

**Statement of
Richard P. Narcia
Governor
Gila River Indian Community**

**Testimony before the Senate Committee on Indian Affairs
Hearing on the Status of Telecommunications in Indian Country
May 22, 2003**

Good morning, Chairman Campbell, Vice Chairman Inouye, and members of the Committee. My name is Richard Narcia, Governor of the Gila River Indian Community. On behalf of the Community, I am pleased to be here today to provide testimony on the issues of telecommunications and technology implementation that has evolved in our community. In an effort to be brief, Mr. Chairman, I would like to provide just a few of the important highlights that are included in my written statement that has already been submitted.

Accompanying me this morning is Mr. Robin Fohrenkam who is the presently the Chairman of the Board of Directors of the Gila River Telecommunications Company (GRTI).

I find it a great honor to be speaking to the Committee today about this issue; particularly because I believe the Gila River Indian Community can provide valuable insight into the process a tribal government goes through to address the telecommunications needs of its community. Since the late 1990's, we have come to use the term "Digital Divide" to describe the gap between those who have access to telecommunications services and those who do not. Over the past several years the Community, through its partnership with the Community-owned telecommunications company and development of a Management Information Systems Department (MIS), has devoted significant resources to bring our technology systems up to par with other similar entities.

BACKGROUND

By way of background, the Community and its people have historically been modest yet industrious people. The Gila River Indian Community traces its roots to the Hohokam, prehistoric Indians who lived and farmed along the Gila River Basin centuries ago. Composed of two tribes, the Pima and Maricopas, the 600 square mile reservation was established by an Act of Congress in 1859 and formally established by Constitution in 1939. Today, the Community is home to nearly 15,000 people and is the largest Indian Community in the Phoenix metropolitan, located in two separate counties. In fact, several of the cities with the highest growth in the Phoenix area, share common boundaries with the Community. The cities of Phoenix, Gilbert, Mesa, Chandler, and Casa Grande are a few of the cities that continue to grow along our border area. While the tradition of the Community has historically been agriculture, in recent years we have attempted to diversify the economic base to include:

- The development of three industrial parks that are home to several local and national companies. One park, Lone Butte Industrial Corporation, is nationally acclaimed as one of the most successful Indian industrial parks in the United States.
- Established a tribal farming operation that has nearly 15,000 acres in production. Cotton, hay, and citrus are just of the few of the crops harvested annually.
- Under a tribal/state gaming compact the Community owns and operates three gaming facilities that have served as the catalyst for the economic engine of the Community.
- Resorts and recreation: The Community recently opened the Sheraton Wild Horse Pass Resort and Spa, a 500-room resort, spa and golf destination property.
- The Community has established several corporations that generate revenue and provide services back to the Community, including The Gila River Telecommunications Inc. (GRTI).

Telecommunications and Technology

As the leadership of the Community has planned for the diversification of its economy, while also providing essential services to the residents and members, it has been incumbent to invest adequate resources in technology and telecommunications. I am happy to say that over the past few years the progress we are making has become very evident; however, we still have a long way to go.

Gila River Telecommunications Inc.

A central component to the community's ability to roll out technology improvements has been the activity of the Community's telecommunications company *Gila River Telecommunication Inc. (GRTI)*. When GRTI was formed in 1988 the primary purpose was to provide Community members with reasonably priced phone service from a familiar, friendly face. At that time, for example, new service could have cost up to \$20,000 to provide **one phone line** to one customer. With initial capital funding from the U.S. Department of Agriculture's Rural Utilities Service (RUS), and continued support in the way of low-interest government loans for infrastructure construction from RUS, GRTI is able to continue providing affordable services to its customers.

GRTI Business Model:

GRTI was established as a separate business entity from the Community on July 6, 1988 primarily through federal and private financing, and was supported by the Gila River General Cellular Partnership. This partnership was formed when GRTI won the license for cellular service and was approached by Dobson Operating Company, US West, and the Tohono O'odham Utility Authority.

In 1990, GRTI was secured its first loans from a private bank and the U.S. Department of Agriculture's Rural Electrification Administration (which today is known as the Rural Utilities Service (RUS)), both of which were collateralized by GRTI's interest in the Gila

River General Cellular Partnership. With this funding, GRTI was able to start operations and begin construction on its facilities and telecommunications infrastructure. From 1990 to 1992, GRTI acquired one central office and all cable facilities within the Gila River Indian Community from US West. We were also able to construct five additional central office buildings, seven digital central office switches, and our headquarters, as well as build out fiber optic cable and electronics to all those offices. At the end of March 1992, GRTI was operating approximately 1,100 access lines and had built out copper cable to connect previously unserved customers.

In 1993, additional financing was secured from the RUS, the Rural Telephone Bank (RTB) and the Federal Finance Bank (FFB) to upgrade switches for advanced custom calling features, bring in additional cable for subscriber growth and US West replacement, establish Digital Loop Carrier (DLC) concentrators, and build out additional fiber optic cable to service DLC carriers and the Community's businesses.

In the last ten years, GRTI has continued to secure private and federal financing to ensure our services and equipment are state-of-the-art. Our most recent loan, again from the RUS, enabled us to perform additional switch upgrades, fiber optic transport upgrades and replacements, deployment of the DLC and begin establishing a redundant fiber loop.

The GRTI business model can be seen as a successful model of the use of complimentary private financing and federal funding programs, as well as the creation of a joint venture with both tribal and private investors to secure such financing

GRTI Business and Service

As a tribal telecommunications company, GRTI's primary purpose is to provide affordable service to over 15,000 enrolled members residing on the reservation. In order to achieve this mission, GRTI has established annual goals to increase the number of telephone subscribers, promote employment for Community members, improve the quality of service to the Community, provide state-of-the-art technology for a better quality of life, and promote self-determination for the Gila River Indian Community in the telecommunications industry. I am pleased to say that GRTI has been able to consistently achieve these goals year after year of its operations.

Let me provide some details on the business activities of GRTI. GRTI's telephone infrastructure covers seven exchanges and consists of a state-of-the-art telecommunications system. The network is robust and is able to handle any voice, data and future video applications. GRTI's network is a host-remote configuration, with a tandem office in the Lone Butte exchange. Fiber optic cable connects all central offices, as well as serving ten Next Generation Digital Loop Carrier concentrator units. The total system consists of approximately 117 miles of fiber optic cable and 342 miles of buried copper cable to serve the Gila River Indian Community, which spans 620 square miles.

GRTI offers a cafeteria of services besides landline phone service. Dial-up and DSL Internet service, satellite TV service, web page designing, cellular phone sales, data cabling, and business phone systems are also offered. GRTI is also a 25% minority partner in the Gila River General Cellular Partnership with Verizon Wireless, RSA-5 of Arizona. The service area consists of Pinal and Gila counties in Arizona, which includes

Interstate 10 between Phoenix and Tucson. Verizon Wireless is the managing partner and has committed itself to working with GRTI to improve cellular coverage in and around the Gila River Indian Community.

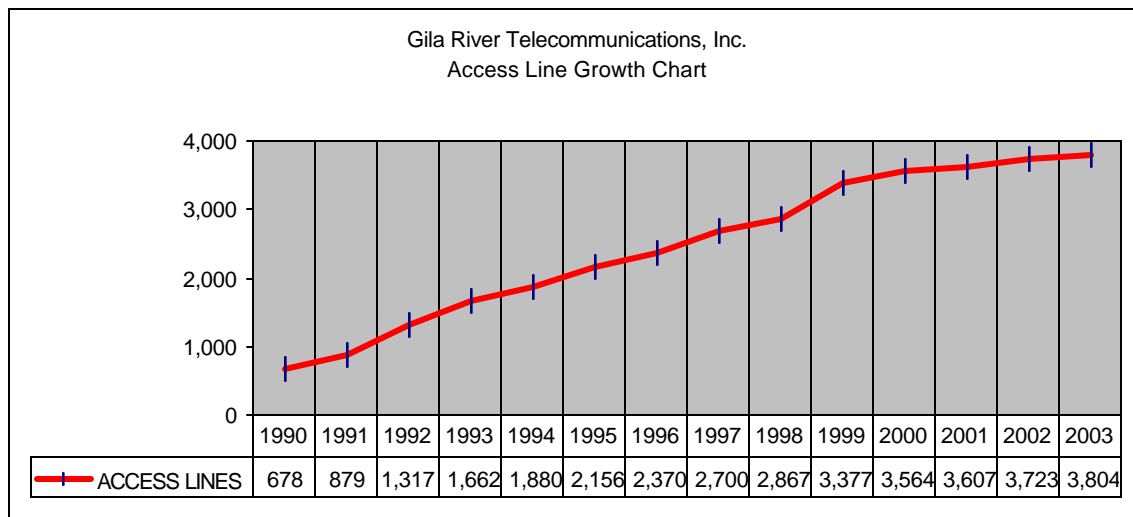
As a customer service oriented company, GRTI always strives to find new ways to meet the customer's needs, whether the customer is an individual, business, or the Community as a whole. GRTI publishes its own newsletter, which is sent to customers on a monthly basis and provides information on new products and services, sales promotions, upcoming changes in the telecommunications industry, and highlights GRTI's employees of the month and year. The company also provides three important programs to attract and retain customers in the Community:

1. The GRTI "Fresh Start" Program: GRTI created this program to allow customers who had been previously disconnected due to unpaid bills to reconnect their phone service and place calls anywhere within the Community. In order to participate, interested customers fill out an application in the GRTI office, make arrangements for monthly payments on their old phone bill, and agree to have a toll block placed on the reconnected phone service until the old phone bill is paid in full. This program has helped a number of customers in retaining their phone service and has been well received by the Community.
2. The GRTI Customer Incentive Program: This program focuses on providing incentives to encourage customers to pay their phone bills on time. When a customer pays their account in full by the 15th of the month, they are automatically entered into a drawing to win one of four prizes. Prizes range from stereo systems, 2-way radios, movie theatre tickets, a \$50 credit on their phone bill and more. As a result of this program, GRTI has seen an increase in timely customer payments.
3. Enhanced Lifeline and Link-Up: Created by a Congressional mandate under the Federal Communication Commission (FCC), this low-income program provides discounts on telephone installation and monthly telephone service to qualifying consumers. Telephone service is considered a necessity for daily modern life in most of the United States, with a penetration rate of 94.5% according to recent federal reports. However, the rate on tribal lands is less than half at 47%, making this program one of the most important services a tribal telecommunications company can provide to its community. The Lifeline program provides certain discounts on monthly service for qualified telephone subscribers and the Link-Up program helps qualified low-income consumers to initiate telephone service by offering a discount of one-half of the installation fees. Residents of Native American communities may qualify for Enhanced Lifeline support (up to an additional \$25 in support beyond current levels) and Expanded Link-Up support (up to \$70 in additional support beyond current levels). Currently, GRTI receives 16% of its revenue from Universal Service Funds and has over 900 residential customers benefiting from the discounts offered through this program.

Impact of GRTI on the Gila River Indian Community

Before GRTI, approximately 75% of our homes did not have basic access to telephone service and our businesses growth was highly limited by the number of business access lines (only 650 lines were in operation in 1989). Today, GRTI has increased the rate of residential telephone service from **34% to close to 50%** of the homes in the Community as little as six years, and has dramatically increased the number of business access lines to over 3,800 to better serve the growing demand of the public and private sectors. GRTI's business lines make up close to **50%** of the total access lines it operates (which is high for the telecommunications industry) and GRTI is confident that it will continue to see steady growth in its residential service, in an effort to bring the Community closer to the national average for residential phone access of 94.5%.

Through all of GRTI's efforts to increase residential and business access lines, the company has experienced a growth rate of **10-12%**, which is higher than the national average of 4%. The chart below shows the growth trend the company has experienced over the last 14 years:



By building out a technological infrastructure, the Community has benefited directly from GRTI's presence.

GRTI is also an active part of the community through its sponsorships and educational programs. In addition, GRTI was recently named as one of the most successful tribal telecommunications companies in the April 2003 issue of "American Indian Report" and was featured in the March-April 2003 issue of "Rural Telecommunications" for its continued efforts to promote Enhanced Lifeline and Expanded Link-Up to the Gila River Indian Community.

We feel its success is due in great part to the company's planning activities and the hard working employees. Since its establishment, GRTI has continued to adapt the needs of the Community in providing basic telecommunications services while also being a vital partner in the public and private sectors of the Community.

Gila River Tribal Government

The evolution of GRTI has, in part, been a function of the growth of the Community overall. Today, one of the biggest customers of GRTI service is the tribal governmental operations. This partnership between GRTI and the Community government is an important one as the infrastructure needs are a common element in the ability to roll-out reliable service. Over the past five years the demands of equipping a growing tribal workforce has presented significant challenges in two major areas: Infrastructure and financial resources.

For example, today the tribal government employs nearly 1,500 people, administers nearly 83 different programs, with an annual operating budget that approaches \$100 million. Much of this growth has taken place within the last five to seven years. As a result, the Community governmental operations have been challenged with providing efficient services to our constituents and developing internal systems to allow government to operate at a certain level of efficiency. While we are making progress we have a long way to go.

The Community realizes that the utilization of technology is going to be the primary way of developing effective communication systems throughout the reservation. To begin to meet the basic demands of connectivity and begin to pro-active in rolling out up to date technology, the community has begun to invest heavily in developing a foundation from which to build upon.

- Established a Management Information Systems Department (MIS) in 2001. Annual operating budget for MIS is \$1.6 million with a current staff of 16.
- \$1.5 million annual computer equipment budget for community wide procurement. To date nearly 1,500 users of the community network system.
- \$2.5 million capital projects budget. This represents the development and roll-out of several key initiatives:
 - Several automation projects in the area of finance, procurement, human resources and further development of internet and intranet capacity.
 - Continued build-out of fiber optic capacity to all tribal departments and districts.

These statistics represent an initial investment in bringing the governmental infrastructure to an acceptable level of performance. However, I know that we need to continue to make substantial investments in technology to improve how we conduct business and just to keep pace with where technology is going today.

Infrastructure

A function of the ongoing investment in the Community's technology efforts are the basic infrastructure needs. To date, the tribal governmental technology upgrades have focused primarily in one area of the Community that is home to many of the tribal

programs. While we have established basic connectivity to all of our seven district service centers we are challenged with the sheer size of the reservation in developing systems that are effective, efficient, and reliable in all circumstances. Again, this is where the partnership between the Community government and GRTI is important. In order to meet the technology demands throughout our Community both as a customer and a service provider each entity is rather dependent on the other. However, as we look forward I believe that this public, private partnership could be a model for other Indian communities as they look to develop their systems.

Recommendations

Mr. Chairman, the development and implementation of technology that I have described from the Community's perspective has been able to evolve in a positive way for many reasons.

- Adequate planning has taken place to assess the needs of the Community.
- Partnership with GRTI and the Community in working together to identify future needs.
- Dedicated human resource to develop and maintain existing systems on a daily basis.
- Significant investment of tribal resources
- Utilization of existing federal resources to build capacity

However, we also realize that it is important that existing federal resources, as a matter of policy, should continue. In the model of GRTI several programs have provided the seeds for providing key services to its customer base. As the committee continues its deliberations on this important topic, I provide the following recommendations.

Recommendations

Federal Loan and Grant Programs: The U.S. Department of Agriculture's Rural Utilities Service provided our community with the means to create a viable telecommunications company, and continues to support our efforts as we expand and develop our technology infrastructure to venture into new areas such as broadband and digital communication. The Gila River Indian Community recommends strongly that Congress provide strong and consistent funding to federal programs that provide loans and grants supporting the establishment of telecommunication and information technology infrastructure, such as the RUS, the U.S. Department of Commerce's Economic Development Administration (EDA) and National Telecommunications and Information Administration (NTIA), and the Department of Education's Community Technology Center programs. Recently, the RUS announced that 13 American Indian and Alaska Native communities would be receiving \$8.2 million in grants under its new Broadband Technology Grant. NTIA's Technology Opportunities Program (TOP) has funded over 20 tribes and enabled a number of progressive and innovative projects to be realized. Similarly, EDA has provided tribes with planning and construction funding for technology projects. It is clear that without federal programs such as these, the burden of cost on the tribes would

be excessive and would greatly limit the ability of our tribes to serve the telecommunications needs of their members.

Competitive Eligible Telecommunications Carrier (ETC) designation: Gila River Indian Community does not support the designation of a competitive ETC serving tribal lands without having a decision-making process in place involving the tribal government, primarily for the reason that many Native American communities and the markets they represent cannot support two or more telecommunications carriers without driving up the cost of providing service. Tribal telecommunications companies are carriers of last resort, meaning, they provide services in high-cost markets with limited economic viability due to geographic isolation, low population densities, lack of private enterprise, and chronic poverty. The competitive ETC process saturates these markets and results in subsidized competition, rather than market driven competition, which distorts already fragile markets and poses additional barriers to investing in the further deployment of advanced services and the sustainability of such investments. The Federal Communications Commission (FCC) will be putting this issue forward for comments in the near future, and we encourage both the tribes and Congress to ensure that tribal telecommunications companies are not placed in a position where outside companies benefit from Universal Service funding and reduce the quality and accessibility of services that are meant to be provided by ETCs serving tribal lands.

Jurisdiction on regulatory issues between states and the FCC: Gila River Indian Community recommends that the FCC recognize the sovereign status of tribes and uphold a consistent policy of consultation with the tribes in all matters of telecommunications regulation and policy that affect tribes. In many cases, the issue of jurisdiction (for example, in ETC designation) is unclear and can cause delay regarding business start-up or expansion. The Community is pleased at the recent efforts of the FCC to engage tribes and tribal telecommunications companies in matters of policy, and encourages the FCC to continue to seek out opportunities to ensure the voice of tribal nations are included in the decision-making process.

Lifeline/Link Up Program eligibility: Gila River Indian Community supports the efforts of the FCC in examining the eligibility requirements for these two programs, and recommends that additional requirements be adopted that increase the number of Native Americans enrolled in the programs. We have seen that in spite of the opportunities provided by Enhanced Lifeline/Link-Up programs, enrollment in these programs remains lower than what it should be—especially when considering that the vast majority of households on tribal lands have incomes well below the federal poverty guidelines. This problem is largely due to the following: 1) eligibility is determined by participation in federal means-tested programs rather than being determined solely by income; and 2) the failure of carriers to provide appropriate information regarding the Lifeline/Link-Up programs to the tribal communities in which they serve. We urge the FCC to modify the eligibility criteria for the Lifeline/Link-Up programs on tribal lands to include:

- *Households that are eligible for federal means-tested programs, but do not actually participate in them.*

- *Household income as an additional means to qualify for Lifeline/Link-Up on tribal lands. In this respect, GRTI urges the Commission to expand Lifeline/Link-up eligibility on tribal lands to include consumers with incomes up to 150 percent of the federal poverty guidelines.*

In addition, we also encourage the FCC to adopt additional outreach requirements to ensure that carriers serving tribal lands consult with local tribal governments to develop appropriate methods of promoting enrollment in Lifeline/Link-Up on tribal lands. To this end, Gila River Indian Community urges the FCC to take appropriate action against those carriers that fail to consult with tribal governments located within their service areas and fail to provide adequate outreach to consumers on tribal lands.

Conclusion

Mr. Chairman, I encourage the Committee to support tribal efforts as they move forward into the technology arena, and to ensure that private and federal entities are responsive to these needs as they seek funding and technical support to realize their goals. In addition, I commend the Committee for holding this oversight hearing. At this time Mr. Fohrenkam and I, would be happy to answer any questions from the Committee.

Thank you.