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Docket # 98-11
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APR 29 1999

Testimony of Carl Artman
Executive Vice President and General Counsel
Airadigm Communications, Inc.
FCC Public Hearing: Overcoming Obstacles to Telephone Service to
Reservations
March 23, 1999

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My name is Carl Artman. I am the Executive Vice President and General Counsel of Airadigm Communications, a PCS phone company owned in large part by the Oneida Nation of Wisconsin. I am also a member of the Oneida Tribe.

I am here before you not only as an Indian and a wireless phone company executive, but also as a former cog in the policy making machine. I was a telecommunications specialist on Capitol Hill. Therefore, I tried to look at the question before us from all of the perspectives which my experiences have afforded me.

First, allow me to give you a brief description of Airadigm Communications. It is a C-Block PCS operator. It was the first C-Block, without a pioneer's preference license, to commence commercial operations. It serves 15 BTAs in Wisconsin and Eastern Iowa.

It serves individual customers in a manner similar to most wireless operators - in a retail environment. However, it also focuses on serving the business customer with a large scale wireline system replacement offering, essentially a wireless centrex. As this same service is offered to communities, it is more akin to a wireless local loop.

Airadigm Communications has replaced the wireline systems of numerous companies in its service area. The companies range from 5 lines to over 1000 lines. The industries represented span from insurance to morticians to paper and lumber mills. It has begun to replace wireline systems within the Oneida Nation and for many other Wisconsin residents.

The Oneida Nation is a 49.9 percent owner of Airadigm Communications. The Oneida Reservation is located within Wisconsin, 20 miles North of the Airadigm Headquarters. The Oneida Nation has gaming operations. It invested in Airadigm in order to diversify its portfolio thereby becoming less reliant upon gaming for future revenues, to enhance the telecommunications services available to its tribal members, and to create next generation job opportunities for its membership.

The Oneida Reservation is located near Green Bay, WI. Three wireline companies and two cellular companies serve it and yet reliable telecommunications penetration is sketchy further from Green Bay. The wireline operators are slow to respond to the needs of the Tribe, be it upgrades or customer service problems.

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The tribe must obtain the spectrum. It could enter into an agreement with a current owner of 1900 MHz spectrum to disaggregate or partition. It is unlikely that they could buy their own spectrum. First the auctions have been completed, except for the C Block re-auction. Second, prices were too high for most tribes to participate.

Finally, the FCC regulations prohibit tribes with gaming interests from owning a majority interest in a C-Block license. This rule prohibited the tribes which could best afford to create better services for its own members and others from doing so. It relegated tribes with a desire to participate to minority investors unable to fully control their own destiny. Remember, that Oneida only owns 49 percent of Airadigm. It wanted to own more. The rationale for the rule lacked substantiation and relied upon stereotypes, while ignoring the potential accrued benefits had this rules never been admitted into the regulations. In short, the FCC did not allow Indians to help themselves.

If spectrum could be obtained, acquiring the capital for the build out would be difficult, if not impossible. Most tribes that need the most help are located on geographically large reservations, but the population density is sparse. Vendors and other financiers familiar with the industry would be unlikely to fund such a venture since the return on investment would encompass a longer time frame. Looking at specific measurements: the average revenue per user (ARPU) would be far less than the median required by large vendors for financial purposes. Their tables are based on a median derived from urban centers specific to the countries in which they invest. ARPUs for the Rosebud Sioux Tribe cannot compare to New York, Los Angeles, or even Little Rock or Bend, OR.

These numbers become more skewed when viewed against the number of base stations necessary to offer non-mobile penetration. The Navajo reservation spans three states. It has population pockets throughout. If the Navajo were to deploy a wireless local loop system for its members, it would take over three hundred base stations. This does not include the roadway coverage in between the population pockets. This amounts to \$75,000,000 for equipment alone, if not more. This does not include the need to run wireline in between the switching center and the towers, the spare parts, the human resources or the cost of creating a company to run this. The Navajo would have spend another \$75,000,000 to \$100,000,000 in order to get the operation up and running.

Talk of willingness to finance is abundant, yet actual dollars disappear when it comes time to ante up. An example of this is the recent C Block fiasco. Once the prices were driven so high by inexperienced operators, the money promised by the financiers which drove the hopes of the entrepreneurs disappeared. Common sense and investor responsibility forced them away. An Indian tribe, with little or no experience, little money, sparse population centers in a marketplace surrounded (but not penetrated) by competition has little or no chance of receiving funding within the current rules of the game. Add to this the fact that wireless communications investments have received a bad name: Pocket, GWI, Next Wave, 70 out of 89 C Block have not begun construction, and nearly 90 percent of the original C-Block licenses are up for re-auction.

As you have stated yourself Mr. Chairman, "the wireline companies say it's too expensive to connect these homes. Wireless may be the only answer to these problems" which exist within Indian country. "It may be the only way to link our land's most ancient people to the economic opportunities of the future. It's our responsibility to work with these tribes to find that solution." However, you alone do not shoulder the burden of solving the problem. The financial community, the vendors, and the tribes must also join you to find solutions that work for everybody.

Many people talk about the problems which need to be addressed in Indian Country. However, there have been relatively few improvements. Reservations have been immune to the benefits of the telecommunications revolution. This will prevent them from experiencing the benefits of the information revolution. In a world which will define its have and have nots, not by material wealth, but by intellectual wealth, a tremendous delta grows between Indian Country and the rest of the Nation. Third World nations have surpassed Native Americans who live in the richest nation in the world. It will take a concerted effort by all parties in order to correct this problem. Any solution which dictates will atrophy. Only the solutions which solicit and encourage participation from all facets will succeed. This is the culture and history of Indian Country.