

# Montana PCS, d/b/a Cellular One Ex Parte Presentation

Universal Service Reform

WC Docket No. 05-337

Intercarrier Compensation Reform

CC Docket No. 01-92

# Montana PCS – Background Info.

- Montana PCS is licensed to provide Personal Communications Service throughout the state of Montana, portions of Wyoming, Texas and Oklahoma.
- Montana PCS was designated as an ETC in a portion of Montana in April of 2008.
- Montana PCS is actively building out its network in accordance with commitments made to the Montana Commission, to provide high-quality wireless service to 98% of the population in its ETC service area within five years.

# Issues with “Own Costs” Proposal

- Appears designed to zero out support to competitors.
- Does not encourage efficient investment by any class of carrier.
- Not competitively neutral – places wireless at a distinct disadvantage in the marketplace.

# The Methodology for Wireless Carriers To Submit Cost Studies is Fatally Flawed

- Wireless carriers cannot get **any** support unless their costs exceed the **wireline** benchmark (\$344 per line per year). Still, wireless is capped at the wireline support level.
- This means **wireless** would be paid based on **wireless** costs. Yet, the FCC has not developed a **wireless** benchmark to measure **wireless** costs.
- Wireless costs are divided by the number of **wireline** lines, artificially depressing costs further.
- Spectrum, marketing, and handset costs not included in calculation. Favors large carriers who got spectrum in lotteries.
- Wireless carriers must provide broadband with same or less of support.

# The Financial Crisis Should Be Considered in the FCC's Decisions

- The financial crisis is having significant effects on the telecommunications industry and should be considered in the FCC's decision-making process.
- Universal Service support drives investment in rural communities. Promotes jobs and economic development. FCC should not take any action that reduces support in rural areas.
- Cutting \$1.2 billion in annual investment is recessionary and disproportionately harms rural America.
- Nationwide, 2000-4000 new cell towers jeopardized each year.

# Regulatory Uncertainty Harms Small Rural Carriers

- Commitments to the Montana PSC to construct new cell sites in Montana PCS' ETC service area are jeopardized.
- Uncertainty threatens the company's ability to meet commitments to lenders and investors.
- Montana PCS must install a new switch to deliver broadband – making it impossible to meet a 20% commitment in the first year.
- Slows down ability to serve vast areas in Montana that require new investment to receive basic mobile coverage.

# The Funding of Broadband

- Existing levels of CETC support should continue to support CETC broadband deployment
- FCC can meet its statutory obligation to act on Joint Board's recommendation by simply requiring wireless carriers to deliver broadband within 5 years using existing support.

# Reverse Auction Challenges

- Selecting one auction winner distorts the marketplace by erecting a barrier to competition. Once an auction closes, newcomers that better serve consumers would have to be more efficient than the subsidized carrier by the amount of support in order to compete.
- This is precisely the problem that the 1996 Act intended to resolve – regulations favoring dominant incumbent carriers.
- Largest carriers have an incentive to bid near zero to drive out competitors and reduce fund contributions.
- A monopoly provider will have no incentive to deliver high-quality services, especially after “winning” an auction.

# United States Senate

WASHINGTON, DC 20510

August 08, 2008

The Honorable Kevin Martin  
Chairman  
Federal Communications Commission  
445 12th Street SW  
Washington, DC 20554

Dear Chairman Martin:

As Verizon Wireless proceeds with its acquisition of Alltel Corporation, we are concerned about the possible impact a merger could have on rural Montana consumers if certain steps are not taken to ensure improved wireless coverage.

While most Americans take for granted seamless wireless coverage across their communities, there are still hundreds of square miles in rural states like Montana, where quality wireless coverage does not exist. The merger of two large carriers could either extenuate the problem or provide an opportunity for local carriers to provide coverage in otherwise neglected areas.

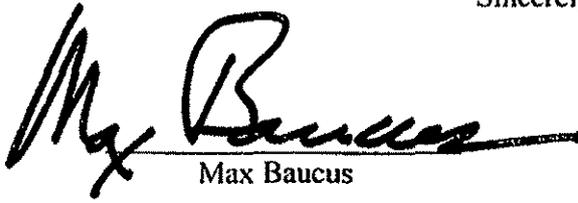
It is our understanding that on July 22, 2008, Verizon Wireless advised the Federal Communications Commission (FCC) in *ex parte* communications of Verizon's offer to accept certain divestiture requirements in 85 cellular markets comprising the entire states of North Dakota and South Dakota, as well as overlapping properties (Verizon and Alltel) within 16 additional states, *including the State of Montana*. Verizon and Alltel had previously noted that to the extent competitive issues may arise in discrete markets, they will address those with the Department of Justice (DOJ) and the FCC. Alltel and Verizon each provide services in the 85 markets indicated above (including Montana). According to Verizon, the specific spectrum, operations and other assets that will be divested in each market will be determined as part of ongoing discussions with the Department of Justice.

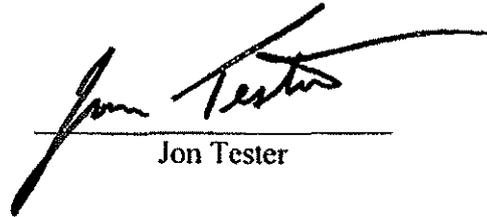
If the DOJ and FCC determine that a merger should be approved, we believe that the public interest is best served by requiring Verizon/Alltel to divest specific spectrum, operations and other assets within the State of Montana to Montana's rural telecommunications providers rather than to another large wireless carrier.

We request that you recognize the commitment of Montana's rural telecommunications carriers to providing quality service within the State of Montana by allowing Montana rural carriers ample opportunity to determine the feasibility of acquiring the divested Montana properties and to submit their proposal. And, furthermore

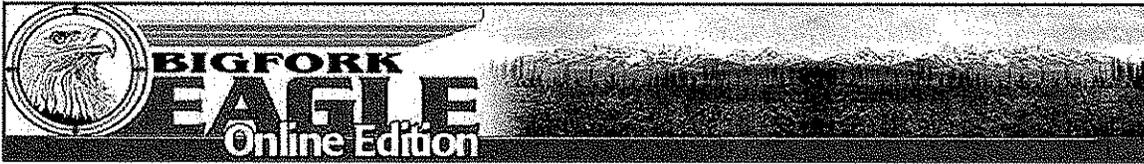
we ask for your assurances that Montana rural companies be given serious consideration to proposals to acquire spectrum, operations and other assets in Montana as a result of a divestiture.

Sincerely,

  
Max Baucus

  
Jon Tester

CC: Hon. Michael Mukasey

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## Swan Valley still searching for cell service

By ALEX STRICKLAND / Bigfork Eagle

Can you hear me now? If you live along the 60-mile stretch of the Swan Highway between Swan Lake and Seeley Lake, the answer is a resounding "No."

For more than a year, area residents have been pushing for a cellular service provider -- first Verizon, now Cellular One -- to install a cell tower in the Swan. But a situation that looked promising a few months ago could now be in jeopardy thanks to a federal cap on moneys for rural wireless improvements.

Chinook Wireless, now doing business as Cellular One, had a state-approved five year, \$5 million plan to expand their rural service infrastructure, according to Sue Ellison, a Swan Lake resident who has led the charge for cell coverage.

The money is federal funding that comes from the Universal Service Funding charges attached to all phone services. Shortly after Cellular One unveiled their plan, the Federal Communication Commission capped such funding, cutting Montana's money for rural wireless infrastructure development by an estimated 20 to 30 percent according to Cellular One.

Cellular One President and CEO Jonathan Foxman said four sites are planned for the Swan Valley, with one at the south end of Swan Lake, one at Van Peak, one in Condon and the last at the north end of Seeley Lake. Whether the newly imposed funding cap will scrap those plans or not, Foxman couldn't say.

"The financial implications of the cap are hard to pre-measure for us," he said. "We are, at this point, still moving forward."

Even if towers are erected in the Swan Valley, however, Foxman said he has concerns for the long-term implications of capping Universal Service Funding.

"We'll have to make choices about what we can afford to do and what we can't," he said. "It raises questions about next year's sites, or the year after that."

Julia Tanner, an attorney for Cellular One, expressed frustration at the FCC's decision to cap funding -- the agency is only reducing funds available for rural wireless development, not rural land line development, she said -- adding that more cuts could be in the works.

"Every day you're reading about people who are being saved because they were able to call," she said. "We want to fill that need."

Last summer the Swan Lake Community Club sponsored a petition to expand service into the Swan and gathered 2,300 signatures directed at Verizon Wireless, one of Montana's most prevalent carriers. Verizon informed the group that they had no plans to expand in the Swan, so Ellison started looking elsewhere and found Chinook, now Cellular One.

The main cause for concern, she said, stems from a 60-mile "dead zone" between the towns of Swan Lake and Seeley Lake where cell phones do not work. That's a danger not only for stranded motorists or car accident victims, but also for reporting fires or fugitives, as was the case last summer when two inmates who escaped from the Montana State Prison in Deerlodge were on the lam in the Swan.

Ellison said the petition garnered plenty of local signatures, but also a large number of tourists who were surprised to discover that their phones wouldn't work.

Katie Edwards, head of the Bigfork Quick Response Unit made no bones about the communication situation in the dead zone: "It's hell," she said.

Aside from no cell phone coverage, Edwards said radio reception can be spotty and even when radios do work, calls must be directed through Lake County Dispatch, a cumbersome and inefficient way to communicate with their Bigfork base.

"On search and rescue calls, if you don't have a sat(ellite) phone or stand in just the right spot, you can't get out," she said.

Edwards said she knew of instances where injured people had walked from their vehicle to a landline to call for an ambulance and that with the Bigfork QRU covering all the way to Mile Marker 58 past Goat Creek, that extra time added to a lengthy response time can be crucial.

"I always carry a radio when I travel that way for me and my family," she said. "Because you never know."