Applicant Name: PREPA

Public Notice Submissions

-----Service Area: Puerto Rico Rural

Submitter: Centennial Communications Corp

Comment: PREPA’s proposed service area (PSA) is not unserved; it is covered by Centennial’s 3G wireless broadband network, other wireless broadband networks, Centennial’s broadband fiber-optic network, and wired broadband offerings from PRTC (the ILEC) and cable operators.

Submitter: Xairnet Corp.

Comment: The applicants map show unserved areas that we already cover with our broadband services. We can provide up to 10mbps in all our coverage area.

Submitter: Puerto Rico Telephone

Comment: Puerto Rico Telephone Company, Inc. (“PRT”) provides both wireline and wireless broadband services throughout Puerto Rico. PRT provides digital subscriber line (“DSL”) service through its “DMAX” residential and business broadband offerings, which are offered at speeds ranging from 1024 kbps downstream and 512 kbps upstream to 5 Mbps downstream and 512 kbps upstream throughout the island. Moreover, PRT’s third generation UMTS/GSM wireless network serves approximately 65 percent of the population and reaches speeds of 1.5 Mbps downstream and 384 kbps upstream. PRT has demonstrated a strong history of broadband investment in Puerto Rico, and it plans to continue to invest in expanding its broadband offerings throughout the island.
Submitter: Liberty Cablevision of Puerto Rico, Ltd.

Comment: PREPA falsely claims in its application that its proposed funded service area is unserved. The proposed funded service area includes the municipalities of Aibonito, Arecibo, Fajardo, Florida, Hatillo, Lares, Manati, Naguabo, Orocovis, Utuado, and San Sebastian, all served by Liberty Cablevision of Puerto Rico (Liberty). Liberty already offers 3+ mbps broadband to its entire footprint in these municipalities.

Underserved metrics in rural Puerto Rico have to take into consideration the fundamentally different nature of this market as it compares to the U.S. mainland. According to the most recent U.S. Census data, the median household income in U.S. mainland is 3.5 times higher than the median household income in the above-mentioned municipalities in Puerto Rico. Liberty’s investment of over $50 million dollars just in the past five years in plant upgrades and Internet backbone capacity to support broadband service of up to 15 mbps, has increased broadband penetration in this area almost tenfold in spite of such poor economic conditions. This is so in spite of the fact the Puerto Rico’s geographic location forces ISPs to lease Internet backbone capacity through an ultramarine circuit, which makes broadband more expensive than in the U.S. mainland.

Under these circumstances, much more so than on the mainland, the subsidization of a new broadband overbuild competitor could undermine the viability of the existing service providers, which in Liberty’s case as a cable operator, naturally intend to upgrade its plant in the future to reach much higher speed capability through already existing technology enhancements. RUS and NTIA instead should take a hard look at the leading reasons for low levels of broadband adoption in rural Puerto Rico, which would point toward focusing ARRA broadband funding in these markets on sustainability and public computing programs and not on subsidizing additional infrastructure to areas that are not unserved.

Broadband over powerline (BPL) has had little success even in state-of-the-art utility systems, and there is even less reason to be optimistic with PREPA. PREPA’s antiquated electric system is notoriously unreliable. PREPA’s customers suffer numerous power outages, and frequent surges destroy thousands of Liberty’s set-top boxes and cable modems every year at rates far higher than those experienced on the mainland. In addition, PREPA’s deployment could be delayed or even halted by regulatory uncertainty and litigation. Last year, the D.C. Circuit granted a petition by radio operators for review of the FCC’s order that had permitted BPL to interfere with their spectrum and remanded the case back to the FCC for further proceedings, which remain ongoing.

Finally, PREPA’s project appears to be unsustainable. According to PREPA’s executive summary, its sustainability calculation appears to be based on an assumption that 80% of its homes passed would
subscribe to its service, yet 50% of the market does not even own a computer. Also, most of the area has multiple service providers including Liberty Cablevision of Puerto Rico in addition to PRT (DSL service), five wireless carriers with wireless data service and additional ISP providers. All would share a sizeable market presence within the 50% of the homes with computers.

Submitter: Choice Cable TV

Comment: PREPA incorrectly claims that its southern/western proposed service area is unserved, as Choice Cable TV already offers 3+ mbps broadband to nearly all of this area.

RUS and NTIA should not reflexively apply the same underserved metrics in rural Puerto Rico without at least also considering the fundamentally different nature of the market. The median household income in Choice’s service area is one-quarter of the national median, at approximately $15,000. While its broadband penetration rate trails the mainland United States, it equals the mainland rate from just a short time ago and is increasing quickly. This is a success story on track for greater successes. That success owes in large part to Choice’s investment of $30 million dollars in the past five years to upgrade all of its plant to support broadband service of up to 15 mbps, with its 3 mbps service offered for only $25.95 and a triple play with broadband, cable and phone for only $69.90.

Under these circumstances, much more so than on the mainland, the subsidization of a new broadband competitor could undermine the viability of the existing service providers. RUS and NTIA instead should take a hard look at the leading reasons for low levels of broadband adoption in rural Puerto Rico, which would point toward focusing ARRA broadband funding in these markets on sustainability and public computing programs and not on subsidizing additional infrastructure to areas that are not unserved.

Another point of reference regarding the unique nature of Choice’s service area, is that household vacancy rates are 21% higher than comparable vacancy rates in the United States. This serves to further decline the potential penetration of broadband service into households, and should be considered against the 40% penetration threshold.

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