

REVIEW OF RECENT EVENTS IN THE TELECOMMUNICATIONS ARENA

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PRTC Seeks Waiver of FCC's Structural Separation Requirements

Puerto Rico Telephone Company ("PRT") and its long-distance affiliate, Puerto Rico Telephone Larga Distancia, Inc. ("PRTLTD") have petitioned the FCC for a waiver of the structural separation requirements of section 64.1903 of the FCC's Rules. PRTC and PRTLTD want to eliminate the structural separation between PRTC's local telephone service on the island of Puerto Rico and PRTLTD's interstate, inter-exchange and international services. The two companies argue that the separation requirement imposes substantial costs on them by requiring PRT and PRTLTD to keep separate books of accounts, by preventing the two companies from jointly owning switching facilities and by requiring PRTLTD to purchase services from PRT pursuant to tariffs or other generally available rates. The two companies claim savings in the millions of dollars—in avoided costs and taxes—if the requested relief is granted.

The two companies argue that they face substantial wireline and wireless competition in Puerto Rico such that they have lost 32 percent of their access lines in the 10 years between 1998 and 2008 and that a majority of the island's business customers are served by providers other than PRT. While the two companies admit that their competitors also face the higher operating costs and demographic challenges that arise out of the unique characteristics of Puerto Rico as

compared to U.S. states, they argue that their competitors are able to “cherry-pick” the most lucrative segments of the market, while they serve all geographic and demographic segments of the market. Therefore, the two companies argue, there is no risk that other providers will be competitively disadvantaged if separation is eliminated; and, in fact, eliminating the separation will redress the “competitive imbalance” that the two companies allege exists between them and other Puerto Rico telecom providers. *Petition of Puerto Rico Telephone Company, Inc. and Puerto Rico Telephone Larga Distancia for Waiver of Section 64.1903 of the Commission’s Rules* (Jan. 26, 2010).