

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
)
Puerto Rico Telephone Company, Inc.)
)
Petition for Declaratory Ruling under) IB Docket No. _____
Section 310(b)(4) of the Communications)
Act of 1934, as Amended)

To: International Bureau
Federal Communications Commission

PETITION FOR DECLARATORY RULING

Pursuant to Section 310(b)(4) of the Communications Act of 1934, as amended,¹ and Section 1.5000(a)(1) of the Commission’s rules,² Puerto Rico Telephone Company, Inc. (“PRTC”) respectfully petitions the Federal Communications Commission (“FCC” or “Commission”) for an updated declaratory ruling that it would not serve the public interest to prohibit indirect foreign ownership in PRTC of more than 25 percent. Through previously granted declaratory rulings, the FCC has repeatedly approved indirect ownership in PRTC by its ultimate parent, América Móvil, S.A.B. de C.V. (“América Móvil”), and that company’s controlling shareholders, Mr. Carlos Slim Helú and certain members of his immediate family (hereinafter the “Slim Family”). This petition seeks approval for potential increases in the Slim Family’s ownership in América Móvil and, consequently, in PRTC, up to and including 100 percent of equity and voting interests.

¹ 47 U.S.C. § 310(b)(4).

² 47 C.F.R. § 1.5000(a)(1).

I. BACKGROUND AND PRIOR RULINGS

The Commission has previously determined that the public interest would be served by allowing up to 100 percent indirect foreign ownership investment in PRTC by América Móvil, a Mexican corporation controlled by the Slim Family.³ Furthermore, the Commission has repeatedly confirmed this approval, including in subsequent cases in which the ownership of the Slim Family in América Móvil has increased.⁴

In the 2007 *TELPRI Order*, the Commission reviewed PRTC's foreign ownership and first granted América Móvil, a company organized under the laws of Mexico, authority to hold a 100 percent indirect ownership interest in PRTC and its common carrier radio licenses and section 214 authorizations.⁵ Specifically, the Commission found that: (1) América Móvil and its indirect subsidiaries have their principal place of business in Mexico; (2) the shares held in América Móvil by Mexican citizens constitute 95.35 percent of América Móvil's full voting shares and that the majority interest in these shares is held by Mr. Carlos Slim Helú and members of his immediate family, all of whom are Mexican citizens; and (3) Mr. Slim exercises control of América Móvil.⁶ At the time of the ruling, the Slim Family had a 32.33 percent equity and 66.21 percent voting interest in América Móvil.⁷ The ruling authorized the Slim Family to increase

³ *Verizon Communications Inc. and América Móvil, S.A.B. de C.V. Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc.* WT Docket No. 06-113, Memorandum Opinion and Order and Declaratory Ruling, 22 FCC Rcd 6195 (2007) ("*TELPRI Order*").

⁴ *See International Authorizations Granted*, Report No. TEL-01782, DA No. 16-337, File No. ISP-PDR-20160302-00004 and ISP-PDR-20140707-00004 (Mar. 31, 2016); *International Authorizations Granted*, Report No. TEL-01585, DA No. 12-1740, File No. ISP-PDR-20120820-00004 (Nov. 1, 2012); *International Authorizations Granted*, Report No. TEL-01481, DA No. 11-259, File No. ISP-PDR-20100623-00012 (Feb. 10, 2011).

⁵ *TELPRI Order*, ¶ 46.

⁶ *Id.* at ¶ 62.

⁷ *Id.* at ¶¶ 54 and 56.

their equity and/or voting interests held directly or indirectly in América Móvil by an aggregate three percent above the levels they held upon approval of the initial declaratory ruling to account for fluctuation in publicly traded shares.⁸

The Commission has repeatedly confirmed this approval, including in subsequent cases where the ownership of the Slim Family was authorized to increase. Specifically, on February 7, 2011, the Commission revised the declaratory ruling in the *TELPRI Order* to permit the 40.18 percent indirect equity ownership of PRTC by the Slim Family.⁹ In addition, on October 31, 2012, the Commission granted a petition for declaratory ruling filed by PRTC seeking approval for the Slim Family to increase its equity interest in América Móvil up to 49.99 percent.¹⁰ Finally, on March 31, 2016, the Commission under its new foreign ownership rules granted a petition for declaratory ruling filed by PRTC authorizing the Slim Family to increase its direct and indirect interests in América Móvil up to and including a 75 percent equity interest and a 95 percent voting interest.¹¹ The instant declaratory ruling is requested to provide América Móvil and the Slim Family with additional flexibility to enter into potential business transactions that could increase the Slim Family's equity ownership and voting interests in América Móvil up to and including 100 percent. Grant of this request will not change the ultimate control of PRTC, which has been indirectly controlled by América Móvil and the Slim Family since 2007.

⁸ *Id.* at ¶ 67.

⁹ *International Authorizations Granted*, Report No. TEL-01481, DA No. 11-259, File No. ISP-PDR-20100623-00012 (Feb. 10, 2011).

¹⁰ *International Authorizations Granted*, Report No. TEL-01585, DA No. 12-1740, File No. ISP-PDR-20120820-00004 (Nov. 1, 2012).

¹¹ *International Authorizations Granted*, Report No. TEL-01782, DA No. 16-337, File No. ISP-PDR-20160302-00004 and ISP-PDR-20140707-00004 (Mar. 31, 2016).

II. INFORMATION REQUIRED BY SECTION 1.5001

Section 1.5001(a): Contact Information, FRN, Place of Organization, Type of Business Organization, and Name and Title of Officer Certifying to the Information Contained in the Petition

Name: Puerto Rico Telephone Company, Inc.

FCC Registration Number: 0001731470

Mailing Address: PO Box 360998, San Juan, PR 00936-0998

Place of Organization: Puerto Rico

Telephone Number: (787) 793-8441

Facsimile Number: (787) 783-1060

Electronic Mail Address: fsilva@claropr.com

Type of Business Organization: Corporation

Name and Title of Officer Certifying to the Information Contained in the Petition:

Francisco J. Silva, Secretary and General Counsel

Section 1.5001(b): Legal Counsel Contact

Nancy J. Victory

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Section 1.5001(c)(1): Licensees and Licenses Covered By Declaratory Ruling

PRTC currently holds the following types of radio authorizations to which Section 310(b) is applicable:

AWS (1710-1755/2110-2155 MHz) (AW)

AWS-3 (1695-1710 MHz, 1755-1780 MHz and 2155-2180 MHz) (AT)

Cellular (CL)

Common Carrier Fixed Point-to-Point Microwave (CF)

Digital Electronic Message Service – Common Carrier (CE)

PCS Broadband (CW)

700 MHz Lower Band (Blocks A, B & E) (WY)

PRTC is also the lessee of certain spectrum in the Educational Broadband Service (ED).

Section 1.5001(c)(2): Associated Applications

There are no applications associated with the instant petition.

Section 1.5001(d): Type of Declaratory Ruling

PRTC seeks authority under Section 1.5000(a)(1) of the Commission's rules.

Section 1.5001(e) and (g): Direct Ownership

The following entity holds directly a ten percent or greater equity and/or voting interest in PRTC and is its controlling U.S. parent:

Name: Telecomunicaciones de Puerto Rico, Inc. ("TELPRI")

Address: 1515 FD Roosevelt Avenue, 12th Floor, Guaynabo, PR 00921

Place of Organization: Puerto Rico

Principal Business: Holding company for telecommunications-related investments

Type of Business Organization: Corporation

Percentage Held: 100 percent direct equity and voting interest in PRTC

No other individual or entity holds directly a ten percent or greater equity and/or voting interest in PRTC.

The following entity holds directly a ten percent or greater equity and/or voting interest in TELPRI:

Name: Tenedora Telpri, S.A. de C.V. ("Tenedora")

Address: Lago Zurich No. 245, Plaza Carso / Edificio Telcel, Colonia Ampliación Granada, C.P. 11529, Ciudad de México

Place of Organization: Mexico

Principal Business: Holding company for telecommunications-related investments

Type of Business Organization: Corporation

Percentage Held: 100 percent direct equity and voting interest in TELPRI

No other individual or entity holds directly a ten percent or greater equity and/or voting interest in TELPRI.

Section 1.5001(f) and (g): Indirect Ownership

The following entities hold indirectly a ten percent or greater equity and/or voting interest in PRTC:

Name: Radiomóvil Dipsa, S.A. de C.V. ("Telcel")

Address: Lago Zurich No. 245, Plaza Carso / Edificio Telcel, Piso 4, Colonia Ampliación Granada, C.P. 11529, Ciudad de México

Place of Organization: Mexico

Principal Business: Telecommunications Company

Type of Business Organization: Corporation

Percentage Held: 99.99 percent direct equity and voting interest in Tenedora

Name: Sercotel, S.A. de C.V. (“Sercotel”)
Address: Lago Zurich No. 245, Plaza Carso / Edificio Telcel, Piso 4, Colonia Ampliación Granada, C.P. 11529, Ciudad de México
Place of Organization: Mexico
Principal Business: Holding company for telecommunications-related investments
Type of Business Organization: Corporation
Percentage Held: 99.99 percent direct equity and voting interest in Telcel

Name: América Móvil, S.A.B. de C.V.
Address: Lago Zurich No. 245, Plaza Carso / Edificio Telcel, Piso 4, Colonia Ampliación Granada, C.P. 11529, Ciudad de México.
Place of Organization: Mexico
Principal Business: Holding company for telecommunications-related investments
Type of Business Organization: Corporation
Percentage Held: 99.99 percent direct equity and voting interest in Sercotel¹²

Name: Slim Family
Address: c/o Alejandro Cantu Jimenez, América Móvil, S.A.B. de C.V., Lago Zurich 245, Plaza Carso / Edificio Telcel, Piso 4, Colonia Ampliación Granada, 11529, Ciudad de México
Citizenship: México
Principal Business: Investors
Type of Business Organization: N/A (individuals)
Percentage Held: 62.87 percent equity interest in América Móvil. As of August 17, 2017, the Slim Family – through their beneficial ownership held by (i) a Mexican trust that holds AA Shares and L Shares for their benefit (the “Family Trust”); (ii) Inversora Carso, S.A. de C.V. (FKA Inmobiliaria Carso, S.A. de C.V.); (iii) Control Empresarial de Capitales, S.A. de C.V. (a subsidiary of Inversora Carso); (iv) shares owned by Grupo Financiero Inbursa, S.A.B. de C.V.; and (v) their direct ownership of shares – holds 62.87 percent of the equity and 88.79 percent of the voting stock in América Móvil.¹³ Other Mexican and foreign investors

¹² América Móvil owns directly 99.99 percent of Sercotel. The remaining 0.01 percent is held by Amov IV, S.A. de C.V., a wholly owned indirect subsidiary of América Móvil.

¹³ Based upon public filings with the U.S. Securities and Exchange Commission (“SEC”), as of August 17, 2017: (i) 25.57 percent of the equity (approximately 51.36 percent of the voting stock) of América Móvil is owned directly and indirectly, including beneficially owned, through the Family Trust; (ii) Inversora Carso, S.A. de C.V. (a non-public holding company duly organized under Mexican laws that may be deemed to be controlled by the Slim Family) also owns shares of América Móvil that represent 9.49 percent of the equity (approximately 20.09 percent of the voting stock) of América Móvil; (iii) Control Empresarial de Capitales, S.A. de C.V. (a subsidiary of Inversora Carso, S.A. de C.V.) owns shares of América Móvil that represent 6.25 percent of the equity (approximately 0.56 percent of the voting stock); (iv) Grupo Financiero Inbursa, S.A.B. de C.V. (“GFI”) (a public company duly organized under Mexican laws, of which the Slim Family beneficially owns the majority of the outstanding voting equity) owns shares of América Móvil that represent 1.69 percent of the equity. In addition, based upon

hold the remaining equity and voting stock of América Móvil. No other public investor holds more than 10 percent of the voting shares of América Móvil. No other individual or entity holds a direct or indirect ten percent or greater interest in PRTC.

Other than disclosed above, no other individual or entity holds indirectly a ten percent or greater equity or voting interest in PRTC.

Section 1.5001(h)(1): Estimate of Aggregate Foreign Ownership

The Commission has previously approved 100 percent aggregate indirect foreign ownership in PRTC as part of the *TELPRI Order* and in subsequent Section 310(b)(4) declaratory rulings, including the most recent ruling.¹⁴ This aggregate foreign ownership information is incorporated by reference. No material changes have occurred in PRTC's foreign ownership since the Commission granted the company its most recent Section 310(b)(4) declaratory ruling.

Section 1.5001(h)(2): Ownership Chart

A chart depicting PRTC's ownership and control structure is attached as Appendix A.

Section 1.5001(i) and (j): Requests for Specific Approval

PRTC requests specific approval for each of the entities listed above in response to Sections 1.5001(f)-(g).

Section 1.5001(k): Requests for Advance Approval

PRTC requests approval for the following entities with a controlling interest in PRTC to increase their interests in PRTC, at some future time, up to any amount, including 100 percent of the equity and voting interests in PRTC:

public filings with the SEC, Carlos Slim Helú and members of his family individually own shares of América Móvil, though none in his or her individual capacity, excluding Carlos Slim Helú, own five percent or more of the voting shares of América Móvil. Collectively, members of the Slim Family, the Family Trust, Inversora Carso and GFI hold approximately 62.87 percent of the equity and 88.79 percent of the voting stock in América Móvil. As of March 31, 2017], 15.4 percent of the outstanding L shares of América Móvil were represented by L Share ADSs, each representing the right to receive 20 L shares, and 99.9 percent of the L Share ADSs were held by 7,743 registered holders with addresses in the United States. As of such date, 33.2 percent of the A shares were held in the form of A Share ADSs, each representing the right to receive 20 A shares, and 99.8 percent of the A Share ADSs were held by 3,438 registered holders with addresses in the United States.

¹⁴ *International Authorizations Granted*, Report No. TEL-01782, DA No. 16-337, File No. ISP-PDR-20160302-00004 and ISP-PDR-20140707-00004 (Mar. 31, 2016).

Radiomóvil Dipsa, S.A. de C.V.
Sercotel, S.A. de C.V.
Slim Family

III. GRANT OF THIS PETITION IS IN THE PUBLIC INTEREST

The requested declaratory ruling is fully consistent with the standard set forth in Section 310(b)(4), the Commission's new foreign ownership rules and prior precedent. Indeed, as noted previously, since 2007, the Commission has repeatedly concluded that control of PRTC by América Móvil, its subsidiaries, and the Slim Family raises no public interest concerns and the agency has issued multiple declaratory rulings authorizing such ownership.¹⁵ The requested ruling seeks only increased equity ownership and voting interests by América Móvil's already approved equity and voting majority shareholders. Other than this small change, the current and contemplated foreign ownership of PRTC will remain materially unchanged since its last Section 310(b)(4) declaratory ruling was issued. Accordingly, the same public interest rationale that applied to the Commission's prior rulings authorizing PRTC's non-U.S. ownership should also support the issuance of the requested declaratory ruling here.

Indeed, allowing increased equity and voting interests by PRTC's already controlling indirect investor is fully consistent with Section 310(b)(4)'s standard, which prohibits the issuance of a license only where "the Commission finds that the public interest will be served by the refusal or revocation of such license."¹⁶ Where the Commission has previously and repeatedly approved an indirect controlling shareholder that holds a clear majority of the equity and voting interests of the licensee's parent company, it seems highly improbable that increasing

¹⁵ See pp. 2-3 *supra*.

¹⁶ 47 U.S.C. § 310(b)(4).

the interests 25 percent and 5 percent respectively would raise public interest concerns.¹⁷

Moreover, in adopting its new foreign ownership rules, the Commission expressly recognized that it is in the public interest to allow a certain amount of flexibility for approved foreign investors to increase their indirect interests in FCC licensees without the complexities, delays and burdens of having to return to the Commission for incremental approvals.¹⁸ As such, the Commission's new foreign ownership rules and policies permit petitioners to seek and receive approval for up to and including 100 percent ownership for controlling foreign investors.¹⁹ For this reason, the Commission has routinely permitted foreign indirect majority shareholders flexibility to increase their interests up to and including 100 percent.²⁰

¹⁷ Also, in this case, América Móvil and PRTC are, and will continue to be, subject to a network security agreement that has been in place since América Móvil acquired PRTC in 2007. *TELPRI Order* at Appendix A, Exhibit 1. América Móvil and PRTC have complied with the terms of that agreement. As provided for under the agreement, representatives of the national security agencies earlier this year conducted a 2-day site visit with PRTC. During that visit, the agency representatives raised no particular concerns about América Móvil or PRTC or with their compliance under the agreement. Rather, the company received positive feedback from the agency representatives involved. After the grant of the requested ruling, América Móvil and PRTC will continue to be subject to the agreement and its provisions for site visits, reporting and the obligation for the companies to use their best efforts to resolve any disagreements arising under the agreement.

¹⁸ *Review of Foreign Ownership Policies for Common Carrier and Aeronautical Radio Licensees under Section 310(b)(4) of the Communications Act of 1934, as Amended*, Second Report and Order, 28 FCC Rcd 5741, 5744 at ¶ 43 (2013).

¹⁹ *Id.* at ¶ 42.

²⁰ *See, e.g., International Authorizations Granted*, Report No. TEL-01819, DA No. 16-1222, File No. ISP-PDR-20150605-0004 (Oct. 27, 2016) (authorizing flexibility to later increase Knowroaming, Ltd.'s indirect interest from 75% to 100%); *International Authorizations Granted*, Report No. TEL-01810, DA No. 16-1002, File No. ISP-PDR-20160329-00005 (Sep. 1, 2016) (authorizing flexibility to later increase Oak Hill Capital Partners IV (Onshore), L.P.'s indirect interest from 62.07% to 100%); *International Authorizations Granted*, Report No. TEL-01804, DA No. 16-827, File No. ISP-PDR-20160411-00006 (Jul. 21, 2016) (authorizing flexibility to later increase SoftBank Group Int'l's indirect interest from 83.4% to 100%); *International Authorizations Granted*, Report No. TEL-01650, DA No. 14-24, File No. ISP-PDR-20130924-00006 (Jan. 9, 2014) (authorizing flexibility to later increase Deutsche Telekom Holding, B.V, T-

With this filing, América Móvil and PRTC seek this same flexibility that the Commission has extended to other foreign indirect controlling owners of licensees holding common carrier radio licenses. As the Commission is aware, the telecommunications marketplace is consistently evolving as well as highly competitive. This is particularly the case in Mexico, América Móvil's home market, where the Mexican government has been taking actions to stimulate marketplace changes and where large new entrants, like AT&T, have heightened the already vigorous competition. In order to respond to these changes it may be necessary for América Móvil to take a number of actions to further strengthen the company or better position it for success in this evolving environment. Among these may be (1) carrying out capital increases; (2) repurchasing América Móvil shares; and/or (3) offering shareholders (including the Slim Family) the option to receive their dividends in the form of stock as opposed to cash, thereby increasing the company's cash flow. All of these activities could result in the increase of the Slim Family's interests in América Móvil – eventually rising beyond the levels authorized in PRTC's current declaratory ruling. Because of the lengthy processing times América Móvil and PRTC have experienced with their prior declaratory ruling requests,²¹ the companies are filing this declaratory ruling request now, rather than waiting until a potential transaction is imminent.

Grant of the requested relief will permit América Móvil and the Slim Family to proceed without delay in pursuing future transactions and other commercial activities, while ensuring that PRTC remains compliant with its licensing obligations and the Commission's rules and policies.

Mobile Global Zwischenholding GmbH, and Deutsche Telekom AG's indirect interests from 74% to 100%).

²¹ PRTC's most recent declaratory ruling request was pending for more than 20 months before it was granted. One of its prior declaratory ruling requests also remained pending for several years before it was granted.

Grant of this request will also allow the Commission to avoid expending its scarce administrative resources on the review of repetitive filings that raise the same or substantially similar issues.

IV. CONCLUSION

For the foregoing reasons, PRTC requests that the Commission promptly grant this petition.

PUERTO RICO TELEPHONE COMPANY, INC.

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