Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
High Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45

COMMENTS OF AT&T INC.

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1. Introduction and Summary.

Over the past decade, AT&T has been at the forefront of those urging the Commission and Joint Board to undertake fundamental reform of the nation's universal service support mechanisms to preserve and advance the core universal service objectives set forth in section 254(b) in today's increasingly competitive marketplace. AT&T has noted, *inter alia*, that despite Congress's express direction that universal service subsidies be made explicit, implicit subsidies in intrastate rates continue to be a primary source of universal service support for the majority of high cost customers in areas served by so-called "non-rural" carriers. That reliance on implicit subsidies is not only unlawful but also unsustainable in today's increasingly competitive telecommunications marketplace, as new competitors, unburdened by carrier of last resort obligations, snap up the most profitable customers, thereby draining the implicit subsidies that historically have funded service to low revenue, high cost customers. To make things worse, the federal universal service support mechanisms themselves are being stretched to the limit as duplicative USF payments to multiple CETCs escalate, expanding the size of the federal universal service fund and increasing the cost of telecommunications services for all consumers. In

short, as Chairman Martin and the Joint Board have rightly recognized, the existing high-cost universal service support mechanisms are fundamentally broken, and in desperate "need of repair and revision."[1]

As a consequence, AT&T strongly supports the Joint Board's initiative and commitment to consider long-term, comprehensive reform of the nation's high-cost universal service support mechanisms to achieve the cardinal universal service objective of ensuring that all Americans continue to have access to affordable, high quality telecommunications services. AT&T's commitment to that goal is second to none. In addition to providing high quality and affordable local, long distance, Internet, and wireless services to consumers in metropolitan areas, AT&T continues to serve approximately 7 million lines in areas defined by the Census Bureau as rural, which represent nearly one-third of the nation's rural, high-cost lines. Indeed, AT&T is the single largest provider of service to rural America. And while others have divested or otherwise given up on high cost areas, or declined to serve such areas in the first place, in the face of dwindling implicit support and limited explicit support, AT&T has maintained its commitment to rural America and to serving all of its customers, wherever they live. It further has committed to deploy broadband Internet access services throughout its serving area, and is intent on providing expanded and improved wireless service in rural areas. But increasingly insufficient and unstable universal service support threatens not only to deter further investment in advanced, broadband facilities and services, as well as

[1] Opening Remarks of Chairman Kevin Martin, Federal-State Joint Board on Universal Service En Banc Meeting at 5 (Feb. 20, 2007) (Martin En Banc Statement); *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 at para. 4 (rel. May 1, 2007) ("High-cost support has been rapidly increasing in recent years and, without immediate action to restrain growth in competitive ETC funding, the federal universal service fund is in dire jeopardy of becoming unsustainable.") (*Recommended Decision*).

improved and expanded wireless coverage, in high cost areas, but also to undermine continued availability of today's high quality legacy services.

For these reasons, AT&T has long and repeatedly advocated fundamental reform of the nation's universal service high-cost support mechanisms.[2] Such reform must include both the contribution and distribution sides of the equation, and provide explicit support to the consumers and carriers in geographic areas that need it and at levels sufficient to advance the full range of goals articulated by Congress in section 254(b). In particular, this reform must include the following components:

1. Stabilization of the Commission's existing high cost support mechanisms by immediately capping growth on an interim basis.

2. Replacement of the existing revenues-based contribution mechanism with a telephone numbers/connections-based mechanism.

3. Reform of intercarrier compensation to preserve universal service during the transition to a fully-deployed broadband environment.

4. Reform of the existing federal high cost funding mechanisms to ensure the continued availability of affordable, quality telecommunications services to all Americans – no matter where they live or the classification of the carrier (*i.e.*, rural or purportedly non-rural) serving them – and to promote deployment of next-generation broadband, and expanded and improved wireless service, in rural areas.

AT&T previously has offered detailed proposals for stabilizing the federal high-cost support mechanisms,[3] shifting to a telephone numbers/connections-based

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[2] *See, e.g.*, Letter of Robert W. Quinn, AT&T, to Hon. Deborah Taylor Tate, Federal Chair, Federal-State Joint Board on Universal Service, FCC, and Hon. Ray Baum, State Chair, Federal-State Joint Board on Universal Service, Oregon Public Service Commission (dated March 22, 2007) (AT&T USF Stabilization Proposal); Comments of AT&T, WC Docket No. 05-337, Federal-State Joint Board on Universal Service, Using Auctions to Determine High-Cost Universal Service Support (filed Oct. 10, 2006) (AT&T Auctions Comments); Comments of AT&T, Federal-State Joint Board on Universal Service, High-Cost Universal Service Support, CC Docket No. 96-45, WC Docket No. 05-337 (filed March 27, 2006) (AT&T 10th Circuit Further Remand Comments).

[3] *See* AT&T USF Stabilization Proposal.

contribution mechanism,[4] reforming intercarrier compensation,[5] as well as implementing long-term reform of the federal high cost support mechanisms to ensure sufficient support is available to achieve the full range of universal service objectives in section 254(b) in a competitive environment – as required by Congress and mandated by the Tenth Circuit.[6] AT&T will not reiterate those proposals (which would address many – if not all – of the issues raised by Joint Board in the Public Notice)[7] here. Rather, we focus our initial comments on a proposal that the Commission consider establishing two pilot programs: (1) to encourage deployment of next generation broadband facilities and services in rural areas in which such services currently are not sufficiently available, and (2) to promote deployment of wireless facilities and services in areas that currently lack such services or where service is inadequate.[8] These programs not only would address and promote key universal service objectives, including Congress's overarching objective of "encourage[ing] the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans,"[9] but also clear the way for longer term, comprehensive universal service reform.

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[4] *See* Comments of AT&T, WC Docket No. 06-122 (filed Aug. 9, 2006); Comments of SBC Communications Inc., CC Docket No. 01-92 (filed May 23, 2005).

[5] Missoula Intercarrier Compensation Reform Plan, CC Docket No. 01-92 (filed July 24, 2006).

[6] AT&T 10th Circuit Further Remand Comments.

[7] Federal-State Joint Board on Universal Service Seeks Comment on Long Term, Comprehensive High-Cost Universal Service Reform, WC Docket No. 05-337, CC Docket No. 96-45, Public Notice, FCC 07J-2 (rel. May 1, 2007) (*Public Notice*).

[8] *See Public Notice* at para. 8 (seeking comment on whether the Commission should provide universal service support to promote broadband deployment); and para. 7 (seeking comment on CETC issues).

[9] Pub. L. 104-104, Title VII, § 706, Feb. 8, 1996, 110 Stat. 153 (1996 Act, Section 706).

2. The Commission Should Adopt a Pilot Program to Encourage Broadband Deployment, and Consider Adopting a Pilot Program to Promote Wireless Deployment, in Rural Areas.

During the last century, federal and state universal service programs and policies focused on encouraging deployment of traditional, wireline telecommunications facilities and services in rural areas across the country to ensure that all Americans have access to high-quality and affordable basic telecommunications services. Through a system of implicit subsidies that was sustainable only in a monopoly environment, that goal largely was achieved, with service available to virtually all Americans and subscribership to some form of telecommunications service at an all-time high.[10] New challenges have emerged, however, as policy makers must consider universal service reform not just to maintain the nation's historic commitment of making affordable basic telecommunications services available to all Americans as increasing competition and technological change render unviable the implicit subsidies on which that commitment was based, but also to encourage deployment of broadband and wireless facilities and services in rural areas that currently have no (or only inadequate) access to such services.

As AT&T previously has explained, the current federal high-cost support regime, which arbitrarily bases support not on a carrier's costs and the demographics of the areas it serves but on its identity as a "rural" or purportedly "non-rural" carrier, provides insufficient support to most rural areas,[11] while providing duplicative support to multiple

[10] *See* Telephone Subscribership in the United States (Data through November 2006), Industry Analysis Division, FCC (rel. May 8, 2007).

[11] That is, those areas served by purportedly "non-rural" carriers, which in aggregate serve approximately twice as many rural consumers as "rural" carriers, but receive only one-sixth of the amount of support provided to carriers classified as "rural." AT&T 10th Circuit Further Remand Comments at 6.

carriers in others (in particular, in areas served by so-called "rural" carriers).[12] The existing federal high-cost support mechanisms thus are deeply flawed, and cannot meet Congress's directive to preserve and advance universal service in a competitive environment – let alone promote the deployment of broadband and wireless in rural America. Adding broadband and wireless to the mix without fundamental reform of the high cost support regime will only increase the strain on an already broken system, and doom any effort to promote additional broadband and wireless deployment in rural areas to failure.

Rather than attempting to use the current federal high cost mechanisms to achieve its broadband deployment objectives, the Commission must approach the problem head-on. In particular, similar to its rural healthcare initiative, the Commission should take immediate steps to establish a pilot program to support the deployment of broadband facilities and services in rural areas where it finds broadband alternatives are not sufficiently available. Under this proposal, the Commission would establish a Broadband Pilot Program that would make available a specified amount of funding (such as $1 billion per year) to support deployment of lower cost, higher speed broadband alternatives in rural areas where such alternatives are not sufficiently available. Participation in the pilot program would be voluntary. Service providers would apply for funding to deploy broadband facilities in underserved rural areas, detailing how they would use the funds and the area and the number of potential subscribers to be served. The Commission would select which projects to fund based on objective criteria. Service providers receiving funding would have to commit to deploy broadband facilities capable

[12] Comments of SBC Communications Inc., Federal-State Joint Board on Universal Service at 1 (filed Aug. 6, 2004) (AT&T USF Portability Comments).

of providing service in accordance with Commission-defined parameters (relating, *e.g.*, to speed and latency) in the area within two years, and offer broadband services in that area at an affordable rate for a specified period of time (such as for five or ten years).

The Commission also should consider establishing a similar Wireless Pilot Program to support the extension of mobile, wireless services into areas that lack reliable mobile service coverage today. Here again, the Commission would identify areas that currently lack reliable, mobile wireless services, or in which existing service is inadequate, and service providers would apply for funding, showing how they would use such funds to expand mobile wireless services in underserved rural areas. The Commission would grant funding based on objective criteria, and service providers receiving funds would be required to build out new facilities within two years and serve the area for a specific period of time (again, such as five or ten years).

Implementing a pilot program to fund deployment of broadband to underserved areas would have several benefits. First, the Broadband Pilot Program would provide targeted support to promote lower cost, higher speed broadband deployment in rural areas, addressing concerns about the digital divide in such areas, without having to tackle and solve the whole spectrum of universal service issues at once. Second, implementing a pilot program would provide the Commission much needed experience and information about the level of funding that may be required, and the other issues that might need to be addressed, to meet the statutory goal of "encourage[ing] the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans."[13] A pilot program thus would provide a test case for a new approach to meeting universal service

[13] 1996 Act, Section 706.

objectives with respect to broadband and wireless services in today's competitive marketplace. Third, the pilot could be implemented immediately, providing a potential solution to the issue of how to bridge the digital divide and taking some of the pressure off the current high cost regime. Implementing the pilot thus could afford the Commission additional breathing room to tackle the complex issues raised by comprehensive reform of its high cost universal service support regime, thereby facilitating such reform.

Likewise a mobile wireless pilot would provide targeted support to expand deployment of wireless facilities in unserved, or inadequately served, rural areas, meeting growing concerns about the lack of adequate mobile wireless coverage in rural America – rather than support simply to subsidize increased wireless penetration and competition in areas with multiple mobile wireless service providers.[14] Such a program would provide the Commission with information and experience concerning the amount of funding that may be necessary to ensure adequate mobile wireless coverage in rural areas, and could alleviate some of the pressure placed on existing high cost support mechanisms by growth in support to multiple providers in areas that already have adequate wireless service. Thus, as with the proposed broadband pilot, a mobile wireless pilot program could promote deployment of mobile wireless services, and facilitate broader high cost universal service support reform by allowing the Commission to re-focus its existing high cost support mechanisms on ensuring that consumers in rural areas continue to have access to affordable basic telecommunications services no matter where they live or from whom they receive service (*i.e.*, from a "rural" or a purportedly "non-rural" carrier).

[14] *See, e.g.*, Funding for Rural Wireless Faces Threat, JournalStar.com (May 20, 2007); Universal Service Hang-Up, Bangor Daily News (May 19, 2007)

The Commission plainly has authority to establish distinct universal service support mechanisms to implement Congress's universal service objectives, including its overarching concern that consumers in rural areas do not lag behind their fellow citizens in access to telecommunications and information services – especially advanced telecommunications and information services. Section 254(a) specifically contemplates that the Commission may have to adopt multiple "universal service support *mechanisms*" to implement all of Congress's universal service objectives.[15] And, figuring prominently among these objectives is Congress's goal that consumers in rural areas have access to comparable telecommunications and information services (especially advanced telecommunications and information services) to those available to their urban counterparts.[16] Indeed, Congress was so concerned that rural America not be left behind by the digital revolution that it twice admonished the Commission and the states to ensure that "[a]ccess to advanced telecommunications and information services should be provided in all regions of the Nation" in section 254(b).[17] Moreover, Congress specifically directed the Commission to adopt rules to implement section 254.[18] Thus, there can be little doubt that Congress granted the Commission authority, and intended the Commission to exercise that authority, to craft universal service policies and mechanisms to promote broadband deployment, and to ensure that consumers in rural

[15] *Id.* at § 254(a) (emphasis added).

[16] *Id.* at § 254(b)(3).

[17] *Id.* at § 254(b)(2), (b)(3).

[18] *Id.* at 254(a). The Commission further has authority to adopt mechanisms to implement AT&T's proposal under its broad authority under section 201 to adopt rules to carry out the provisions of the Act, as well as its ancillary authority under sections 303(r) and 154(i). 47 U.S.C. §§ 154(i) and 303(r).

areas have comparable access to telecommunications and information services – including both broadband and wireless services – available in urban areas.

a. Broadband Pilot Program

AT&T proposes that the Commission establish a pilot program to support deployment of higher speed, lower cost broadband facilities and services in rural areas. In general terms, the pilot program would be used to distribute a specified amount of funding to support new capital investment in telecommunications infrastructure that would foster higher speed, lower cost broadband Internet access services in rural areas in which the infrastructure to support such offerings is lacking. The Commission would determine in advance the general parameters of the supported service, which would be a stand-alone broadband Internet access service providing a service meeting Commission-defined parameters. The total amount of funding available under the pilot (such as $1 billion per year for two years) would be predetermined by the Commission, which obviously would limit the total number of projects that could be approved under the pilot, thus requiring that deployment goals be prioritized. Applicants for funding would have to commit to use the funds to deploy within a reasonable period of time (such as two years) infrastructure necessary to make the supported service available throughout a particular geographic area, and to offer the supported service at an affordable rate, speed, and for a minimum term (*e.g.*, for five or ten years).[19]

In designing the pilot, the Commission should seek to achieve three objectives: (1) maximize the number and type of providers qualified to participate in the program in order to increase potential consumer welfare benefits by targeting support to the most

[19] Applicants, of course, would remain free to offer other broadband services and packages of services at different rates.

efficient providers; (2) ensure that funding is used to bring lower price, higher quality broadband services to areas without access to such services today; and (3) extend the benefits of broadband deployment to as many rural areas (and consumers) as practicable. The initial term of the pilot should be at least two years to allow the Commission sufficient time to evaluate the program and gain experience funding broadband and targeted infrastructure projects, and thus to determine how it best can achieve its broadband deployment objectives. At the end of this initial term, the Commission would decide whether and how the pilot should be modified and/or extended, or made permanent. The following is a more detailed description of AT&T's proposal:

1. Geographic Area of Funding.

The geographic area for broadband infrastructure projects funded under the pilot program should be relatively small, standard geographic areas, such as a Census Block, to ensure that support is targeted only to those areas where it is needed. In order to identify those areas qualified for funding, the Commission likely would have to obtain additional data regarding where broadband Internet access services are offered today, and should do so consistent with whatever rules and changes to FCC Form 477 it adopts in the broadband data collection proceeding.[20]

At least initially, funding should be targeted to rural areas within the service territories of price-cap carriers (although other service providers could receive funding to deploy broadband facilities and services in those areas). Because carriers subject to rate-of-return regulation set their rates on a cost-plus basis, they generally have been able to

[20] *Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans, Improvement of Wireless Broadband Subscribership Data, and Development of Data on Interconnected Voice over Internet Protocol (VoIP) Subscribership*, WC Docket No. 07-38, Notice of Proposed Rulemaking, FCC 07-17 (rel. Apr. 16, 2007).

recover much of the cost of deploying broadband loop infrastructure by simply including the cost of such facilities in their rate bases, and recovering those costs through access and other charges. In addition, there is significant overlap between those carriers subject to rate-of-return regulation and those designated as "rural" carriers eligible for federal universal service support under the so-called "rural carrier" high-cost support mechanism. Many such carriers (which already receive the lion's share of federal high cost support even though, in aggregate, they serve fewer high cost lines than purportedly non-rural carriers) have, in practice, used such high cost support to deploy telecommunications facilities and services capable not only of providing basic telecommunications services (*i.e.*, those designated under the current universal service definition), but also of providing broadband Internet access. In contrast, price cap carriers are effectively precluded from recovering the cost of broadband investment in rural areas both through the operation of price cap regulation and due to burgeoning competition in lower cost areas. In addition, many, if not most, price cap carriers also are also classified as "non-rural" carriers (even though such carriers in aggregate serve more rural lines than so-called "rural" carriers), and thus are eligible to receive federal high cost support only under the "non-rural" high cost support mechanism. That mechanism fails to provide sufficient funds to preserve and advance universal service in a competitive environment – let alone encourage further deployment of broadband in rural areas. The combination of these factors has led to a dearth of broadband investment in high-cost areas served by carriers subject to price cap regulation. Accordingly, the Commission initially should target the support offered under the broadband pilot program to rural areas served by price cap carriers. At the end of the initial two year pilot

program, the Commission can evaluate whether it makes sense to broaden the scope of the program to include other rural areas.

2. Eligibility for Funding.

Under this proposal, the Commission would establish a Broadband Pilot Program to finance new, capital investment necessary to provide the supported broadband service; funding would not be provided for recurring, operating expenses. Any provider willing to make such investment and deploy facilities necessary to provide the supported broadband service at an affordable rate for a specific term would be eligible to participate, and could submit an application for funding. While such service providers could be carriers designated as ETC's under the existing federal universal service support mechanisms, a provider would not be required to become an "ETC" (that is, be willing and able to offer all of the services currently supported by the existing Federal universal service support mechanisms) to be eligible for funding under the Broadband Pilot Program. Rather, the Commission would establish the Broadband Pilot Program as a distinct universal service support mechanism, with separate eligibility criteria. A provider thus could become a Broadband eligible provider or "BEP" to be eligible to participate in the pilot without necessarily becoming an "ETC" for purposes of the existing universal service support mechanisms.

Nothing in section 254 or 214 requires that support under the Broadband Pilot Program proposed herein be limited only to ETCs eligible for support under the Commission's existing universal service support mechanisms. Nor should the Commission impose such limits, as that would doom the pilot program to failure.[21] The

[21] Many broadband providers (including AT&T) would be unwilling to participate in the pilot program if doing so would subject them to the full panoply of regulatory requirements applicable to common carriers.

Commission plainly has authority under Title I "to make available, so far as possible, to all the people of the United States … a rapid, efficient, Nation-wide, … wire and radio communication service with adequate facilities at reasonable charges …" Nothing in the text or legislative history of section 254 suggests that Congress intended to limit that authority in any way. Indeed, Congress clearly contemplated, in enacting section 254, that the definition of universal service would evolve to reflect technological innovation, including the growth of information services.[22] Thus, even if section 254 does not explicitly authorize support for information services, it would be a vast over-reading of that provision to read it as prohibiting the Commission from providing such support to advance the general mandate of section 151, which supplied the Commission with sufficient authority to maintain a universal service program for more than a decade before Congress enacted section 254. Accordingly, the Commission's longstanding Title I authority to make affordable communications available nationwide fully empowers it to assert that authority to support deployment of broadband in rural areas.

3. Funding Applications and Decisions.

As noted above, under this proposal, the Commission would determine in advance the general parameters of the service supported, and provide clear guidance to potential applicants regarding the criteria the Commission will use to evaluate applications for funding to deploy broadband infrastructure in rural areas. These criteria should include a description of the applicant's plan for building out its network to provide the supported service in the relevant geographic area, as well as its proposed deployment schedule

[22] 47 U.S.C. 254(c) (defining universal service to take into account advances in telecommunications and information technologies and services); 254(b)(2) (requiring the Commission to base universal service policies on the principle that access to advanced telecommunications and information services should be provided to all regions of the nation).

demonstrating that it will complete deployment within two years of receiving funding. Additionally, the applicant should be required to meet financial qualification criteria to ensure that providers receiving funding are financially stable and able to meet their obligations under the program. Applicants also should be required to commit to abide by their build out plans, and to offer the supported service at an affordable rate for a specified period of time, and agree to financial penalties in the event they fail to live up to their commitments.

Applicants should be permitted to group multiple underserved census blocks in a single application. Providers may be able to achieve significant economies of scale and scope by deploying facilities to serve multiple geographic areas. Consequently, allowing applicants to apply for funding to serve such broader areas would likely both reduce the cost of broadband deployment facilities and increase the number of rural customers that would benefit from the program.

Insofar as funding under the pilot program is limited, and will not be sufficient to support broadband deployment to all underserved rural areas, it is possible – if not likely – that the pilot program will be oversubscribed, with applications for more funding than there will be funds available. In that event, the Commission necessarily will have to make choices between competing applications. The Commission therefore should establish in advance its criteria for choosing between two or more applications to serve the same area, and prioritizing funding projects if applications exceed available funding. In this regard, AT&T recommends that the Commission seek to fund a variety of projects (large and small) in different regions in order to maximize the experience it will obtain in funding broadband deployment in areas with disparate topographies. The Commission

also ought to try to achieve some geographic balance, funding projects in different regions of the country, and, where possible, to get the "biggest bang for its buck" (that is, target areas where broadband options are fewest and subscribership rates are lowest).

AT&T also proposes that the Commission limit funding to only one provider in any particular area if more than one provider applies for funding to deploy broadband in that area. Providing support to two or more providers for a particular geographic area likely would increase the cost of universal service by reducing the economies of scale that a single provider otherwise might achieve, and could encourage each provider to try and cherry pick only the most lucrative or least costly customer in the area, leaving it to others to serve higher cost customers. Finally, providing support to two or more providers to deploy broadband facilities to a particular area necessarily means that funds will not be available to other deserving areas.

Finally, AT&T believes that funding under the Broadband Pilot Program should not reduce or otherwise impact the funding an applicant receives under the Commission's existing federal high cost universal service support mechanism for so-called non-rural carriers. As noted above, the Commission's non-rural high cost universal service support mechanism already is seriously underfunded, and fails to provide sufficient funding to ensure that so-called non-rural carriers can continue to provide affordable basic telecommunications services in rural areas as competition in more densely populated areas continues to explode. In these circumstances, reducing the already limited federal high cost support distributed to non-rural carriers to offset any funding they receive for broadband deployment would only undermine those carriers' incentive to participate in

the Broadband Pilot, and their ability to meet their other universal service obligations in rural areas.

b. Mobile Wireless Pilot Program

AT&T also urges the Commission to consider establishing a pilot program to support deployment of mobile wireless facilities and services in areas that currently lack such services or in which existing service is inadequate. To be sure, over the past several years policymakers, service providers and consumers have expressed increasing dismay over the explosive growth in the universal service fund, with particular attention to the rapid increase in support provided to CETCs, and predominantly wireless CETCs. But the principle sources of this growth are the proliferation of providers obtaining CETC status in certain areas and the resulting increase in the number of lines receiving support in those areas. The results are a mixed bag in which wireless subscribership has reached an all-time high (due, in part, to the federal universal service funding wireless ETCs have received, which has enabled them to improve network coverage, capacity, and reliability),[23] but in which many rural areas still little or no mobile wireless services and coverage. The reason is that CETCs receive little or no support for building out and serving such areas under the existing, flawed high cost support mechanisms. Because the support currently afforded to wireless CETCs was not designed to promote deployment of mobile wireless facilities and services in such rural areas, but rather to provide such providers the same support as that available to the carrier of last resort for a particular

[23] According to a semi-annual survey of the wireless industry, by year-end 2006, there were more than 233 million wireless subscribers in the United States, with wireless minutes of use approaching nearly 2 trillion per year – representing 20 percent year-over-year growth. At the same time, the average wireless bill was $51, almost half of the average wireless bill in 1988. In addition, the total number of cell sites increased approximately 6.5 percent in 2006 to about 195 thousand. *CTIA's Wireless Industry Indices, 1985 – 2006*.

area in the name of "competitive neutrality," the result has been escalating growth in the fund that has left many high cost areas without mobile wireless services. AT&T therefore encourages the Commission, to the extent it seeks to expand mobile wireless service coverage in rural areas, to address the issue head-on and implement a Mobile Wireless Pilot Program to target support directly to providers seeking to deploy facilities and services (which might otherwise be uneconomic) in underserved areas.

Paralleling AT&T's proposed Broadband Pilot Program, a Mobile Wireless Pilot Program would be used to distribute a specified amount of funding to support new capital investment in infrastructure necessary to provide mobile wireless services in rural areas in which such services currently are unavailable. Once again, the Commission would determine in advance the general parameters of the supported service and the total amount of funding available per year under the pilot program. As with the Broadband Pilot, participation in the Mobile Wireless Pilot would be voluntary. Applicants for funding would have to commit to use any funds granted by the Commission to deploy within a reasonable period of time the infrastructure (like cell sites) necessary to make the supported service available within a particular underserved rural area, and to offer the supported service for a minimum term (*e.g.*, for five or ten years). The initial term of the Mobile Wireless pilot also should be at least two years to allow the Commission sufficient time to evaluate the program and gain experience funding targeted, wireless infrastructure projects. At the end of this initial term, the Commission would decide whether and how the pilot should be modified and/or extended, or made permanent. The following is a more detailed description of AT&T's proposal:

1. Geographic Area of Funding.

As with the proposed Broadband Pilot, the geographic area for mobile wireless infrastructure projects funded under the Wireless Pilot should be relatively small to ensure that support is targeted only to those areas where it is needed (of course, given the inherent physical characteristics of radio waves used to provide mobile wireless services, the infrastructure deployed using pilot funding may cover wider geographic areas than those AT&T recommends for the Broadband Pilot). Funding would be available only in those areas that currently are not served by a mobile wireless service provider. In order to identify those areas qualified for funding, the Commission likely would have to collect data regarding existing mobile wireless service coverage based on carriers' publicly available (on-line) coverage maps, technical analyses, field tests, or any other reasonable means.

2. Eligibility for Funding.

Under this proposal, the Commission would establish a Wireless Pilot Program to finance new, capital investment necessary to provide the mobile wireless service in underserved rural areas; funding would not be provided for recurring, operating expenses. Any service provider willing to make such investment and deploy facilities necessary to provide the supported mobile wireless service for a specific term should be eligible to participate, and could submit an application for funding. While such service providers could be carriers designated as ETCs under the existing federal universal service support mechanisms, a provider would not be required to become such an "ETC" to be eligible for funding under the Wireless Pilot Program. Rather, the Commission would establish

separate eligibility criteria for providers seeking funding for new wireless infrastructure investment in unserved rural areas.[24]

3. Funding Applications and Decisions.

As with the Broadband Pilot, the Commission would provide clear guidance to potential applicants regarding the criteria the Commission will use to evaluate applications for funding to deploy new mobile wireless infrastructure in underserved rural areas. These criteria should include a description of the applicant's plan for building out its network to provide the supported service in the relevant geographic area, as well as its proposed deployment schedule demonstrating that it will complete deployment within two years of receiving funding. Applicants should be required to identify the geographic area that will be covered by the applicant's mobile wireless services (as with the Broadband Pilot, applicants should be permitted to submit proposals for combined areas) if its application for infrastructure investment funding is granted.[25] Applicants also should be required to commit to abide by their build out plans, and agree to financial penalties in the event they fail to live up to their commitments.

Once again, like the Broadband Pilot, funding under the Wireless Pilot Program would be limited, making it likely that the Commission would receive applications for more funding than there would be funds available. In that event, the Commission necessarily would have to choose between competing applications, and therefore should

[24] As discussed above, with respect to the proposed Broadband Pilot Program, the Commission has ample authority to establish separate universal service support mechanisms to achieve distinct universal service objectives, and to establish distinct criteria for applicants for funding pursuant to those mechanisms.

[25] As discussed above with respect to the Broadband Pilot, applicants for wireless infrastructure funding should be permitted to group multiple unserved areas in a single application where doing so would enable them to achieve economies of scale and scope, and thus to reduce the cost of deploying mobile wireless facilities and increase the number of rural customers gaining access to mobile wireless services than would be the case if providers were required to apply for funding for each geographic area separately.

establish criteria for choosing between competing applications to serve the same area, and prioritizing projects. Again, the Commission should fund a variety of projects in different regions to broaden its experience in funding wireless infrastructure deployment in areas with disparate topographies. It also should aim, where possible, to get the "biggest bang for its buck" (that is, prioritize geographic areas with the greatest needs).

Finally, as with the Broadband Pilot (and for the same reasons), the Commission should limit funding under the Wireless Pilot to only one provider in any particular underserved area if more than one provider applies for funding to deploy mobile wireless facilities and services in that area. Having said that, the Commission should require any applicant receiving funding under the Wireless Pilot to permit other mobile wireless service providers to deploy their own wireless transmission facilities at any new cell site constructed with pilot funding to the extent feasible. The reason is that wireless networks using different technologies are not compatible (for example, mobile wireless subscribers purchasing service from a cellular provider using GSM technology would not be able to roam and make/receive calls in an area served by a provider that had deployed a CDMA network). Because the purpose of the Mobile Wireless Pilot is to encourage infrastructure investment to expand the geographic area in which all consumers (both local residents and transients passing through the area) can obtain mobile wireless services, applicants receiving funding to deploy, for example, a new cell tower should be required to allow other providers using incompatible technologies to deploy their own transmitters to the tower to the extent feasible. Of course, any such other provider should be required to incur the cost of installing its own transmitter at the cell site, as well as the on-going expenses of operating that transmitter.

III. Conclusion.

For the foregoing reasons, the Commission should modify its high cost universal service support rules as discussed herein, and, in particular, adopt a pilot program to fund new capital investment in broadband facilities and services in underserved rural areas. The Commission also should consider adopting a comparable pilot program to fund new capital investment in the facilities necessary to provide mobile wireless services in rural areas that currently do not have access to such services today, or in which existing mobile wireless services are inadequate.

Respectfully submitted,

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