washington Society of Certified Public Accountants. Mr. Dunn has an undergraduate degree in business from Pacific Lutheran University and an M.B.A. with an international focus from the Albers School of Business at Seattle University.
Jan Rummelg Vice President - Customer Operations	Mr. Rummelg has a broad range of wireless expertise, especially the areas of Customer Service, Marketing & Sales, Billing, Business Process, Project Management and Launch of GSM Services. He has had instrumental roles in the launch of GSM operations in 10 different countries on 4 different continents, including all of WWI's current operations. Prior to joining WWI in 1998, Mr. Rummelg was instrumental in NetCom Consultants (UK) customer service and project management in India, Iceland and Poland. From 1992 to 1996 he was a customer service manager for Comviq GSM AB (Sweden).
Gina Haggerty Vice President - Business Development	Ms. Haggerty joined WWI in August of 2001 to assume the position of CFO of telering, WWI's operating company in Austria, a role she held until her return to the corporate office in July 2004. From 1995 to 2001, Ms. Haggerty held various Finance positions at Western Wireless Corporation, including Executive Director, Investor Relations and Planning and served as the key finance member of the team that launched VoiceStream, a former subsidiary of Western Wireless Corporation that eventually became T-Mobile USA. Ms. Haggerty has a total of 16 years experience in the telecommunications industry and is a licensed Certified Public Accountant with 7 years of public accounting experience.
Source: http://www.ww-int.com/	

APPENDIX 3

Western Wireless International Holding Corporation ("WWI")	
<p>BOLIVIA</p> 	<p>On November 4, 1999, WWI successfully bid on a nationwide PCS license in Bolivia. A WWI-led consortium called Nuevatel commenced construction on a nationwide PCS network soon after the license was awarded. Nuevatel launched commercial service under the brand name Viva in November 2000.</p> <p>WWI's local partner is Comteco (Cooperativa Mixta de Telecomunicaciones Cochabamba), the third largest cooperative telephone company in Bolivia. Comteco has a service area covering 1.4 million people, including 750,000 in Cochabamba, Bolivia's third largest city.</p>
<p>AUSTRIA</p> 	<p>tele.ring Telekom Service GmbH ("tele.ring"), is a provider of GSM mobile, Internet access, and fixed-line services in Austria. The company was formed in January 1997 and launched commercial GSM mobile service in May 2000. Western Wireless International acquired 100% of the shares of tele.ring from Vodafone Group plc on June 29, 2000.</p>
<p>IRELAND</p> 	<p>Meteor Mobile Communications Limited ("Meteor"), WWI's operating company in Ireland, has the right to provide mobile telephony services in the 900-MHz and 1800-MHz bands throughout Ireland. Meteor launched its dual-band network in February 2001.</p>
<p>SLOVENIA</p> 	<p>In November 2000, Western Wireless International d.o.o. was awarded a license to provide nationwide mobile telephony services in Slovenia. Western Wireless International d.o.o. launched commercial operations in December 2001, under the brand name Vega.</p>
<p>GEORGIA</p> 	<p>MagtiCom GSM, Ltd. ("MagtiCom"), WWI's operating company in Georgia, was granted the country's second GSM license in July 1996. MagtiCom launched commercial service in September 1997.</p> <p>In Georgia, WWI is partnered with MagtiCom, Ltd., a Georgian company that operates an import/export business and six other businesses in Georgia. Metromedia International Telecommunications, Inc. ("MITI"), a wholly owned subsidiary of Metromedia International Group, Inc., is a shareholder of MagtiCom. MITI provides wireless telecommunications services to Eastern European countries and other emerging markets.</p>
<p>HAITI</p> 	<p>In September 1998, WWI's operating company in Haiti, Communication Cellulaire d'Haiti ("COMCEL") was awarded a license to construct and operate a nationwide TDMA mobile communications network. Additionally, COMCEL was granted the right to build and operate services such as paging, payphones and, in the future, an international gateway. COMCEL launched commercial service in Port-au-Prince, Haiti in September 1999.</p> <p>WWI's partners include Island Cellular LLC, a U.S.-based wireless company, and prominent Haitian investors.</p>
<p>GHANA</p>	<p>Western Telesystems (GH), Ltd. ("Westel"), WWI's operating company in Ghana, was</p>



granted the Second Network Operator ("SNO") license for telecommunication services in January 1997. Westel is licensed to provide fixed and wireless telecommunications services throughout Ghana, including basic phone service, cellular, paging, international long distance, pay phones, data communications, private networks and satellite communications. Westel launched commercial service of its wireless local loop network, its payphone network and its international gateway in February 1998.

WWI's partners are [Ghana National Petroleum Corporation](#), a Ghanaian government-owned company responsible for exploration, development, production and disposal of hydrocarbon in Ghana, and [Adesemi Communications International](#), a Massachusetts company that pursues investment opportunities in emerging markets.

CÔTE D'IVOIRE



Due to adverse political conditions in Côte d'Ivoire, the Cora network has been temporarily shut down.

In January 2000, WWI completed the acquisition of Comstar Cellular, a GSM cellular operator in Côte d'Ivoire. After significantly expanding the network, Comstar relaunched services under the new brand name, CORA de Comstar, in September 2000. WWI's partners are the [Modern Africa Growth and Investment Company \(MAGIC\)](#), a direct equity investment fund targeting telecommunications, internet & information technology, manufacturing and natural resources in sub-Saharan Africa, and Wireless Communication Technologies, a Houston-based telecommunications company.

Source: http://www.ww-int.com/operating_companies.php

APPENDIX 4: Western Wireless: Financial Overview

No. Employees:

2003: 2,357.00
2002: 3,844.00
2001: 4,661.00
2000: 3,665.00
1999: 2,437.00
1998: 2,137.00
1997: 3,210.00

Geographic: Segment data -

2003 -

Description: United States

Sales: 970,237,000.00
Operating Income: 420,244,000.00
Assets: 1,864,309,000.00
Capital Expenditures: 174,147,000.00
Depreciation: 200,438,000.00

Description: Austria

Sales: 369,220,000.00
Operating Income: 29,265,000.00

Assets: 226,317,000.00
Capital Expenditures: 40,334,000.00
Depreciation: 11,362,000.00

Description: International

Sales: 161,867,000.00
Operating Income: -4,769,000.00
Assets: 431,058,000.00
Capital Expenditures: 35,576,000.00
Depreciation: 60,489,000.00

Source: Wharton Research Data Services

2003 - USA

Market Capitalization: 1,679,144,112.36
Common Equity: -246,617,000.00
Total Assets: 2,521,684,000.00
Net Sales or Revenues: 1,501,324,000.00
Net Income: -338,000.00

2003 -

Net Sales or Revenues: 20.76

2003 -

Return of Assets: 4.35

Liquidity: Ratios Annual

2003 -

Current Ratio: 1.04
Quick Ratio: 0.91

2003 -

Market Price - Close: 18.36
Dividends Per Share: 0.00
Earnings per Share: 0.02
INCLUDES OR EXCLUDES EXTRAORDINARY CHARGE OR CREDIT. INCLS \$.50 PRETAX CR, \$.36 PRETAX CHG & EXCLS \$.02 CHG IN 2003 (INCLS \$.26 PRETAX CHG SEP, INCLS \$.50 PRETAX CR JUN, INCLS \$.09 PRETAX CHG & EXCLS \$.02 CHG MAR). BASED ON FULLY DILUTED SHARES OUTSTANDING.
Book Value per Share: -2.70

Stock Perform: Annual -

2003 -

Price/Earnings Ratio - Close: 918.00
Price/Book Value Ratio - Close: -6.81
Dividend Yield - Close: 0.00
Total Investment Return: 246.42
Dividend Payout per Share: 0.00

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