

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

In the Matter of)
)
Lifeline and Link-Up) WC Docket No. 03-109

COMMENTS OF PR WIRELESS, INC.

PR Wireless, Inc. (“PR Wireless”, “the Company”), by its undersigned counsel and pursuant to the Wireline Competition Bureau’s *Public Notice* dated May 11, 2010, hereby submits comments on the supplemental Link-Up proposal set forth in the Commission’s *Notice of Proposed Rulemaking* released April 16, 2010 (“*NPRM*”).

I. INTRODUCTION AND BACKGROUND

PR Wireless is an Eligible Telecommunications Carrier (“ETC”) in Puerto Rico doing business under the Open Mobile brand. The company has been eligible for support from the High Cost and Low Income Programs of the federal Universal Service Fund (“USF”) since 2007. The company is a leader in utilizing federal USF support to make wireless telephone service accessible in rural, high-cost areas, and affordable to low-income citizens.

The territory of Puerto Rico presents severe challenges to efforts by carriers and regulators to increase telephone subscribership. Puerto Rico is entering its fifth consecutive year of negative GDP growth.¹ The territory has a median income level barely more than a third of the level of the mainland United States, and over 40% of Puerto Rican families are below the poverty level. Puerto Rico’s unemployment rate is nearly double that of the mainland. In large

¹ Source: Global Insight, February 2010.

part because of these challenges, telephone penetration – wireless in particular – lags far behind that of the mainland U.S.

Despite these challenges, PR Wireless has taken a leading role in increasing the availability of wireless service on the island. While there are five other wireless providers on the island, only PR Wireless is fully committed to a pay-in-advance, no-contract business model with unlimited local calling. To ensure potentially qualifying consumers are made aware of the availability of Lifeline benefits, PR Wireless has put in place a community relations program that has now targeted 35 communities.

Thanks to its consumer-friendly pricing structure and its diligent Lifeline outreach, PR Wireless has more than doubled its subscriber base in the last two years. As of December 2009, the company has roughly 100,000 Lifeline customers (97,420).² This is 40 percent of total Lifeline customers served by all carriers in Puerto Rico, wireless and wireline *combined*. PR Wireless is growing its Lifeline-dedicated sales force and expects to increase its Lifeline penetration significantly over the next several years.

II. DISCUSSION

PR Wireless strongly supports the Commission's efforts in initiating a proceeding to consider ways to address low telephone subscribership in Puerto Rico through the Low Income Program of the USF. However, the limited measures proposed in the *NPRM* are far from sufficient to address the core issues that underlie the pervasive lack of access to telecommunications. While some consumers cannot access wireline service due to construction charges (as noted in the *NPRM*), the lack of access to telecommunications is largely due to

² PR Wireless had 105,000 Lifeline customers as of April 2010.

extraordinarily low household and per capita income. In other words, monthly phone bills remain unaffordable for many even after application of existing Lifeline discounts.

Accordingly, PR Wireless believes the most appropriate and effective step would be to make a form of insular Lifeline and Link-Up support available to qualifying low-income consumers in Puerto Rico and other insular areas with similar characteristics. Eligibility would be determined under the existing rules for Lifeline and Link-Up currently applicable to non-tribal areas. The available discounts would be similar to those available to residents of tribal lands under the Enhanced Lifeline and Link-Up programs. PR Wireless believes these steps are critically needed and will serve as an effective measure to narrow the gap in access to communications services that currently exists between Puerto Rico and the mainland United States.

A. There Is a Demonstrated Need For Additional Lifeline Support.

By virtually any measure, the citizenry of Puerto Rico are very poor compared to that of the mainland United States. The median income for households in Puerto Rico is \$18,610, compared to a median income of \$52,175 for all households in the United States.³ Per capita income in Puerto Rico is \$10,064, compared to \$27,466 for the United States overall.⁴ The unemployment rate in Puerto Rico in April 2010 was 17.2 percent, compared to an unemployment rate of 9.9 percent for the United States as a whole.⁵ In Puerto Rico, 41.4 percent of all families are below the poverty level, and 49.6 percent of all families with related children under 18 years of age are below the poverty level. In the United States as a whole, 9.6 percent of

³ U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates, Table S1901.

⁴ U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates, Social Characteristics.

⁵ Bureau of Labor Statistics, United States Economy at a Glance, accessed at <http://www.bls.gov/eag/eag.us.htm>.

all families are below the poverty level, and 14.9 percent of all families with related children under 18 years of age are below the poverty level.⁶

While Lifeline subscribership in Puerto Rico has increased significantly over the past several years, participation rates still remain low. With more than 40% of families below the poverty level, one would expect a similar proportion of households to be subscribing to Lifeline. Yet, although approximately 375,000 families are below the poverty level,⁷ there are only approximately 188,000 Lifeline subscribers in Puerto Rico as of 2008.⁸

The existing discounts under the Low Income program have not been sufficient to boost telephone penetration. Although the Commission found that overall telephone penetration in Puerto Rico is only “somewhat” lagging behind the U.S. mainland (91.9 percent vs. 98.2 percent), wireless subscribership on the island lags significantly more at 64.3 percent⁹ compared to 90 percent on the mainland (based on 2008 figures).¹⁰ Furthermore, as noted in Puerto Rico Telephone Company’s Petition for Reconsideration of the Order that accompanied the *NPRM*, it is misleading to speak of an increase from 73.8 percent in 2005 to 91.9 percent in 2008, because the U.S. Census questionnaire was changed in 2008¹¹ to include consideration of cell phones.¹²

The low income levels, coupled with the large gap between Puerto Rico and the U.S. mainland in access to wireless service, bespeak an urgent need for additional measures to make

⁶ U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates, Table S1702.

⁷ U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates, Table S1702.

⁸ 2009 Universal Service Monitoring Report at Table 2.6 (this is the most recently available data).

⁹ Puerto Rico Telecommunications Regulatory Board, “Total de Líneas Inalámbricas por cada 100 Habitantes en Puerto Rico Años 2000 – Marzo 2010,” accessed at <http://www.jrtrp.gobierno.pr/documentos/Estadisticas/2009/informe%202009.asp>.

¹⁰ *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Mobile Wireless, Including Commercial Mobile Services*, WT Docket No. 09-66, Fourteenth Report (rel. May 20, 2010) at ¶ 155.

¹¹ See 2008 Puerto Rico Community Survey, accessed at <http://www.census.gov/acs/www/Downloads/Special/PRico/QuestE08PR.pdf>.

¹² Puerto Rico Tel. Co. Petition for Reconsideration in WC Docket No. 05-337, CC Docket No. 96-45, and WC Docket No. 03-109 (April 27, 2010) at p. 13.

telephone service more affordable. PR Wireless submits that the most effective measure would be to establish a form of insular Lifeline and Link-Up support akin to the Tier 4 discounts made available in tribal areas under the Enhanced Lifeline and Link-Up programs.

Although PR Wireless believes the need for additional support in Puerto Rico is as great as it was in tribal areas at the time the Commission adopted Enhanced Lifeline and Link-Up, PR Wireless proposes that the supplemental discounts be somewhat smaller in recognition of the need to control the size of the USF as the Commission considers ways to fund its long-term reform efforts in fulfilling the policy objectives set forth in the National Broadband Plan. Accordingly, PR Wireless proposes an additional Insular Lifeline amount of \$15 per month instead of the \$25 available under the Tier 4 program for tribal areas. The Insular Link-Up discount would be up to an additional \$50 to cover 100% of the charges between \$60 and \$110, for a total maximum discount of \$80 instead of the \$100 total discount available under Enhanced Link-Up.

B. The Proposal in the Commission’s NPRM is Neither Adequate Nor Competitively Neutral.

The Commission’s proposal to establish a supplemental Link-Up discount that only applies to “special construction charges” would not be adequate to address the demographic issues that have thus far hindered the growth of Lifeline subscribership and telephone penetration. Quite simply, a supplemental discount that is limited to the service connection charge does nothing to assist consumers who cannot afford the monthly bill after the currently available Lifeline discounts are applied.

As discussed in the previous section, Puerto Rico lags the most in wireless penetration. Under the typical wireless rate plan, customers do not pay a significant service connection fee. The problem in increasing subscribership is not a customer’s inability to afford a connection

charge. Rather, it is the inability to afford monthly service charges. An additional \$15 Lifeline discount as proposed above would significantly increase the ability of low-income families to pay for monthly wireless service.

The proposal in the *NPRM* is also problematic because it is not competitively neutral. With its exclusive focus on special construction charges, the FCC's proposal inherently favors wireline providers, whose tariffs authorize them to impose line extension charges. Under Section 201(a) of the Communications Act of 1934, as amended, both wireline incumbents and wireless ETCs have the obligation to provide service upon reasonable request. Only wireline carriers have an established mechanism for recovering their investment if additional facilities need to be constructed to reach the customer: tariff provisions setting forth special construction charges to the customer. Wireless ETCs, by contrast, are required to engage in a six-step process with the customer to explore ways to get usable signal to the customer's residence. Although an ultimate solution may involve a charge to the customer, wireless carriers do not have tariffs authorizing special construction charges and thus would, presumably, be disqualified from providing the supplemental discount proposed in the *NPRM*.

More fundamentally, wireless ETCs such as PR Wireless currently are using high-cost support to increase the reach of their networks and expand service availability to more and more people. To the extent customers are not being reached by existing facilities, this impediment to subscribership is already being addressed via the High Cost program. The more basic problem is that many consumers who are within the reach of any telephone network cannot afford the monthly bill.

III. CONCLUSION

PR Wireless fully appreciates the Commission's efforts in opening a comment process to consider ways to use the Low Income program to address the low telephone subscribership in Puerto Rico. However, the specific remedy proposed does not get at the root of the problem – extraordinarily low income, which makes monthly phone bills unaffordable to many – and therefore is not adequate to fix it. As Commissioner Copps stated in his Concurring Statement: “More is needed.”

Any effective solution must include a Lifeline component. PR Wireless believes that the best solution is to adopt a modified form of Enhanced Lifeline and Link-Up. With discounts somewhat lower than those available in tribal areas, low-income consumers would be aided in their ability to access telephone service, and the burden on the USF would not be excessive

For all of the reasons set forth above, PR Wireless requests that the Commission adopt a modified Enhanced Lifeline and Link-Up program for Puerto Rico, and for other insular areas with similar characteristics.

Respectfully submitted,

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