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

In re	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
Phase II Support for Price Cap Carriers Serving Non-Contiguous Areas	)	
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	)	
	)	

REPLY COMMENTS OF THE STATE OF HAWAII

The State of Hawaii, by its attorneys and through its Department of Commerce and Consumer Affairs ("DCCA"), Division of Consumer Advocacy submits these reply comments in response to the Commission's Public Notice ("Notice") regarding Connect America Phase II support for price cap carriers outside the contiguous United States.[1] The State applauds the Commission's steady progress in developing the Connect America Cost Model ("CACM" or "cost model")[2] as well as the Commission's recognition that a satisfactory model must account for the circumstances of all subject carriers, including those outside of the contiguous United States.[3] DCCA shares the Commission's goal of ensuring adequate support to enable deployment of true broadband to even the rural, remote, and non-contiguous areas of the United States. DCCA is also confident that with careful consideration the Commission and stakeholders can develop a cost model that provides sufficient support not only to ensure the availability of

[1] *Connect America Fund, Phase II Support for Price Cap Carriers Serving Non-Contiguous Areas, WC Docket No. 10-90,* Public Notice, DA 13-162 (rel. Feb. 8, 2013) ("Notice").

[2] Wireline Competition Bureau Announces Availability of Version Three of the Connect America Fund Phase II Cost Model, WC Docket No. 10-90, Public Notice, DA 13-381 (rel. Mar. 11, 2013).

[3] *Notice*, ¶¶ 1 and 3.

broadband services in non-contiguous price cap areas, but also to raise the level of broadband service consistent with the goals set for other areas of the nation. DCCA generally supports the comments filed by Hawaiian Telecom Inc. ("HTI"),[4] and adds further comments below.

I. ANY COST MODEL SHOULD INCORPORATE COST INPUTS RELEVANT TO NON-CONTIGUOUS AREAS

DCCA shares the concerns of HTI, Alaska Communications Systems Group ("ACS"), Puerto Rico Telephone Company ("PRTC"), and others that the CACM does not adequately take into account the true cost of buildout and maintenance of broadband facilities in areas outside the contiguous United States and therefore may not provide sufficient support to ensure service to these areas.[5] DCCA urges the Commission to carefully review the cost models and additional cost factors identified by these non-contiguous carriers to ensure that the CACM includes these factors and designates sufficient support to meet the challenges of serving consumers in these locations.

As DCCA has explained in previous comments to the Commission, Hawaii's remote location and challenging geography pose unique obstacles to deployment of broadband that have had a significant impact on broadband penetration.[6] As a chain of multiple volcanic islands with highly varying topography, the deployment and maintenance of broadband infrastructure can be dramatically more complicated, and more costly, than in comparably populated areas in the

[4] *Comments of Hawaiian Telecom Inc.*, Phase II Support for Price Cap Carriers Serving Non-Contiguous Areas, WC Docket No. 10-90 (Mar. 11, 2013) ("*HTI Comments*").

[5] *Notice*, ¶ 7, n.3.

[6] *Comments of the State of Hawaii*, Ninth Broadband Progress Notice of Inquiry, WT Docket. GN Docket No. 12-228 at 2-3 (Sept. 20, 2012); *Reply Comments of the State of Hawaii*, WC Docket Nos. 10-90, et al. (May 23, 2011).

contiguous United States.[7] Furthermore, as the 2010 census noted, Hawaii is "the most isolated population center on Earth."[8] This level of isolation results directly in unavoidably higher costs common to many non-contiguous areas, such as paying higher prices for peering to the Internet and higher labor costs due to cost of living.[9] HTI and ACS have also noted the increased cost of extending middle mile facilities to insular areas that are not connected to any adjacent infrastructure.[10] Where these factors exist, regardless of whether in island, mountainous, or other isolated areas, the cost model must account for them to effectively and equitably provision support.

Ensuring that the final version of the CACM accounts for these factors will make it applicable to all providers in both contiguous and non-contiguous areas, satisfying the Commission's direction to "consider the unique circumstances of [Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands and Northern Marianas Islands] when adopting a cost model."[11] Moreover, the use of a single cost model for all price cap carriers would promote administrative efficiency and an equitable distribution of support within the limited $1.8 billion per year budget of the Connect America Fund Phase II. Finally, such a unified approach would best fulfill the

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[7] *HTI Comments* at 9-12; Hawaii Broadband Strategic Plan - December 2012, Department of Commerce and Consumer Affairs at 71-73 (available at http://hawaii.gov/dcca/broadband/arra-1/Hawaii%20Broadband%20Strategic%20Plan%20-%20Dec.%202012.pdf).

[8] Guide to State and Local Census Geography 2010, U.S. Census Bureau, available at http://www.census.gov/geo/reference/pdfs/guidestloc/All_GSLCG.pdf.

[9] *See HTI Comments* at 17-18; Comments of Alaska Communications Systems, Phase II Support For Price Cap Areas Outside the Contiguous United States, WC Docket. No. 10-90 at 9-14 (Mar. 11, 2013) ("*ACS Comments*"); Alaska Communications Broadband Network Cost Study Model at 1 ("*Alaska Model*").

[10] *HTI Comments* at 18; *Alaska Model* at 1.

[11] *Notice*, ¶ 3, citing *Connect America Fund et al.*, *WC Docket No. 10-90, et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 ¶ 193 (2011) ("*USF/ICC Transformation Order*").

spirit of the Section 254 mandate to ensure that consumers from all regions, including rural, insular, and high cost areas, have access to telecommunications and information services.[12]

II. SUPPORT LEVELS SHOULD NOT BE FROZEN AND SERVICE OBLIGATIONS SHOULD NOT BE ADJUSTED DOWNWARD IN NON-CONTIGUOUS AREAS

For the same reason that DCCA supports adopting a single unified cost model that incorporates all relevant cost inputs, DCCA cautions the Bureau against delaying action on this issue by freezing support levels. The CACM represents significant progress in modernizing the price cap support system, and it should be adopted as soon and as for as many carriers as possible. DCCA believes that, to the extent possible, contiguous and non-contiguous areas should not be treated as separate categories but as part of a continuum. Therefore, DCCA opposes suggestions to proceed under difference support structures for contiguous and non-contiguous areas. As some commenters have noted, the budget for the CAF Phase II is $1.8 billion dollars, representing approximately a 67 percent increase over the $1.067 billion in high cost funding for price cap carriers in 2010.[13] Rather than establishing a separate, frozen support structure, the CACM should be designed to ensure that this increase is distributed equitably to all price cap carriers through a single mechanism.

Because the goal of universal service support is to bring high levels of service to all areas of the country, including rural, remote, and isolated areas, DCCA also urges the Bureau to maintain uniform, and uniformly aggressive, broadband buildout obligations.[14] As DCCA has explained previously, broadband requirements for rural, remote, and non-contiguous areas can

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[12] 47 U.S.C. 254(b)(3).

[13] *ACS Comments* at 4 (citing *USF/ICC Transformation Order* at ¶ 158).

[14] *USF/ICC Transformation Order*, ¶¶ 160-63; *Notice*, ¶ 2 n.3.

and should be comparable to other areas.[15] DCCA believes that proposals to "adjust"[16] or "modestly relax"[17] service obligations in remote and non-contiguous areas, although well intentioned, may inadvertently justify continued underinvestment in these communities. Instead, DCCA believes that the goal of universal service, and the Connect America Fund Phase II in particular, is best served by providing the support required to elevate these challenging areas to service levels commensurate with the rest of the country. The State notes that although the 4 Mbps/1 Mbps and 6 Mbps/1.5 Mbps performance targets[18] are adequate for current usage, they are likely to be out of date by the time the five year buildout completion deadline arrives. Adjustments that reduce service obligations in non-contiguous areas below these modest goals would risk perpetuating the trend of reduced broadband availability and performance in non-contiguous areas. To ensure that service is universally adequate, and to avoid formalizing existing discrepancies, DCCA urges the Commission to proceed by modifying the CACM rather than freezing support levels, to maintain uniformly aggressive broadband performance obligations for price cap carriers in all areas, and to ensure that support levels are provided accordingly.

III. CONCLUSION

The State is encouraged by the Commission's steady progress in reforming and modernizing the universal service rules, and believes that these reforms will contribute to better serving the goals of the universal service program. The State urges the Commission to continue

[15] Comments of the State of Hawaii, Wireline Competition Bureau Seeks Further Comment on Issues Regarding the Design of the Remote Areas Fund, WC Docket No. 10-90 at 5-6 (Feb 19, 2013).

[16] *Notice*, ¶ 14.

[17] *USF/ICC Transformation Order*, ¶ 47.

[18] *Notice*, ¶ 14.

to work with stakeholders to refine the CACM to incorporate all relevant cost inputs so that it can function as a single uniform support mechanism for all price cap carriers. The State also reiterates the importance of maintaining performance obligations uniformly high in all areas, including non-contiguous areas, to continue to narrow the deployment gap between disparate parts of the country. DCCA is confident that a well-considered support structure and unified goals will best serve the universal service program and the consumers in supported communities.

Respectfully submitted,

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