

Mobility Fund Phase II

Atlantic Tele-Network, Inc.

Choice NTUA Wireless, LLC

Commnet Wireless, LLC

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choice



Atlantic Tele-Network Companies

- Commnet: Builds wireless networks and provides wholesale (roaming) services, in areas where national carriers find it uneconomic. (MF1 recipient.)
- NTUAW: Navajo-owned joint venture, offers wireless voice and broadband (mobile and fixed) and Lifeline on Tribal lands.
 - NTUAW's Lifeline offering provided first competitive alternative and substantially raised the bar.
- Choice USVI: Wireless voice/data and Lifeline services in the US Virgin Islands.
- Relatively recent participant in high-cost USF; does not draw significant legacy support.

Basic Principles

- Extend wireless networks to areas where customers lack access to advanced wireless services.
 - The Commission recently concluded that consumers “require access to both fixed and mobile broadband,” that 1.7M Americans lack access to LTE, and that 53% of Americans lack access to LTE at 10 Mbps.
- Identify areas previously receiving high-cost support where preservation of service depends on continued support.
- Provide support on an economically efficient basis, based on reverse auctions.

Basic Approach

- Expansion Fund
 - for expanding support into unserved areas
- Preservation Fund
 - for operating support in areas that would lose service absent support
- No support from either fund for areas with unsubsidized competitors

Capital Fund / Expansion Support

- Identify Census tracks lacking voice and 4G LTE data service using FCC Form 477 shapefile data + challenge process
 - Similar to Phase I, but with better coverage data as starting point
 - Rate-of-return reform = precedent for using Form 477 data
- Bidding unit should be road miles because:
 - Purpose of Mobility Fund is to ensure availability of service and emergency access wherever people live, work, and travel (not just where they live).
 - Another Fund (CAF) is focused on residential/business fixed locations; purpose of Mobility Fund is different and should not just be a duplicative network.
- Form 477 shapefile data show 637,000 road miles unserved by 4G LTE

Capital Fund / Expansion Support

- Support recipients must build out 4G LTE service to the award area based on reasonable construction milestones adopted by the Commission
 - Construction milestones spread over a reasonable build-out period (e.g., 2-5 years).
 - Milestones should be based on deployment within applicant’s entire award area to facilitate efficient construction
 - Reasonable reductions in support commensurate with % of road miles actually covered
 - Illustrative example 5-year build-out period:
 - 20% on award
 - 20% at end of year 2; must serve 25% of award road miles
 - 20% at end of year 3; must serve 60% of award road miles
 - 20% at end of year 4; must serve 80% of award road miles
 - Up to remaining 20% at end of year 5 based on remainder of road miles actually served
- Clear expectation that no further support will be available in these areas at end of support period.

Preservation Fund / Operating Support

- Available only in Census tracts where:
 - Voice and 4G LTE data service is currently available
 - Existing provider of 4G LTE service receives USF support for serving that Census tract
 - No unsubsidized provider is serving that Census tract
 - If an area is served by two or more *subsidized* providers, the area is included in the auction.
- The two funds must have *separate budgets* to prevent Preservation Fund and phase-down from scavenging support necessary to extend service to unserved areas
 - OpEx bids will always be less than CapEx bids; as a result, absent a separate auction/budget, no Unserved Areas are likely to be funded

Preservation Fund / Operating Support

- Identify Census tracts based on FCC Form 477 shapefile data + challenge process:
 - Have received USF support
 - Existing 4G LTE service
 - No unsubsidized provider
- One-time auction for 5-year term; no further support
- No “double-dipping” – Current support recipients must elect *either* to receive the rest of the phase-down of legacy support for an area *or* to offer the area for Preservation Fund support; no area will receive both

Exclusion of areas served by an unsubsidized competitor

- Consistent with FCC approach elsewhere in post-*Transformation Order* universal service reform
- Also crucial from a budgetary perspective:
 - Areas with unsubsidized competitors will not generate the revenues necessary to support cell sites in rural and low-traffic areas
 - Stated another way, there is no reason for the Commission to subsidize a provider in an area where an unsubsidized carrier is available to provide service

Budget for Expansion Fund

- Total amount disbursed will be determined in the auction, with a \$400M annual cap
 - Consistent with April 2014 FNPRM
 - If FCC speculation is correct that remaining 4G-unserved areas can be built out and maintained for less, reverse auction process should reveal this
 - Recent 706 Report suggests more investment may be needed to meet consumers' needs
- Proposed \$400M annual cap is at the low end of what is likely to be needed, given the 637,000 unserved road miles shown in Form 477 data
 - Applying rough estimates based on Phase I bids, total budget to approach 100% coverage is at least \$2.3 billion.

Budget for Preservation Fund and resumption of phase-down of legacy support

- Annual amounts needed for completion of legacy phase-down:
 - Year 1: \$239M
 - Year 2: \$119M
- Total for Preservation Fund and phase-down in Year 1 should be \$267M.
 - Much of that funding will go towards Preservation Fund support as legacy recipients elect to participate in Preservation Fund instead
 - Nearly \$67M is available in reserve from MF1 defaults
- Thereafter, Preservation Fund should not exceed \$200M per year
 - Auction provides opportunities for other carriers to identify areas that can be served for less (or don't need support)
- This is a rough estimate based on legacy support; actual amount may be less