

Montana PCS, d/b/a Cellular One  
Alliance of Rural CMRS Carriers  
Ex Parte Presentation

Universal Service Reform  
WC Docket No. 05-337

October 27, 2008

# Montana PCS – Background Info.

- Montana PCS provides cellular and PCS in Montana, portions of Wyoming, Texas and Oklahoma.
- Hundreds of square miles in Montana still lack quality wireless coverage. See Montana Senators' letter and attached article.
- Most areas where MTPCS was granted ETC status lack any existing CETCs.
- Montana PCS was granted ETC status on April 15, 2008. April 29, 2008 cap adoption. March 31, 2008 cap cutoff date. Result: material reduction/roll back in support for all CETCs.
- Montana Commission rules and order require Montana PCS to cover 98% of designated areas population in 5 years.

# Policy / Public Interest

- The 1996 Act requires the FCC to provide support to consumers that is “predictable” and “sufficient” to preserve and advance universal service.
- Mobility is critical to public safety and rural development. Wireless is increasingly citizens’ only communications technology – 27% in recent J.D. Powers study.
- The Committee Report said 1996 Act intent was opening markets, advancing support for new technologies such as wireless, and periodic updates to “ensure that all Americans share in the benefits of new telecommunications technologies.” *See S. Rept. 104-23, at 5, 27.*

# Proposal

- Provide sufficient support for mobile broadband in high cost areas. (Details on next slide.)
- Implement most of CTIA five-year transitions proposal, but provide “grants” only in areas the FCC determines to be truly remote.
- Start five-year transition off after a replacement mechanism is adopted with logic and forethought.
- Eliminate interim benchmarks for broadband rollout; even 20% requires switch upgrade by small businesses.
- Design any cap to rise incrementally for inflation, wireless broadband costs, and eligibility grants in additional areas.

# Issues with “Own Costs” Proposal

- Appears designed to zero out support to competitors (next slide).
- Does not encourage efficient investment by any class of carrier.
- Not competitively neutral – places wireless at marketplace disadvantage.
- Inaccurate, based on neither actual costs nor subscriber numbers.  
Instead, MTPCS proposes that any cost based mechanism must:
  - Develop a *wireless* benchmark to determine if area is high cost.
  - Use a carrier’s own subscriber counts to calculate costs per subscriber.
  - Truly think through and accommodate real costs of wireless.  
Examples: spectrum license payments, handset subsidies, marketing, customer care and billing for complex new technologies.
  - Continue to support costs of providing service in rural area, even if some costs are incurred in other areas (e.g. switching/customer care).

# 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 ability to meet commitments to lenders and investors, and contractors building sites.
- Montana PCS must install a new switch upgrade 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 dominant provider will have no incentive to deliver high-quality services, especially after “winning” an auction.