

October 21, 2011

The Honorable Julius Genachowski, Chairman  
The Honorable Michael Copps  
The Honorable Robert McDowell  
The Honorable Mignon Clyburn

Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

Re: Reform of the Universal Service Fund

Dear Mr. Chairman and Commissioners:

The signatories below wish to add our voices to concerns voiced by other Puerto Rico stakeholders regarding the reform of the Universal Service Fund underway at the Commission and its impact across our island. The signatories are members of the Puerto Rico Broadband Taskforce or the Stakeholder Committees that comprise it. The signatories understand how critically important broadband is for the Puerto Rican economy and our ability to compete in the 21<sup>st</sup> century, especially during the tough economic times we live in.

The Puerto Rico Broadband Taskforce is a broad coalition of stakeholders that, led by the Office of the Chief Information Officer of Puerto Rico and the industry regulatory agency, the Junta Reglamentadora de las Telecomunicaciones, brings together public and private stakeholders under a common goal: outlining and implementing a coherent and pragmatic strategy to help move broadband forward across the island. Our strategic plans focus on all critical aspects of this problem, including ways to expand broadband infrastructure and capacity, promote broadband adoption amongst the disconnected, and better leverage ITC technology across our education system, our healthcare system, and our energy sector.

The digital challenges we are facing in Puerto Rico are dire, indeed. The data speaks for itself:

- 14% of households across Puerto Rico, or approximately 176,000 households, remain unserved by any fixed broadband networks;
- 21% of households across rural areas of Puerto Rico, or approximately 164,000 households, remain unserved by fixed broadband networks;
- 69% of households across Puerto Rico did not subscribe to broadband in 2010. In other words, more than two thirds of our fellow citizens do not share the benefits of 24/7 broadband in their homes;
- An estimated 443,000 children across Puerto Rico cannot enjoy the benefits of broadband in the home.

The reform that the Commission is currently contemplating will have important repercussions for Puerto Rico. Choices you will be making in the next weeks and months could complement our work and contribute to expanding broadband across the island in a drastic way, or – alternatively – undermine our work and goals. We urge you to work with us to build pragmatic rules and programs that will be both efficient and effective in helping bridge the digital divide across Puerto Rico. Specifically, we urge you to consider the following:

- **Design rules and programs that will result in effective and fair solutions to resolve the infrastructure gap across Puerto Rico**

Current data indicates that 14% of Puerto Rican households are completely unserved by any broadband provider at any speed. Across rural areas of the island, that estimate reaches an untenable 21% of households that do not have broadband available. These figures reflect availability estimates at the basic speeds of 768 Kbps. The reality is direr when looking at speeds of 4 Mbps or above; speeds that the Commission has proposed as minimum standards to support most basic online activities. If the Commission is true to this vision, based on the data available in the National Broadband Map, Puerto Rico should receive under the new plan proportionally greater – not lower – subsidies for broadband build-out than most other states.

To ensure that that happens, Puerto Rico wants to work with the Commission **to define disbursement mechanisms across Puerto Rico that are consistent with the reality on the ground and will achieve reasonable and fair outcomes**. Key amongst them is the fact that across Puerto Rico, in 2010, an estimated 31% of households subscribed to broadband, compared to 67% across the US. Furthermore, Puerto Rico is unique in the cost factors affecting network build-out. High costs derive from a mountainous terrain across most of the interior of the island, as well from a well-documented higher cost of producing goods and services due to the insular nature of Puerto Rico. Such principles should prevail whether the Commission opts for a market-based reverse auction disbursement mechanism, or a cost model.

- **Work collaboratively with stakeholders across Puerto Rico to expand pilot programs to promote adoption and help close the adoption gap across Puerto Rico**

As stated before, in 2010, only 31% of households subscribed to home broadband service in Puerto Rico, compared to a US average subscription rate of 67% of households. This low adoption rates affect the low levels of broadband network investment we see across Puerto Rico. Furthermore, in 2010, an estimated 443,000 children across Puerto Rico did not have broadband in the home. With more than 40% of the population having income below the poverty level, the core driver of this low technology penetration is income. Unless we jointly and urgently focus on this problem, this technology gap will add to the income gap, leading us down a destructive cycle. The Puerto Rico Broadband Taskforce is working to build solutions to help bridge this adoption gap along three main paths:

- Discounted device and broadband bundled offerings targeting low-income families with children – similar to the Internet Essentials model;
- Programs that would provide mobile connected devices to students in disadvantage K-12 schools – similar to the FCC’s pilot model, Learning on the Go;
- Expansion of publically available IT-literacy programs and workforce development programs across low-income communities.

We invite the Commission to join us in these efforts. In particular, we propose to **explore ways to create or expand pilot programs across Puerto Rico funded through the reformed Low Income and E-Rate program focusing on broadband**.

As you undertake the decisions you are about to make over the coming weeks and months, we urge you to consider these proposals. The signatories stand ready to work with the Commission to advance further these ideas and help design rules and programs that are fully consistent with the goals of the Commission and will help bring all Puerto Ricans into the 21<sup>st</sup> century economy.

Sincerely,

<b>INSTITUTION</b>	<b>NAME</b>	<b>TITLE</b>
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Corredor Tecno Economico de Puerto Rico (PRTEC)	Nelson Perea	Executive Director
EducaPR	Jeanette Delgado Nazario	President
RadaGroup	Radames Rosado	President
Alianza de Líderes Rincoeños, Inc.	Irma R. Bartolomey	President
Puerto Rico Telephone Company	Manuel Ortíz de Montellano	President
Iniciativa Tecnológica Centro Oriental (INTECO)	Oscar Jimenez Mártir	Executive Director
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