

**Federal-State Joint Board on Universal Service
CC Docket No. 96-45**

**Presentation to
Commissioner Kevin J. Martin**

**by
CTIA - The Wireless Association™**

February 24, 2005

Overview

- Universal service reforms should focus on consumers, the intended beneficiaries of universal service.
- CTIA supports the establishment of voluntary eligible telecommunications carrier (ETC) designation guidelines.
- The FCC must reject proposals that would unlawfully discriminate against competitors in the receipt of high-cost universal service support and would not effectively address broader concerns about fund growth.
- The FCC should consider fundamental reforms to the underlying high-cost universal service mechanisms to better fulfill the Act's universal service goals.

Wireless Carriers Provide Vital Benefits to Rural Consumers

- CMRS providers continue to receive only approx. 7% of high-cost support.
 - From 2000 through 2003, incumbent LECs were responsible for 90% of growth in the high-cost fund.
- CMRS providers are the only competitive providers of high-quality, affordable, and facilities-based telecommunications services in rural areas.
- Wireless deployment in rural areas has occurred, in part, because of competitively neutral access to high-cost and low-income universal service support.
- Wireless eligible telecommunications carriers (ETCs) have brought universal service to rural and insular areas that have traditionally been underserved or unserved by incumbent LECs.
- Due to geographic isolation, topography, and other factors, the cost of providing wireless service in rural areas is typically higher than in urban areas.
- To facilitate wireless deployment in rural areas, competitors should have nondiscriminatory access to universal service support.

Numerous Examples of Consumer Benefits

- High-Cost Support Provides Tangible Benefits for Wireless Customers:
 - Centennial recently brought wireless service to Shaw and Blackhawk, Louisiana, that previously had no telephone services at all, wireline or wireless.
 - Western Wireless has brought service to residents of the Reese River Valley and Antelope Valley in rural Nevada that previously did not have access to any local telephone service.
 - Western Wireless has increased telephone penetration rates from 25% to 75% on the Pine Ridge Indian Reservation in South Dakota.
 - Smith Bagley has signed up over 21,000 people on Native American lands in Arizona and New Mexico that previously did not have telephone service of any kind.
- Many other wireless carriers are using high-cost support to expand and improve coverage – providing consumers in rural areas the same services that are available to consumers in urban areas.

CTIA Supports Voluntary ETC Designation Guidelines

- The FCC and states generally do a good job processing ETC petitions. CTIA is encouraged by the FCC's recent progress in this area.
- Voluntary guidelines that go no further than Virginia Cellular could aid states in evaluating whether an ETC designation is in the public interest.
- Mandatory guidelines are precluded by the Act and would prevent a state from tailoring its public interest analysis to its unique circumstances.

The FCC Should Reject Proposals that Discriminate Against Wireless Carriers (cont'd)

- There is no basis for limiting the number of USF recipients in high cost rural areas.
 - Would limit competitive choice for consumers living in rural areas.
 - Would be arbitrary.
 - Would only reward incumbent LEC inefficiency.
 - Incumbent carrier inefficiency could be a reason to encourage, not discourage, entry by efficient competitors.
 - There are better ways to limit the amount of support available to both incumbents and competitors by better targeting support and rewarding efficiency.
- Requiring prospective ETCs to demonstrate financial resources is not competitively neutral and is unnecessary.

The FCC Should Reject Proposals that Discriminate Against Wireless Carriers (cont'd)

- There is no basis for imposing equal access obligations on wireless ETCs.
 - Section 332(c)(8) precludes the FCC from imposing such an obligation, except under circumstances not present here.
 - There is no indication that mobile wireless customers actually want equal access, and such a requirement may increase prices to consumers.
 - CMRS is a highly competitive market providing consumers an array of alternatives.
 - Would contradict FCC decisions recognizing that CMRS is an integrated local and long-distance service.
- There is no basis for refusing to designate competitive ETCs below the study area level.
 - Competitors should not be denied designation merely because their licensed service area does not correspond to the incumbent's service area.
 - Incumbents can prevent "cream skimming" by targeting support to high-cost areas.
 - A blanket prohibition would deny designation for the low density, high cost portions of an incumbent's service area – the very areas that are most underserved.
 - Virginia Cellular and Highland Cellular include a standard for determining whether a designation below the study area level is in the public interest.

The FCC Should Focus on Fundamental Reform

- The FCC should consider fundamental reforms to the underlying high-cost universal service mechanisms to better fulfill the Act's universal service goals.
- Problems with the FCC's High-Cost Universal Service Mechanisms:
 - Incentives for incumbent LEC inefficiency.
 - Illogical distribution of support.
 - Impenetrable administrative complexity.

CTIA High-Cost Reform Proposal

- Modify the existing high-cost mechanisms, while transitioning to a single, unified high-cost universal service mechanism that replaces the five high-cost mechanisms currently in place.
- Under such a mechanism, support for all eligible carriers would be based purely on efficient, forward-looking economic costs of serving a geographic area.
- Such a mechanism would:
 - Appropriately target the right amounts of support to high-cost areas;
 - Ensure that consumers in rural areas have access to affordable and comparable services; and
 - Reduce the need for universal service subsidies over time.