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**Ex Parte**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Application for Consent to Transfer of Control of Telecommunication de Puerto Rico Inc. from Verizon to America Movil - WT Docket No. 06-113**

Dear Ms. Dortch:

Today, Leslie Owsley, Nancy Victory, and the undersigned, representing Verizon, and Mike Jones and Phil Verveer, representing America Movil met with John Hunter and Angela Giancarlo of Commissioner McDowell's office to give an overview of the transaction in the above-referenced proceeding. The attached handout was used in the meeting.

Sincerely,

Donna Epps

A handwritten signature in black ink that reads "Donna Epps".

## Foreign Ownership

All U.S. government review necessary for this transaction has concluded except FCC's:

- DOJ cleared from Hart Scott Rodino perspective without second request
- DOJ (including FBI and DHS) cleared from national security/law enforcement/public safety perspective, and advised FCC it has no objection to granting consent, as long as conditioned on the Security Agreement negotiated with América Móvil and PRT, on Dec. 15, 2006
- DOD cleared from national security/law enforcement/public safety perspective (with particular focus on security controls to protect sensitive military communications, and ability to realign military installations), and advised FCC it has no objection to granting consent, as long as conditioned on the Commitment Letter negotiated with América Móvil, on Dec. 18, 2006
- The FCC application was filed May 9, 2006, and has now been pending for 10 months.

FCC's rules establish a presumption that foreign ownership or control of greater than 25% is in the public interest where the entity or entities holding the interest are from WTO Member countries. *See Foreign Participation Order*, 12 FCC Rcd 23891 (1997).

- FCC adopted open entry standard to give effect to commitments that the U.S. made in the WTO Basic Telecom Agreement. *Id.* at 23896.
- FCC found that the open entry standard would result in benefits for U.S. consumers from additional competition in U.S. markets and from further opening to U.S. carriers in foreign markets. *Id.* at 23896-97.
- FCC recognized that failure to permit open entry into the U.S. market (or to act promptly on applications to enter) could have significant adverse consequences for U.S. interests around the globe, since other countries then would be unlikely to promptly permit entry into their markets by U.S. firms. *Id.* at 23908-09
- Consistent with this policy, FCC found that the presumption could be rebutted only in truly "exceptional" cases where control of a U.S. carrier by a foreign entity would pose a high risk to competition. FCC found that it is "highly unlikely that a carrier from a WTO Member country" could pose such a very high risk to competition. *Id.* at 23913-14.

The presumption in favor of entry fully applies here.

- América Móvil's home market is Mexico – a WTO Member country – under the FCC's "principal place of business test"
  - América Móvil is organized under the laws of Mexico
  - A substantial part of its equity ownership and voting control is Mexican
  - More of its revenues derive from its businesses in Mexico than from its businesses in any other country.
- The U.S. Trade Representative has confirmed that Mexico's market is open and that Mexico has an appropriate regulatory regime in place. Press Release, U.S.

Mission to the United Nations in Geneva, Statements by the U.S. Representative at the Meeting of the WTO Dispute Settlement Body (DSB), *Mexico – Measures Affecting Telecommunications Services: Status Report by Mexico*, WT/DS204/9/ADD.8 (Aug. 31, 2005), available at <http://www.us-mission.ch/Press2005/0831DSB.htm>

- Therefore, the presumption in favor of entry is justified here.

Moreover, there is no question that América Móvil is controlled by residents of a WTO Member country – Mexico – and over 95 % of voting control is known to be held by residents of Mexico or the U.S. Approximately 72% of voting control is known to be held directly by Mexican citizens, and another 23% is held by SBC International – a subsidiary of a U.S. company.

- This fact should be dispositive, because the key inquiry is regarding control. Since the open entry presumption can only be overcome by a determination that the investor – through its foreign carrier affiliates – poses a high risk of anti-competitive conduct, it is appropriate to focus on entities that can control the activities of the investor in U.S. and foreign markets. That means voting control, since that is what determines a company’s activities.
- In the case of publicly traded companies like América Móvil, the focus on voting control is particularly appropriate. Large, publicly traded companies often have several classes of stock, some of which provide the holder with limited or no voting rights. Holders of such stock effectively have little to no influence over the corporation or corporate decisions. (This is true for holders of the L Class of América Móvil stock.)

Under these circumstances, a separate analysis of equity ownership is not especially meaningful because it is already known that América Móvil is a Mexican company controlled by Mexican citizens. Nevertheless, the available information shows that América Móvil meets the standards of Section 310(b)(4) and the Foreign Participation Order.

- Nearly 85% of América Móvil’s equity currently is held by specifically identified Mexican or U.S. individuals and entities, by individuals with registered addresses in the U.S., Canada, or other WTO-member countries, or by “Participant” banks and other financial institutions who hold the shares for the ultimate owners and are located in the U.S., Canada, or other WTO-member countries.
- In other words, the available information accounts for all but about 15% of América Móvil’s total equity ownership. This does not mean that this remaining 15% is held by citizens of non-WTO Member countries. To the contrary, because the vast majority of the world’s population lives in WTO Member countries, virtually all of the equity is likely to be held by citizens of such countries.

The available information is summarized in below:

América Móvil Stock Ownership

1. América Móvil has three classes of stock:

Class	Percent of Total Equity represented by Class	Percent of Voting Control held by Class
AA	approx. 33%	approx. 95%
A	approx. 2%	approx. 5%
L	approx. 65%	None

2. Ownership of 95% of *voting control* is known to be held by residents of WTO countries. This is so because the AA shares are all known to be held by citizens of WTO member countries (Mexico and the United States).

3. Approximately 85% of *total equity ownership* is known to be held by specifically identified Mexican or U.S. individuals and entities, by individuals with registered addresses in the U.S., Canada, or other WTO-member countries, or by “Participant” banks and other financial institutions who are located in the U.S., Canada, or other WTO-member countries. As noted above, ownership of the AA shares is known. Ownership of the A shares and L shares is harder to determine because these shares trade publicly on the stock exchanges of several WTO Member countries, including Mexico, Germany, Spain, and the United States. In the U.S., however, these shares trade as American Depository Shares (ADS), and the registered addresses of some of the holders of ADSs are known, as are the addresses of the “Participant” banks and financial institutions who hold the shares for the ultimate owners. As a result, the known equity ownership can be summarized as follows:

(a) Class	(b) Percent of Total Equity Represented by Class	(c) Percent of Class held by Known WTO Citizenship or Traded as ADSs	(d = b*c) Percent of Equity held by WTO Citizens, or with Known WTO Addresses
AA	approx. 33%	100%	approx. 33%
A	approx. 2%	30%	approx. 0.5%
L	approx. 65%	(ADSs) 64%	approx. 42%
		(Slim family) 14%	approx. 9%
<b>Total</b>	<b>100%</b>	--	<b>approx. 84.5%</b>