

providers assumed to be using the undersea cable route. Thus, the CACM methodology already considers the multiple providers and multiple services cited in the Gabel and Burns comments.

A review of the CACM cable station cost inputs indicates that such an allocation of those costs to multiple cables, as recommended by Gabel and Burns, is inappropriate given the specific characteristics of the cable landing stations represented by those inputs. The Undersea spreadsheet of CACM input template Capex V16.xlsx shows that the assumed cost per landing station is an amount that the source materials used for the cable station costs describe as the cost of a “very small” landing station.⁴ However, the cable landing station(s) apparently envisioned by the Gabel and Burns recommendation for use by “multiple cables” would require larger cable station facilities and would therefore be more costly than the cost assumed by the CACM. Thus, further allocation of the costs of a “very small” cable landing station would be inappropriate.

Gabel and Burns comment that “a carrier could reduce undersea cable system costs by recovering and reusing an existing undersea cable system that is either unused or being decommissioned” and that the costs associated with repositioning and recovering an existing cable system may be used “as an upper bound for the capital investment required for that route.” However, the relevance of this observation is questionable for at least two reasons. First, from the perspective of the incumbent broadband providers in the Caribbean region that serve the USVI and Puerto Rico, Table 3 of the *Public Notice* demonstrates that the percentage of total available undersea capacity required to provide voice/broadband services to these jurisdictions

⁴ Due to the limited time available for preparation of these Reply Comments, Innovative has been unable to determine whether CostQuest considers the documentation referred to above as “Licensed Materials”; accordingly, out of an abundance of caution, Innovative has not included specific references to the cost figures or source materials relied upon. If CostQuest advises that these references can be provided without infringing the Protective Agreement, Innovative will supplement these Reply Comments.

amounts to only 0.844% of available cable capacity (0.816% Puerto Rico + 0.028% USVI). The hypothetical ability of a service provider to recover a previously used and decommissioned cable system to obtain undersea cable capacity is effectively meaningless when such levels of unused capacity are available over newer state-of-the-art facilities.

Second, using the costs of a previously used and/or decommissioned cable system for purposes of the CACM would be contrary to the CAF Phase II methodology adopted by the Commission, which specifies a “forward-looking” model to estimate the costs of deploying broadband-capable networks in high cost areas.⁵ The use of any methodology that relies on the historical costs of unused or decommissioned cable systems would not meet the Commission’s “forward-looking” cost standard.

For the foregoing reasons, the Commission should not make any adjustments to the CACM v.3.2 cost inputs based on the comments of Gabel and Burns.

Respectfully submitted,

/electronically signed/

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⁵ See *Connect America Fund*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011), at ¶ 166.