

**STATEMENT OF
COMMISSIONER AJIT PAI**

Re: *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58.

There's no question that the American people should not be expected to pay for the "personal travel," "entertainment," "alcohol," and "personal expenses of . . . family members of employees and board members of telecommunications carriers."¹ The question is why the FCC has turned a blind eye to such conduct for so long.

Since 2002, Sandwich Isles Communications has collected \$242,489,940 from the federal Universal Service Fund to serve no more than 3,659 customers.² During that same time, Albert Hee, the owner of Sandwich Isles's parent company Waimana Enterprises and affiliate ClearCom, apparently used the company as his family's personal piggy bank. For example, the companies apparently paid \$96,000 so that Hee could receive two-hour massages twice a week; \$119,909 for personal expenses, including family trips to Disney World, Tahiti, France, and Switzerland and a four-day family vacation at the Mauna Lani resort; \$736,900 for college tuition and housing expenses for Hee's three children; \$1,300,000 for a home in Santa Clara, California for his children's use as college housing; and \$1,676,685 in wages and fringe benefits for his wife and three children.³

That's not all. When the FCC last looked at Sandwich Isles's corporate expenses, our staff found that it was spending \$5,460,973 more on corporate operations each year than similarly sized companies, with significant management and leasing fees to affiliated companies (like Waimana and ClearCom) that benefited Hee and his family.⁴

On top of all that, seven years ago, Sandwich Isles dropped a \$1.9-million-a-year lease it had with an independent undersea cable network in favor of a \$15-million-a-year lease for a cable network built by ClearCom and owned by Paniolo LLC.⁵ Unsurprisingly, Paniolo is itself owned by Blue Ivory LLC, which is wholly owned by Blue Ivory Hawaii Corporation, which in turn is owned by private trusts of Hee's three children.⁶ What is worse, Sandwich Isles appears to no longer be paying what it owes to Paniolo—yet is still collecting payments from other rural telephone companies as if it were.⁷

What a disgrace.

¹ *Public Notice* at 2.

² See USAC, Funding Disbursement Search for Sandwich Isles, *available at* <http://www.usac.org/hc/tools/disbursements/default.aspx>; 2013 NECA Report, *available at* <http://go.usa.gov/3uPt4>.

³ U.S. Department of Justice, U.S. Attorney's Office, District of Hawaii, *Honolulu Businessman Convicted of Tax Charges* (July 13, 2015) (*Department of Justice Press Release*), *available at* <http://go.usa.gov/3uPeh>.

⁴ See *Connect America Fund, Sandwich Isles Communications, Inc. Petition for Waiver of Section 54.302 of the Commission's Rules*, WC Docket No. 10-90, Order, 28 FCC Rcd 6553, 6559–61, paras. 15–18 (Wireline Comp. Bur. 2013) (*Sandwich Isles Waiver Denial*).

⁵ See *Sandwich Isles Communications, Inc. Petition for Declaratory Ruling*, WC Docket No. 09-133, Declaratory Ruling, 25 FCC Rcd 13647, 13649, 13654, paras. 5, 18 (Wireline Comp. Bur. 2010) (*Sandwich Isles Paniolo Order*).

⁶ See *Sandwich Isles Waiver Denial*, 28 FCC Rcd at 6556, para. 7.

⁷ See National Exchange Carrier Association Petition for Clarification And/Or Declaratory Ruling, WC Docket No. 09-133 (Feb. 6, 2015).

Thankfully, the U.S. Attorney's Office in Hawaii this summer secured a federal conviction of Hee for "corruptly interfering with the Internal Revenue Service in the calculation and collection of his taxes, and with filing six false individual tax returns."⁸ One can only assume that this Public Notice, as well as the recent suspension of USF payments to Sandwich Isles, was a reaction to that conviction.

But it shouldn't take a criminal conviction to spur a federal agency to protect the public fisc. For five years, the agency has been sitting on an application for review that would deny Sandwich Isles the millions of dollars it has been receiving to pay off the Paniolo Cable and line the pockets of Hee's children.⁹ And for five years, we've known of Hee's penchant for self-dealing and skill at pocketing taxpayer dollars. I hope my colleagues will agree that a full investigation of Sandwich Isles and its untoward finances is in order, along with immediate action to recover whatever funds we can for the American taxpayer. It is time for the taxpayer-funded party to end.

⁸ See *Department of Justice Press Release*.

⁹ The application for review challenges a 2010 order that authorized Sandwich Isles to profit an additional \$6.5 million each year for its self-dealing. See *Sandwich Isles Paniolo Order*, 25 FCC Rcd at 13662, para. 29. One of the first draft items I read as a Commissioner would have addressed that application for review. Based on the record compiled by the Commission at that time, I immediately instructed my staff to push to eliminate that funding. For some reason, the item was pulled from circulation and has never resurfaced.