

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In re Applications of)	
)	
Verizon Communications Inc.,)	WT Docket No. 06-113
Transferor and)	
América Móvil, S.A. de C.V. ,)	DA 06-1245
Transferee)	
)	
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)	

**Reply Comments of
Communications Workers of America
and
Union de Trabajadores
de las Comunicaciones de Puerto Rico/CWA Local 3010**

Debbie Goldman
501 Third St. N.W.
Washington, D.C. 20001
(202) 434-1194 (phone)
(202) 434-1201 (fax)
dgoldman@cwa-union.org

July 31, 2006

The Communications Workers of America (“CWA”) and the Union de Trabajadores de las Comunicaciones de Puerto Rico/CWA Local 3010 (“UTCPR”) submit these Reply Comments in response to the Petitions to Deny and Comments filed by various parties in the Commission’s review of the Joint Application of América Móvil, S.A. De C.V. (“America Móvil”) and Verizon Communications Inc. (“Verizon”) to transfer control of Verizon’s ownership stake in Telecommunicaciones de Puerto Rico, Inc. (“TELPRI”) to América Móvil.

The Union de Trabajadores de las Comunicaciones de Puerto Rico/CWA Local 3010 (“UTCPR”) is a labor organization representing installers and repairers employed by contractors working for the Puerto Rico Telephone Company (“PRTC”), the landline subsidiary of TELPRI. UTCPR-represented workers provide virtually all of the wireline installation services and associated repair work for PRTC throughout Puerto Rico, with the sole exception of the Ponce region. UTCPR is an affiliate of the Communications Workers of America (“CWA”), a labor organization representing approximately 700,000 workers. As workers and as consumers of TELPRI services, UTCPR has a direct interest in the proposed transfer of control of TELPRI.

In this instant transaction, América Móvil, through its subsidiary Sercotel, S.A. de C.V. (“Sercotel”) proposes to purchase from Verizon’s subsidiary GTE Holdings (Puerto Rico) LLC (“GTE Holdings”) the 52 percent controlling share that Verizon currently owns in TELPRI. In addition, Banco Popular has agreed to sell its 13 percent share in TELPRI to América Móvil. As a result, América Móvil will acquire at least 65 percent share in TELPRI.¹

¹ Application of Verizon Communications Inc., Transferor, and América Móvil, S.A. DE C.V., Transferee, for Consent to Transfer of Control of Entities Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act, Overview of Transaction, WT Docket No. 06-113, May 9, 2006, 2-4 (“Transaction Overview”).

América Móvil is a Mexican-based telecommunications company controlled by Mr. Carlos Slim Hélu and his family, who are Mexican nationals.² América Móvil was formed from a spin-off of Telmex in 2000. América Móvil is primarily a wireless company, serving 100 million wireless subscribers in 14 Latin American countries.³

To our knowledge, this application is the first time that a foreign company has requested permission to purchase and operate a wireline company on U.S. soil. As a consequence, and as other commentators note, the Commission must take special care to ensure that the proposed transfer serves the public interest, convenience, and necessity.⁴ In addition, the Commission must meet its statutory obligation to find that foreign ownership of TELPRI's wireless assets in excess of the 25 percent benchmark in Section 310(b)(4) of the Communications Act is in the public interest.⁵ Most important, the Commission must ensure that the proposed transaction poses no threat to U.S. national security, law enforcement, or public safety. As the Department of Justice, FBI, and Department of Homeland Security note in their comments, any action on the Joint Application must wait until these three agencies have completed their review and notify the Commission that potential national security, law enforcement, and public safety issues raised by the application have or have not been resolved.⁶

The public interest evaluation encompasses the "broad aims of the Communications Act," which include, among other things, provision of universal telephone service, accelerating private

² Carlos Slim Hélu and his family own 81 percent of América Telecom. América Telecom owns 64.72 percent voting shares and 40.36 percent equity interest in América Móvil. Transaction Overview, 7-8. *See also* América Móvil SEC Form 20-F, dated Dec. 31, 2005.

³ América Móvil SEC Form 20-F, dated Dec. 31, 2005.

⁴ 47 U.S.C. §§ 214, 310(d).

⁵ 47 U.S.C. §§ 214, 310(b)(4).

⁶ Letter to Marlene H. Dortch, Secretary, Federal Communications Commission from Sigal P. Mandelker, Deputy Assistant Attorney General, U.S. Department of Justice Criminal Division (undated), WT Docket No. 06-113.

sector deployment of advanced services,⁷ and assessing whether the transaction will affect the quality of communications services or will result in the provision of new or additional services to consumers.⁸ In addition, the Commission considers commitments to maintain or increase employment to ensure quality service.⁹

UTCPR and CWA concur with the Telecommunications Regulatory Board of Puerto Rico (“the Board”) that “there are no credible tangible benefits for the consumer in Puerto Rico” associated with this transaction. As the Board notes, the Joint Applicants’ claim of transaction-related public interest benefits rings “hollow and meaningless with no specifics or commitments.”¹⁰ As the Honorables Kenneth D. McClintock and Orlando Parga, President and President Pro Temp of the Senate of Puerto Rico, respectively, state in their comments, the Commission should make sure that América Móvil “keeps its promise to expand and improve the

⁷ See Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 § 706 (1996) (providing for the deployment of advanced telecommunications capabilities.) See also *Applications for Consent to the Assignment and/or Transfer of Control of Licenses from Adelphia Communications Corporation to Time Warner Cable Inc; Adelphia Communications Corporation to Comcast Corporation; Comcast Corporation to Time Warner, Inc., Time Warner Into Comcast Corporation*, MB Docket No. 05-192, July 21, 2006 (rel), at 24 (“*Adelphia-Comcast-Time Warner Order*”).

⁸ *Adelphia-Comcast-Time Warner Order*, 24; *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corp. for Consent to Transfer Control of Licenses and Authorizations*, 19 FCC Rcd at 21544 at 41 (2004); *Applications for Consent to the Transfer of Control of Licenses from Comcast Corporation and AT&T Corp., Transferors, to AT&T Comcast Corporation, Transferee*, 17 FCC Rcd at 23255 at 27 (2002) (“*Comcast-AT&T Order*”); *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp., Transferee*, 15 FCC Rcd 9821-22 at 1 (2000) (“*AT&T-MediaOne Order*”); *Application of WorldCom, Inc., and MCI Communications Corp. for Transfer of Control of MCI Communications Corp. to WorldCom, Inc.*, 13 FCC Rcd 18031 at 9 (1998) (“*WorldCom-MCI Order*”).

⁹ In the Puerto Rico Telephone Authority/GTE Merger, the Commission cited employee commitments as a merger-related public interest benefit. *Application of Puerto Rico Telephone Authority and GTE Holdings (Puerto Rico LLC) for Consent to Transfer Control of Licenses and Authorizations*, 14 FCC Rcd 3122 at 50 and 57. (“*Puerto Rico/GTE Order*”). In the *WorldCom/MCI Order*, the Commission considered the impact of that merger on employment. See *WorldCom/MCI* at 213. In the *SBC/AMT Order*, the Commission cited SBC’s commitment to “improving service quality by hiring more employees.” *Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, For Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission’s Rules*, 14 FCC Rcd at 567 (1999) (“*SBC-Ameritech Order*”).

¹⁰ Petition to Deny of the Telecommunications Regulatory Board of Puerto Rico (“Board Petition to Deny”), July 14, 2006, 2.

infrastructure and, as a consequence, improve the services they intend to provide to the people of Puerto Rico” with concrete commitments.¹¹

The empty rhetoric of the Joint Applicants stands in contrast to the specific commitments that Verizon made when it purchased its controlling interest in TELPRI in 2000. At that time, the Commission recognized that Verizon had made the following commitments and that these represented specific, verifiable transaction-related public interest benefits:

- A \$1 billion infrastructure investment to improve telephone service in Puerto Rico;
- Stable rates for basic residential service for three years;
- Discounted rates for Internet access for educational institutions;
- No lay-offs of PRTC employees.¹²

In contrast, the Joint Applicants make no concrete, verifiable commitments to infrastructure investment; maintenance of rates; discounted rates for Internet access for schools, libraries, health providers, first responders, or community centers; employment commitments to preserve quality service and quality jobs in Puerto Rico; or any other public interest benefits.

As a result, the Puerto Rican regulatory authority, elected officials, and competitors have all expressed deep concern about the proposed transaction and urge the Commission to deny the application.¹³ The Puerto Rican regulatory board speaks from experience. The telephone penetration rate in Puerto Rico is currently about 60.9 percent, and in fact has declined

¹¹ Motion to Address Public Interest Concerns of the Honorables Kenneth D. McClintock and Orlando Parga, WT Docket No. 06-113, DA 06-1245, July 13, 2006 at 12.

¹² *Puerto Rico-GTE Order* at 50-57.

¹³ See Petitions to Deny of the Telecommunications Regulatory Board of Puerto Rico, WorldNet Telecommunications, Telefónica Large Distancia de Puerto Rico, Inc., and Centennial Communications Corp., and the Motion to Address Public Interest Concerns.

significantly since privatization in 2000, when the penetration rate was 74.4 percent.¹⁴ That represents a 14 percentage point decline in landline penetration in just six years. There remain approximately 200 rural communities in Puerto Rico encompassing 200,000 households that lack any telephone service.¹⁵ The lack of telephone service translates into lagging economic and educational development, lack of access to basic health care and emergency services, and inadequate access to advanced information services such as the Internet.

Thus, despite Verizon's promise that it would improve telephone service in Puerto Rico, telephone penetration in fact declined dramatically, dropping an astonishing 14 percentage points, during Verizon's six year tenure on the island.¹⁶ The Commission should take little comfort in the fact that a new buyer has come forward to purchase TELPRI. As other commentators note, América Móvil's experience is primarily in wireless service. Absent specific requirements to ensure that América Móvil will invest in TELPRI's wireline infrastructure, in all likelihood América Móvil will neglect TELPRI's landline infrastructure.

Wireless telecommunications cannot supplant a wireline infrastructure. In particular, one cannot access the Internet at satisfactory speeds over a wireless infrastructure. Similarly, a

¹⁴ Comments of Puerto Rico Telephone Company, Inc., *In the Matter of Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, CC Docket No. 96-45 and WC Docket No. 05-337, March 27, 2006, p.8 ("Comments of Puerto Rico Telephone Company").

¹⁵ See Comments of the Minority Media and Telecommunications Council, CWA, UTCPR, et al., *In the Matter of Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, CC Docket No. 96-45 and WC Docket No. 05-337, March 27, 2006, p.5.

¹⁶ While it is true that beginning in 2000 PRTC stopped receiving high-cost universal service support as a result of changes in FCC rules, other sources of universal service support including lifeline continue to flow to PRTC. In 2005, PRTC received \$74.48 million in high cost and low-income federal universal service funds. See Declaration of Harold W. Furchtgott-Roth, attached to Comments of Puerto Rico Telephone Company in CC Docket No. 96-45, WC Docket No. 05-337, p.10. While Commission action to designate Puerto Rico as an insular region eligible for high-cost support in the ongoing Federal-State Joint Board on Universal Service (Insular Status for Puerto Rico) proceeding would certainly help reverse this dramatic decline in telephone penetration, it is also true that Verizon has shown a decided lack of commitment to invest in the Puerto Rico Telephone Company. See Minority Media and Telecommunications Council, CWA, UTCPR Comments, CC Docket No. 96-45 and WC Docket No. 05-337, March

wireline connection – with emergency electrical back-up built into the network -- provides a critical link during emergencies when electricity fails (as it frequently does in a tropical island such as Puerto Rico). The Commission, therefore, must ensure that any transfer will result in increased investment in PRTC's wireline infrastructure with measurable improvements in telephone penetration rates, service quality, and Internet access. Absent such commitments, the Commission should not approve the transfer.

To understand the reasons for the dramatic decline in telephone penetration in Puerto Rico since Verizon purchased the majority stake in PRTC in 2000, the UTCPR and CWA convened on July 24, 2006 a roundtable of six frontline installers and repairers who are members of UTCPR/CWA Local 3010. These workers install telephone service and provide related repair work for PRTC, averaging 15 years of service each. The six installers work in urban and rural regions throughout Puerto Rico: Bayamon, Rio Piedras, San Juan, Guayanabo, and Vega Baja. With the exception of San Juan, the other regions include both urban and rural areas; Vega Baja is almost exclusively rural. PRTC does not directly employ its own installers, but since 1976 has provided installation through contractual arrangement with outside companies who are the direct employers of the UTCPR-represented workers.¹⁷

The installers explained that the decline in the telephone penetration rate can be traced directly to two factors: the poor quality of the telephone infrastructure in both urban and rural sections of the island and understaffing. The front-line workers reported that frequently when they are sent to install new service, they cannot fulfill the request because the outside cable is in

27, 2006.

¹⁷ The contract companies that employ the installer/repair workers represented by UTCPR/CWA Local 3010 are Bermudez y Longo, Juseville, Telephone Technology System, Central Teleconstructions, JAF Teleconstruction, and

such poor condition. In the case of multi-dwelling units, there are often no free copper pairs in good condition serving the unit available for a new customer. As a result, the installer notifies the company that new facilities must be provided in order to meet the service order request. Because of understaffing in the engineering and construction departments and inadequate budgets for construction, it typically takes six to eight months to get the facilities needed for service installation. By the time the facilities have been provided and the installer is dispatched a second time, many customers have become frustrated and cancel service. Even then, installation is slowed because there are not enough PRTC testmen and frame workers at the central office to coordinate with the field installer to make sure the line is functioning properly.

The document entitled “Resultados del Equipo: Resultados desde Junio 19 hasta Julio 07” (Group Results from June 19 to July 7 [2006]) provided as Attachment 1 documents this problem in the regions of Bayamon, Pueblo Viejo, Guaynabo, and San Juan. During this 3 week period, there were a total of 4,110 service orders pending. Of these, only 1,096, or one-quarter, were completed (“completadas”). Another 658, or 16 percent, were not installed because of faulty facilities (“demoradas”). In 223 cases, or 5 percent of the orders, the customer cancelled out of frustration from the long delay in service. Finally, more than half the orders, or 2,133, were still awaiting dispatch and remained as orders on hand (“despacho”).¹⁸ The problems were particularly acute in the three areas outside San Juan, with only 15 percent of the orders completed.

Verizon’s staffing cuts have seriously hampered the provision of quality service. As noted above, this includes central office frame technicians, testers, and customer service personnel in

Iberico.

the business offices. As noted, UTCPR/CWA Local 3010 represents installers providing service to PRTC. In 2000, there were 318 installers. Today, there are only 157, a 50 percent drop.

Verizon has installed an automated system to request dialtone, but it is riddled with errors.

Customers frequently get billed for service they didn't order, or do not get service because the automated service connects the wrong dwelling unit.

Internet access lags far behind the U.S. mainland. According to the installers, at least half the lines are too damaged and cannot be conditioned to provide DSL service. In the rural areas, Verizon is not investing in remote terminals that would bring DSL within reach of customers who are too far from the central office to receive DSL service. A basic DSL service at 256 kbps upstream and 128 kbps downstream costs \$24.95, which is \$10 more than the \$14.95 service Verizon offers in most regions on the mainland. Higher speeds cost even more: with upstream/downstream service at 512 kbps/256kbps at \$49.95; 1 mbps/512kbps costs \$59.95, and 2mbps/512kbps sells for \$84.95. (See Attachment 2)

In sum, frontline workers tell a story of decline in local telephone service due to inadequate investment and staffing levels since privatization and Verizon's purchase of majority ownership in the telephone company in 2000. More than 40 percent of the people of Puerto Rico do not even have basic telephone service, much less Internet access.

The Commission must also ensure that América Móvil has the requisite character qualifications, as required under section 310(d) of the Communications Act, to hold the Verizon licenses.¹⁹ América Móvil is currently the subject of numerous legal proceedings related to tax, antitrust, and contractual claims. According to information provided by América Móvil to the

¹⁸ Attachment 1.

Securities and Exchange Commission (SEC), América Móvil subsidiaries in Mexico (Telcel), Columbia (Comcel), Brazil, and the United States (CompUSA) are subject to legal proceedings related to tax, anti-competitive activity, patent infringement, and other contractual disputes. (See Attachment 3) The Commission should investigate these claims to determine whether based on past practice, América Móvil has the requisite corporate character to merit transfer of licenses in Puerto Rico.

The Commission has the legal obligation to ensure that the proposed transaction serves the public interest. To date, the Joint Applicants have not demonstrated any measurable or verifiable benefits that will accrue to Puerto Rican consumers from the transaction. Commentators as well as América Móvil's corporate record indicate the potential for significant public interest harm related to the proposed transaction.

Given the unprecedented nature of this transaction in which a foreign company proposes to purchase and provide service on U.S. soil, the Commission should not approve the transfer absent verifiable commitments to make significant infrastructure investment in PRTC wireline operations, to maintain or grow employment, to uphold the highest standards of quality service and corporate accountability, and to provide other concrete benefits to the consumers of Puerto Rico. The Commission should set benchmarks to measure landline telephone penetration, Internet access, and service standards, including deadlines for providing new installation within a reasonable period of time after the service is requested. UTCPR and CWA concur with commentators that without such commitments, the Commission should deny the Application.

¹⁹ See U.S.C. § 310(d). See also *Adelphia-Time Warner – Comcast Order* at 232.

Respectfully Submitted,

A handwritten signature in black ink that reads "Debbie Goldman". The signature is written in a cursive, flowing style.

Debbie Goldman
Communications Workers of America
Research Economist

Dated: July 31, 2006.

DECLARATION OF DEBBIE GOLDMAN

My name is Debbie Goldman. I am Research Economist with the Communications Workers of America. My business address is 501 Third Street N.W., Washington, D.C. 2001.

The Communications Workers of America is a labor organization representing 700,000 workers, half of whom work in the communications industry, including wireline, wireless, Internet access, cable, broadcasting, and publishing.

The Union de Trabajadores de Las Comunicaciones de Puerto Rico/CWA Local 3010 represents installer/repairers employed by companies under contract to provide installation and repair services to customers of the Puerto Rico Telephone Company. Members of the Union de Trabajadores de Las Comunicaciones de Puerto Rico/CWA Local 3010 reside in communities presently served by Telecomunicaciones de Puerto Rico, Inc. and its subsidiary, Puerto Rico Telephone Company.

I am familiar with the contents of the foregoing Reply Comments. The factual assertions made in the petition are true to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.
Executed on July 31, 2006.



Debbie Goldman

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was delivered by electronic mail, or First Class, postage prepaid, U.S. Mail on this 31st day of July 2006 to the below-listed parties.


Angela Turner

Best Copy and Printing
Portals II
Federal Communications Commission
fcc@bcpiweb.com

Susan Singer
Spectrum and Competition Policy Division
Wireless Telecommunications Bureau
Federal Communications Commission
Susan.singer@fcc.gov

Susan O'Connell
Policy Division
International Bureau
Federal Communications Commission
Susan.oconnell@fcc.gov

Jodie May
Competition Policy Division
Wireline Competition Bureau
Federal Communications Commission
Jodie.may@fcc.gov

Erin McGrath
Mobility Division
Wireless Telecommunications Bureau
Federal Communications Commission
Erin.mcgrath@fcc.gov

David Krech
Policy Division
International Bureau
Federal Communications Commission
David.krech@fcc.gov

Gail Cohen
Competition Policy Division
Wireline Competition Bureau
Federal Communications Commission
Gail.cohen@fcc.gov

Neil Dellar
Office of General Counsel
Federal Communications Commission
Neil.dellar@fcc.gov

Christopher W. Savage
Cole, Raywid & Braverman, LLP
1919 Pennsylvania Avenue, NW, Ste. 200
Washington, DC 20006

Honorable Kenneth D. McClintock
President
Senate of Puerto Rico
P.O. Box 9023431
San Juan, PR 00902

Veronica M. Ahern
Leslie Paul Machado
Nixon Peabody, LLP
401 9th Street, NW, Ste. 900
Washington, DC 20004

Michael E. Glover
Karen Zacharia
Leslie V. Owsley
Verizon
1515 Courthouse Road
Arlington, VA 22201
Michael.e.glover@verizon.com

H. Russell Frisby, Jr.
A. Enrico C. Soriano
James N. Moskowitz
Richard L. Davis
Fleischmann and Walsh
1919 Pennsylvania Avenue, Ste. 600
Washington, DC 20006

Richard Rubin
Angela R. Thompson
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, NW, Ste. 1200
Washington, DC 20009

Honorable Orlando Parga
President Pro Temp
Senate of Puerto Rico
P.O. Box 9023431
San Juan, PR 00902

Alejandro Cantu Jimenez
General Counsel
America Movil S.A. De C.V.
Lago Alberto 366
Torre 1, Piso 2
Colonia Anahuac
11320 Mexico, D.F.

Philip L. Verveer
Michael G. Jones
Daniel K. Alvarez
Willkie Farr & Gallagher, LLP
1875 K Street, NW
Washington, DC 20006
pverneer@willkie.com
mjones@willkie.com
dalvarez@willkie.com

Nancy J. Victory
Wiley, Rein & Fielding, LLP
1776 K Street, N.W.
Washington, DC 20006
Nvictory@wrf.com

Vanya B. McCain
Sprint Nextel Corporation
401 9th Street, N.W., Ste. 400
Washington, DC 20004

Sigal P. Mandelker
Deputy Assistant Attorney General
United State Department of Justice
Criminal Division
Washington, DC 20530