

Mexico, Columbia, Ecuador; and among the three largest in Brazil. It also is the largest wireline operator in Central America. América Móvil's subsidiaries are the primary wireline providers in Guatemala, El Salvador, and Nicaragua. América Móvil is also under common control with the largest provider of wireline services in Mexico, Teléfonos de México, S.A. de C.V. ("Telmex"). As the company notes in its SEC Form 20-F, its "ability to compete successfully [depends] on customer service, on marketing, and on our ability to anticipate and respond to various competitive factors affecting the telecommunications industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors."² The company's position in Latin America reflects its success in meeting these requirements.

First, when entering new markets, América Móvil focuses on developing a fully integrated telecommunications services provider that can offer a wide array of products and on expanding the coverage of telecommunications services to provide access to as many consumers as possible. The "networks are consistently optimized to try to ensure maximum coverage and high quality service."³ To this end, América Móvil has invested increasing amounts year-to-year on these improvements, currently somewhat more than \$3 billion a year to bring its customers world-class network coverage, network infrastructure, and network functionality.

Implementation of the América Móvil strategy also encompasses product design and marketing.⁴ It was among the first wireless companies to introduce prepaid services and the first

² See SEC Form 20-F, at 6 (filed June 30, 2005) ("Form 20-F").

³ Form 20-F, at 16.

⁴ For an example of the range of products and services América Móvil offers in a national market, see Form 20-F, at 20-27.

to do so on a large scale. Today, approximately 85 percent of its subscriber base is prepaid. This is indicative of América Móvil's focus on offering products appropriate for the broad economic strata that it serves. América Móvil's product design also necessarily reflects the need to bring effective service to rural and low-income populations, as demonstrated, for example, in the use of public phones and an innovative program that bundles computers and Internet access for the benefit of consumers for whom the initial capital cost of a computer would be prohibitive.

América Móvil is committed to providing consumers with state-of-the-art service. América Móvil works with equipment makers from all over the world, including Ericsson, Siemens, Lucent, Nortel, and Nokia, to upgrade facilities in its markets. An example involves América Móvil's commitment to implementing third-generation (3G) networks. América Móvil has upgraded existing wireless networks in Mexico, Brazil, Colombia, Ecuador, Guatemala, Nicaragua, Argentina, Uruguay, El Salvador and Honduras by overlaying existing networks with a state-of-the-art GSM network. The overlay strategy that América Móvil has employed includes support for the pre-existing TDMA and CDMA technologies. This allows existing users who may not have the resources or desire to switch to new technology to continue using their existing services, while expanding the range of offerings available to other consumers and providing a cohesive evolutionary path to 3G networks. The upgraded technology has allowed América Móvil to offer services such as short message services (SMS), circuit switched data services (CSD), high-speed CSD and general packet radio services (GPRS). In keeping with this approach, América Móvil is committed to assuring 3G service for its wireless subscribers in Puerto Rico and will examine the best means of achieving this upgrade.

Second, as shown above, América Móvil is a large, global provider of communications services. América Móvil's approach to its various telecommunications properties is marked by

an effort to achieve as much commonality and consistency as possible. In other words, América Móvil employs a general strategy that it adjusts as necessary to the specifics of each national market. This enables it to secure the advantages of scale and scope for its customers throughout North, Central, and South America. As discussed above, América Móvil invests substantial and increasing amounts in network development and expansion. As another example of the scale of América Móvil's purchases, it acquires more than 50 million mobile phone handsets a year. América Móvil's scale permits it to secure maximum leverage from these investments in the form of favorable prices for network equipment, handsets, transmission services, software, and other information technology.

Third, in various filings before the Commission, PRT has outlined many of the challenges that it faces in delivering telecommunications services throughout Puerto Rico.⁵ Among other things, PRT has noted the challenges faced by serving a population whose income level on average is less substantial than that of the rest of the United States, as well as the challenges presented by the climatic, geographic, and topographic characteristics of the island.⁶

There are material socioeconomic differences between Puerto Rico and the countries in which América Móvil has operated successfully, most easily seen in Puerto Rico's much higher level of average personal income. Nevertheless, América Móvil's experience in the provision of telecommunications services throughout the Americas will enable it to build upon Verizon's

⁵ See, e.g. Comments of Puerto Rico Telephone Company, Inc., CC Dkt 96-45; WC Dkt 05-337 (March 27, 2006).

⁶ *Id.*

achievements in expanding the availability and scope of telecommunications services for consumers in Puerto Rico.⁷

América Móvil continues to deal with facilities challenges posed by difficult terrain and dramatic urban/rural differences, and the simultaneous marketing challenges of maintaining a proper product mix to meet the demands of economically stratified populations. América Móvil brings to Puerto Rico a history of using its scale, scope, and other resources in creative and innovative ways to overcome the challenges presented by offering telecommunications in locations that share many characteristics with Puerto Rico. It will expand both the coverage of telecommunications services and the service options available to consumers.

III. THE TRANSACTION WILL NOT ADVERSELY AFFECT COMPETITION IN ANY MARKET.

As demonstrated in Section II, the proposed transaction will produce significant public interest benefits. In addition, this transaction will have no countervailing adverse effects on competition. With the exception of América Móvil's limited provision of *resold* prepaid wireless services in Puerto Rico through its affiliate, TracFone Wireless, Inc. ("TracFone"), it does not compete with TELPRI in any respect. As the Commission has held, "[t]ransactions that do not significantly increase concentration or result in a concentrated market ordinarily require no further competitive analysis."⁸ This transaction plainly fits that description.

⁷ The extent of América Móvil's operations is described in the Form 20-F at 20-45.

⁸ *Applications of Nextel Communications, Inc. and Sprint Corporation For Consent to Transfer Control of Licenses and Authorizations*, 20 FCC Rcd 13967, ¶ 31 (2005) ("Sprint/Nextel Order"). See also, *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Control of Licenses and Authorizations*, 19 FCC Rcd 21522, ¶ 69 (2004) ("Cingular/AT&T Wireless Order").

The Commission typically begins its analysis of potential public interest harms by defining relevant geographic and product markets.⁹ The need to undertake that analysis here is quite limited, however, because of the minimal extent to which América Móvil and TELPRI compete.¹⁰ Although TELPRI has extensive wireless and wireline operations in Puerto Rico, the only communications services that América Móvil provides in Puerto Rico are resold prepaid wireless services, through its ownership interest in TracFone. Likewise, while certain affiliates of América Móvil provide international long distance services to customers in the United States, TELPRI's operations are limited exclusively to Puerto Rico.

With respect to wireless services, no detailed analysis is required to conclude that the proposed transaction cannot adversely affect competition. Because América Móvil's wireless presence in Puerto Rico is exclusively as a reseller, there will be *no* increase in concentration under the analytical framework that the Commission has consistently applied.¹¹ In the recent *SBC/AT&T Order*, for example, the Commission did not analyze the fact that AT&T provided resold mobile wireless services in competition with Cingular, ostensibly because AT&T's resold services were of no competitive consequence. The same approach is warranted here.

In any event, the theoretical loss of TracFone as an independent source of resale competition is of no practical significance with respect to ownership concentration. First,

⁹ See *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, 20 FCC Rcd 18433, ¶ 21 (2005) ("*Verizon/MCI Order*").

¹⁰ See *Sprint/Nextel Order* ¶ 31.

¹¹ See *Cingular/AT&T Wireless Order* ¶ 92 ("Generally, we limit our analysis to only facilities-based carriers, either nationwide or regional, for example excluding mobile virtual network operators ('MVNOs') and resellers from consideration when computing initial computation measures.").

América Móvil affiliate TracFone serves only approximately 3,300 subscribers in Puerto Rico. Moreover, there is very extensive competition from other wireless providers throughout Puerto Rico. Apart from TELPRI (which provides service under the “Verizon Wireless” brand name), service is available from two of the largest U.S. wireless carriers (Sprint Nextel and Cingular), as well as from at least three other facilities-based wireless carriers – Centennial (the third largest wireless provider in Puerto Rico¹²), SunCom, and MoviStar.¹³ These facilities-based carriers have substantial spectrum resources, plainly demonstrating an ability to expand capacity and indicating a material competitive presence. Cingular holds 45 MHz, Centennial Wireless holds 30 MHz, SunCom holds 25 MHz, Sprint Nextel holds 20 MHz, and MoviStar holds 15 MHz.

In addition, consumers in Puerto Rico can obtain wireless service from a host of Mobile Virtual Network Operators (MVNOs), including EarthLink Wireless,¹⁴ Liberty Wireless,¹⁵ Movida,¹⁶ Virgin Mobile,¹⁷ Mobile ESPN,¹⁸ and, as noted, TracFone. Competition for wireless

¹² *Centennial Tops Rankings for Coverage, Customer Service*, Business News Americas (May 31, 2005).

¹³ *See also Centennial Tops Rankings for Coverage, Customer Service*, Business News Americas (May 31, 2005) (reporting results of 2005 AC Nielsen survey of wireless providers, which found that with respect to communication quality (including signal quality, reception, and coverage), Centennial received an 84% preference, followed by Verizon Wireless (81%), SunCom (78%), Sprint (77%), Cingular (76%), and MoviStar (74%), and that with respect to customer service, Centennial received a 80% satisfaction rating, followed by Sprint (78%), Cingular (77%), Verizon Wireless (71%), MoviStar (69%), and SunCom (69%).

¹⁴ EarthLink Wireless, *EarthLink Wireless Products*, <http://www.earthlink.net/wireless/>.

¹⁵ Liberty Wireless, *About Us*, <http://www.libertywireless.com/about.aspx>; Liberty Wireless, *Network Coverage*, <http://www.libertywireless.com/nationwide.aspx>.

¹⁶ P. Javier, *Movida Communications Enters Puerto Rico Market*, Caribbean Business at 28 (Nov. 10, 2005), <http://prwow.com/html/Archives/ArcDetail2.asp?archID=18004>; Sprint News Release, *Movida Communications Joins Forces with The Cisneros Group*, Sprint

services in Puerto Rico is clearly thriving. In the last three years, wireless subscribers have grown at an average of 26 percent per year in Puerto Rico, compared to an average of 15 percent for the U.S. as a whole.¹⁹

Although the Commission does not need to analyze competition for any other services in connection with the proposed transaction -- because América Móvil and TELPRI do not compete for any other services -- it can take comfort from the fact that there is extensive competition for the other services that the Commission has analyzed in past mergers. As one analyst has noted, "Puerto Rico is among the most advanced and fastest growing telecom markets in the Caribbean. . . . fixed lines are losing customers to mobility and broadband . . . [the] long-distance market . . . is extremely competitive."²⁰

With respect to mass-market services, for example, there is extensive intermodal competition in Puerto Rico, just as the Commission found was true with respect to the U.S. mainland.²¹ As noted above, there is extensive competition from wireless providers. In fact,

and Wal-Mart To Launch New Wireless Service Targeted to Hispanic Community (Feb. 22, 2005).

¹⁷ Wal-Mart, *Prepaid Cell Phones*, <http://www.walmart.com/catalog/catalog.gsp?cat=133261>; Best Buy, *Virgin Mobile*, <http://www.bestbuy.com/site/olspage.jsp?type=category&cmp=&id=pcmcat3400050005>.

¹⁸ S. Marek, *Postpaid MVNOs Multiply*, *Wireless Week* at 12 (Apr. 15, 2006).

¹⁹ Ind. Anal. & Tech. Div., WCB, *Local Telephone Competition: Status As of June 30, 2005* at Table 14 (Apr. 2006).

²⁰ Budde.com, *Puerto Rico – Telecoms Markets Overview & Statistics*, <http://www.budde.com.au/Reports/Contents/Puerto-Rico-Telecoms-Market-Overview-Statistics-1887.html>.

²¹ See *Verizon/MCI Order* ¶ 101.

according to the Commission's data, the number of wireless subscribers in Puerto Rico (over 2 million) now exceeds the number of ILEC switched access lines (1.05 million) by nearly two-to-one.²² In addition, both cable operators (such as Liberty Cablevision²³) and over-the-top VoIP providers (such as VoX Communications²⁴) offer telephony services to mass-market consumers in Puerto Rico. And there are numerous traditional long distance providers offering mass-market long distance service as well, including AT&T, Sprint, TLD of Puerto Rico (an affiliate of Telefonica SA), PRT-Larga Distancia, and Primus.²⁵

There is likewise extensive competition for enterprise services in Puerto Rico. For example, AT&T offers ATM, frame relay, IP-enabled frame relay/ATM, Enhanced VPN, and Global Managed Internet Services.²⁶ Centennial de Puerto Rico offers a variety of data services,

²² Ind. Anal. & Tech. Div., WCB, FCC, *Local Telephone Competition: Status as of June 30, 2005* at Table 14 (Apr. 2006). See also World Bank, *ICT At A Glance: Puerto Rico*, http://devdata.worldbank.org/ict/pri_ict.pdf. (Between 2000 and 2004, the number of "telephone main lines" per 1,000 people in Puerto Rico dropped from 340 to 316, while the number of mobile subscribers per 1,000 people went from 243 to 465).

²³ J. Baumgartner, *Liberty Cablevision Dials Up VoIP Island-Wide*, CED (May 24, 2004), <http://www.cedmagazine.com/article/CA6266162.html>.

²⁴ *VoX Communications to Launch Service in Puerto Rico*, Orlando Business Journal (Apr. 19, 2006).

²⁵ AT&T, *Bundled Services*, <http://www.consumer.att.com/plans/bundles> (for zip code 00915); PRIMUS Telecommunications, *Primus Long Distance: Choose Your Service*, <http://www.primusld.com/primusldWeb/ChooseService>; Puerto Rico Telephone, *Long Distance*, http://www.telefonica.pr/prtc/portal/channel_Links2/0,2868,2153_244316,00.html; Sprint, *Sprint Long Distance Calling Plans*, <http://shop.sprint.com/residential/voiceservices/longDistance/plans/allPlans/allPlans.jsp> (for zip code 00915); Telefonica, *Long Distance*, http://www.telefonica.pr/empresas/largadistancia_home_en.htm.

²⁶ AT&T, *AT&T Global Service Map*, <http://www.att.com/globalnetworking/media/home.swf>

including ATM, frame relay, gigabit Ethernet, and broadband access.²⁷ Islanet Communications operates network facilities throughout Puerto Rico that it uses to provide a range of high-speed data services.²⁸ Global Crossing offers frame relay services in Puerto Rico.²⁹

²⁷ Centennial de Puerto Rico, *ATM*, http://www.centennialpr.com/bs/frame_atm.asp.

²⁸ Islanet Communications, <http://www.isla.net/flash.htm>.

²⁹ Global Crossing, *Frame Relay Service Availability*, http://www.globalcrossing.com/xml/services/serv_data_frame_rel_avai.xml.

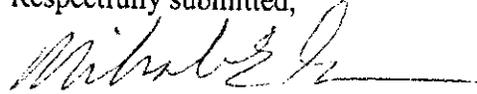
IV. CONCLUSION

For the foregoing reasons, and for the reasons set forth in the individual applications filed herewith, the proposed transaction will serve the public interest. América Móvil will bring its experience, expertise, and scale to bring Puerto Rico's consumers innovative, world-class telecommunications services, with no countervailing diminution of competition. América Móvil and Verizon accordingly urge the Commission to act promptly to grant these applications.

TWO SIGNATURE PAGES FOLLOW.

Verizon Communications Inc.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael E. Glover", with a horizontal line extending to the right.

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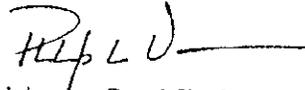
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