

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC 20554

In the Matter of	)	
Connect America Fund	)	WC Docket No. 10-90
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
High-Cost Universal Service Support	)	WC Docket No. 05-337
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
Lifeline and Link-Up	)	WC Docket No. 03-109

**REPLY COMMENTS OF IT&E**

PTI Pacifica Inc., a wireless Competitive Eligible Telecommunications Carrier (“CETC”) in the Commonwealth of the Northern Mariana Islands (“CNMI”) and Guam doing business as IT&E (“IT&E”), hereby submits these Reply Comments in the above-captioned proceeding regarding the Commission’s proposals for universal service fund (“USF”) reform.<sup>1</sup>

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<sup>1</sup> *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking*, FCC 11-13, 2011 (rel. Feb. 9, 2011) (“*Notice*”).

In the *Notice*, the Commission acknowledged the difficulties that serving some insular areas present to telecommunications services providers.<sup>2</sup> Congress expressly directed the Commission to ensure that consumers in insular areas have reasonably comparable access to telecommunications services, including advanced telecommunications and information services.<sup>3</sup> As the Commission undertakes comprehensive USF reforms and transitions to the Connect America Fund (“CAF”), therefore, it needs to ensure that its reforms do not undermine service in insular territorial areas like the CNMI and Guam (“the Territories”) because these areas present unique challenges to communications service providers. In particular, as discussed below, the deployment and maintenance of communications systems in the CNMI and Guam are more costly and risky than in the mainland United States due to the Territories’ geographical isolation, climatic conditions, unstable population levels, and below average income levels. For these reasons, IT&E supports those aspects of the Joint Comments of Docomo Pacific, Inc., PR Wireless, Inc., Choice Communications, LLC, and AST Telecom, LLC d/b/a BlueSky Communications (“Joint Commenters”) that recommend that CETCs serving the Territories be exempt from the proposed phase down of CETC support and from the interim cap.<sup>4</sup> Without ample continued USF support, accessibility of telecommunications and broadband services in insular areas like the Territories will increasingly lag behind that of the 50 States.

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<sup>2</sup> *Id.* at para. 306.

<sup>3</sup> 47 U.S.C. § 254(b)(3).

<sup>4</sup> *See* Joint Comments of Docomo Pacific, Inc., PR Wireless, Inc., Choice Communications, LLC, and AST Telecom, LLC d/b/a BlueSky Communications, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109 (“Joint Comments”), filed April 18, 2011.

**I. THE FCC’S UNIVERSAL SERVICE REFORMS MUST TAKE INTO ACCOUNT THE TERRITORIES’ UNIQUE AND CHALLENGING CIRCUMSTANCES**

The Joint Comments provided an overview of the characteristics and circumstances of each of the insular territories served by the Joint Commenters and the challenges that those territories face. IT&E agrees that the Commission should take into account the circumstances of each territory to ensure that it receives sufficient support.

As discussed in the Joint Comments, the CNMI is located roughly 6,000 miles from the U.S. mainland. This isolation complicates shipping and storage logistics associated with infrastructure construction, and the added complexity ultimately translates to an increased cost to service providers.<sup>5</sup> The climatic conditions in the CNMI also present challenges—namely, flooding, shoreline erosion, tropical storms, and typhoons.<sup>6</sup> Preventative building methods required for robustness and repairs resulting from climate-induced damages add significant expenses for service providers.<sup>7</sup> Additionally, the region is tectonically active, and both serious earthquakes and volcanic activity are frequent and significant.<sup>8</sup>

The CNMI’s declining economy, decreasing population, and low income levels also act as serious obstacles to higher telephone and broadband penetration. The once booming garment industry in the CNMI has been disappearing for years, and the last factory, one of two major

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<sup>5</sup> Joint Comments at 5.

<sup>6</sup> Coastal Resources Management Office, Section 309 Assessment and Strategy Report 2011–2015 14–15 (2010); Joint Comments at 5.

<sup>7</sup> Joint Comments at 5 n.5.

<sup>8</sup> *Id.* at 5; U.S. Geological Survey, *Anatahan Volcano’s Ash Clouds Reach New Heights*, Volcano Watch (Jul. 12, 2005), [http://hvo.wr.usgs.gov/volcanowatch/2005/05\\_07\\_21.html](http://hvo.wr.usgs.gov/volcanowatch/2005/05_07_21.html); Coastal Resources Management Office, *supra* note 6 at 5.

employers in the territory, closed its doors in 2009.<sup>9</sup> Accompanying and adding to the decline, tourism—the other major industry in the CNMI—dropped 48% between 1997 and 2009.<sup>10</sup> Statistics indicate that residents of the CNMI suffer a 14% unemployment rate,<sup>11</sup> more than 50 percent higher than the 9% overall unemployment in the U.S.<sup>12</sup> Like many other insular territories, the CNMI has a very low median household income, and it is declining. Down from \$22,898 in 2000, the CNMI's 2004 median household income was just \$17,138.<sup>13</sup> Consequently, the poverty rate is 53.5%—more than four times the poverty rate of 12.7% in the 50 states.<sup>14</sup> As a result of this severe economic downturn, the population has decreased from its peak of 69,000 in 2000 to an estimated 46,050 in 2011.<sup>15</sup>

The declining economy and population in the CNMI makes telecom and broadband services even less affordable. The low penetration rates in the CNMI illustrate the importance of federal support to foster maximum accessibility. The number of end user access lines provided

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<sup>9</sup> U.S. Government Accountability Office, Report to Congressional Committee: American Samoa & Commonwealth of the Northern Mariana Islands 104 (2010), *available at* <http://www.gao.gov/products/GAO-10-333>.

<sup>10</sup> *Id.* at 39.

<sup>11</sup> Juanita Villena-Alvarez & Victoria Villena, *Northern Marian Islands*, Education Encyclopedia – StateUniversity.com, <http://education.stateuniversity.com/pages/1120/Northern-Mariana-Islands.html> (last visited May 13, 2011).

<sup>12</sup> Bureau of Labor Statistics, *Economic News Release*, U.S. Department of Labor (May 6, 2011, 8:30 AM), <http://www.bls.gov/news.release/empsit.nr0.htm>.

<sup>13</sup> Wendy L. Doromal, U.S. Commonwealth of the Northern Mariana Islands (CNMI) Status Report 2 (2008), *available at* <http://www.scribd.com/doc/12609878/1208-CNMI-Status-Report-Doromal>.

<sup>14</sup> U.S. Government Accountability Office, *supra* note 9, at 42.

<sup>15</sup> *Compare* U.S. Government Accountability Office, *supra* note 9, at 41 fig.5 with CIA World Factbook available at: <https://www.cia.gov/library/publications/the-world-factbook/fields/2119.html>.

by the CNMI ILEC (an affiliate of PTI Pacifica Inc. also known as IT&E) declined 32% over just the past five years. Furthermore, the FCC reported only 5,000 residential broadband connections exceeding 200 kbps in at least one direction.<sup>16</sup> It was reported that only 10–20% of households had a fixed connection exceeding 200 kbps.<sup>17</sup>

Guam also faces challenges. As discussed in the Joint Comments, 23% of the population lives below the national poverty level, and the inflation rate in Guam is much higher than on the mainland.<sup>18</sup> Moreover, in contrast to the declining population of CNMI, Guam will experience a population increase in the range of 40% over a short period of time as result of a planned U.S. military build-up. Service providers will be hard-pressed to serve so many more people in a short period when there will be great pressure on the availability of all goods and services in Guam.

IT&E therefore strongly supports the recommendation in the Joint Comments that CETCs serving the Territories should be exempt from the Commission's proposal to reduce the interim cap on CETC high cost funding to zero over a five-year period.<sup>19</sup> As described above, the circumstances in the Territories are not similar to those on the U.S. mainland, and a one-size-fits-all approach designed for the mainland should not be imposed on insular territories.

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<sup>16</sup> Federal Communications Commission, *Internet Access Services: Status as of June 30, 2010*, 36 tbl.17 (2011); Department of Commerce, *2005 CNMI Household, Income, and Expenditures Survey 1* tbl.1 (2008).

<sup>17</sup> Federal Communications Commission, *supra* note 16, at 56 tbl.28.

<sup>18</sup> Joint Comments at 6.

<sup>19</sup> *Id.* at 12.

The Joint Commenters' further proposal to exempt CETCs in the Territories from the interim cap imposed in 2008 on high-cost disbursements also deserves serious consideration.<sup>20</sup> Support to CETCs in the Territories should be calculated by applying the identical support rule on an uncapped basis. Because of their relatively small populations, providing an exception for the Territories will have only a *de minimis* impact on the overall size of the fund even as retaining funding at prior levels will have a very positive impact to bolster penetration.

Respectfully submitted,

IT&E

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<sup>20</sup> *Id.* at 14.