March 1, 2019

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: ***Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) to Accelerate Investment in Broadband and Next-Generation Networks,*** **WC Docket No. 18-141**

Dear Ms. Dortch:

WorldNet Telecommunications, Inc. ("WorldNet") respectfully submits this ex parte letter in response to the notice of ex parte filed in this docket by the Puerto Rico Telephone Company, Inc. ("PRTC") on November 9, 2018. In its notice, PRTC indicates that, in its meetings with Commission staff, PRTC reiterated many of the same basic arguments that PRTC made in its written reply comments filed with the Commission on September 5, 2018. WorldNet has already submitted to the Commission a written response to these inaccurate PRTC contentions. Because of the enormous threat that this proceeding poses to Puerto Rico, however, WorldNet feels compelled to provide a brief additional response.

Prelminarily, one issue, when considering PRTC's positions in this docket together with their demand in the Uniendo Puerto Rico funding docket, should not be lost on the Commission. That is, PRTC is basically saying (a) give them *all* the moneys available (from the Commission) to rebuild and enhance the network in Puerto Rico, but (b) give them relief from any obligation to lease such network to any other carrier on the island, including relief from arrangements used and in place for years. In short, this would effectively return Puerto Rico to the monopoly model of telecom. This is not fair, this is not reasonable, and this is certainly not in the public interest. That monopoly model led to decades of poor service and disastrous results in Puerto Rico.[1] Most fundamentally, this is *not* "deregulatory," as the only way to discipline the market for critical telecom services without competition (which PRTC's positions would eviscerate) is through *more*, and not less, regulation. The independent telecom Board in Puerto Rico has

[1] See, e.g., In re Applications of Verizon Communications, Inc. and America Movil, S.A. for Consent to the Transfer of Control of Entities Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act, WCB Docket No. 06-113, Petition to Deny of the Telecommunications Regulatory Board of Puerto Rico (filed July 14, 2006) (urging the Commission to condition the approval of the America Movil takeover of PRTC with an obligation to comply with detailed performance standards designed to raise PRTC's quality of service to that enjoyed by mainland consumers). Ultimately, the Commission determined, instead, to require a $1 billion commitment from PRTC to improve its performance. WorldNet is unaware of any concrete evidence that such commitment was honored.

rejected PRTC's arguments. *So should this Commission*. Below please respectfully find some additional comments on specific points.

First, PRTC's notice indicates that PRTC repeated its contention that "Puerto Rico is not an outlier." PRTC's contention defies credulity. To get to this conclusion, PRTC focuses on cherry-picked stats and stretched equivalencies with comparative national numbers. The bottom line reality, however, is that, as a matter of competition, unlike virtually anywhere else in the US, PRTC still controls nearly two-thirds of its wireline market. Moreover, economically, Puerto Rico bears no resemblance to any other US market, presenting utterly unique issues (e.g., right now, a historic government bankruptcy, sustained negative economic growth, nationally unrivaled unemployment levels, a shrinking tax base due to material population losses, and historic hurricane damages) that fundamentally undercut or, at the very least, require focused special consideration of the validity of the basic assumptions underlying the entirety of the US Telecom petition as applied to Puerto Rico. As documented in the recent news reports attached as Attachment A to this letter, these challenges continue and are projected to challenge Puerto Rico for years. Moreover, while PRTC downplays the uniqueness of Puerto Rico's circumstances in this proceeding, it is heralding Puerto Rico's uniqueness in other FCC proceedings. Just this month, PRTC submitted the following to the Commission in the Uniendo a Puerto Rico Fund docket:

> Prior to the 2017 hurricanes, Puerto Rico had been in a severe fiscal and economic crisis for over a decade. The crisis featured an unemployment rate that is more than twice the national average, a median household income that is the lowest in the United States, and a historic population outmigration, among other factors. Then Hurricane Maria – the most destructive hurricane to hit Puerto Rico in modern times and the third costliest hurricane in U.S. history – caused widespread devastation, further deepening the crisis in unimaginable ways. In creating the Uniendo a Puerto Rico Fund, the Commission recognized the significant devastation to the communications networks following the hurricanes, the unique challenges carriers face in carrying out recovery efforts, the need for a long-term solution, and equally important, the need for rapid action.[2]

To date, in numbers and frequency greater than almost every US jurisdiction, parties with on-the-ground experience and knowledge of Puerto Rico, including providers and regulators, including the dominant cable company, have advised the Commission that UNE and resale forbearance is a bad idea for Puerto Rico in its current state. In these submissions, only PRTC, the only party that serves to benefit from the blind extension of inapposite national findings to Puerto Rico, is the real "outlier."

Second, PRTC's notice casts WorldNet as a misguided provider "clinging" to an outdated business model based on copper-based facilities. PRTC's portrayal belies the market realities in

[2] See, e.g., In the Matter of the Uniendo a Puerto Rico Fund and the Connect USVI Fund, WC Docket No. 18-143, Puerto Rico Telephone Company, Inc. Ex Parte Letter (filed Feb. 15, 2019). Indeed, WorldNet would not the inconsistency of *anyone* who argues for extraordinary support based on special circumstances yet contends that the Puerto Rico market can withstand a major disruption in the telecommunications industry.

Puerto Rico. WorldNet is not "clinging" to an outdated business model; it is serving a real and continuing demand in Puerto Rico for copper-based telecommunications solutions. Yes, it is attractive to argue that the future of telecommunications in Puerto Rico does lie in some combination of fiber-based and wireless services, and WorldNet's services portfolio includes fiber and wireless offerings. But, to deny that there is still a sizable place in the Puerto Rico market for right-sized, economical copper-based solutions or to claim (as PRTC does in its notice) that the "broader trend" right now in Puerto Rico is a transition to fiber is simply wrong, defies the existing market, and invites a belief in demand for higher cost "advanced services" for some perceived yet intangible benefit that exists only in the imagination of those who argue it. It does not take a a leap of faith to witness the fiscal carnage in Puerto Rico and readily conclude that the economics in Puerto Rico are not yet in a place to justify large-scale transitions to copper replacements. Indeed, in the past few years, WorldNet is aware of only one notice of copper retirement submitted to the Commission by PRTC, and that notice only focused on a few insular locations and was done, not based on inherent demand, but because the existing copper facilities were largely damaged beyond repair by the 2017 hurricanes. As already noted by WorldNet in its comments in the proceeding, PRTC already has a regulatory pathway to targeted forbearance by eliminating UNE obligations through market-justified copper retirements. The fact that PRTC has not been compelled by the market to use this pathway to any significant degree to date is a clear indication that wholesale forbearance from UNE obligations is not just unnecessary, wholesale forbearance would also distort the actual market demands and realities of the Puerto Rico market as it currently stands. Put differently, that PRTC *could have,* for quite some time, yet *did not*, seek to replace copper lines with "advanced" fiber circuits (which it would *not* have to lease as unbundled elements) belies any notion that all PRTC needs is relief from unbundling to unlock a dramatic deployment of advanced services in Puerto Rico.

As already explained to the Commission, forbearance in Puerto Rico would ostensibly hand additional market power to an already-dominant market provider with history of service sanctioned by the local board.[3] In addition to reducing options for better service from agile competitors, the prod to improve service, lower prices, and foster innovation enabled by entrepreneurial competition would be lost. Truly, this would be a giant step backward. This would not be good policy anywhere, but it makes no sense in Puerto Rico. Moreover, as emphasized by the Board in its reply comments in this proceeding, reducing competitive options also diminishes the number of providers and amount of potential resources for hurricane response – a public safety and public interest consideration that PRTC does not address (but that the independent Puerto Regulator has reiterated twice in this proceeding).

As documented in WorldNet's comments in this proceeding, forbearance in Puerto Rico is not justified nor substantiated by the facts, would distort the existing market, and comes at a price that Puerto Rico cannot fairly be forced to pay right now. Puerto Rico needs excellent and committed telecommunications services to respond to disasters and to attract investment to grow its still-struggling economy. Now is not the time to go back to the monopolistic incumbent model. Yet, this is exactly what could happen if the US Telecom Petition is granted in Puerto Rico.

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[3] See supra note 1.

Respectfully submitted,

/s/ Richard Davis
Richard Davis
Outside Counsel
WorldNet Telecommunications, Inc.

ATTACHMENT A

By **PETER S. GREEN** / **CBS NEWS** / *September 21, 2018, 9:45 PM*

Puerto Rico's grim prognosis: The island may never recover

A year after Hurricane Maria swept across Puerto Rico, leaving some 2,975 people dead and knocking the economy on its back, it is becoming increasingly clear that the U.S. territory may never fully recover from the storm.

Puerto Rico was already insolvent before the 2017 storm, with creditors and the island's government deep in negotiations about how to jumpstart the economy or strip it bare to pay off $70 billion owed to bondholders. And the island's government owes another $50 billion it doesn't have to cover current and future pensions. Even before Maria, half a million people had left Puerto Rico and its economy had been steadily shrinking since 2005. After the hurricane, there's even less to work with.

While power and water have finally been restored to more than 99 percent of the island's remaining 3.2 million residents, the economy is moribund. Economic output is projected to fall 13.3 percent this year, manufacturing jobs are drying up, tax receipts are down, small businesses are shuttering, and the reconstruction boom that follows many natural disasters is stymied by the slow pace of federal aid and the fact that most Puerto Ricans had little savings or insurance before the storm. Only 15 percent had homeowners insurance, and only 1 in 3 residents has a bank account.

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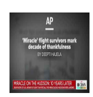
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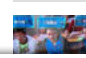
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Puerto Rico's road to recovery   *Latest*   *Highlights*


Fiscal board asks court to invalidate $6 billion of Puerto Rico's debt


"It is more devastating than many of us realized": Reps visit Puerto Rico


"Hamilton" brings hope to artists in Puerto Rico

"I am not hugely optimistic," says Brad Setser, an economist at the Council on Foreign Relations in New York, who has written extensively on Puerto Rico. The challenge for the island is whether it can harness the growth that comes with an expected $9 billion in recovery spending in 2018 and 2019. "If Puerto Rico doesn't experience strong growth in fiscal 2019, it never will," said Setser.

Puerto Rico's governor, Ricardo Rosselló, blames what he calls the island's status as a "colony" of the united States. He wrote to President Trump this week urging the U.S. to make Puerto Rico the 51st state. "The biggest impediment for Puerto Rico's full and prosperous recovery: the inequalities Puerto Rico faces as the oldest, most populous colony in the world," Rosselló wrote.

Granting statehood, however, would be a multi-year process facing daunting political odds. In the meantime, Puerto Rico's economy is in a tailspin.

How hard is life in Puerto Rico? A fiscal plan published by the Financial Oversight and Management Board for Puerto Rico in June outlines many of the challenges. Here's a look at the numbers:

> Hurricane Maria caused approximately $80 billion in damage.
>
> 45,000 homes are still waiting for government aid to fix their roofs.
>
> Over 40 percent of the population lives below the poverty line, according to the agency that oversees Puerto Rico's finances.
>
> Over 40 percent of Puerto Ricans depend on Medicaid for health care.
>
> Some 200,000 residents have left Puerto Rico since the storm.
>
> Another 10 percent of the population is projected to leave in the next five years to seek a better life elsewhere.
>
> The island owes more than $70 billion to creditors from a recession that began years before Maria.
>
> The government's pension fund is short $50 billion.
>
> 8,000 small businesses, about 10 percent of the total, remain closed in the wake of Maria.
>
> Tax incentives that had helped turn Puerto Rico into a low-cost manufacturing center expired in 2006, slicing manufacturing jobs by 35 percent.
>
> The number of tourists visiting Puerto Rico dropped 52 percent in the key winter months, compared to the year before Hurricane Maria, according to the island's tourism authority.
>
> The median FEMA grant made to Puerto Rican homeowners after Maria was $1,800, compared with $9,127 paid to those affected by Hurricane Harvey in Texas, according to an analysis by The New York Times. Many of those who applied for aid were denied, often because they were unable to prove they own their home.
>
> About 245 of the island's 1,100 public schools have closed. Some were damaged or demolished by the storm, but many others shuttered because teachers and students have fled the island, with about 42,000 school children leaving Puerto Rico as their families seek a better life elsewhere.

Puerto Rico: A year of reporting on Hurricane Maria

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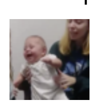

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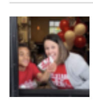

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"Hamilton" brings hope to artists in Puerto Rico

Disaster Capitalism Comes to Puerto Rico

Nov 15, 2018 | **MARTIN GUZMAN , JOSEPH E. STIGLITZ**

NEW YORK – It has been more than a year since Hurricane Maria ravaged Puerto Rico, compounding the agony of a commonwealth that was already caught in an economic downward spiral. In addition to experiencing an out-migration crisis, the island sought what amounted to bankruptcy protection in May 2017. And under the US Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), a federal oversight board now oversees its finances.

Though Maria was a tragedy, it also created an opportunity to rewrite a flawed fiscal plan that had been certified by the oversight board in March 2017. That plan was supposed to restore the island's economic health while also providing money to creditors who were clamoring for repayment. But the plan was projected to depress economic activity even further, and failed to establish an appropriate basis for calculating how much debt restructuring Puerto Rico would need.

Sadly, the opportunity to right Puerto Rico's fiscal ship has not been seized. On the contrary, the oversight board recently certified a new fiscal plan and a deal with holders of bonds issued by the Puerto Rico Urgent Interest Fund Corporation (COFINA) that could put the island in a debt straitjacket indefinitely.

At $17.8 billion, the stock of COFINA bonds (which are backed by future sales-tax revenues) accounts for more than one-third of the total debt in the new fiscal plan. And the COFINA deal is itself part of a larger debt-restructuring effort that is based on an unrealistic assessment of the commonwealth's economic conditions. Simply put, the terms of the restructuring do not provide enough relief for Puerto Rico to be able to achieve future growth.

Under the new deal, Puerto Rico's annual debt payments would increase from $420 million in fiscal year 2019 to almost $1 billion in fiscal year 2041, implying an aggregate recovery rate of 75.5% of the amount owed. That is a very generous deal for COFINA bondholders. But if Puerto Rico's other bondholders are hoping to receive similar treatment, they should think again. As our computations show, if such a deal were to be implemented, there would be virtually nothing left for the other categories of bonds (assuming that the point of the debt restructuring is to restore the sustainability of the island's debt).

Thanks to the oversight board, COFINA bondholders will now be getting far more than what they could have expected last December, when Puerto Rican bonds bottomed out. Prices of both COFINA and general obligation bonds have steadily recovered, owing to a political game over disaster relief funds that has been playing out among the oversight board, the US Congress, and bondholders – a game that Puerto Rico's House of Representatives joined a few days ago when it passed a bill to allow for the COFINA deal.

As the old saying goes, funds are fungible. Even if all the money earmarked for disaster relief actually went where it was supposed to go, the injection of funds nevertheless frees up money elsewhere. Hence, the recent evolution of Puerto Rican bond prices reflects an expectation that the additional funds will go not to Puerto Ricans still suffering from the devastating effects of Maria, but rather to the commonwealth's creditors.

The oversight board's new fiscal plan is equally flawed. Based on new growth projections that are even more optimistic than those in the pre-Maria plan, the board assumes that the hurricane somehow provided a net positive shock to Puerto Rico. The new plan includes a relatively bright forecast for fiscal year 2019, and foresees economic growth and higher government revenue from then on, despite larger doses of fiscal austerity and declining federal aid.

It is hard to make sense of such assumptions, and harder still to accept that they could provide a good basis for computing Puerto Rico's actual repayment capacity. As Brad Setser of the Council on Foreign Relations explains, the oversight board justifies its optimism by assuming – implausibly, in our view – that the plan's proposed structural reforms for the 2021-2023 period will deliver extraordinarily large gains.

More realistically, the plan projects a steep decline in Puerto Rico's population, from 3.3 million today to 2.1 million by 2058. Yet while the oversight board tacitly recognizes that many citizens will have to leave for the US mainland to find work, it expects output per worker to rise miraculously to compensate for the contraction of the labor force.

Despite a strong consensus among economists that Puerto Rico needs a radically different economic and debt-restructuring plan, the relevant policymakers do not seem to be listening. If the island's liabilities are not properly restructured, it will remain in a debt trap. As long as the money needed for investments is going to pay bondholders, sustained growth is impossible.

Given the state of Puerto Rico's economy after Maria, a much deeper restructuring is inevitable. But by pursuing its new fiscal plan and the COFINA deal, the oversight board has squandered valuable time, ensuring that Puerto Rico's decade-long struggle will both continue and grow worse.

MARTIN GUZMAN

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Martin Guzman, a research associate at Columbia University Business School and an associate professor at the University of Buenos Aires, is a co-chair of the Columbia Initiative for Policy Dialogue Taskforce on Debt Restructuring and Sovereign Bankruptcy and a senior fellow at the Centre for International Governance Innovation (CIGI).

JOSEPH E. STIGLITZ

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Joseph E. Stiglitz, a Nobel laureate in economics, is University Professor at Columbia University and Chief Economist at the Roosevelt Institute. His most recent book is *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump.*

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