ATN
Atlantic Tele-Network

October 29, 2015

VIA ECFS
Marlene Dortch, Secretary
Federal Communications Commission
Washington, DC 20554

Re: Ex Parte Notice
Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42; Telecommunications Carriers Eligible for Universal Service Support, WC Docket No. 09-197; Connect America Fund, WC Docket No. 10-90
Report re Oral *Ex Parte* Meetings Held on October 27, 2015

Dear Ms. Dortch:

On behalf of Atlantic Tele-Network, Inc. and its subsidiaries and affiliates (collectively, "ATN"), and pursuant to Section 1.1206(b) of the Commission's Rules, this *ex parte* notice is being filed in the above-referenced dockets to report a series of meetings occurring on Tuesday, October 27, 2015. ATN, through its operating subsidiaries, provides wireless services to remote, rural and tribal areas primarily in the Southwestern United States. Present at these meetings on behalf of ATN were: Douglas Minster, G. Wade McGill and Rohan Ranaraja. Present on behalf of the Commission at the various meetings were: Jessica Almond and Edward Smith (Office of the Chairman); Louis Peraertz and Rebekah Goodheart (Office of Commissioner Clyburn); and James Schlichting, Sue McNeil, Gary Michaels, Rita Cookmeyer and Audra Hale-Maddox (Wireless Telecommunications Bureau).

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During the meetings, ATN urged the Commission to move expeditiously to establish and implement a Mobility Fund II. The attached talking points formed the basis for a discussion of the need, benefits and a proposed process for doing so.

Please direct any questions you may have to the undersigned. Thank you.

Very truly yours,

/s/ Douglas J. Minster
Vice President, Government &
Regulatory Affairs

Enclosure (presentation)
cc (via e-mail w/ encl.):
Jessica Almond
Edward Smith
Louis Peraertz
Rebekah Goodheart
James Schlichting
Sue McNeil
Gary Michaels
Rita Cookmeyer
Audra Hale-Maddox

MOBILITY FUND II

October 27, 2015

Commnet
Connecting Rural America

giving you a
choice
NTUA WIRELESS

ATN
Atlantic Tele-Network

BACKGROUND

- Atlantic Tele-Network, through operating subsidiaries, offers wireless and wireline services to unserved and underserved areas domestically and internationally.

- A relatively recent participant in Universal Service Fund programs and does not draw significant legacy support:
  - Commnet builds and operates wireless in remote areas where national carriers find it uneconomic and offers wholesale services; Mobility Fund I recipient.
  - NTUAW, a Navajo-owned JV, offers wireless voice and broadband (mobile and fixed) and Lifeline services on Tribal lands.
  - Choice USVI offers wireless voice/data and Lifeline service in the US Virgin Islands.

- Commnet, NTUAW and Choice USVI have all participated in USF Reform and Mobility Fund dockets and recently filed comments in the Lifeline proceeding:
  - Commnet's increased participation in USF was a direct result of the USF reform process which, among other things, appropriately moved from "retail subs" to "road miles" as the metric to measure USF participation and service penetration.
  - We continue to believe that a geographic, not population, based standard remains the right method to assess whether the program goals are being accomplished.
  - Mobility Fund II can be designed to meet the remaining goals identified by the FCC and the time is right to move forward.

GENERAL APPROACH

- *FCC Mobility Fund Goal: Funding is not well-targeted. To the extent we eliminate unnecessary support in network overlap areas, we could target that support to those areas that will not be served with 4G LTE through commercial deployments*

1. Any Mobility Fund established by the Commission should only support the construction and maintenance of 4G LTE networks in areas that are currently not served by any unsubsidized wireless provider not just Verizon and AT&T. Consistent with other CAF funding proposals, Mobility Fund support should not be used to subsidize competition.

2. The coverage objective of any Mobility Fund established by the Commission should be unserved geographic area and not population or households. The Commission has previously recognized the unique benefits of mobile wireless service which remains true today. Comparing fixed-wireline or fixed-wireless broadband service to mobile wireless broadband service ignores the very benefits this Commission has previously acknowledged and supported. Focusing on geography and the benefits of mobile broadband service will ensure that Mobility Fund subsidies do not support duplicate networks.

General Approach

- *FCC Mobility Fund Goal: Preserve service that otherwise would not exist w/o USF support.*

1. Legacy High Cost recipients, Mobility Fund Phase I recipients and Tribal Mobility Fund Phase I recipients serving areas that are not served by a non-USF recipient will be eligible for operating support upon making an annual showing at the cell site level that a given cell site does not generate enough support to cover its operating costs plus a reasonable return.

2. The support amounts received will be the difference between the cost of operating a given cell site less the revenues generated by that cell site plus a reasonable return. Such a micro level analysis will ensure Mobility Fund support will only flow to areas that truly need it and the amounts that are disbursed are substantiated.

General Approach

- *FCC Tribal Lands Goal: Connectivity challenges continue on Tribal lands. Should the FCC auction up to $100 million in ongoing support to mobile providers on Tribal lands? To what extent are Tribal lands in the geographic areas where AT&T and Verizon do not intend to extend 4G LTE?*

1. Tribal Lands continue to lag behind the rest of the country with regard to access to 4G LTE service. In many cases the lack of capital investment is directly related to the lack of a positive business case.

2. Given the lower income levels on tribal lands, it is often challenging to generate adequate revenues to maintain and operate networks even if they are constructed.

3. A Mobility Fund that provides capital support to areas currently not served with 4G LTE technology and operating support that is based on a "needs test" will go along way in bridging the digital divide on tribal lands.

USF Funding Received by Competitive ETCs

- USF Disbursements to CETCs frozen at 2011 disbursement levels and not including T, VZ, S and TMO = approximately $600 million.
- Amount needed to resume and complete phase down over two years beyond July 1, 2016 = Approximately $360 million.
- Amount of funding disbursed to wireless carriers above and beyond originally intended amount due to freeze of phase down at 60% = Approximately $360 million.
- Mobility Fund Phase I funds not disbursed = Approximately $67 million.

	2012 (90%)	2013 (70%)	2014 (50%)	2015 (30%)	2016 Thru July 1 (10%)	TOTAL
CETC Support scheduled to be disbursed	$538,886,430	$419,133,890	$299,381,350	$179,628,810	$59,876,270	$1,496,906,750

	2012 (90%)	2013 (70%)	2014 (60%)	2015 (60%)	2016 (60% thru July 1)	TOTAL
CETC Support Actually disbursed	$538,886,430	$419,133,890	$ 359,257,620.0	$ 359,257,620.0	$ 179,628,810	$1,856,164,370

Disbursed above scheduled	$359,257,620

All data derived from USAC published quarterly reports.

CAPITAL FUND REQUIREMENTS

- Capital Fund will support 4G LTE network build outs in areas where there is no unsubsidized wireless provider offering 4G LTE service:
  - FCC should rely on 477 data and Mosaik coverage data, versus centroids, to identify eligible areas.

- Funding will be awarded through a reverse Auction.

- Bidding units will be road miles in eligible census tracts:
  - Geography is the optimal method to ensure coverage of areas where service is needed -- major county and interstate highways in unserved areas.
  - A census tract that has 75% of the road miles covered by an unsubsidized provider will not be eligible.
  - In a census tract with less than 75% covered by an unsubsidized provider, only the uncovered road miles in that census tract are eligible.

- "Road miles" without more, can divert scarce funds:
  - In Mobility Fund I, critical rural arteries were excluded while private roads were included.
  - Winning bidders will be required to drive assess the eligible road miles <u>before</u> construction and adjust the number of road miles and corresponding funding if the roads are not accessible or are private ways.
  - Ensures that scarce support is not used to build private ways and ensures carriers assess every road mile that is eligible for funding.
  - Reduces the need for ongoing support -- a site that primarily serves private or inaccessible ways will never sustain itself.

- Carriers receiving funds will be required to deploy 4G LTE technology within 2 years.
  - The shorter timeframe will ensure service is delivered quickly to areas that are already behind.

Operating Support and Phase Down Fund

- Operating support will only fund cell sites that are unable to operate absent USF in areas where there is no unsubsidized wireless provider offering 4G LTE service.

- Carriers requesting operating funds will be required to demonstrate the need for funding on a site-by- site basis using a simple profit/loss analysis:
  - The profit/loss demonstration will be standard for all carriers and auditable.
  - Such a showing will be required annually to ensure funding continues to go toward eligible sites.

- Carriers will only receive the funds needed to keep such sites operable plus a reasonable return that is predetermined by the Commission.

- Legacy USF recipients that wish to request funding to operate cell sites in operation prior to the establishment of Mobility Fund II in eligible areas must do so in year 1:
  - Can elect to receive Op Ex, and no Phase Down money, or get Phase Down money for 2 years but must make an election in year 1.
  - A carrier opting to receive operating support via Mobility Fund II will not be eligible to receive the remaining legacy USF funding via a phase down.
  - A carrier opting to receive the remaining legacy USF support via the phase down will not be eligible to receive Mobility Fund II support to operate cell sites that are in eligible areas but in operation prior to Mobility Fund II.
  - A carrier opting to receive the remaining legacy USF via the phase down will not be eligible for Mobility Fund II support unless it is to operate an eligible cell site that is constructed with capital funding from Mobility Fund II.

- Phase down will commence as soon as the Commission adopts Mobility Fund II.

MOBILITY FUND II

- Potential application of the above proposals:
- Proposed Size of the Fund = $600M/year over 6 years
- Structure of the Fund will consist of (1) Capital Fund; and (2) Operating Support/Phase down Fund.

DESCRIPTION	YR1	YR2	YR3	YR4	YR5
Capital Fund	$400M	$400M	$400M	$400M	$400M
Operating & Phase Down Fund	$267M*	$200M	$200M	$200M	$200M
TOTAL FUND	$666M	$600M	$600M	$600M	$600M

* Mobility Fund I Default	$66.9M (1)	
(1) $67 is an estimate derived from USAC data		
Total Needed for Phase out	$239M	$119M