

**"Overcoming Obstacles to Telephone Service  
for Indians on Reservations"**

Testimony to the  
Federal Communication Commission

BO Docket No. 99-11

Remarks by

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### **Tribal Telecommunication Overview**

Great disparity exists for Indian Country when comparing telephone penetration rates to the rest of America. Current statistics on telephone penetration rates (number of homes with telephones) in Indian Country range from 25% to 95%. Tribes with higher rates correlate with those five tribes that own, operate, and provide communication services to their respective communities. Telephone penetration rates for the rest of the nation are approximately 94%. The sentiment that tribal communities face the same issues and concerns as the rest of rural America falls short in the area of telecommunication usage. In most cases, Tribal Nations are located in the most rural of rural America, and the need for basic telephone service can provide a lifeline to services that otherwise may not be attainable in a time of need.

There are a number of reasons that contribute to low telephone penetration rates in Indian Country. High unemployment and concentrated poverty are major contributors to these statistics. Other major contributors include the perceptions of the service providers that Native Americans don't use telephones. Another perception is that Native Americans are communal in the use of telephones. The rationale behind this is that families live in close proximity to each other and tend to share the use of a single telephone. A more obvious reason may be the high cost for phone service for many people living in Indian Country. The cost for telephone hook-ups can range by as much as \$200 to \$3,000, or more for basic telephone service depending upon what type of service provider your community has. Affordability issues arise that lead to Indian people viewing telephone service as a luxury, rather than a basic necessity.

A number of factors impact the need for Tribal Nations to begin to develop telecommunication strategic plans that address the issues of low telephone penetration rates. These include the economic development that is occurring throughout Indian Country. At the base of this development is the need for telephone utility improvements. Private Sector and federal agencies that invest in Indian Country tend to view each of their objectives from a single perspective. In the area of telecommunications this can mean that improved services will be provided, but only to those facilities that are currently being constructed or expanded. Telecom service providers tend to "cherry pick" tribal economic expansion areas without considering the total tribal land area, including trust land.

As the Information Age begins to play a greater role in tribal communities, the need for improved and affordable communication services is becoming more important. Tribal telecom ownership has enabled long term infrastructure investment, creation of jobs for

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tribal members, and provides the opportunity to build a base for economic and business development through the use of a sound telecommunication infrastructure.

**The Role of the USDA/Rural Utilities Service in Rural Telecommunication Development**

With over \$11 Billion in approved Telephone Loan Program financing for the improvement and expansion of telecommunication services across the United States and its territories, RUS has been building the foundation for the information super-highway for nearly 50 years. When the RUS telecommunication loan program began in 1949, only about 39% of the farms and rural residents were receiving telephone service of any kind. Since 1993, RUS' Distance Learning and Medical Link Grant Program has provided over \$52 Million in funding 192 projects in 41 states and one U.S. territory. RUS uses the National School Lunch Program as an indicator of financial distress and to categorize applicants into one of their three financing options. This is the same criterion used by the Federal Communications Commission for discounts to schools and libraries for telecommunications service.

RUS Loan Administrators know that the telephone penetration rates for Indian tribes are below national standards. According to an Acting Assistant Administrator of the RUS Telephone Loan Program, "The service rates in American Indian communities are a disgrace to the national telecommunications system, and it is our job to do something about that". To date the USDA/Rural Utilities Service (RUS), Telephone Loan Program has five American Indian Tribe borrowers, out of a total of 900 small phone companies that they have worked with. The statistics provided to the RUS as a basis for lending to each of their five tribal borrowers are as follows:

<b>Borrower</b>	<b>Pre-Loan Service Rate</b>	<b>Post-Loan Service Rate</b>
Tohono O'odham	13%	95%
Gila River	44%	54%
San Carlos	25%	New Loan
Fort Mojave	30%	65%
Cheyenne River	----	75%

The number of customers served by these tribally owned communication companies has grown since they acquired ownership. The number of access lines that each of these companies has ranges from approximately 400 to 3,000 and their growth is continuing. The benefits that these companies have provided to their communities have extended beyond tribal ownership. They offer a long term sustainable business, employment

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opportunities for tribal members, improved telephone service, increased business opportunities, and the creation of a skilled telecommunication workforce.

As of December of 1994, 73 RUS borrowers provided telephone service to 42,961 American Indian Subscribers. One of the most important elements to the RUS Loan Process is the Area Coverage Survey (ACS) requirement that must be completed by RUS borrowers. This process requires a comprehensive assessment of the proposed service area that includes housing, businesses, healthcare, education, and governmental institutions. Once this assessment is completed, the cost to design and construct the network is included in the loan for the proposed service area. Thus, the RUS process enables the initial cost of network construction to be born by the service provider rather than the customer.

### **Federal Communications Commission**

As a result of the Telecommunication Act of 1996, Universal Service support programs were authorized by Congress, and designed by the Federal Communications Commission. New programs include the Schools and Libraries Corporation, and the Rural Healthcare Corporation, which provide financial support for telecommunication service access to rural and high cost service areas. The Universal Service – High Cost Program provides support to companies that are serving high-cost areas, or low-income subscribers. Tribal Nations are high cost service areas, and have low-income subscribers.

*Schools and Libraries Corporation* – Program funding is obtained from contributions by telecommunications companies and is also known as the E-Rate. The E-Rate provides discounts of 20% to 90% on the cost of telecommunication services, which are paid directly to the companies that provide the services. Many schools that serve Native American populations, whether they are BIA, Public or Tribal schools are either in the planning or implementation stages of incorporating Internet access and distance learning into the school curriculum.

*Rural Healthcare Corporation* – Program funding makes telecommunication services affordable for rural health care providers. Indian Health Service facilities provide primary health care to rural American Indians. Indian Health Service hospitals and clinics have incorporated communication based delivery of health care services and administration, through the use of private networks and the Internet.

*Universal Service – High Cost Programs* - This funding is used to support services to customers in high cost service areas. The program includes Universal Service Funds and Lifeline Assistance which is paid to the telecommunication company providing service(s)

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to provide affordable service to their customer base. Sixty five percent (65%) of the revenues for rural LECs is accounted for by toll charges, access charges, and Universal Service Support. Access to these resources for tribal telecom development would contribute to increased and improved service levels in Indian Country.

### **Telecommunications Technology & Native Americans, OTA Report, 1995**

In the 1995 report "Telecommunications Technology and Native Americans" completed by the Office of Technology Assessment, U.S. Congress, select findings that support tribal telecom service level improvements include the following:

1. **Integrated Infrastructure Development** by the various entities of tribal communities to create economies of scale in purchasing power, and to warrant investment from local telco service providers.
2. **Native Entrepreneurial Activity** that enables the development of local expertise and leadership in telecommunications.
3. **Interagency Strategy and Funding** that provides direction and coordination of tribal telecom objectives.
4. **Telecommunications Policy**
  - a. **Sovereignty and self-determination** suggested by legal precedents for those tribes wishing to assume some degree of telecommunication authority.
  - b. Access to **Universal Service Funds** that cross subsidize low-density, high-cost rural areas with revenues from the high-volume, high-profit metropolitan areas and interstate routes.
  - c. **Strategic Partnerships** between tribes, villages, and communities and their telecom providers that create the incentive for community investment or employment opportunities for community members.

These findings have been identified and are yet to be formally or legislatively implemented.

In addition to the above findings the BIA must address existing Right of Way and Easement policies that hinder tribal infrastructure investment. To increase and expand tribal telecommunication policy, the FCC should consider that Tribal Nation(s) and any adjoining trust land be considered as a cost study area to assure that Tribal Nations begin to access Universal Service supports.

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**Conclusion**

The answers to improved service levels for Indian Country are found in existing public and private telephone loan programs, and by accessing Universal Service Support Mechanisms. These programs must provide assurances that all Americans benefit, including American Indians residing in Indian Country. Policy makers must assure that Tribal Service Improvement Plans comply with industry standards, are technically interoperable, and meet requirements to connect to the public switched telephone network. Tribal government leadership and long-term commitment to improving telephone service levels are critical to assured success.

American Indians, Alaska Natives and Native Hawaiians recognize the impact that the lack of infrastructure is having on their abilities to engage in the benefits of the Information Age. While some people look at the 40% telephone penetration rates in Indian Country as an obstacle to be overcome. Others see it as an opportunity to build communication companies that understand and recognize Tribal Nations, that share the goals of tribal communities, and are committed to the long-term success that can be measured through tribal employment, company growth, and continuous improvements to service. Basic telephone service, as well as the opportunities that telehealth, distance learning, electronic commerce, and 911 capability have for Indian Country may enhance quality of life issues in ways that were never before possible.

Attachments:

Final Report, Improving Tribal Nation Telecommunication Service Levels With an Emphasis on Telehealth Applications, National Tribal Telecommunication Workshop, February 1999.

Edited Transcripts, National American Indian Telecommunication Workshop, July 1998.