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December 20, 2006

VIA ECFS

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

Re: Application for Consent to the Transfer of Control of
Telecomunicaciones de Puerto Rico, Inc. from
Verizon to America Móvil (WT Docket No. 06-113)

Dear Ms. Dortch:

The Telecommunications Regulatory Board of Puerto Rico (“the Board”), by its attorneys, hereby submits these additional comments in this proceeding. Specifically, the Board provides its comments on the November 28, 2006 submission of America Móvil and Verizon, which was prepared and submitted to address eight questions raised by the staff of the Federal Communications Commission in an information request dated November 13, 2006.

Introduction

The Board believes that the staff information request was, in part, a response to criticisms leveled by the Board and others of the proposed America Móvil/Verizon transaction. In its Petition to Deny, the Board found that the public interest benefits described in the application were hollow and meaningless, devoid of any specific commitments. The Board also pointed out examples of other cases in which the Commission had required such commitments as a condition of approval of a transaction. Finally, the Board proposed performance measures that would assure a commitment to quality of service, both on a retail and a wholesale basis, by appropriate investment in telecommunications infrastructure.

In particular, the Board criticized the three purported public interest benefits given by America Móvil/Verizon in the original application: (1) operating experience and business approach, including an upgrade to 3G, “after an opportunity to analyze the matter”;¹ (2) economies of scale; and

¹ America Móvil/Verizon Opposition at 3.
10222728.2

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(3) experience in providing service in less affluent parts of the world. In each case, in its Petition to Deny, and later in its Reply to the America Móvil/Verizon Opposition, the Board showed that these purported benefits had no tangible, credible meaning to the citizens of Puerto Rico.

The November 13, 2006 Information Request picked up on the Board's theme and gave America Móvil and Verizon an opportunity to step up to the plate again and show, with specificity, how this transaction would serve the public interest. Once again the parties have swung and, for the most part, missed. The Board's comments on the parties' answers to the staff's questions follow:²

Responses and Comments

- Question 2(i): Please provide a timeline for the deployment of 3G service throughout Puerto Rico?**
- Question 2(ii): How does America Móvil plan to upgrade its network and deploy 3G service in Puerto Rico?**
- Question 2(iii): Will this upgrade result in other wireless technologies (e.g., CDMA, W-CDMA, TDMA, EDGE, GSM, GPRS) currently deployed in Puerto Rico being discontinued? If so, please provide a timeline for the discontinuance as well as a transition plan for customers.**

Response: America Móvil responds that Puerto Rico already is provided with 3G service, using the CDMA/EVDO technology, in most of the extended metro area and certain other parts of the island, with plans to add services in 2007. America Móvil intends to overlay a GSM/EDGE/UMTS/HSPA network, and will add cell sites and micro-cells to improve what is today "the most powerful network in Puerto Rico."³ America Móvil prefers the GSM/3GSM technology, but has no present plans to turn off the existing CDMA/EVDO network. America Móvil has experience in constructing and operating overlay networks. If in the future, America Móvil were to determine that two networks are no longer warranted, it would establish an appropriate transition plan for its CDMA/EVDO customers, presumably to carriers offering such technology.

Board Comment: In its answer, America Movil reveals that its commitment "to assuring 3G service for its wireless subscribers in Puerto Rico" is completely meaningless. Puerto Rico already has 3G service, provided using "the most powerful network in Puerto Rico," the CDMA/EVDO network. What the November 28 filing tells us is that America Móvil, when it prepared its application, had no clear idea of the state of service in Puerto Rico and so gave a phantom promise as an example of its business acumen. When pressed by the staff, it was necessary to admit that 3G services are available in Puerto Rico and that plans for expansion are underway. Thus, the single example of its superior business approach pointed to by America Móvil turns out to be no added benefit at all.

² The Board has no comment on Questions 1 and 8.

³ November 28 Letter at 3.

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Question 3: **How much does America Móvil plan to invest in maintaining and improving the existing wireless technologies used in Puerto Rico for each of the next three years?**

Response: America Móvil announces that it will spend approximately \$140 million in 2007 to deploy a new GSM/3GSM network, as well as to expand and maintain the CDMA network. In the following two years about another \$140 million will be spent.

Board Comment: America Móvil does not answer the question. The Commission staff asked how much would be invested in the *existing wireless technologies* used in Puerto Rico. At the very least, America Móvil should be required to say how much it will invest in the CDMA network. The Board is concerned that America Móvil does not intend to invest in that network, but rather will allow it to deteriorate as it constructs its new GSM network.

Question 4: **Please describe with specificity the plans that America Móvil has to “expand both the coverage of telecommunications services and the service options available to consumers” in Puerto Rico, as set forth at page 6 of the Public Interest Statement.**

Response: America Móvil answers that it has extensive experience in providing wireless services to customers of all income levels and that it intends to take steps to improve the current wireless coverage in certain areas. America Móvil points out that it also provides wireline services to corporate and residential subscribers in Nicaragua, El Salvador and Guatemala. This experience will “inform” America Móvil’s plans to execute projects in Puerto Rico to bring the fiber optic network closer to the home and office buildings. America Móvil also lists some planned service offerings.

Board Comment: Once again, America Móvil does not really answer the question, at least with respect to its plans for wireline services. The Board does not question America Móvil’s extensive experience in wireless, particularly in the developing world, using prepaid options. Indeed, America Móvil’s list of planned service offerings reflects a clear preference for wireless, as most of these offerings are wireless offerings only. America Móvil’s plans for wireline services are given short shrift, with scant reference to Triple and Quadruple Play offers, but with no specifics, as had been requested by the Commission staff. At the very least, the staff should seek to know how America Móvil’s experience in Nicaragua, El Salvador and Guatemala will “inform” plans to bring the fiber optic network “closer” to the home and office buildings. Has America Móvil brought Fiber To The Home (FTTH) in any of these countries? How extensive *is* the fiber network in Nicaragua, El Salvador and Guatemala? Certainly the staff expected more specificity than provided by America Móvil. This information would be valuable to assuaging the Board’s concern that our underserved communities will not be offered broadband services at a reasonable price. The extension of broadband is one of Chairman Martin’s priorities, as it is one of the Board’s. The public interest requires that America Móvil be more specific about its broadband plans.

Question 5(i): **Please describe with specificity America Móvil’s plans to integrate wireline and wireless services in Puerto Rico.**

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Question 5(ii): When does America Móvil expect that this integration will be largely complete? How long has similar integration taken to achieve in other countries where America Móvil has integrated wirelines and wireless networks?

Question 5(iii): Provide specific examples of the benefits that consumers will experience once this integration is complete.

Response: America Móvil answers that it will optimize the transport structure for all types of services by deploying an IP/MPLS backbone. It will also improve infrastructure by expanding the fiber optic network closer to the home and office. Further, billing system integration will support Quadruple Play services. As to when this can be expected, America Móvil expects to deploy the IP/MPLS backbone and the changes to the billing system within two years. America Móvil gives further examples of specific benefits it claims will be experienced once integration is complete.

Board Comment: The Board recognizes that there are some valuable services and improvements revealed in America Móvil's answer to this question. Indeed, plans to replace the legacy billing system are most welcome since billing problems have plagued PRTC's residential, business and, especially, competitive customers for years. In fact, the Board's request for performance measure conditions is in part a response to such problems. We are also in favor of deploying an IP/MPLS backbone, if it will improve the transport infrastructure. Given that these plans are indeed potential benefits, the Board recommends that the Commission condition any approval on the achievement of these plans within the two year time frame suggested by America Móvil. This can perhaps be accomplished through adoption of the Board's performance measure conditions which will insure that these improvements come to fruition and do not simply become plans "scrapped" when priorities change.

Question 6(i): Over the past three years, how much has America Móvil increased wireless penetration in each of the countries where it offers wireless service?

Question 6(iii): What is the percentage increase of customers who have access to 3G wireless service over the last three years in each country where America Móvil provides such service?

Response: America Móvil provides a chart showing an increase in wireless penetration in every country in which it operates. America Móvil also explains that it plans to offer 3G services in its operating areas in 2007.

Board Comment: The Board is concerned that America Móvil may have misspoken regarding the extent of its present 3G deployment: that is, none. In its application, America Móvil gave an example of its commitment to providing "state of the art service," specifically its commitment to implementing 3G networks:

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America 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.⁴

The clear implication of this statement is that America Móvil is providing 3G service in those countries mentioned. Now we learn that the “state of the art” network deployed is not in fact 3G, since 3G will not be available until 2007. We wonder what “state of the art” means, if not 3G. We wonder what America Móvil intended the Commission to believe. America Móvil may not have deliberately misled the Commission, but at the very least such imprecision of language undermines America Móvil’s credibility.

Question 7(i): Please specify in detail the benefits that will result from the advantages of scale and scope possessed by America Móvil. In particular please discuss those advantages that are in addition to the ability to make bulk hand set purchases.

Question 7(ii): In what ways is America Móvil better able than the current telecommunications provider, TELPRI (both with and without its indirect owner Verizon) to realize advantages of scale and scope?

Question 7(iii): Provide estimates of the benefits or the cost savings due to the improved economies of scale and scope caused by the transaction. If cost savings are anticipated, how much does America Móvil expect to pass onto consumers?

Question 7(iv): Provide an estimate of the time it will take to realize the benefits and/or cost savings identified above.

Response: Because it is one of the largest wireless providers in the world, America Móvil claims to enjoy reduced wireless infrastructure prices, which coupled with the economies of scale associated with GSM/3GSM, will allow America Móvil to achieve improved capital expenditure results. Further, America Móvil states that it can rely upon the expertise of its sister companies with respect to wireline operations. Moreover, America Móvil states that it and Telmex are among the largest personal computer distributors in Mexico and Central America, which will reduce personal computer installment prices. America Móvil also lists some of the economies of scale that GSM/3GSM provides and suggests services not currently provided in Puerto Rico that America Móvil offers in other markets. With regard to estimates of cost savings and consumer pass-through, America Móvil repeats its list of potential benefits. America Móvil does state that some of these offerings can be made available within 6-8 months of the transfer of control.

⁴ Public Interest Statement at 4.
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Board Comment: The Board believes the Commission should treat everything America Móvil says about 3G or 3GSM with a high degree of skepticism. America Móvil does not provide 3G, so it does not automatically enjoy economies of scale and scope. It has no operating experience in the provision of 3G, so it does not yet speak with authority about the services that it can provide. America Móvil does not even try to answer the staff's question concerning an estimate of cost savings and the amount of those savings that will be passed through to consumers. Without some operating experience, it is difficult to even guess at an estimate.

With regard to wireline scale and scope, it is telling that America Móvil confesses that it will rely upon its sister companies for expertise. The admission that America Móvil itself has no scale or scope in wireline operations is refreshingly honest. However, it is of great concern to the Board that neither America Móvil, nor any of its sister companies, have any significant expertise in wireline operations in a competitive environment.

Conclusion

The Board again expresses its view that the public interest benefits claimed by America Móvil and Verizon as a result of this transaction are illusory. The November 28, 2006 response by America Móvil only added to this concern as it revealed that Puerto Rico is already blessed with a 3G system, thus depriving America Móvil of credit for providing one, and that America Móvil plans to "overlay" a conflicting technology, which may lead to serious customer inconvenience. The November 28, 2006 letter also contained the startling revelation that America Móvil does not yet provide 3G service anywhere, contrary to the implication contained in its application. Finally, the November 28, 2006 letter makes clear that America Móvil itself has little operating experience in the wireline world and would have to rely upon others for its expertise. So the question remains: How will America Móvil provide broadband services to underserved communities at reasonable prices?

In the view of the Board, the development of telecommunications in Puerto Rico is too important to allow an untested, inexperienced operator to take control of the Incumbent Local Exchange Carrier without some strong protections, such as the conditions the Board has recommended.

Respectfully submitted,

The Telecommunications Regulatory
Board of Puerto Rico



Veronica M. Ahern
Its Attorney

CERTIFICATE OF SERVICE

I, Cheryl A. Sinsabaugh, do hereby certify that I have served the foregoing document by electronic mail, upon the following persons.

Dated at Washington, D.C. this 20th day of December, 2006.

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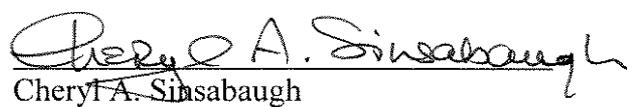
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