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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

August 6, 1998

**via Hand Delivery**

Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

**Re: Ex Parte Disclosure In the Matter of  
Proposals to Revise the Methodology  
for Determining Universal Service Support,  
CC Docket Nos. 96-45, 97-160.**

Dear Ms. Salas:

Celpage, Inc., ("Celpage") through its undersigned attorney, and pursuant to Sections 1.1202(b) and (c), and 1.1206 of the Commission's Rules, 47 C.F.R. §§ 1.1202(b) and (c), and 1.1206, hereby requests that the following information be added to the record of the above-mentioned proceeding.

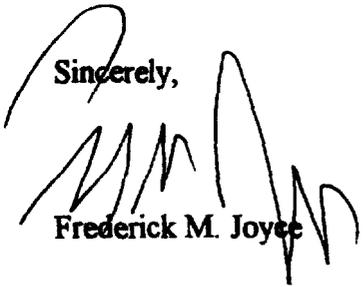
The President of Celpage, along with counsel of Celpage, met with various Commission personnel to discuss the appropriate levels of universal service support for Puerto Rico, as well as the current status of universal service matters in Puerto Rico. Celpage is the parent company of Pan Am License Holdings, a Commercial Mobile Radio Service licensee operating out of Puerto Rico, the United States Virgin Islands and South America. Attached hereto is a summary of the points discussed at the meetings.

The President and counsel of Celpage met with the following persons:

Tom Power, Legal Advisor to Chairman William Kennard;  
Katie King, Attorney Advisor, Common Carrier Bureau;  
Richard Smith, Attorney Advisor, Common Carrier Bureau;  
Robert Loube, Economist, Common Carrier Bureau;  
Kevin Martin, Legal Advisor to Commissioner Harold Furchtgott-Roth; and  
Paul Gallant, Legal Advisor to Commissioner Gloria Tristani.

Thank you for your attention to this matter. If you have any questions or would like additional information, please feel free to contact the undersigned.

Sincerely,

  
Frederick M. Joyce

enclosures

cc: Commission personnel listed above.  
Luis G. Romero Font, Pres., Celpage, Inc.

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**CELPAGE, INC., AND PUERTO RICO'S ASSOCIATION OF COMPETITIVE  
TELECOMMUNICATIONS PROVIDERS ("ACTP")**

**Position Regarding the Reduction of Universal Service Funding for Puerto Rico**

- ▶ ACTP and Celpage urge the Commission to maintain Puerto Rico's universal service support at current levels, as proposed by the Puerto Rico Telephone Company ("PRTC"), subject to certain modifications and conditions.
- ▶ Severely reducing USF support to Puerto Rico will hamper competition by raising huge entry and operational barriers for competitive carriers.
- ▶ PRTC has been an unregulated monopoly for 20 years and has come to rely heavily on subsidies, instead of reasonable cost based rates and practices.
- ▶ Assuming that PRTC's subsidies total \$146 million, and 25% is supported from the USF, the Government of Puerto Rico would have to impose about \$109,500,000 in USF contributions to make up the shortfall, which is approximately an 11% tax on all intrastate Puerto Rico telecommunications revenues.
- ▶ PRTC is owned by local government and therefore does not have to answer to board members or shareholders and would not have to pass through any increased costs to its consumers.
- ▶ Even if PRTC was willing, it would not be able to reduce its bloated costs in time for the funding reduction. Because the Puerto Rico Regulatory Board is unlikely to permit a significant increase in local rates to make up for the lost funds, the only place PRTC could receiver its loss would be through increased fees (such as increase access and interconnection charges) to competitive carriers such as Celpage and ACTP's members.
- ▶ Competitive CMRS carriers will have no choice but to pass through to their customers any federal or local USF increase in their operating costs.
- ▶ This would result in competitive CMRS carriers costs increasing solely to subsidize PRTC's operations, and giving PRTC a distinct price advantage with respect to wireless and wireline services.

**The FCC Needs to Conduct a Cost-Based Review of PRTC's Annual USF Subsidies**

- ▶ PRTC operates with minimal oversight because there is no local utility commission that has any authority over PRTC's rates.
- ▶ There is no evidence that PRTC's practices have ever been cost justified.
- ▶ Since the Puerto Rican Telecommunications Regulatory Board is prohibited by law from investigating or setting any cost-based rates for PRTC, it is crucial for the FCC to conduct this analysis.
- ▶ Conditions that Celpage and ACTP wish the FCC to impose on PRTC are: the elimination of unlawful cross-subsidies; cost-based rates and charges; the "transition period" ending at a definite date and that PRTC should be required to submit quarterly reports to the FCC and local regulatory authorities; the FCC should clearly state that PRTC will have until a date certain to justify this "waiver" of the proxy model; beyond which time it will qualify for USF supports on the same criteria as all other urban carriers.
- ▶ If PRTC is sold to another telecom carrier, this exemption should immediately terminate.