



# Introduction

- ◆ Subjecting paging carriers to a flat USF charge of \$0.85 or \$1.00 per telephone number per month would cripple what remains of the paging industry.
- ◆ The numbers-based proposals (if applied to paging) would raise the monthly USF charge paid by the typical paging subscriber *more than 1,000 percent*, and in some cases far more, while *substantially reducing* contributions paid by most wireless and wireline voice customers.
- ◆ USA Mobility, Inc. proposes that the FCC either (1) retain the revenue-based USF charge for paging services, or (2) set a discounted flat charge that avoids imposing inequitable and discriminatory fees on paging carriers and their customers, in violation of Section 254(d) of the Act and the APA.

# Background on USA Mobility

- ◆ USA Mobility is the nation's largest provider of paging services.
- ◆ The company provides essential services to hospitals, police and fire departments, and other emergency responders and government officials throughout the country.
- ◆ The Commission expressly recognized the public interest benefits associated with USA Mobility's services in the Katrina Order, based on the company's exemplary performance during Hurricane Katrina and prior emergencies.

# Paging Industry Subscribers Have Been Rapidly Declining for Nearly a Decade

## Paging Industry Subscribers



<sup>1</sup> FCC 2001 Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, page 53.

<sup>2</sup> Management Estimates. Latest available data from 2008 FCC Annual Report sites 6.1 million paging subscribers at end of 2006 based on estimates using NRUF data, page 96.

# Background on U.S. Paging Industry

**AMSI**  
 20%

**SkyTel**  
 7% **Others**  
 5%

<b>RANK</b>	<b>CARRIER</b>	<b>UIS*</b>	<b>SHARE</b>
1	USA Mobility	3.0	68%
2	AMSI	0.9	20%
3	SkyTel	0.3	7%
	Others	0.2	5%
	<b>Total</b>	<b>4.4</b>	<b>100.0%</b>

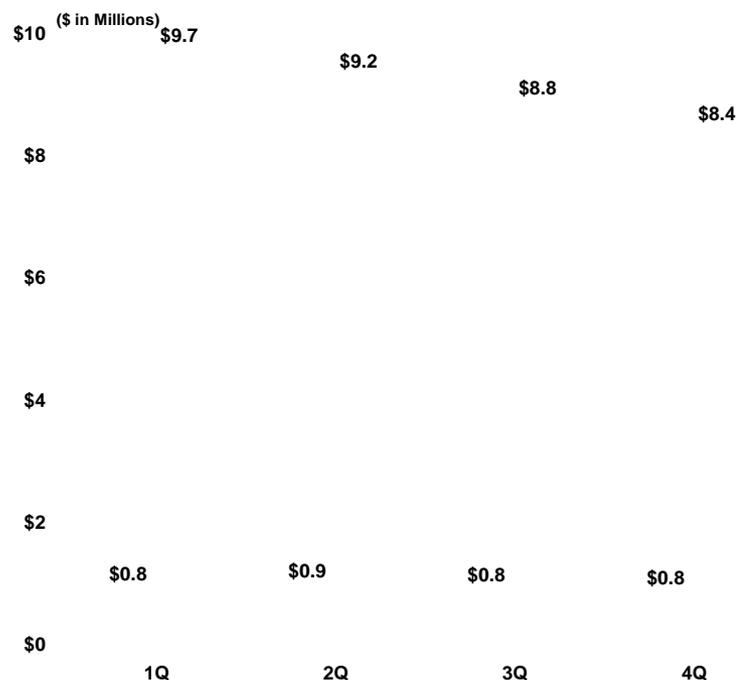
\*Units in Service in millions; management estimates.

# Paging Services Are Fundamentally Different from Wireless Voice Services

- ◆ Paging's rapidly declining subscriber numbers (now fewer than 5 million units in service) contrast with exploding use of wireless voice services (more than 250 million units in service).
- ◆ Most of USA Mobility's paging customers generate less than \$8 per month in revenue, whereas wireless voice carriers receive nearly \$50 per subscriber per month.
- ◆ Spectrum constraints and high sensitivity to cost increases characterize the paging industry.
- ◆ Paging services make minimal use of the PSTN, given their reliance on satellite backhaul.
- ◆ Paging carriers pay into the USF but are not eligible to receive USF support.

# A Flat \$1.00 or \$0.85 USF Fee Would Have a Draconian Impact on the Paging Industry

- ◆ All three proposals tout the fact that a numbers-based regime would be neutral or positive for most industry/customer segments.
- ◆ But these proposals threaten to shift massive costs to the beleaguered paging industry, causing a *tenfold* increase in their share of the overall contribution burden.



- 2008 USF Payments under current regulations are forecast at approximately **\$3 million**
- 2008 USF Payments under regulations proposed by Verizon and AT&T are forecast at more than **\$30 million**
- The increase is nearly 10% of USA Mobility's \$324 million paging revenue forecast for 2008.

# Case Study: Impact of \$0.85 USF Fee on Healthcare Customers

- ◆ Healthcare customers currently represent 46% of the USA Mobility customer base, and paging continues to be an important service to the Healthcare industry.
- ◆ Many Healthcare customers would see their USF fees increase by more than 2,000%. Their overall monthly cost for service would increase by up to 22% per month, and on average would increase 10% if the Commission adopted the AT&T/Verizon proposal.

	<b>Monthly Rate</b> (including USF)	<b>Current USF *</b>	<b>Proposed USF</b>	<b>Monthly Increase</b>	<b>New Monthly Rate</b> (including USF)	<b>Percent Increase</b>
<b>Numeric</b>	\$3.70	\$0.04	\$0.85	\$0.81	\$4.51	<b>22%</b>
<b>Alpha</b>	\$7.66	\$0.08	\$0.85	\$0.77	\$8.43	<b>10%</b>
<b>Two-way</b>	\$18.38	\$0.20	\$0.85	\$0.65	\$19.03	<b>4%</b>
<b>Total</b>	\$7.89	\$0.09	\$0.85	\$0.76	\$8.65	<b>10%</b>

\*Current USF is based on the statutory rate applied to applicable revenue, and cost per unit varies based on the average monthly rate of each service type.

# The Commission Has Consistently Recognized that Paging Warrants Distinct Treatment

- ◆ When the Commission raised the USF safe harbor for wireless voice carriers from 15 percent in 1998 to 28.5 percent in 2002 and to 37.1 percent in 2006, it held the USF safe harbor for paging carriers constant at 12 percent.
- ◆ The FCC has exempted paging carriers from regulatory fee increases every year since 2003, citing the inability of paging customers to absorb cost increases.
- ◆ The FCC has exempted paging carriers from many voice-centric regulations, including 911/E911, local number portability, and number pooling requirements.

# The Commission Should Maintain an Alternative Contribution Mechanism for Paging Services

- ◆ Consistent with the proposed carve-out for prepaid wireless voice services, the Commission could avoid hardship for paging subscribers by maintaining a methodology based on revenues (minutes of use).
- ◆ Alternatively, the Commission could derive a flat monthly charge by comparing existing paging revenues to the proposed \$0.85 or \$1.00 monthly fee. AAPC data suggests that an appropriate monthly charge for paging providers would be \$.05 per month.

# Such Approaches Would Have a De Minimis Impact on the Contribution Methodology Overall

- ◆ An alternative assessment on paging carriers would add less than a penny to the monthly per-number charge.
- ◆ This impact would amount to:
  - Less than that of excluding telephone numbers of Lifeline subscribers;
  - Less than quarter of that of assessing prepaid wireless telephone numbers on a per-minute-of-usage basis;
  - Less than one-seventh of that of assessing “family share” numbers at 50 percent of the per-telephone number charge.

# An Alternative Approach for Paging Is Compelled by the Logic of a Carve-Out for Prepaid Wireless

- ◆ The pending proposals recognize the need to accord special treatment to prepaid wireless customers, based on the discriminatory impacts of a flat charge on this customer group.
- ◆ The numbers-based assessment proposal would have a comparable or greater impact on paging subscribers than prepaid wireless, given the magnitude of the increase in contributions.

# Failure to Adopt an Alternative Mechanism Would Undermine the Public Interest

- ◆ The Independent Katrina Panel and the Commission have recognized the important public interest benefits of paging services. Pagers remain a critical technology for emergency responders, medial professionals, and others because:
  - Paging systems are exceptionally reliable, based on their reliance on satellite transmission, rather than the PSTN;
  - Paging transmitters simulcast messages, providing inherent redundancy;
  - Paging transmitters emit more powerful signals than mobile voice transmitters, improving range and in-building penetration;
  - Paging devices use AA or AAA batteries, which avoid the need for constant re-charging (which cannot occur during power outages).
  - Paging devices and service plans are affordable.

# The Impact of the Numbers-Based Proposal Would Undercut the Katrina Order

- ◆ The Katrina Panel noted the superior reliability of paging systems and recommended their broader use by emergency responders.
- ◆ The Commission, in turn, adopted the Katrina Panel's findings and agreed to promote increased use of paging services.
- ◆ The numbers-based USF proposal, absent an alternative assessment methodology for paging carriers, would undermine these vital public safety objectives.

# Failure to Adopt an Alternative for Paging Services Would Violate the Act and the APA

- ◆ A numbers-based contribution methodology, absent an alternative assessment approach for paging services, would be inequitable and discriminatory, in violation of Section 254(d).
- ◆ Failure to accommodate paging-specific concerns also would be arbitrary and capricious.
  - The Commission must balance the benefits of a numbers-based methodology against the costs, which in the paging context are greatly magnified.
  - The Commission could not establish a carve-out for prepaid wireless customers without also doing so for paging services.
  - The Commission must adhere to its previous recognition that paging services present unique concerns or provide a reasoned basis for departing from that precedent.