GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES
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Public Services Commission

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12'" Street, SW
Washington, DC 20554
Re: WC Docket No. 05-337, CC Docket No. 96-45

December 20, 2010

Via ECFS

Dear Ms. Dortch:

As required under FCC rules, Section 1.1206, this memorandum summarizes the oral presentation made on December 17, 2010, by Mr. Joseph B. Boschulte, Chair of the Virgin Islands Public Services Commission (VI PSC), Mrs. Tanisha Bailey-Roka, VI PSC General Counsel and Mr. Walter Schweikert, Telecom Consultant to the VI PSC. The presentation was made to the following officials in the FCC's Wireline Competition Bureau: Ms. Carol Mattey, Ms. Rebekah Goodheart, Ms. Christi Shewman, Mr. Patrick Halley, Ms. Elise Kohn, Ms. Vicki Robinson and Ms. Amy Bender. Copies of this memorandum are being filed electronically in the referenced dockets.

The PSC outlined the current state of telecommunications infrastructure in the USVI. The VI PSC recently concluded an in-depth review of the condition of the wireline network operated by VITELCO, the ILEC in the U.S. Virgin Islands in connection, with the transfer of control of the company to a new owner. The PSC found that the network was dilapidated and in need of complete replacement. The PSC also reviewed wireless services in connection with ETC designation proceedings and annual recertification and found that coverage was poor in many areas, particularly rural and mountainous areas. Non-ETC wireless carriers had not developed their infrastructure in those areas due to high cost and low population density. The only carriers willing to build infrastructure in the unserved and under-served areas were the two small wireless carriers that had been designated as ETCs by the PSC. Both carriers told the PSC that wireless infrastructure in the unserved and under-served parts of the Territory could not economically be built without USF support.

The VI PSC supports the FCC's goal of improving access to broadband services for all Americans. However, the means used by the FCC to reach that goal should not have the unintended consequence of slowing progress on other needed infrastructure improvement programs that depend on continued USF support. The FCC has recognized this danger. For

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example, in Section 8.3 of the National Broadband Plan, the FCC said "Sudden changes in USF…could have unintended consequences that slow progress. Success comes with clear roadmaps for reform including guidance of timing and pace of changes to existing regulations so the private sector can react and plan accordingly." It is precisely this issue that the VI PSC brought to the FCC's attention.

Only two wireless carriers, Centennial USVI Operations and Choice Communications LLC, have been designated as ETCs. Centennial serves approximately 5,500 customers while Choice has only recently started providing voice services and has very few customers. Centennial petitioned the PSC to relinquish its ETC designation after it was acquired by AT&T. Since the petition met the legal requirements under § 214(e)(4) of the federal Telecommunications Act, the PSC granted Centennial's petition on December 14, 2010.

The FCC has proposed that USF relinquished by Competitive ETCs be recaptured and used to fund broadband projects. The state CETC cap would be reduced by the amount that would have been received by the relinquishing carrier. Although no implementation date has been proposed, the PSC is concerned about timing. If the proposal were implemented immediately, the effect on the USVI would be significant. Since Choice has only started serving voice customers, virtually all CETC USF support would be lost. This would mean that the wireless infrastructure needed by USVI residents would be delayed or not built at all. If the implementation was delayed, Choice would have some time to build up its customer base and, under the current rules, would have the opportunity to receive USF up to the CETC cap. The PSC understands that the FCC is working on a mobility plan intended to support future wireless infrastructure construction projects in remote areas but remains concerned that current plans for improving wireless coverage may be disrupted. Accordingly, the recapture of relinquished funds should be delayed until the mobility fund is in place.

The PSC remains concerned about the size of USF support available to the Territory. Ideally, it would like to see an increase in the CETC cap, at least for the next five years. The funds currently available are insufficient to attract most carriers. If the FCC is unable to raise the CETC cap, consideration should be given to establishing a special fund for those states or territories where the impact of the proposed rules would be especially disruptive.

Sincerely,

Tanisha Bailey-Roka

Tanisha Bailey-Roka, Esq.
General Counsel