

LAW OFFICES
BROWN NIETERT & KAUFMAN, CHARTERED
SUITE 450
1301 CONNECTICUT AVE., N.W.
WASHINGTON, D.C. 20036

David J. Kaufman
Loretta K. Tobin

TEL (202) 887-0600
FAX (202) 223-8685

Richard L. Brown
Robyn G. Nietert
Of Counsel

April 3, 2006

Office of the Secretary
Federal Communications Commission
445 Twelfth Street SW
Washington, DC 20554

Re: CC Docket No. 96-45; *Federal-State Joint Board on
Universal Service Seeks Comment on Certain of the Commission's
Rules Relating to High-Cost Universal Service Support;*
Notice of *Ex Parte* Presentation

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's Rules, this notice is being filed. On Monday, April 3, 2006, Louis Tomasetti of Commnet Wireless, LLC ("Commnet") and I met with Ian Dillner of Chairman Martin's office to discuss the above-referenced proceeding. We recapitulated Commnet's earlier-filed written *ex parte* presentation from April 11, 2005, and provided the following written materials.

Please direct any questions concerning this matter to the undersigned.

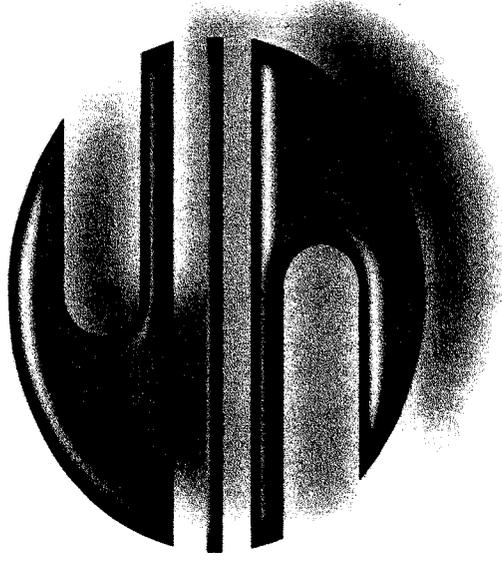
Sincerely,



David J. Kaufman

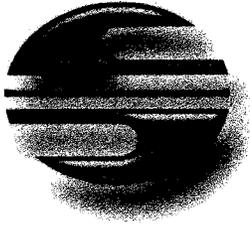
cc (all via e-mail):

Ian Dillner
Louis Tomasetti



COMMINET WIRELESS
USF High Cost Support Program
Proposed Improvements

April 3, 2006



AGENDA

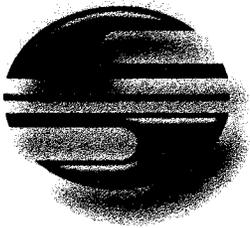
- **Commnet Background and Capabilities**
- **Outline of Commnet Proposal**
- **Current Situation – Promoting Inefficiencies and Obsolete Technologies**
- **Proposed Solution – Flat Amount Assistance for Efficient Technology**
- **Discussion**



Commnet Wireless'

Background

- FCC-licensed voice and data carrier in 14 States using both Cellular and PCS spectrum
- Operate all major wireless technologies
 - CDMA, GSM, TDMA and Analog
- Management has an average of 10 years experience at the Country's largest wireless providers
- Largest wholesale-only wireless provider in the U.S.
 - Having no subscribers provides the flexibility to focus on sparsely populated rural areas, by serving customers of all carriers from a common facility



Commnet Wireless

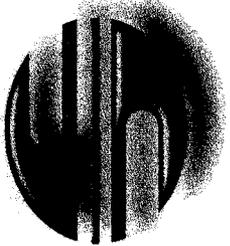
Roaming Partners

- Commnet maintains solid relationship with National Carriers through:
 - Not competing with them for retail subscribers
 - Covering rural areas they deem non-strategic
 - Meeting or exceeding National Carriers' quality metrics
- Virtually all US carriers' (and over 200 foreign carriers') subscribers are able to roam on Commnet networks
- National carriers:
 - Market Commnet's footprint as their own
 - Lease spectrum to Commnet in many cases to enable build-out in areas they deem too lightly populated to justify capital investment



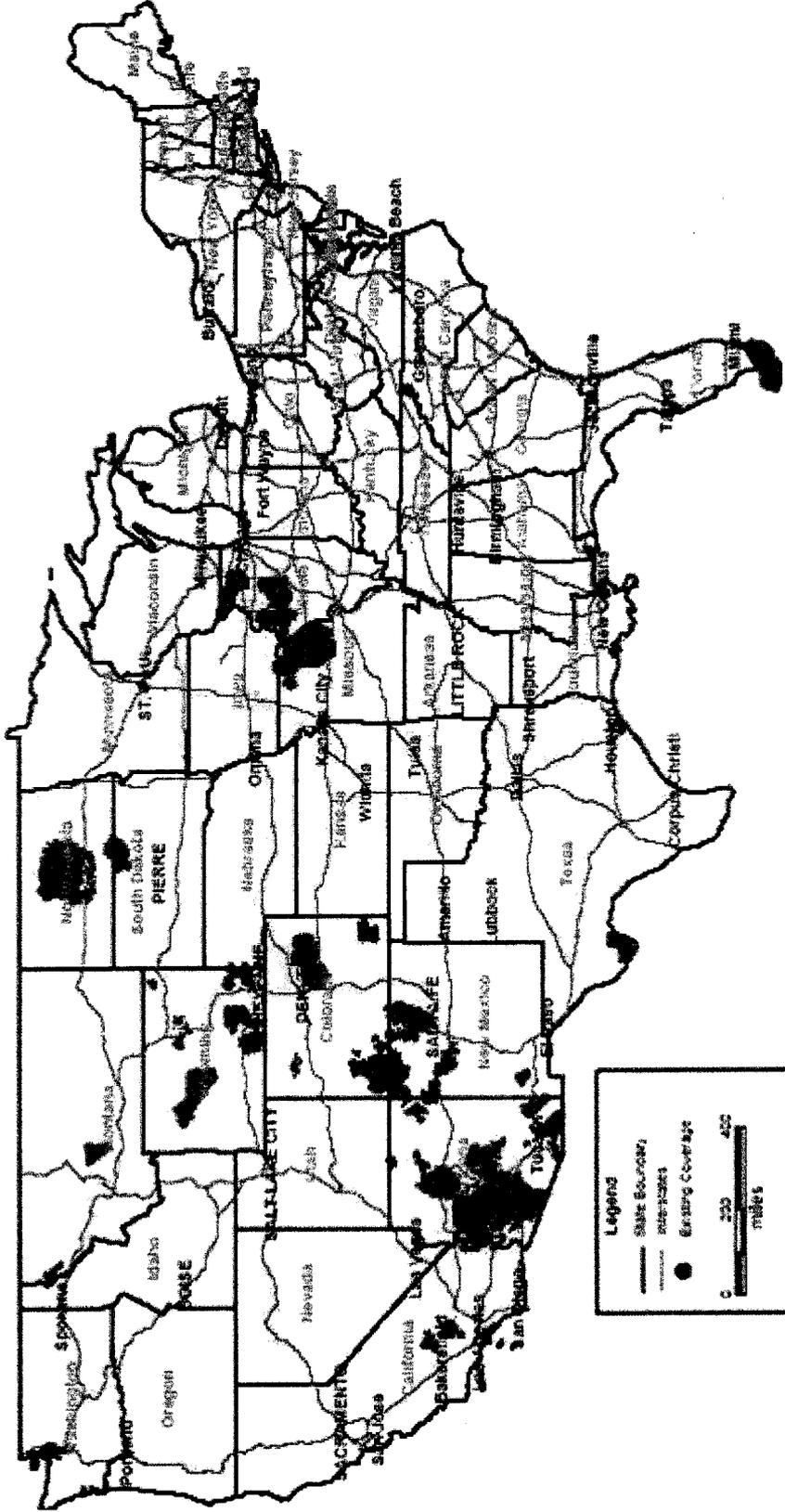
Commnet Wireless Networks

- Currently operate CDMA, GSM (voice and data), TDMA and Analog
- Currently operate over 200 cell site locations via 4 switch locations
- Additional 60 cell sites under construction for 2006
- Maintain networks via a staff of experienced wireless technicians and 24/7 NOC
 - Other national carriers subcontract some maintenance service to Commnet in remote areas
- Commnet sites in remote areas have been credited with saving several lives
 - Yet because Commnet has no subscribers, it is not eligible to become an ETC Carrier.



Nationwide Commnet Map

Commnet Coverage 10/18/06





Sketch of Commnet Proposal

- Prospective Only – Embedded Facilities Can Receive Their Historic Subsidies (but no increases).
- For New Facilities – Wireless carriers receive a flat per-cell subsidy (initially \$3,000 per cell per month) for qualifying rural areas. Landline carriers receive funding for new construction only if they can show their technology is more efficient for the area, and then, no more than \$3,000 per month per 100 square miles.



Wireless is simply more efficient

- A single cell site can provide voice and data services to roughly 100 Square Miles
 - At a density of 5 persons/sq. mile, that is, 500 customers can be served at a one-time cost of \$140k CAPEX, and \$4/k per month OPEX
 - This is infinitely less than running miles of copper or cable to serve these individuals
- The largest wireline companies in the country realize their infrastructure is rapidly becoming obsolete. (See article.)
- Continued subsidies for further construction of inefficient, inappropriate landlines is a waste of USF funds, a drain on the economy, and corporate welfare



Commnet provides service to residents *and* roamers.

- Subsidies to landlines will not allow roaming traffic to call 911 – wireless technology allows residents and visitors access to emergency services.
- Lives have been saved by Commnet coverage, but without subsidies, these services often cannot survive.
 - For example, in 2003, during the major forest fires which occurred, Commnet's Neihart, MT site remained operating when all other carriers went out, enabling communication with fire crews, saving many lives. But for lack of a minor subsidy to help cover costs, the site had to be removed. (See letter from Public Safety.)



Commnet's proposal saves money

- Commnet proposes a *flat* subsidy for wireless, *not tied to landline costs* and less than total wireless costs.
- By eliminating the connection to subscriber counts, there is no vicious circle of churning residents among competing ETCs.
- By eliminating cost-based subsidies, new construction will always be the efficient technology, because inefficient technologies are no longer profitable to construct under their own means.



2004 USA TODAY photo

Not happy: CEO Duane Ackerman complained three years ago about BellSouth's problems.

AT&T-BellSouth merger grows from weakness

AT&T's leaky boat could get leakier

Three years ago, BellSouth CEO Duane Ackerman popped into our offices to tell us how miserable his business was.

Dissing your company is not normal everyday CEO behavior. But Ackerman needed regulatory help from Washington. So he might have been acting like a kid who wakes up on a school day with a snuffle and pleads that he's caught the bird flu. But still, he certainly convinced me that BellSouth — and the local phone industry in general — was about the suckiest business going.



Technology
By Kevin Maney

"I've lost 30% to 34% of business customers across our territory — 50% in some areas," he said, noting the success of competitors such as Level 3 and (back then) WorldCom. "On the consumer side, we've lost 8% to 9%." He brought out charts with lines and bars going in worrisome directions, showing revenue shrinking, stock prices falling and huge fixed costs that wouldn't go away.

And that was before Internet phone calls, cable companies and wireless turned into more serious competitors to wired phones. If anything, BellSouth's future looks worse now than it did then.

Worried that a merged AT&T and BellSouth are like some Ma Bell Frankenstein, reassembled and about to terrorize all of communications? Here's another view from some smart analysts: AT&T is already a leaky boat, and it's about to pay \$67 billion for another hole.

Francis McInerney of research firm North River Ventures tends to speak in dense consultantese and illustrate points by using circles on X-Y axis charts. But over the past decade, he's been right more often than not about telecom companies. His charts show that AT&T can't grow much and has poor "capital velocity" — which essentially means the company has so much debt and overhead that it can't use its income efficiently to stay ahead of the competition.

"Buying BellSouth does nothing to solve AT&T's core problem," McInerney says. "All AT&T does with this

"They're merging out of weakness, not strength," chimes in telecom commentator Glenn Fleishman, who runs Wi-Fi Networking News.

The local phone companies' biggest tribulation — and this includes AT&T, BellSouth, Verizon and Qwest — is that their main business is built on an expensive infrastructure that's quickly becoming obsolete. They are like railroads at the dawn of the jet age. They send calls around using circuit-switched networks when the world is moving to Internet-style networks. They have millions of miles of skinny copper wire underground and on telephone poles at a time when whole cities are starting to build wireless broadband Internet systems that are better and cheaper.

McInerney and other analysts figure the local phone companies all together have \$350 billion to \$400 billion worth of obsolete assets on their books. They can't write them off without financially collapsing, so there they sit, slowly sucking the life out of these companies from inside, like tapeworms.

AT&T and Verizon do have vibrant, growing wireless businesses, but it's just not enough help. Their local phone operations pull in billions of dollars of revenue, but that's not enough, either.

The companies are burdened by too much legacy junk, and they have too little ability to compete with newcomers such as Vonage and Skype — which is why the Bells resort to asking the government for help, or to tactics such as trying to charge websites more for speedier access, effectively hampering voice-over-Internet services such as Skype.

The phone companies have repeatedly announced plans to modernize by building Internet protocol networks running high-speed fiber to homes to bring us high-speed Internet, TV and movies on demand.

I've heard this going back to the early 1990s, when Ray Smith was CEO of Bell Atlantic and he showed me demos of the Stargazer TV system he was all set to deploy — but didn't. In 2006, a few communities have phone-company TV, but for the most part it's about as common as other things we were supposed to have by now — such as flying cars and domestic robots.

"Using their own data, Verizon and SBC claimed they would spend \$48.9 billion and have 36.5 million households by 2000" on hot new broadband systems, says Bruce Kushnick, who this week released his e-book *The \$200 Billion Broadband Scandal*, which details alleged phone company misdeeds in broadband. "This was fiber-to-the-curb services ... with 500-plus channels," Kushnick says.

Not only did those build-outs not happen, Kushnick says, but every time one local phone company merged with another, nascent broadband projects got shut down. "These companies failed to deliver on their fiber-optic commitments, and it is now clear that the mergers were to blame," he says.

After Sunday's announcement, AT&T CEO Ed Whitacre said the combined companies would be in a better position to build new networks and compete with cable TV. But if history repeats, those projects will get just about as much priority as McDonald's gives to health food.

None of this discounts the power of AT&T or Verizon at this moment. The majority of people still make calls on old-fashioned land lines and the newcomers are still, well, newcomers. "While there's a lot of technology out there, the amount of actual, effective competition is much less," says Lauren Weinstein, co-founder of activist group People for Internet Responsibility, which is against the AT&T-BellSouth merger.

But the not-very-distant future threatens to be a lot more harsh for AT&T. Apparently, that future becomes more likely if the local phone companies merge to their hearts' content.

E-mail kmaney@usatoday.com



Read Kevin Maney's daily blog at blogs.usatoday.com/maney. Find links to more of his weekly Technology columns at money.usatoday.com.



"The only county in
Montana with a Castle"

Meagher County Sheriff/Coroner

Rick Seidlitz
P.O. Box 449
101 West Crawford
White Sulphur Springs, Montana 59645
Business Phone (406) 547-3398

11-19-03

Mark Hansen
Excomm, LLC/Commnet Wireless
1562 Park Street, Unit E
Castle Rock, CO 80104

Re: Emergency Communications at Neihart, Montana

Dear Mr. Hansen:

On behalf of those who spent the past summer fighting some of the worst forest fires we have encountered in some time, I would like to thank your company again for the excellent assistance that you provided when we had no other viable wireless telecommunications service for the fire fighters. Your cell site at Neihart was the only one providing coverage in the area, and without it, we would have been in a complete dead spot. By facilitating our placing our temporary headquarters co-located with your cell, we were able to stay in contact with crews. The existence of your cell site certainly saved lives and property during the fire-fighting effort.

I understand from you that you are now required to remove your site during the ski season, but are hoping to construct a permanent cell site (as opposed to the flatbed trailer set-up that you had) next summer. I hope that you succeed, because if there is another fire or similar emergency, we would like you to be available again. Please feel free to give the FCC a copy of this letter as part of any explanation you make to them about being off the air during the snows.

Sincerely,

Richard E Seidlitz
Meagher County Sheriff



United States
Department of
Agriculture

Forest
Service

Lewis and Clark
National Forest
White Sulphur Springs
Ranger District

204 W. Folsom
P.O. Box A
White Sulphur Spr., MT 59645
406 547-3361
FAX 406 547-3874

File Code: 2720

Date: November 7, 2003

Mark Hansen
Excomm LLC/Commnet Wireless Inc.
1562 Park Street, Unit E
Castle Rock, CO 80104

Dear Mark:

This letter documents recent telephone conversations between Kaylene Monson, of my staff and Cindy Phillips of Commnet Wireless, Inc. As discussed with Cindy we were unable to complete the analysis process as required by law (National Environmental Policy Act) in order to process your application for a 10-year Special Use Permit to locate a communications tower at Porphyry Peak this summer. Kaylene is in the process now of completing the analysis documentation and I anticipate being able to make a decision prior to the end of the year. However, due to the impossibility of constructing a tower during the winter months you will be unable to implement the project until spring.

Although we were unable to complete the analysis for the 10-year permit we did issue a temporary use permit for placement of a "Cell on Wheels" near the Showdown Ski Area Lodge. I understand from Cindy that George Willett, Showdown Ski Area President has requested you to remove your site during the ski season and that the site was removed.

During the summer of 2003 we had a large wildfire on the district and were able to utilize cell phones at the base camp as a result of the temporary cell site. It was of a benefit to us to have the service available. Without the cell site at Porphyry Peak the base camp would have been in a complete dead spot as far as wireless service is concerned. The existence of your cell site allowed for enhanced communication and safety efforts during the fire-fighting operation.

We do look forward to working with you on this project once the snow melts. If you have any questions or concerns regarding this project please feel free to contact Kaylene Monson or myself at (406) 547-3361.

Sincerely,

TIMOTHY J. BENEDICT
District Ranger

cc: Allan W Tschida

