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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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In the Matter of)
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Federal-State Joint Board)
on Universal Service)
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CC Docket No. 96-45

COMMENTS
OF
GUAM TELEPHONE AUTHORITY

Guam Telephone Authority ("GTA"), by its attorneys, hereby submits its comments in the above-captioned proceeding instituted by the Federal Communications Commission ("FCC" or "Commission") on March 8, 1996.¹ The NPRM is intended to implement Section 254 of the Communications Act of 1934 as amended by the Telecommunications Act of 1996.²

GTA's goals in this proceeding are: first, to assure that the Universal Service support mechanisms available to other citizens of the United States are also made available, on a non-discriminatory basis, to citizens of Guam. To this end, GTA will commit itself to becoming a full participant in the new Universal Service regime established by the Commission, including full adhesion to cost and pricing principles. This commitment should be viewed as complementary to the commitment of the

¹ Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board, FCC 96-93, March 8, 1996 ("NPRM").

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) ("1996 Act").

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Commission to bringing geographic rate averaging to Guam.³ Second, GTA seeks to have the Commission recognize that there are special requirements that must be taken into account when considering the Act's mandates regarding the insular areas.

I. Background

A. The 1996 Act.

The 1996 Act required that the Commission revisit its regulations concerning Universal Service in order to develop new policies based on seven principles:

- Quality and Rates
- Access to Advanced Services
- Access in Rural and High Cost Areas
- Equitable and Non Discriminatory Contributors
- Specific and Predictable Support Mechanisms
- Access to Advanced Telecommunications Services for Schools, Health Care, and Libraries
- Additional Principles as Determined By the Commission and the Joint Board⁴

Of particular interest to GTA is the principle described in Section 254(b)(3) which requires that:

Consumers in all regions of the Nation, including low income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.⁵

³ Policy and Rules Concerning the Interstate, Interexchange Marketplace; Implementation of Section 254(g) of the Communications Act, Notice of Proposed Rulemaking, CC Docket No. 96-61, FCC 96-123, March 25, 1996 ("Interexchange NPRM").

⁴ Section 254(b)(1-7).

⁵ Section 254(b)(3) (emphasis added).

The Joint Explanatory Statement accompanying the 1996 Act makes clear that the addition of "insular areas" to the list of consumers to whom access to services should be provided, includes the "Pacific Island territories", such as Guam. The 1996 Act mandates that consumers in Guam have access to "reasonably comparable" services at rates "reasonably comparable" to those charged in urban areas. Those services include not only the basic local exchange service that allows a customer access to the network, but also the full panoply of interexchange and advanced services provided in urban areas.

B. GTA

GTA is the local exchange carrier providing residential and business services to the citizens of Guam and interexchange access service to the interexchange carriers ("IXCs") serving Guam.⁶ GTA provides approximately 70,000 access lines and had 1995 annual operating revenues of approximately \$40,000,000.

GTA does not participate in any of the Commission's existing Universal Service support mechanisms. This anomaly has occurred because GTA has not yet filed usage sensitive access tariffs as have other Local Exchange Carriers ("LECs"). Rather, GTA follows a revenue-sharing approach not unlike that which predated the access charge regime. Under that approach, IXCs providing trunk side interexchange voice service on Guam contribute a portion of their gross revenues from that service to GTA as compensation for provision of exchange access. In May 1993 a GTA interstate exchange tariff codifying this process went into effect.

GTA is not satisfied with this arrangement and has, for almost three years, been trying to regularize its tariffing and other policies. However, obstacles and opposition, of which the Commission is well aware, have prevented GTA from moving

⁶ GTA is currently a semi-autonomous agency of the Government of Guam. However, the Governor of Guam advocates the degovernmentalization of GTA and GTA has taken steps to begin that process.

forward with its plans.⁷ Nevertheless, recent events are encouraging and GTA intends to revitalize its efforts under its Integrated Compliance Plan ("ICP").⁸

II. DISCUSSION

A. Universal Service for Guam Consumers

Because of the anomaly described above, GTA, the IXCs (so far as they serve Guam) and the citizens of Guam have not participated in any of the FCC's explicit or implicit support mechanisms for Universal Service. GTA views the 1996 Act and this proceeding as opportunities to revise its procedures and to assure that support mechanisms, consistent with the Commission's rules, are made available to the people of Guam.

GTA intends to revisit its ICP and make changes where necessary to assure that it moves toward the goals of the 1996 Act. For example, GTA is hopeful that we will soon be able to announce a firm equal access implementation date in mid-1997. Rather than await implementation to proceed with the next step of its ICP, GTA is preparing a revision to its existing tariff which will reduce the percentage of gross revenue paid by the IXCs and which will effectively increase the amount paid by local subscribers. Overall, GTA hopes to move into whatever new regime the Joint Board creates without causing undue harm to its subscribers. To a large extent, that goal can only be achieved if benefits of Universal Service, as contemplated by the 1996 Act, are extended to consumers on Guam.

⁷ GTA Petition for Declaratory Ruling, 9 FCC Rcd 4890 (1994). The Commission is also aware and has been supportive of Guam's efforts to be included within the North American Numbering Plan.

⁸ GTA Integrated Compliance Plan, April 19, 1993.

B. Support for Insular Areas

GTA's second goal in this proceeding is to gain recognition of the special requirements attendant to status as an "insular area", in particular, a Pacific Island territory. The most important of these relates to geography, and in particular, the distance between Guam and points in the mainland. Because of that distance, Guam telecommunications carriers do not provide services at rates that are "reasonably comparable" to rates charged in urban areas, as is required by Section 254(b)(3).

GTA recognizes that the Interexchange NPRM proposes to require that Guam be treated as a State for purposes of Section 254(g) and that rate integration for Guam be implemented very quickly.⁹ There can be no question that integration into the nationwide rate pattern will substantially ease the service problems caused by the distance between Guam and the mainland. However, Section 254(b)(3), enumerating the Universal Service principles, specifically recognizes that consumers in insular areas need access to interexchange and advanced telecommunications and information services on a basis reasonably comparable to urban areas. It therefore appears appropriate for the Commission to recognize this need, not only in the Interexchange NPRM, but also in this proceeding. GTA believes that inclusion of Guam within nationwide geographic rate averaging will accomplish the goal of Section

⁹ Section 254(g) of the Act provides:

Within 6 months after the date of enactment of the Telecommunications Act of 1996, the Commission shall adopt rules to require that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas. Such rules shall also require that a provider of interstate interexchange telecommunications services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.

254 (g). However, it may be necessary to use the Universal Service support mechanisms to achieve the principle set forth in Section 254(b)(3).

GTA suggests that, in the case of the insular areas, the services to be supported should include those most likely to be affected by distance. In order to meet the mandate of Section 254(b)(3), the Commission must, in the case of the insular areas, eliminate distance as the determining factor in the availability of services. Rural and high cost areas may require other techniques to achieve the goal of "reasonable comparability". However, overcoming distance is the key to achieving the goal for the insular areas. This can be accomplished in several ways.

First, when rates for services are distance insensitive, or postalized, rates for those services to the insular areas should also be postalized. For example, calling plans and promotions that provide a flat rate per minute for nationwide calling must include Guam on a reasonably comparable, i.e., distance insensitive, basis. To include a "surcharge" for distance when the plan or promotion is otherwise distance insensitive is inconsistent with the mandate of Section 254 (b)(3).

Second, when rates are based on mileage bands, additional mileage should be added to include the insular areas, either by adding a mileage band or adding mileage to existing bands. The rates for that mileage should be comparable to rates in the other mileage bands. For example, AT&T rates for long distance message telecommunications service are grouped into eleven milage bands from 1-10 miles to 4251-5750 miles.¹⁰ The peak residential rates range from \$.24 to \$.34 a minute among those mileage bands, on an averaged basis.¹¹ It would be inconsistent with the 1996 Act to add mileage but to calculate rates on a basis other than averaging.

¹⁰ Statistics of Communications Common Carriers, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, 1994/5 edition, p. 249.

¹¹ Id. In contrast, the peak AT&T rate for service to Guam is \$2.19 for the initial minute and \$1.94 for each additional minute. Id., p.255.

Third, wherever distance remains an obstacle to the affordability or availability of a service offering, that service should be supported by the Universal Service mechanisms. The Interexchange NPRM notwithstanding, some services still may not be available on Guam on a reasonably comparable basis. For example, any service that depends on database access, either by the customer or by the Local Exchange Carrier, may be prohibitively expensive because of the distance to the Service Control Point where the data is stored. Yet services like 800/888 toll free, calling card, directory assistance, credit card verification and number portability are needed to make service on Guam reasonably comparable to service in urban areas, as mandated by the Act. If database access or other services are not included within rate averaging, and are not offered at reasonably comparable rates or not offered at all, then they should be supported, for insular areas, by the Universal Service support mechanisms.

Finally, special provisions should be made for low income consumers residing in insular areas. Traditional support mechanisms for low income consumers have addressed issues relating to maintaining subscribership. A different issue arises for low income consumers on Guam where access to interexchange and advanced services, while "reasonably comparable", may still not be affordable. Inclusion within the national ratemaking methodology may satisfy the requirements of Section 254(g), but it does not necessarily mean that interstate services are affordable to low income consumers in insular areas. The combination of the principles in Section 254(b)(1) and 254(b)(3) suggests that a support mechanism may be required to assure affordable interexchange and advanced services for low income consumers in insular areas.

III. CONCLUSION

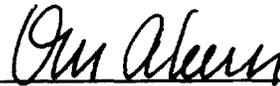
GTA has two goals in this proceeding: to assure that the benefits of Universal Service are enjoyed by the citizens of Guam and to assure that the special

requirements of the insular areas are recognized in the formulation of new Universal Service policies. In particular, GTA proposes several ways in which distance can be overcome as a factor in preventing reasonably comparable rates and services from being offered on Guam. First, when rates for services are distance insensitive, rates for those services to the insular areas should also be distance insensitive. Second, when rates are based on mileage bands, additional mileage should be added to include the insular areas. Rates for that mileage should be comparable to rates for the other mileage bands. Third, wherever distance remains an obstacle to the affordability or availability of a service offering, that service offering should be supported by the Universal Service mechanisms, for insular areas. Finally, special provision for low income consumers in insular areas may be necessary to assure access to interexchange service on an affordable basis.

GTA looks forward to further participation in this proceeding.

Respectfully submitted,

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April 12, 1996

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