

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 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 an 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
)	
Universal Service Reform – Mobility Fund)	WT Docket No. 10-208
)	

REPLY COMMENTS OF GTA TELECOM, LLC

GTA Telecom, LLC (“GTA” or the “Company”) files these reply comments in response to comments filed in conjunction with the Federal Communications Commission’s (“FCC” or “Commission”) *Order and Further Notice* in this proceeding.¹ Inasmuch as issues addressed in the *Further Notice* will have a direct impact on GTA and its customers, the Company wishes to

¹ 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 an 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, Universal Service – Mobility Fund, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (“*Order and Further Notice*” or “*Further Notice*”).

bring Guam-specific considerations to the Commission with the aim that Commission policies regarding federal high-cost universal service support will accommodate the unique considerations facing Guam as an insular rural incumbent local exchange carrier (“insular RLEC”).

I. Introduction

The unincorporated United States Territory of Guam is an island that is 30 miles long and between 4 to 12 miles wide located in the western region of the Pacific Ocean. It has a total land area of 209 square miles or nearly 3.5 times the size of the District of Columbia. Its 2009 population estimate was 178,000 (approximately 47,677 households). This is almost one-quarter the population of the District. Critically, Guam is a 7,926 mile flight from Reagan National Airport—assuming you could fly there directly.

Guam is a strategic military location for the United States Navy, Marines, and Air Force and is host to a number of military bases and installations.² Guam is also very important for business and commerce as it is nearly equidistant from Japan, China and Indonesia, thus Guam serves the United States as a key territory in the remote part of the western Pacific Ocean.

GTA, formerly known as the Guam Telephone Authority, is a federal and state rate-of-return regulated carrier. The Company and its affiliates provide a variety of services to consumers including broadband, video, cellular, and Internet services over its copper and fiber network. In addition, GTA provides mission-critical network services to other carriers including wireless service providers and competitive local exchange carriers (“CLECs”). In order to

² GTA uses federal high-cost universal service support to provide mission critical infrastructure facilities to the military that not only connect the on-island bases, but also to provide connectivity to the U.S. mainland.

operate, maintain and upgrade its network, GTA relies on High-Cost USF and ICC as part of its revenues.³ GTA relies on federal USF support to offset the much higher costs associated with the unique challenges in providing the services to the island's inhabitants as the predominant carrier on the island of Guam and as the Carrier-of-Last-Resort.⁴ For example, GTA's network must use buried plant to be able to withstand severe weather conditions such as typhoons and still be able to provide communications services through the most exigent circumstances, and GTA must make significant upgrades to meet the needs of expanding military bases as well as schools, hospitals and other anchor institutions.⁵

As mentioned, GTA provides mission-critical network services to mobile service providers. There are four mobile service providers in Guam, three of which already offer 3G wireless broadband services today. However, without GTA, these mobile service providers would be unable to provide their retail services as GTA is the only carrier with an affordable network footprint that provides connectivity throughout Guam and vital connections to the U.S. mainland as well as international points of interconnection.

Not unlike the current experience in the United States, broadband service is very important for the residents of Guam. GTA and one other wireline broadband provider currently offer access to broadband with speeds of at least 4 Mbps downstream and 1 Mbps upstream.

Guam is an example of where with the existing high-cost support mechanisms, the

³ For example, in 2010, revenues from high-cost USF accounted for approximately 20 percent of GTA's overall regulated revenues.

⁴ GTA encounters much higher costs of goods and lead times for equipment and relies quite heavily on overseas shipping. GTA also faces special Carrier-of-Last-Resort ("COLR") challenges for all of Guam. GTA has the responsibility to provide reliable service upon demand in all areas of the island. The experience of CLECs and wireless providers is much different.

⁵ Since its privatization in 2005, GTA has invested \$75 million in its network and has plans to invest an additional \$10 million—plans that are currently suspended due to uncertainties related to cost recovery for GTA.

Commission's goal of universal access to broadband in rural areas is indeed being achieved by rate-of-return regulated incumbent local exchange carriers. The benefit of voice and broadband is being achieved despite the fact that Guam has a relatively higher amount of low-income consumers than in the contiguous United States. For example, data from the Bureau of Labor Statistics show that as of March 2011, Guam's unemployment rate was 13.3 percent. This rate is higher than unemployment rates on the mainland.⁶ Furthermore, over 20 percent of Guam's population utilizes food stamps.⁷ While the Commission's recent actions of the federal Low-Income support are intended to reform the national program, the Commission has limited federal low-income Lifeline support to \$9.25 beginning April 2012. Currently, low income customers in Guam receive \$10.00 in federal Lifeline support. Thus, the low income households in Guam will see an increase in their monthly phone bill of \$0.75. While subscribership to Lifeline support is lower in Guam than in other states,⁸ this reform will affect the affordability of service for these customers. We mention this because it will compound the impact of federal high-cost universal service reforms in the future.

II. Further Notice Reforms

In many ways, GTA is not unlike other RLECs regulated by the Commission. Most critical to GTA and others carriers is the establishment of a clear path forward. The investment and operational decisions that are made by carriers serving rural and insular areas of the nation

⁶ The June 2011 preliminary statistics show the number of jobs on Guam decreased 1,250 in the latest quarter and by 830 jobs or 1.3 percent from the comparable period one year ago.

http://www.dol.guam.gov/index.php?option=com_content&view=article&id=483&Itemid=608

⁷ As of the end of 2010, Guam had an overall population (including military) of 180,692. The number of persons on a monthly average that were taking food stamps at that time were estimated to be 36,926, which is approximately 20.4 percent of the overall population.

⁸ Guam's 2010 Lifeline subscribership was 1.4 percent of the total number of reported lines in Guam (158,852).

require a clear understanding of if or how the policy of universal service for rural and insular areas will be maintained. As part of the Commission’s *Order and Further Notice*, it is clear that we have experienced a sea change in how the Commission views universal service. The reforms in place limit and restrict the investment and operational decisions of RLECs in such a way that some citizens will become unservable. This policy change will affect GTA’s ability to continue to provide additional retail and mission-critical wholesale services in Guam.

However, as explained in more detail below, GTA and other RLECs that serve insular areas are distinctly different than RLECs that do not serve insular areas. Because of this reality, GTA respectfully recommends that the Commission establish provisions for insular areas so that the communications infrastructure in these remote and costly-to-provide areas are able to operate, maintain and improve the networks that are vital to local and national interests. In addressing insular areas separate from other carriers, GTA recommends that the Commission adopt the following.⁹

A. Regression Limits

The Commission has received comments on how to implement its regression policy for High Cost Loop Support (“HCLS”) and Interstate Common Line Support (“ICLS”)—two programs that currently provide vital financial support to RLECs in operating, maintaining and upgrading their rural and insular networks. The foundation for the HCLS regression proposal

⁹ GTA is aware that the Commission has established an expedited waiver process for insular areas to address reforms that will negatively impact insular carriers. Respectfully, GTA believes that in addition to an expedited waiver process, the Commission should proactively address insular areas before potential reforms are adopted. GTA believes that a guardrail placed at the top of a cliff is far better public policy than placing a speedy ambulance at the bottom of the cliff. Ideally, both precautions have merit, but as the adage says, “an ounce of prevention is worth a pound of cure.”

rests upon a quantile regression technique. Critical for the operation of this technique is the comparison of similarly situated carriers based on a set of independent variables. Insular areas, almost by definition, have no similarity with other carriers' areas. Guam is vastly different, in terms of accessibility, network needs and population, than any other state or territory. Placing Guam into the regression analysis will only reduce the predictive capability of the regression technique.¹⁰ This approach does not serve the public interest in preserving and advancing universal service. Instead, the Commission should direct the Wireline Competition Bureau to exclude insular areas from the proposed regression technique and any additional regression techniques contemplated by the Bureau. Instead, the Commission should continue to provide HCLS and ICLS with the rules in effect prior to the *Order and Further Notice* until the Commission determines that its policies will not adversely affect the continued operation of existing networks in insular areas.

B. Elimination of Support

The Commission has suggested that support be eliminated in areas where there is an unsubsidized competitor that provides voice telephony and broadband at specified levels. GTA responds and recommends that the Commission not apply its elimination of support to GTA inasmuch as GTA's ability to operate, maintain and improve its retail service as well as mission-critical infrastructure will be severely limited if GTA were to lose its existing universal service

¹⁰ Guam was not included in the quantile regression that created the coefficient estimates and goodness-of-fit measures reported in Appendix H of the *Order and Further Notice*. Subsequent to the release of Appendix H, the Commission released its proposed capped levels for GTA without any detail or information on the inputs used to calculate the GTA caps. Consequently, little analysis can be done at this time. GTA will review the underlying data used by the Commission when it becomes available.

support.

In addition, GTA understands that this elimination of support will apply to all Connect America Fund (“CAF”) programs, including the proposed Restructure Mechanism (“RM”).¹¹ GTA’s inability to receive RM support to offset interstate revenues for switched access services will severely and negatively impact its operation, maintenance and upgrading infrastructure used to provide services to retail and wholesale customers. GTA recommends the Commission not apply the elimination of support to insular areas. Other parties comment that this policy is fraught with technical hazards. GTA’s recommendation would allow insular areas to avoid the pitfalls extant in the current proposal.

C. Rate of Return Represcription

The Commission is seeking comment on a proposal to change its authorized rate of return for the interstate jurisdiction. GTA agrees with various comments filed that a change in the authorized rate of return should not be made at this time. Given the various pending reforms, the risk assessment for rural and insular areas would likely suggest the rate of return should remain at the currently authorized 11.25 percent or should be increased. The Commission should refrain from adopting any changes to the authorized rate of return for interstate services.

¹¹ There is no “intrastate” switched access service in Guam. GTA would be eligible to apply an ARC and receive RM support through the CAF in two years.

III. Conclusion

As demonstrated herein, Commission policies regarding federal high-cost universal service support should accommodate the unique considerations specific to Guam as an insular RLEC.

Respectfully Submitted,

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