

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

In the Matter of

PACIFIC TELECOM INC.

Petition for Declaratory
Ruling Under Section 310(b)(4)
of the Communications Act of 1934, as
Amended, to Permit Indirect
Foreign Ownership Exceeding 25
Percent In Common Carrier
Licensee GTE Pacifica Inc.

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IB Docket No.

APR 18 2003

File No. ISP-

FEDERAL COMMUNICATIONS COMMISSION
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Policy Division
International Bureau

PETITION OF PACIFIC TELECOM INC.
FOR DECLARATORY RULING UNDER SECTION 310(b)(4) OF
THE COMMUNICATIONS ACT OF 1934, AS AMENDED

PACIFIC TELECOM INC.

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April 18, 2003

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**PETITION OF PACIFIC TELECOM INC.
FOR DECLARATORY RULING UNDER SECTION 310(b)(4) OF
THE COMMUNICATIONS ACT OF 1934, AS AMENDED**

Pacific Telecom Inc. ("Pacific Telecom" or "PTI") hereby requests a declaratory ruling that indirect foreign investment of up to 100 percent in The Micronesian Telecommunications Corporation ("MTC") and MTC's FCC license-holding subsidiary, GTE Pacifica Inc. ("GTE Pacifica") (collectively, "the Companies"), from an entity having its principal place of business in a World Trade Organization ("WTO") Member country, is consistent with the public interest standard under Section 310(b)(4) of the Communications Act of 1934, as amended (the Act).¹

¹ On March 19, 2003, Pacific Telecom withdrew File No. ISP-PDR-20020411-00013, the petition for declaratory ruling it filed in April, 2002, when it had a different ownership structure. Also on March 19, 2003, Pacific Telecom and Bell Atlantic New Zealand Holdings, Inc. withdrew all the associated transfer of control applications under consideration in IB Docket No. 02-111. *See Commission Seeks Comment on Applications for Consent To Transfer Control Filed By Bell Atlantic New Zealand Holdings, Inc. and Pacific Telecom Inc.*, DA 02-1173, May 16, 2002.

I. THE PARTIES

A. Transferor Bell Atlantic New Zealand Holdings, Inc. (“BANZHI”)

Verizon Communications Inc. (“Verizon”) is a publicly held corporation organized under the laws of Delaware. Verizon, through a series of wholly owned subsidiaries, owns 100 percent of the outstanding common stock of Bell Atlantic New Zealand Holdings, Inc. (“BANZHI”). BANZHI is the current 100 percent shareholder of MTC, a corporation organized under the laws of the Commonwealth of the Northern Mariana Islands (“CNMI”).² BANZHI is the transferor in the proposed transaction as it intends to sell to Pacific Telecom all the outstanding stock of MTC.³

MTC is the local exchange carrier (“LEC”) for the CNMI, with approximately 25,000 access lines. MTC also is the 100 percent owner of GTE Pacifica, Inc. (doing business as “Verizon Pacifica”), a CNMI corporation. GTE Pacifica provides non-LEC domestic and international telecommunications services in the CNMI, utilizing fiber optic, wireless and satellite facilities. Specifically, GTE Pacifica connects the three primary islands of the CNMI (Saipan, Tinian and Rota) to Guam by undersea fiber optic cable and operates an underground fiber optic ring on Saipan. GTE Pacifica also owns and operates the B-Band cellular license for the CNMI Rural Service Area (RSA) and operates both common carrier and non-carrier satellite

² CNMI is a self-governing commonwealth in political union with and under the sovereignty of the United States of America. With a few exceptions (not relevant here) arising from the transition to commonwealth status, citizens of CNMI are U.S. citizens. *See* Presidential Proclamation No. 5564, 51 Fed. Reg. 40399 (November 7, 1986) (<http://www.nara.gov/fedreg/codific/PROCS/p05564.html>).

³ The original purchase and sale agreement for MTC dated November 23, 2001 remains effective, subject to amendments reflecting the new ownership structure of Pacific Telecom (described below) and extending the term of the original agreement.

earth station facilities. The cellular radio license and the common carrier satellite earth station license are subject to Section 310(b)(4) of the Act.⁴

B. Transferee Pacific Telecom Inc.

Pacific Telecom is a privately held corporation incorporated under the laws of the CNMI formed as the vehicle to purchase the assets of MTC.⁵ Prospector Investment Holdings Inc. (“Prospector”) holds 100 percent of the equity of Pacific Telecom.⁶

Prospector is a privately held corporation incorporated under the laws of the Cayman Islands in the British West Indies. The principal business of Prospector is to hold the investment in Pacific Telecom. The common stock of Prospector is owned 60 percent by Ricardo C. Delgado (father) and 40 percent by Jose Ricardo Delgado (son), both of whom are citizens of the Philippines. The principal business of the Delgados is transacted through Citadel Holdings Inc.,⁷ a Philippines corporation engaged primarily in the transportation and logistics businesses, owning among other things, the largest airport services company in the Philippines. Citadel

⁴ GTE Pacifica also holds other FCC authorizations, including international Section 214 authorizations, a domestic Section 214 authorization for interexchange (long distance) service, a cable landing license, and a non-common carrier satellite earth station license. Attachment A lists all of the FCC authorizations subject to the proposed transfer of control.

⁵ Under Pacific Telecom’s original ownership structure, (1) Prospector was a 50 percent equity holder; (2) THC Communications Corporation was a 30 percent equity holder; and (3) Missouri Holdings Corporation was a 20 percent equity holder. In 2003, Pacific Telecom reorganized. THC Communications Corporation and Missouri Holdings Corporation completely withdrew from Pacific Telecom. Neither they nor their ultimate owners will have any future financial or voting interest in Pacific Telecom.

⁶ To provide grassroots CNMI participation in Pacific Telecom and to provide MTC employees ownership incentives, Prospector intends to establish, shortly after the transfer of control is consummated, a trust fund for the benefit of MTC employees and to assign ten percent of Pacific Telecom’s stock to the trust. The details of the trust arrangements are still being developed and are not the subject of the transfer of control applications that are filed in association with this petition.

⁷ Citadel Holdings Inc. (“Citadel”) is a Philippines corporation separate from Prospector that is ultimately controlled through a series of closely held corporations by the same two individuals that own Prospector, Ricardo C. Delgado and Jose Ricardo Delgado.

founded and was the majority owner of ISLACOM, which was the second largest telecommunications company in terms of assets in the Philippines in 1999 when Citadel sold its stake.⁸

II. THE PROPOSED TRANSACTION SATISFIES BOTH THE STATUTORY STANDARD AND COMMISSION POLICY TO ENCOURAGE INVESTMENT FROM WTO MEMBER COUNTRIES

Section 310(b)(4) of the Act states as follows:

(b) No broadcast or common carrier or aeronautical en route or aeronautical fixed radio station license shall be granted to or held by ... (4) any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of the capital stock is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign country, if the Commission finds that the public interest will be served by the refusal or revocation of such license.

In its *Foreign Participation Order*, the Commission concluded that allowing indirect foreign investment in common carrier radio licensees beyond the 25 percent benchmark established by Section 310(b)(4) of the Act could promote competition in the U.S. market, thereby promoting the U.S. public interest.⁹ The Commission analyzes proposed indirect foreign investments in common carrier licensees “guided . . . by the U.S. Government’s commitment

⁸ Neither Prospector nor Citadel currently holds an equity interest in any telecommunications common carrier. For the sake of full disclosure, however, Pacific Telecom notes the fact that Citadel holds convertible interests in Textron Corporation (“Textron”), a small Philippines corporation (less than \$2 million in annual revenues). Textron is a systems integrator that provides corporate customers with broadband connectivity via satellite and radio microwave. Although Textron has been granted a Philippines telecommunications franchise to provide such services, it has not received authority from the national telecommunications commission that would allow it to act as a common carrier. Indeed, Textron provides no voice communications services whatsoever and is not affiliated with any telecommunications common carrier in the Philippines. Moreover, Citadel currently has no involvement in day-to-day management of Textron.

⁹ *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, 12 FCC Red 23891, 23940 (1997) (“Foreign Participation Order”).

under the World Trade Organization (“WTO”) Basic Telecommunications Agreement, which seeks to promote global markets for telecommunications so that consumers may enjoy the benefits of competition.”¹⁰ In particular, the Commission found that “the public interest will be served by permitting more open investment by entities from WTO member countries in U.S. common carrier wireless licensees.”¹¹ Based on this principle, the Commission has adopted a “strong presumption that no competitive concerns are raised by [up to and including 100 percent] indirect foreign investment” from entities from WTO member countries.”¹²

The Commission has routinely endorsed indirect foreign investment of 100 percent by entities from WTO member countries. Shortly before the release of the *Foreign Participation Order*, the Commission approved 100 percent indirect foreign ownership of common carrier radio licenses by Telecom Finland Ltd., a wholly-owned subsidiary of PT Finland, Ltd., a private holding company of the Government of Finland.¹³ More recently, the Commission approved 100 percent indirect foreign ownership of Telenor Satellite by Telenor ASA, a Norwegian company, which is 79 percent owned by the Kingdom of Norway; 100 percent indirect foreign ownership of GE Americom by SES Global, a Luxembourg company, which is 75.11 percent foreign-owned; and 100 percent indirect foreign ownership of VoiceStream Wireless by Deutsche Telekom AG, a German company, which is 77 percent foreign-owned, including 45 percent held

¹⁰ *Id.*

¹¹ *Aerial Communications, Inc. and Voicestream Wireless Holdings Corp.*, 15 FCC Rcd 10089, 10093-94 (2000).

¹² *Voicestream Wireless Corp.*, 15 FCC Rcd 3341, 3348 (2000).

¹³ *See Telecom Finland, Ltd., Petition for Determination of the Public Interest under 47 U.S.C. Sec. 310(b)(4) to permit LMDS and PCS Licensing*, Order, 12 FCC Rcd 17648 (1997).

by the German government; and 100 percent of Andesat Teleport by investor shareholders from Bolivia, Colombia, Ecuador, Peru and Venezuela.¹⁴

Pursuant to Section 310(b)(4) of the Act, the Commission also has approved ownership of an incumbent local exchange carrier (“ILEC”) by a foreign company. In 1999 the Commission approved the acquisition of Frontier Communications, an ILEC with multiple facilities in the continental United States, by Global Crossing, a foreign (Bermuda) company whose business the Commission found to be principally conducted in countries that are members of the WTO.¹⁵ In its decision approving this transaction, the Commission did not express any concern that Frontier was an ILEC – rather, the Commission applied the WTO entry standard to Global Crossing’s indirect ownership of Frontier and afforded Global Crossing the “strong presumption that no competitive concerns are raised by the foreign ownership at issue”¹⁶

¹⁴ See *Lockheed Martin Global Telecommunications, Comsat Corp., and Comsat General Corp. and Telenor Satellite Mobile Services, Inc., and Telenor Satellite, Inc., Applications for Assignment of Section 214 Authorizations, Private Land Mobile Radio Licenses, Experimental Licenses, and Earth Station Licenses, and Petition for Declaratory Ruling Pursuant to Section 310(b)(4) of the Communications Act*, Order and Authorization, 16 FCC Rcd 22897 (2001) (“Lockheed Martin”); *Application of General Electric Corp. and SES Global, For Consent to Transfer Control of Licenses and Authorizations Pursuant to Section 310(b)(4) of the Communications Act*, Supplemental Order, 16 FCC Rcd 18878 (2001) (“SES Global”); *Application of General Electric Corp. and SES Global, For Consent to Transfer Control of Licenses and Authorizations Pursuant to Section 310(b)(4) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310(b)(4) of the Communications Act*, Order and Authorization, 16 FCC Rcd 17575 (2001); *VoiceStream Wireless Corp., Powertel, Inc. and Deutsche Telekom AG, for Consent to Transfer Control of Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310 of the Communications Act*, Memorandum Opinion and Order, 16 FCC Rcd 9779 (2001) (“VoiceStream Wireless”); FCC Public Notice, DA 03-422, February 13, 2003, page 4 of 9.

¹⁵ *In re Global Crossing Ltd. And Frontier Corporation, Applications for Transfer of Control Pursuant to Sections 214 and 310(d) of the Communications Act, as amended*, Memorandum Opinion and Order, 14 FCC Rcd 15911, 15918 (1999).

¹⁶ *Id.* at 15919.

III. THE FOREIGN INVESTMENT IS ATTRIBUTABLE TO A WTO MEMBER COUNTRY AND, THUS, SATISFIES THE FCC'S STRONG PRESUMPTION THAT NO COMPETITIVE CONCERNS ARE RAISED

In determining an acquiring entity's home market for purposes of the public interest determination under Section 310(b)(4), the Commission will balance five factors: (1) the country of the entity's incorporation, organization or charter; (2) the nationality of all investor principals, officers, and directors; (3) the country where the world headquarters is located; (4) the country in which the majority of tangible property, including production, transmission, billing, information, and control facilities, is located; and (5) the country from which the entity derives the greatest sales and revenues from its operations.¹⁷ In this case, the Commission will apply its balancing test to two newly formed holding companies.

A. Pacific Telecom

Pacific Telecom is a corporation formed in the CNMI solely for the purpose of purchasing the stock of MTC. Pacific Telecom currently has no operating units. The entirety of the tangible property of Pacific Telecom, however, will be in the CNMI; and initially all of the sales and revenues from operations will be from the U.S. Although all five members of the board of directors of Pacific Telecom will be from the Philippines, the home market, principal place of business, and world headquarters of Pacific Telecom will be the U.S., after the transfer applications are granted and the transaction consummated.

B. Prospector Investment Holdings Inc.

Prospector (the 100 percent equity owner of Pacific Telecom) is incorporated in the Cayman Islands of the British West Indies, an overseas territory of the United Kingdom. The

¹⁷ See *Foreign Participation Order*, 12 FCC Rcd at 23941 (citing *Market Entry and Regulation of Foreign-Affiliated Entities, Report and Order*, 11 FCC Rcd 3873, 3951, (1995)). See also *Lockheed Martin Global Telecommunications, Comsat Corporation, and Comsat General Corporation*, 16 FCC Rcd 22897 (2001).

FCC previously has deferred to an opinion provided by the U.S. Department of State concluding that the 1994 Marrakesh Agreement Establishing the World Trade Organization applies to all British Territories.¹⁸ As the United Kingdom is a WTO Member, the Cayman Islands also is considered a WTO member country.

The other four factors of the Commission's balancing test, however, indicate that the Philippines is Prospector's home market: 1) nationality of principals, officers and directors: Filipino; 2) country in which world headquarters of owners is located: Philippines; 3) country in which the majority of tangible property of owners is located: Philippines; and 4) country from which Prospector's owners derive their greatest sales and revenues from operations: Philippines. The Philippines also is a WTO member country.

Regardless of which WTO member country is considered Prospector's home market, the United Kingdom or the Philippines, Pacific Telecom is entitled to the presumption that foreign investment from Prospector would serve the U.S. public interest.

IV. PUBLIC INTEREST CONSIDERATIONS

A. Pacific Telecom Is Technically Qualified To Be An FCC Licensee

The proposed transaction would result in the transfer of control of operating telecommunications companies MTC and GTE Pacifica. Pacific Telecom proposes to acquire not only all of MTC's outstanding stock and the Companies' facilities, but also their ongoing business operations, including the continued services of their skilled and dedicated workforce. In fact, Pacific Telecom has committed to retain MTC's current management and employment teams in order to ensure the continuity of operations. Upon grant of the applications, Pacific

¹⁸ *Cable & Wireless USA, Inc.*, 15 FCC Rcd 3050 (2000) and n.14. (referencing Letter from Robert E. Dalton, Assistant Legal Adviser for Treaty Affairs, United States Department of State, to Rebecca Arbogast, Chief, Telecommunications Division, International Bureau, Federal Communications Commission (Feb. 16, 2000) at 1).

Telecom intends to hire as MTC's new CEO, Robert Anderson, an American citizen formerly employed by Verizon with decades of telecommunications experience. In other words, under their new ownership the Companies will have a seasoned management team technically proficient in the operation of the telecommunications facilities at issue. Pacific Telecom also has negotiated a technical services agreement pursuant to which BANZHI would offer Pacific Telecom certain technical and support services for a period of time.

In addition to this continuity of MTC's existing technical expertise, Pacific Telecom's ownership team will add its own substantial telecommunications experience. Prospector will take the lead in managing the operations of the Companies based on the significant experience Prospector's principals and employees gained in the founding and management of ISLACOM, which was the second largest telecommunications company in the Philippines in terms of assets in 1999 when sold to Globe Telecom.¹⁹

In founding ISLACOM and growing its business, the Prospector owners gained significant experience in (1) raising the necessary capital to construct facilities, (2) managing the build out of their network through successful turn-key contracts with established international vendors such as Siemens, Alcatel and Lucent, (3) cooperating with other carriers such as PLDT, the Philippines dominant carrier, and (4) working with local government officials and regulators to obtain needed rights-of-way, government permits, etc. Notably, although ISLACOM was at least ten times as large as the Companies to be acquired here, the Prospector representatives nonetheless succeeded in running multiple lines of telecommunications operations (GSM wireless network, paging network, long distance, and LEC) efficiently and were able to provide

¹⁹ The majority owner of Prospector, Ricardo C. Delgado, was the Chairman of ISLACOM for six years; a Prospector employee, Jovino G. Lorenzo, was the President for four years; and the minority owner of Prospector, Jose Ricardo Delgado, was the Vice President of Marketing for four years. Citadel sold ISLACOM in 1999.

new service offerings to hundreds of thousands of previously underserved Filipinos. In short, Pacific Telecom has all the necessary technical qualifications to control and manage the Companies and thereby to ensure continued high-quality service to consumers.

B. Pacific Telecom Is Financially Qualified To Hold The Relevant Authorization

The owners of Citadel Holdings, Inc. established Prospector as an investment vehicle for the purpose of finding and acquiring long-term growth opportunities in the international telecommunications market. With total assets valued in the hundreds of millions of dollars, Citadel has a variety of business interests that include transportation operations, logistics, information services and the largest airport services company in the Philippines. In 1999 Citadel sold ISLACOM for \$60 million, and its current debt/equity ratio is just two percent. The holdings of its owners illustrate that Prospector is financially well qualified to hold the relevant FCC authorizations.²⁰

C. Pacific Telecom's Entry into the CNMI Telecommunications Market Will Benefit CNMI Consumers

Pacific Telecom views the Companies as strategic assets critical to its goal of becoming the most technologically innovative telecommunications provider in the Micronesian region. Pacific Telecom proposes no reduction in services. Quite the opposite, Pacific Telecom intends to increase investment in and continue expansion of the Companies' services. For example, Pacific Telecom's guiding principles for the Companies are as follows: (1) preserve and enhance the existing wireline voice business, (2) accelerate development of wireless communications, (3) aggressively expand data (DSL) and other broadband services, (4) pursue opportunities in

²⁰ Under separate cover and request for confidential treatment, Pacific Telecom submits two letters from well-known financial institutions attesting to the value of the accounts held by Ricardo C. Delgado and Jose Ricardo Delgado, the ultimate owners of Pacific Telecom.

international telecommunications, and (5) maintain and further develop a highly trained employee base.²¹

Specifically, Pacific Telecom plans new capital expenditures of \$16.1 million and to upgrade the existing customer billing system. Additionally, even as GTE Pacifica already operates the largest digital wireless network serving the CNMI, Pacific Telecom's goal is to increase capacity and coverage by 60 percent. In addition to adding cell sites to increase coverage, Pacific Telecom plans to deploy 3G services within 24 months of the consummation of the proposed transfer of control. In addition, Pacific Telecom plans to expand aggressively the Companies' customer base by offering wireless services at reasonable prices with the widest reach.²²

In the long distance arena, Pacific Telecom intends to sign a rate integration agreement with the CNMI committing Pacific Telecom not to exceed Verizon's rate integrated long distance domestic message toll service rates for customer dialed direct station-to-station calls for a five year period. Additionally, the Companies' prepaid services will continue to be attractively priced and aggressively marketed. Customized calling plans will be tailored to fulfill the diverse needs of the CNMI's population. Pacific Telecom also has plans to invest in fiber optic capacity from the U.S. mainland in order to become a regional hub. Looking to the future, Pacific Telecom intends to roll out Digital Subscriber Line (DSL) service as a mass market product.²³

Pacific Telecom's commitment to increased investment and new service offerings is especially significant now because the CNMI economy, which has been in the midst of a

²¹ Appended as Attachment B is a presentation by Pacific Telecom summarizing its service and operations proposals.

²² *See id.*

²³ *Id.*

recession, will receive a needed boost from Pacific Telecom's increased investment in the telecom sector.

D. The CNMI Market Is, and Post-Transfer Will Be, Competitive

The Commission's pro-competitive, open-entry policies apply to the CNMI. These telecommunications markets already are, and post-transfer will continue to be, open to competition. In fact, competitors have exercised their right to enter the CNMI market and compete with the Companies.

Equal access will continue to be available for wireline long distance service after the proposed transfer. Currently, four interexchange carriers ("IXC's"), each of them subject to rate integration requirements—Startec/PCI, IT&E Overseas, Inc. ("IT&E"), TelePacific Network, Inc. ("TNI") and WorldCom ("WCOM")—compete with MTC and GTE Pacifica for CNMI customers.

There are also numerous prepaid card resellers that offer competing 1-800 long distance services via Sprint and AT&T networks through correspondent relationships with the Companies. In addition, several voice-over-Internet Protocol ("IP") card providers operate in the CNMI. Although the Companies hold a 67.3 percent share of the market for presubscribed 1+ originating minutes, because of the other forms of long distance competition the Companies hold only an eleven percent share of the total long distance market.²⁴

In the wireless market, Saipancell is a competing provider offering cellular and paging services with its extensive microwave network on Saipan. In addition, IT&E and Guam Telephone Authority have cellular roaming agreements in place with GTE Pacifica to serve

²⁴ Appended as Attachment C is a chart summarizing the market shares of the long distance competitors in the CNMI.

customers in CNMI. Finally, Motorola operates a radio communication service on Saipan, and RadioCom operates a paging and an 800 MHz trunked SMR system on Saipan.

Although the local services market is open to competition, MTC is currently the sole provider of wireline local service. However, the wireless providers provide competition in local loop services. For example, Saipancell has filed a petition with the Commission requesting to be designated as an Eligible Telecommunications Carrier (“ETC”) and to disaggregate the Micronesian Telephone Company’s (“MTC’s”) service area.²⁵ Saipancell indicates that grant of its request would make Saipancell eligible to receive federal universal service support for wireless local service offered in Saipan—enabling it to offer consumers a “choice of basic service providers...[and] bring competitive services to customers.”²⁶

Finally, Startec/PCI operates a point-of-presence (“POP”) facility and—along with the three other IXCs—receives monthly bills for exchange access service to the CNMI local exchange network to complete interexchange voice or data transmissions. Furthermore, MTC will continue to comply with applicable FCC regulations governing access to its LEC facilities.

E. U.S. National Security Interests Will Be Protected

Under its new ownership structure, Pacific Telecom initially will have 100 percent ultimate Philippine ownership. The U.S. and the Philippines, of course, have had long-standing

²⁵ *Guam Cellular and Paging, Inc. d/b/a Saipancell Petition for Designation as an Eligible Telecommunications Carrier on the Island of Saipan in the Commonwealth of the Northern Mariana Islands*, CC Docket No. 96-45 at 1, 11-14 (filed Feb. 19, 2002). Saipancell seeks redefinition of MTC’s service area to enable it to be designated as an ETC only for the island of Saipan.

²⁶ Reply Comments of Guam Cellular and Paging, Inc., CC Docket No. 96-45 at 4 (filed June 17, 2002). Although redefinition of MTC’s service area would not serve the public interest, MTC does not object to Saipancell’s designation as an ETC if it serves the entire MTC service area, which is comprised of three islands—Saipan, Tinian and Rota. Opposition of the Micronesian Telephone Company, CC Docket No. 96-45, at 4-6 (filed Apr. 22, 2002).

political, cultural and trade ties, exemplified by the fact that the Philippines has been among the U.S.'s staunchest Asian allies.

In any event, the Commission has stated that in evaluating proposed foreign ownership of U.S. common carriers, it will defer to the Executive Branch of the U.S. Government with respect to national security and law enforcement issues.²⁷ Pacific Telecom acknowledges the Executive Branch's strong interest and expertise in safeguarding national security and protecting the CNMI telecommunications infrastructure. For that reason, prior to the filing of this request and the associated transfer of control applications, Pacific Telecom and its representatives have contacted the U.S. Department of Justice and other Executive Branch agencies ("Executive Agencies") about the proposed transfer of control of MTC to the restructured Pacific Telecom. Throughout these numerous contacts, Pacific Telecom has pledged its cooperation and expressed its intention to enter into an appropriate network security agreement to resolve those concerns.

Based on these discussions, and with the concurrence of the Executive Agencies, Pacific Telecom and BANZHI request that the Commission commence its review and processing of this petition and associated transfer of control applications ("Applications"), including placing the Applications on Public Notice for public comment, but that dispositive action by the Commission concerning the Applications be deferred pending notification to the Commission that all issues identified by the Executive Agencies have or have not been resolved and requesting appropriate action by the Commission. If the issues identified by the Executive Agencies can be resolved through a security agreement between the Applicants and the Executive Agencies, the Applicants anticipate that such security agreement would be filed with the Commission along with a request that the terms of the security agreement be adopted by the

²⁷ *Foreign Participation Order*, 12 FCC Rcd 23891, 23919-20.

Commission as conditions to any authority granted by the Commission concerning the Applications.

BANZHI and Pacific Telecom also intend to file in due course a notice with the Committee on Foreign Investment in the United States (“CFIUS”).

V. REQUESTED RULINGS

Pacific Telecom requests a declaratory ruling pursuant to Section 310(b)(4) of the Act that the public interest would be served by allowing 100 percent ultimate indirect foreign ownership of MTC and FCC common carrier licensee GTE Pacifica by Ricardo C. Delgado and Jose Ricardo Delgado, citizens of the Philippines, a WTO member country.

Pacific Telecom also seeks advance authorization, consistent with Commission precedent, for a very limited amount of future ownership by unidentified foreign individuals. Although the FCC routinely grants authorization up to 25 percent for future unidentified foreign entities and individuals,²⁸ Pacific Telecom seeks advance authorization for just two percent indirect ownership by unidentified foreign individuals, to take into account potential future foreign ownership interests attributable to the proposed trust arrangement being established for

²⁸ The Commission expressly has authorized petitioners to seek advance authorization to accept indirect foreign investment up to any non-controlling level. *Foreign Participation Order*, 12 FCC Rcd at 23941. Subsequently, the Commission described its policy this way: “Generally, the section 310 (b)(4) rulings we issue to common carrier licenses under the *Foreign Participation Order* approve specific indirect equity and/or voting interests made by named foreign investors from WTO Member countries; and provide an allowance for an additional, aggregate 25 percent amount of unidentified foreign equity and/or voting interests, subject to certain limitations to ensure that no individual investor obtains an interest that exceeds 25 percent without prior Commission approval and that non-WTO Member investments does not exceed 25 percent.” *XO Communications, Inc.* 17 FCC Rcd 19212, 19223 n.75 (IB, WTb & WCB 2002), citing *Lockheed Martin Global Telecommunications, Comsat Corporation, and Comsat General Corporation, Assignor, and Telenor Satellite Mobile Services, Inc. and Telenor Satellite, Inc. Assignee*, 16 FCC Rcd 18878, 18884, para. 11 (IB & WTb 2001); *Motient Services Inc. and TMI Communications and Company, LP, Assignors, and Mobile Satellite Ventures Subsidiary LLC Assignee*, 16 FCC Rcd 20469, 20477, para. 22 (IB 2001).

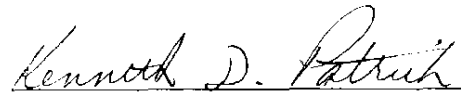
employees of the Companies (as discussed on page 3, footnote 6, of this petition, the trust will not be established until after the proposed transfer of control is consummated).

VI. CONCLUSION

Pacific Telecom is technically and financially qualified to hold the FCC licenses at issue. Its entry into the CNMI market will bring new investment and a renewed commitment to high quality services in the CNMI. U.S. national security interests will be protected through close cooperation with the appropriate Executive Branch agencies. Moreover, as Pacific Telecom is not currently a telecommunications carrier nor is affiliated with a foreign or domestic telecommunications carrier, the proposed transfer will result in no increase in concentration in the relevant markets.²⁹ For these and the other reasons described above, Pacific Telecom urges the Commission to issue the declaratory rulings requested in the preceding section pursuant to Section 310(b)(4).

Respectfully submitted,

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²⁹ Pacific Telecom is not affiliated with a former FCC licensee of similar name (Pacific Telecom, Inc.).

ATTACHMENT A

FCC Authorizations Held by The Micronesian Telecommunications Corporation and GTE Pacifica Inc.

International Section 214 Authorizations

ITC-214-19970502-00247;
ITC-ASG-19971211-00776;
ITC-97-779-AL
ITC-97-288

214 Authorization for Facilities-Based and Resale (Switched and Private Line Non-Interconnected and Interconnected where lawful), excluding the Dominican Republic and Venezuela (GTE Pacifica)

ITC-ASG-19971211-00778;
ITC-97-778-AL

214 Authorization to Construct and Operate the MTC Interisland Cable System Between the Commonwealth of the Northern Mariana Islands and Guam Granted By ITC-92-140 [8 FCC Rcd 750 (1993)] (GTE Pacifica)

Cable Landing License

SCL-92-003-AL

Cable Landing License to Land and Operate the MTC Interisland Cable System Between the Commonwealth of the Northern Mariana Islands and Guam Granted by SCL-92-003 [8 FCC Rcd 750 (1993)] (GTE Pacifica)

Earth Station Authorizations

SES-LIC-20000414-00563;
E000164

C-band transmit/receive earth station to provide digital voice/data services (GTE Pacifica)

SES-RWL-20001006-01900;
Ka-34

C-band transmit/receive earth station to provide digital voice/data services (GTE Pacifica)

Wireless Telecommunications Authorization

KNKN616

Common Carrier Radio License for Cellular Radio Telephone Service (GTE Pacifica)

Domestic Section 214 Authorization

Blanket Authorization

Domestic Interstate 214 Authorization for CNMI and Guam Inter-exchange Carrier Operations (GTE Pacifica)

Blanket Authorization

Domestic Interstate 214 Authorization for CNMI Local Exchange Carrier Operations (Micronesian Telecommunications Corporation)

ATTACHMENT B

Confidential

Pacific Telecommunications Inc.

A Pacific Powerhouse
Submitted by Citadel

Presentation to the CTC:

Thursday, June 13, 2002

Our vision

- To become the largest and most technologically innovative telecommunications provider in the Western Pacific.

Strategic Plans

Pacific Telecom understands that in order to achieve its goal to be the predominant telecommunications carrier in the Western Pacific, it will require investment in:

- Equipment and Infrastructure (cumulative 2002 - 2005 capital expenditure projections of US\$16.1 million provided within transfer application)
- Software and Technology
- Human Resources and Community Development

Moving to the Future

- Wireline

- We are dedicated to growing the existing wireline business, overtime the focus of the existing wireline business will be made consistent with the focus of new business development to cope with diverging customer segments.
- Pacific Telecom will continue to work with equipment vendors to maintain a state of the art network in the CNMI.

Moving to the Future (cont'd)

- Eventually Pacific Telecom intends to offer fixed line services in Guam offering consumers alternatives to GTA.
- Continue to operate the CNMI's network at 99.9% reliability.

Moving to the Future

- **Wireless**

- Already having the largest digital network serving the CNMI, Pacific Telecom plans to increase capacity and coverage by 60% within the next 24 months (Saipan, Rota and Tinian).
- We will upgrade the switching capabilities in order to offer any enhanced services that our telecom vendors offer worldwide.
- We will pursue additional spectrum allocations within the region to cater to markets yet unserved.
- We plan to aggressively grow our customer base by offering our services at reasonable prices with the widest reach.

Moving to the Future

- Long Distance

We will expand our carrier relationships and immediately after closing will enter into at least three additional relationships.

Prepaid services will continue to be aggressively priced and marketed.

Customized calling plans will be tailored to fulfill the diverse needs of the CNMI's population.

We have plans to invest heavily in fiber optic capacity from the US mainland in order to compete with Guam as a regional hub.

Moving to the Future

- Data

- We will be rolling out Digital Subscriber Line Service (DSL) as a mass market product.
- Expand broadband capacity to support VOD services (video on demand), as an alternative media/entertainment choice for consumers.
- Continue to support ISP operations by expanding modem pools.
- We are currently studying expanding our fiber backbone from Guam to offer additional capabilities and services at more economical prices to the consumer.

Support Services

- Pacific Telecom fully understands in order to successfully rollout various infrastructure projects, robust support service are needed
- In the 12 months after closing, Pacific Telecom will upgrade MTC's customer billing system in order to simplify the customer experience.
- With a TSA in place after closing, Verizon will continue to offer training programs for employees in engineering, customer service and operations.
- We also plan to offer operator services to US companies by 2003, which could bring an additional 300 jobs or more to the CNMI economy.

People are our Future

- Pacific Telecom's commitments:
 - There is a signed agreement in place to maintain ALL existing employees and we will continue to be the employer of choice in the CNMI
 - The union contract covering over 50% of the employee base at MTC has been successfully negotiated and signed 4Q2001 and will be honored through end of 2004.
 - Realizing people are our greatest asset, Pacific Telecom will focus on incentives toward it's employees to achieve our strategic plan objectives.
 - We will align our corporate objectives with those of the employees so that as the company grows the workforce will continue to expand

Serving the Community

- We know that historically MTC has played an active role in the CNMI community. We plan to do the same if not more.
- We will continue to sponsor fine causes that enhance the lives of people in the region.
- We will focus on environmental, and social causes.

Conclusion

- With the successive mergers of NYNEX-Bell Atlantic-GTE to form Verizon, Verizon has determined MTC to be non strategic.
- MTC is strategic for Pacific Telecom and we believe that we have the right strategy focusing on robust capital expenditure to grow this asset, ensure the highest quality service, and to provide continuous training and incentives to our people to allow them to be the best they can be.
- With the right mix of management, capital, and people, we are confident we will achieve our ambitious agenda.

ATTACHMENT C

ATTACHMENT C

**Long Distance Market Share in the CNMI for Presubscribed 1+ Originating Minutes and
for Originating Access Minutes**

	MARKET SHARE FOR PRESUBSCRIBED 1+ ORIGINATING ACCESS MINUTES*	MARKET SHARE FOR ALL ORIGINATING ACCESS MINUTES*
Verizon Micronesia	0.00%	0.00%
Verizon Pacifica	67.30%	11.00%
IT&E Overseas	23.07%	3.83%
TelePacific Network, Inc.	6.64%	1.10%
WorldCom	0.00%	29.68%
Sartec/PCI	2.99%	0.50%
All Others (1-800)**	0.00%	53.89%
TOTAL	100%	100%

* Source: June 2002 Summary of billed Carrier Access MOU Report

** These minutes are terminated by AT&T and Sprint via correspondence agreements with Verizon Pacifica.