

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

**In the Matter of**

**Verizon Communication, Inc.,  
Transferor,**

**and**

**América Móvil, S.A. de C.V., Transferee,**

**Application for Authority to Transfer Control of  
Telecomunicaciones de Puerto Rico, Inc.  
(TELPRI)**

**WT Docket No. 06-113**

**MOTION TO REJECT**

The Telecommunications Regulatory Board of Puerto Rico (“Board”) hereby submits this Motion to Reject the December 31, 2007 filing by América Móvil S.A.B. de C.V. (“América Móvil”) which purported to satisfy a condition placed on América Móvil’s acquisition of Telecomunicaciones de Puerto Rico, Inc. (“TELPRI”) requiring an Annual Report of “basic telephone and broadband services” infrastructure. That filing does not contain “quantifiable and verifiable data” as required by the Federal Communications Commission (“FCC” or “Commission”) in its decision authorizing acquisition of TELPRI and its wholly-owned subsidiaries, Puerto Rico Telephone Company (“PRTC”) and PRT Larga Distancia, Inc. (PRTLTD). The filing also included information concerning investment in wireless infrastructure, which is not required to be included in the Annual Report, as well investment in plant necessary to maintain existing service, which should not be included in any accounting of “new” investment. The Board respectfully requests that the Commission reject the Annual Report and require TELPRI to provide data in a useful and verifiable format and to clarify that investment in

wireless infrastructure or investment in plant necessary to maintain existing service is not included within the commitment to “basic telephone and broadband services.”

## I. BACKGROUND

On March 26, 2007, the FCC adopted a Memorandum Opinion and Order and Declaratory Ruling authorizing the transfer of control of TELPRI from Verizon Communications, Inc. to América Móvil.<sup>1</sup> The Board had petitioned to deny the transfer application because of our concern that the transaction would not benefit telecommunications consumers in Puerto Rico.<sup>2</sup> The FCC found that the acquisition would give rise to some efficiencies and other public interest benefits and decided to grant the transfer applications.<sup>3</sup> However, in part because of the intervention of the Board, the FCC required that América Móvil invest \$1 billion over five years to improve service in Puerto Rico.<sup>4</sup> The Commission also required that América Móvil provide:

a written report to the Commission on an annual basis describing the progress it has made in deploying infrastructure used to provide *basic telephone and broadband services* in Puerto Rico. This report, which shall include *quantifiable and verifiable data* shall be due to the Commission on December 31 of each calendar year.<sup>5</sup>

On December 31, 2007, América Móvil and TELPRI provided its first Annual Progress Report to the FCC.<sup>6</sup> The report offers a narrative covering TELPRI investments in Basic Wireline Service (POTS), Broadband and Data Services and Wireless Services. The Report

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<sup>1</sup> *Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc.*, 22 FCC Rcd 6195 (2007) (*Transfer Order*)

<sup>2</sup> See, Telecommunications Regulatory Board of Puerto Rico, Petition to Deny, July 14, 2006.

<sup>3</sup> *Id.* at ¶ 36.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* (emphasis added)

<sup>6</sup> See Attachment A

offers only aggregate numbers as follows:

Basic Wireline	- \$ 62,459,350
Broadband & Data	- \$ 57,019,740
Wireless	- <u>\$100,958,920</u>
Total 2007 Investment	\$220,438,010

## II. DISCUSSION

### A. The Report Does Not Provide Quantifiable and Verifiable Data.

The *Transfer Order* made it very clear that TELPRI would be required to provide data that is “quantifiable and verifiable.” Yet TELPRI provides no more than aggregate numbers in a narrative devoid of specifics as to operating company, project, budget, service, amount or any other identifiable information. Indeed, the narrative merely describes the investment in Basic Wireline Service as “significant” (external plant relocation required by local government agencies) or “substantial” (maintenance, repair and replacement of outside plant). Similarly, investment in Broadband and Data is “significant” (number of added DSL ports) and “substantial” (number of SIP trunks). Not to be outdone, Wireless Services were invested in “significantly” (to handle additional traffic). There is no way that anyone could quantify and verify TELPRI’s investments on the basis of this Report.

The reason that the Commission sought quantifiable and verifiable data is to be sure that the benefits sought to be achieved by the transfer of control are realized. The report filed by América Móvil and TELPRI suggests an attempt to pull the wool over the eyes of the Commission – and other interested parties. This attempt at obfuscation must be rejected. The Commission must require TELPRI to resubmit the 2007 Annual Report with detailed information which would allow the Board and others to confirm the purported investments.<sup>7</sup>

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<sup>7</sup> TELPRI should be required to submit the Annual Report following the applicable accounting treatment mandated in the Uniform System of Accounts of Part 32 of the Commission Rules, 47 CFR Part 32.

This will allow year-by-year investment comparisons to see the actual impact that América Móvil has had on TELPRI's operating companies. For example, if the average yearly investment in basic wireline services in past years has been comparable to the investment made by América Móvil this year, there has been no net advantage to Puerto Rico's consumers. However, no valid comparisons can be made without the quantifiable and verifiable data required by the Commission and omitted by America Movil and TELPRI.

**B. Wireless Service Investment And Investment in Plant Necessary to Maintain Existing Service Should Not Be Counted Toward the \$1 Billion.**

In its Annual Report, TELPRI included an investment of \$100,958,920 in wireless infrastructure, including the building out of a new GSM network and increasing the capacity of the CDMA network. Inclusion in the Annual Report suggests that América Móvil assumes that its wireless infrastructure investment is included within its \$1 billion commitment to "investing directly or through TELPRI \$1 billion over 5 years in communications and/or information services in Puerto Rico."<sup>8</sup> The Board strongly disagrees.

First, América Móvil made a commitment to invest approximately \$280 million over three years to upgrade and maintain wireless infrastructure *before* it committed to \$1 billion in infrastructure investment. Indeed the wireless commitment was revealed in response to the Board's criticism of América Móvil's plans to replace the wireless network.<sup>9</sup> The \$1 billion condition was also likely in response to Board concerns that wireless, rather than wireline or broadband would receive the lion's share of América Móvil's financial commitment. Given the fragile, though improving, state of competition on Puerto Rico, the Board sought some assurance that wireline services, including wholesale wireline services, would receive investment capital. Thus, the Board has always considered the wireless commitment of \$280 million to be above and beyond the commitment of \$1 billion "in communications and/or information services."

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<sup>8</sup> Letter from Michael G. Jones, Willkie Farr & Gallagher LLP to Marlene Dortch, Secretary, Federal Communications Commission, March 23, 2007 (Appendix D to *Transfer Order*)

<sup>9</sup> See *Transfer Order* at n. 110, citing letters from Philip L. Verveer, Willkie Farr & Gallagher LLP to Marlene Dortch, Secretary, Federal Communications Commission, November 28, 2006.

Second, it appears that the Commission also anticipated that the \$1 billion would be for wireline and broadband services in Puerto Rico, not for wireless. In the *Transfer Order*, the Commission first imposed the \$1 billion condition. Then, in the very next sentence, it required the annual report on progress in deploying infrastructure for “basic telephone and broadband service in Puerto Rico”. *There is no requirement that America Movil report on wireless infrastructure deployment.* The Commission’s concern was limited to wireline and broadband, which were also the areas of most concern to the Board.

Admittedly, the language of the March 23 letter is sufficiently vague as to lump together wireless, wireline, broadband and virtually anything else related to communications or information from advertising to yodeling. Nor is the Commission’s ordering clause, which refers to the March 23 letter, any more specific.<sup>10</sup> Nevertheless in the context in which the two commitments were made, as well as the Commission’s interest in accounting only for wireline and broadband, not wireless, it is clear that the Commission intended the \$1 billion commitment not to include the \$280 million previously committed to wireless.

Furthermore, it is the Board’s understanding that the \$1 billion commitment by America Movil was above and beyond the capital investment in plant necessary to maintain existing service. Investments regularly and usually made in a telecommunications company plant, as well as investments made because of weather conditions, outages, and emergencies, should not be included in the commitment to improvements made by America Movil.

It is to be sure that neither wireless investment or investment in plant necessary to maintain existing service (including repairs due to outages, emergencies, etc.) be included in the \$1 billion commitment that TELPRI must be required to provide quantifiable and verifiable data.

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<sup>10</sup> *Transfer Order* at ¶ 77.

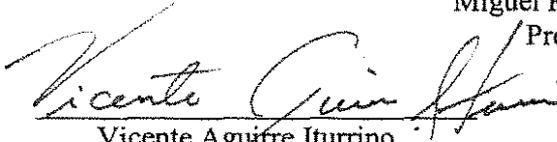
### III. CONCLUSION

It is clear that the December 31, 2007 filing does not satisfy the Commission's requirement that information be quantifiable and verifiable. The Board urges the Commission to reject the filing and require TELPRI to provide investment data in a useful format in accordance with the Uniform System of Accounts (47 CFR Part 32). The Board also asks the Commission to clarify that investment in wireless infrastructure and investment in plant necessary to maintain existing service is not included within the \$1 billion commitment to basic telephone and broadband services.

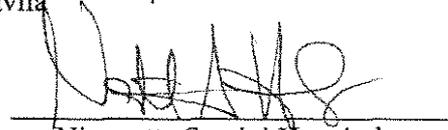
Respectfully submitted,



Miguel Reyes Dávila  
President



Vicente Aguirre Iturrino  
Associate Member



Nixyvette Santini Hernández  
Associate Member

Date: February 7, 2008

ATTACHMENT A

WILLKIE FARR & GALLAGHER LLP

1875 K Street, NW  
Washington, DC 20006

Tel: 202 303 1000  
Fax: 202 303 2000

December 31, 2007

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

RE: América Móvil Annual Progress Report for the Deployment of the Infrastructure Used to Provide Basic Telephone and Broadband Services in Puerto Rico

WT Docket No. 06-113

Dear Ms. Dortch:

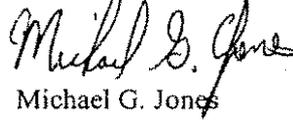
On March 26, 2007, the Federal Communications Commission adopted and released a Memorandum Opinion and Order and Declaratory Ruling approving the transfer of control of Telecomunicaciones de Puerto Rico, Inc. ("TELPRI") to América Móvil S.A.B. de C.V. ("América Móvil"). The Commission's approval is conditioned upon América Móvil's commitment to invest, directly or through TELPRI, \$1 billion over five years in communications and/or information services in Puerto Rico, which investments will promote improvements in these services. In addition, on an annual basis, América Móvil must provide a written report describing the progress it has made in deploying the infrastructure used to provide basic telephone and broadband services in Puerto Rico.

As described in the attached "Annual Infrastructure Deployment Progress Report" for the year ended December 31, 2007, América Móvil has invested through TELPRI approximately \$220,438,000 in numerous projects to improve its wireline, broadband and wireless communications across the Island.

Marlene H. Dortch, Secretary  
December 31, 2007  
Page 2 of 2

Please direct any questions to the undersigned.

Respectfully submitted,



Michael G. Jones

*Counsel for América Móvil S.A.B. de C.V.  
and Telecomunicaciones de Puerto Rico, Inc.*

Enclosure

cc w/enc: Chairman Kevin J. Martin  
Commissioner Michael J. Copps  
Commissioner Jonathan S. Adelstein  
Commissioner Deborah Taylor Tate  
Commissioner Robert M. McDowell  
Daniel Gonzales  
Michelle Carey  
Scott M. Deutchman  
Barry Ohlson  
Aaron Goldberger  
John Hunter  
Angela Giancarlo  
Chris Moore  
Susan O'Connell  
David Strickland  
Jodi Cooper  
John Copes  
Jim Ball  
Neil Dellar  
Helen Domenici  
Francis Gutierrez  
John Branscome

América Móvil, S.A.B. de C.V.  
Annual Progress Report to the FCC  
For the Year Ended December 31, 2007  
WT Docket No. 06-113

**I. Introduction**

On March 26, 2007, the Federal Communications Commission (“FCC” or “Commission”) adopted a Memorandum Opinion and Order and Declaratory Ruling, (WT Docket No. 06-113) authorizing the transfer of control of Telecomunicaciones de Puerto Rico, Inc. (“TELPRI”) from Verizon Communications, Inc. to América Móvil, S.A.B. de C.V. (“América Móvil”). This authorization is conditioned upon América Móvil’s commitment to invest, directly or through TELPRI, \$1 billion over five years in communications and/or information services in Puerto Rico, which investments will promote improvements in these services.<sup>1</sup>

The Commission also required América Móvil to provide an annual written report, due December 31 of each calendar year, describing the progress it has made in deploying infrastructure used to provide basic telephone and broadband services in Puerto Rico. The following report is submitted in fulfillment of that requirement. The investments reflected in this report have been reported as capital investments consistent with the FCC requirements presented in the Code of Federal Regulations (CFR) Title 47, Part 32 - Section 32.2000, Instructions for Telecommunications Plant Accounts, which provides detailed guidelines for the determination of which costs are to be expensed and which should be capitalized.

América Móvil acquired control of TELPRI on March 30, 2007. From that date through December 31, 2007 (the “Reporting Period”), América Móvil has invested, through TELPRI or TELPRI subsidiaries, approximately \$220,438,000 in telecommunications and information services in Puerto Rico.<sup>2</sup> This report describes this investment in three broad categories: basic wireline service (POTS), broadband/data, and wireless. Note that the broadband/data investment was entirely in the wireline backbone, which is used for the transport of POTS, wireless services and special facilities, as well as for high speed data networks designed for large retail and wholesale customers. Therefore, the amounts reported in the basic wireline service and broadband/data categories should be combined (for a total of approximately \$119.5 million) to understand the full scope of TELPRI’s investments in its wireline infrastructure.

The capital investments described in this report have contributed significantly to the telecommunications and information services infrastructure in Puerto Rico, and have also created a significant number of jobs in the island’s economy, which has an unemployment rate of approximately 11.2%, by far the highest in the United States.

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<sup>1</sup> See *Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc. (TELPRI)*, Memorandum Opinion and Order and Declaratory Ruling, 22 FCC Rcd 6195, ¶ 72 (2007).

<sup>2</sup> This amount is estimated because at the time of this report, TELPRI has not yet closed its accounting books for the fiscal year ending December 31, 2007.

## **II. Basic Wireline Service (POTS)**

TELPRI<sup>3</sup> invested approximately \$62,459,350 in its POTS infrastructure during the Reporting Period. This investment has focused on (1) network expansion (including adding capacity to existing facilities as well as constructing new facilities); and (2) maintenance of and improvements to the existing network (including both central offices and external plant).

The largest capital expenditure in network expansion and improvement focused on customer access facilities in new residential developments, including distribution and feeder cables, cross-connect terminals, and all other outside plant from the common distribution frame to the residential unit interface. TELPRI also invested in customer access facilities for new commercial units, including in large part the installation of entrance cables to new commercial units such as bank branches, shopping areas, and office buildings, among others.

TELPRI expanded the capacity of existing distribution facilities by adding distribution pairs, reconfiguring line distribution and using pair gain devices. This was most common in congested areas with old external plant where orders can be delayed due to lack of facilities. Network capacity also was expanded by adding Signaling Transfer Point links to the signaling network and software upgrades to switching equipment in a number of central offices. Finally, TELPRI invested a significant amount in external plant relocation and construction of new underground facilities required by local government agencies as part of road expansion, new road construction, and urban renewal projects.

TELPRI's investment in maintenance, repair and replacement of outside plant during the Reporting Period also was substantial. A major portion of this investment resulted from emergencies, ranging from tropical weather conditions such as storms and floods, to accidents, copper theft and vandalism. A service outage of 15 or more customers is considered an emergency and restoration of their service is given high priority. Among other major investments in this area, TELPRI replaced and added network DC power, generators, A/C equipment and other electrical systems to protect its digital loop carriers, switches and other central office equipment against unexpected power fluctuations and outages.

## **III. Broadband & Data Services**

TELPRI invested approximately \$57,019,740 during the Reporting Period to expand the coverage, increase the capacity and improve the quality of its broadband and

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<sup>3</sup> Investments attributed herein to TELPRI were made through its operating subsidiaries.

data infrastructure. This investment covered two major areas: DSL and high speed data networks.

Specifically, TELPRI added a significant number of DSL ports throughout Puerto Rico and, without increasing its prices, doubled the bandwidth of all its customers. It improved its IP backbone network through a tenfold increase in the capacity of its links and converted a number of DSLAM-ATM interconnections to IP. It also added a substantial number of SIP trunks to meet increasing demand for VOIP services.

To increase the transport capacity of its backbone and address the needs of large customers (both retail and wholesale), TELPRI also invested significantly in its high speed data networks. It added cross connect ports, channel banks and SONET systems in several central offices and expanded the fiber backbone capacity by installing DWDM rings, which increased its ability to manage different types of traffic, services and protocols across the entire network. Finally, TELPRI added transmission and synchronization equipment, as well as fiber optic links, in the existing network.

#### **IV. Wireless Services**

TELPRI invested approximately \$100,958,920 during the Reporting Period to build out a new GSM network and increase the capacity of its CDMA network.

The construction of the new GSM network required the purchase and installation of GSM/GPRS voice and data equipment at radio base stations. Most of these sites include UMTS technology to ensure that wireless broadband access of our GSM customers matches or exceeds that of our CDMA customers. A new home location register (HLR) was also installed. GSM value added services required the acquisition of new platforms for text messaging (SMS), picture delivery (MMS), web browsing (WAP), and content management (Speedy Móvil), as well as upgrades to existing CDMA platforms such as voice mail and ring back tones, to serve the GSM network. For prepaid customers, TELPRI invested in a platform with the capacity to provide data and SMS services on a real-time basis.

Despite its decision to overlay a GSM network, TELPRI remains committed to its existing CDMA customer base, and invested significantly to handle additional voice and data traffic while maintaining its current service levels (which include less than 2% in both dropped calls and ineffective attempts). This investment focused on expanding the capacity of existing switches and installing new carriers. TELPRI also upgraded its backup power supply at a number of existing sites. Finally, TELPRI upgraded several CDMA platforms to enhance its value added services and include new services such as text messaging for our prepaid customers, video streaming, and data roaming.

## Certificate of Service

I Keran A. Eubanks, certify that I have on this date 2/11/08 provided copies of the attached Motion to Reject by first class mail and email to the following:

Chairman Kevin J. Martin  
Federal Communications Commission  
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Washington D.C. 20554

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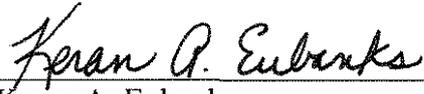
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