Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

COMMENTS OF
UNITED STATES CELLULAR CORPORATION

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SUMMARY

The Commission in this proceeding begins the task of implementing the vision expressed in its Joint Statement on Broadband and in the National Broadband Plan regarding comprehensive universal service reform and support for the provision of broadband communications in unserved areas. United States Cellular Corporation ("U.S. Cellular") urges the Commission, as it pursues this vision, to keep its focus on a number of policies and principles that are critically important in reforming universal service and providing access to advanced broadband services for all Americans:

▪ *Core Goals*.—The Communications Act of 1934 establishes the principles that services provided to consumers in rural areas must be comparable—in features, capabilities, and price—to services available in urban areas, and that mechanisms promoting universal service must work in tandem with pro-competitive policies and must operate effectively in a competitive marketplace. The Commission's actions in this proceeding should advance these core goals.

▪ *Competitive Neutrality*.—The Commission has determined that competitively neutral universal service mechanisms offer the best means of extending service throughout rural America. The Commission should continue to endorse this principle, and should examine whether the effects of its proposed universal service mechanisms would be competitively neutral. For example, a reverse auction mechanism, in addition to its numerous other drawbacks, would not result in the disbursement of universal service support in a competitively neutral manner.

▪ *Universal Service Cost Model*.—A key goal for universal service reform is to establish a means for determining a proper level of support and to ensure that this support is accurately targeted to high-cost areas that are most in need of infrastructure investment. Achieving this goal, which will advance universal service and promote competitive entry in rural and high-cost

areas, could be accomplished by adopting an economic cost model. Recent advances in cost modeling techniques make cost models an effective tool for determining appropriate funding levels and for targeting support.

▪ *A Plan for Mobile Broadband*.—There is a significant opportunity for the Commission to improve on the National Broadband Plan by ensuring the means to deliver high-quality mobile broadband service throughout rural America. It is critical for the Commission to seize this opportunity by acting aggressively to promote the establishment of a robust mobile broadband ecosystem in rural areas. One means of doing this is to provide sufficient support to enable carriers to increase cell site density in high-cost areas.

▪ *Equitable Transition Mechanisms*.—To better serve consumers in rural America, the Commission's universal service reforms should focus on three key transitional issues for the shift to supporting broadband: Funding for mobile wireless services should include both construction costs and operating expenses; the phase-down mechanism for current funding should be the same for wireline and wireless carriers and should be long enough to ensure that high quality voice service is sustained in rural America; and any conversion of Interstate Access Support to funding for the Connect America Fund should be accomplished in a manner that avoids flash-cuts or disruptions to wireless carriers' construction plans.

▪ *A View to the Future*.—Finally, U.S. Cellular urges the Commission to design support mechanisms that will accommodate the shift of communications traffic to successor technologies, while still being mindful of the need to avoid stranding existing wireless and wireline voice networks. A central goal should be to repurpose existing high-cost support into separate funds that support ongoing investments in both fixed and mobile broadband infrastructure.

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COMMENTS OF UNITED STATES CELLULAR CORPORATION

United States Cellular Corporation ("U.S. Cellular"), by counsel, hereby submits these comments, pursuant to the Commission's Notice of Inquiry and Notice of Proposed Rulemaking in the above-captioned proceeding.[1]

U.S. Cellular provides Personal Communications Service and cellular services in 44 Metropolitan Statistical Areas, 100 Rural Service Areas, one Major Trading Area, and numerous Basic Trading Areas throughout the Nation. U.S. Cellular has received eligible telecommunications carrier ("ETC") status and is currently receiving high-cost support for its operations in Washington, Iowa, Wisconsin, Kansas, Oregon, Maine, Missouri, Nebraska, Oklahoma, West Virginia, Illinois, New Hampshire, North Carolina, Virginia, Tennessee, and New York.

[1] *Connect America Fund, A National Broadband Plan for Our Future, High-Cost Universal Service Support*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58, 2010 WL 1638319, rel. Apr. 21, 2010 ("*NOI*" and "*NPRM*").

U.S. Cellular is generally supportive of the National Broadband Plan,[2] which provides Congress with a set of goals and specific recommendations for rapidly accelerating investment in broadband infrastructure and making broadband services more accessible to people living in rural and insular, high-cost areas, tribal lands, and to low-income Americans. The NBP essentially proposes to pick up the work that was left off in 2001, when the Commission last released several universal service reform orders.[3]

There is time for our Nation to catch up in broadband deployment, and the American Recovery and Reinvestment Act ("ARRA")[4] was a starting point. As the Commission is well aware, universal service reform and related inter-carrier compensation reform are challenging tasks. Yet, at the same time, these tasks also present enormous opportunities to stimulate investment in new technologies, and to promote and enhance the competitive and efficient delivery of advanced broadband services, for the benefit of consumers in rural and high-cost areas.

U.S. Cellular respectfully submits the following comments for the Commission's consideration.

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[2] Omnibus Broadband Initiative, FCC, CONNECTING AMERICA: THE NATIONAL BROADBAND PLAN (Mar. 16, 2010) ("NBP" or "Plan").

[3] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fifteenth Report and Order, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, Report and Order, *Prescribing the Authorized Rate of Return From Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Report and Order, 16 FCC Rcd. 19613 (2001) (subsequent history omitted); *Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 96-45, CC Docket No. 00-256, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, 16 FCC Rcd. 11244, 11252 (para. 14) (2001) ("*RTF Order*").

[4] Pub. L. No. 111-5, 123 Stat. 115 (2009).

I. UNIVERSAL SERVICE REFORM MUST ADVANCE THE CORE GOALS SET FORTH IN THE 1996 ACT.

A. Universal Service Reform Must Deliver High-Quality Service to Rural Americans That Is Reasonably Comparable to That Which Is Available in Urban Areas.

It is axiomatic that access to broadband is only possible if sufficient and appropriate infrastructure is in place. In 1996, nearly all consumers living in rural high-cost areas had access to basic telephone service at their homes and businesses. Accordingly, Congress, in the Telecommunications Act of 1996 ("1996 Act"),[5] directed the FCC to preserve ***and*** advance universal service by developing new mechanisms to deliver to rural consumers reasonably comparable access to advanced telecommunications and information services, at reasonably comparable prices.[6]

Congress understood that the services supported by universal service mechanisms would evolve over time, as telecommunications and information technologies advanced and consumer preferences changed. Evidence of that understanding is Section 254 of the Communications Act of 1934 ("Act"), which defines universal service and provides the FCC with a three-part analysis to determine which services should be supported.[7] The NBP makes clear that reform of our

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[5] Pub. L. No. 104-104, 110 Stat. 56 (1996).

[6] *See* 47 U.S.C. § 254(b)(3).

[7] Section 254(c) of the Act provides as follows:

> (1) In general.—***Universal service is an evolving level of telecommunications services*** that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services—
>
> > (A) are essential to education, public health, or public safety;
> >
> > (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;

Nation's universal service mechanism is critical to accelerating the construction of new broadband infrastructure in rural and high-cost areas, explaining that, "[u]nfortunately, the current regulatory framework will not close the broadband availability gap. A comprehensive reform program is required to shift over time from primarily supporting voice communications to supporting a broadband platform that enables many applications, including voice."[8]

In order for rural consumers to have access to reasonably comparable services, as set forth in Section 254, the universal service mechanism must provide access to high-quality mobile wireless infrastructure, including mobile broadband.[9] Put simply, a mobile phone must work throughout the area where rural consumers live, work and travel. Accordingly, while service in some of the rural areas in which U.S. Cellular has used high-cost support to build and operate high-quality networks has improved to the point that it can now be fairly characterized as reasonably comparable to an urban experience, much work remains to be done to deliver high-quality mobile wireless service throughout rural America. U.S. Cellular has attached four maps

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> (C) are being deployed in public telecommunications networks by telecommunications carriers; and
>
> (D) are consistent with the public interest, convenience, and necessity.
>
> (2) Alterations and modifications.—The Joint Board may, from time to time, recommend to the Commission modifications in the definition of the services that are supported by Federal universal service support mechanisms.
>
> (3) Special services.—In addition to the services included in the definition of universal service under paragraph (1), the Commission may designate additional services for such support mechanisms for schools, libraries, and health care providers for the purposes of [Section 254(h)].

47 U.S.C. § 254(c) (emphasis added).

[8] NBP at 141.

[9] *See* U.S. Cellular Reply Comments, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, NBP Notice # 19, filed Dec. 7, 2009 ("U.S. Cellular NBP Notice # 19 Reply Comments"), at 10 (noting that "mobile broadband applications are becoming a larger part of American life, and ever widening gaps between 'have' and 'have-not' consumers present significant challenges to providing employment, health care, and basic public safety").

as Exhibit 1, illustrating its progress in using federal high-cost support to improve service in rural states. In each case, support has helped U.S. Cellular to improve its coverage over the past several years, but the most rural portions of its service area still require additional investment.

Today, some consumers who live in rural areas have multiple wireless carriers offering service, with few or none providing ***high-quality*** service that can be fairly characterized as delivering a mobile wireless experience that is reasonably comparable to services available in urban areas. That one or more carriers "offers" service in an area is not probative evidence of the quality of service actually provided there.

The Commission, in the NBP, has taken the first steps toward defining what it means for a rural consumer to have access to broadband services that are reasonably comparable to services in urban areas. We applaud that effort, however much more must be done to develop reliable data as to where service quality must be improved. In taking on this task, U.S. Cellular urges the Commission to continue to keep the 1996 Act's dual goals in mind — to promote competition and universal service — with neither goal taking precedence over the other.[10]

[10] Congress has established twin objectives in the Act: Sufficient support mechanisms must be maintained to preserve and advance universal service, and competition must be promoted in the telecommunications marketplace. "Section[s] 254(b) and 214(e) of the 1996 Act provide the statutory framework for a system that encourages competition while preserving and advancing universal service." Rural Task Force, *White Paper 5: Competition and Universal Service* (2000) ("RTF White Paper 5") at 8, accessed at http://www.wutc.wa.gov/rtf. The Commission has acknowledged these twin goals, and has followed the principle that "universal service mechanisms and rules" should "neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology or another." *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8801 (para. 47) (1997) ("*First Report and Order*") (subsequent history omitted).

B. Universal Service Mechanisms Must Function Within an Increasingly Competitive Marketplace.

The 1996 Act promoted competition as a means of delivering consumer benefit, and the Commission recognized that its universal service provisions were no exception.[11] The Commission went to great lengths to ensure that universal service mechanisms worked in an increasingly competitive environment, as a lever to open up rural markets that were dominated by subsidized landline carriers.[12]

The Commission has explained that "universal service [should] be sustainable in a competitive environment; this means both that the system of support must be competitively neutral and permanent and that ***all support must be targeted as well as portable among eligible telecommunications carriers***[,]"[13] and has concluded that, under a competitively neutral regime, "[regulatory] disparities are minimized so that no entity receives an unfair competitive advantage that may skew the marketplace or inhibit competition by limiting the available quantity of services ***or restricting the entry of potential service providers***."[14]

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[11] *See First Report and Order*, 12 FCC Rcd at 8801-02 (para. 48) (footnote omitted) ("[A]n explicit recognition of competitive neutrality in the collection and distribution of funds and determination of eligibility in universal service support mechanisms is consistent with congressional intent and necessary to promote 'a pro-competitive, de-regulatory national policy framework.'").

[12] *See*, *e.g*., *id*. at 8787 (para. 19) (emphasis added) ("Over time, it will be necessary to adjust the universal service support system to respond to competitive pressures and state decisions so that the support mechanisms are sustainable, efficient, explicit***, and promote competitive entry***.").

[13] *Id*. at 8788 (para. 19). We note that effective universal service reform must extend to reforming the methodology pursuant to which consumers contribute to the fund. With interstate and international revenues continuing to fall, reform that spreads the contribution burden across all users of the networks that will benefit by USF investments must be undertaken so that the NBP goals can be achieved.

[14] *Id*. at 8802 (para. 48) (emphasis added); *see id*. at 8790 (para. 21) ("We adopt this principle and the principles enumerated by Congress in section 254(b) to preserve and advance universal service while promoting the pro-competitive goals of the 1996 Act.").

In developing universal service mechanisms that work within competitive markets, it is critical to align the interests of consumers, carriers, and government policymakers. Carriers in a competitive marketplace have an interest in providing high-quality service at competitive prices in order to win and retain customers. Consumers have an interest in being able to choose among service providers, and in having access to affordable, high-quality, and technologically advanced services. Government policymakers have an interest in providing an efficient level of support only to carriers that use the support to operate technologically advanced networks and successfully win customers.

Aligning all of these interests can best be accomplished by first determining an appropriate level of support for a particular area, and distributing it only to carriers that win customers in that area. Customers are empowered to choose the service provider that best suits their needs. Carriers that lose customers lose their revenue, and their universal service support as well. Carefully defining the amount of support provided to a particular area furthers the governmental goal of providing sufficient, but not excessive support. This system, which operates today in the competitive ETC ("CETC") world, in which CETCs receive support ***only*** to the extent to which they win and retain customers, does work as an efficient driver of consumer benefit. Below, we discuss how the creation of two funds, with support being fully portable within each fund, combined with appropriate program oversight, can ensure that all customers are able to access service from at least one facilities-based carrier.

While the NBP has committed to overhauling the current mechanism for determining an efficient level of support and properly targeting it to rural areas, U.S. Cellular urges the Commission to retain the underlying principle that universal service mechanisms can and must work within emerging competitive markets. In this regard, the Commission's prior

pronouncement, that the current support mechanism does not provide sufficient incentives for competitive carriers to construct facilities in rural areas,[15] is not true in the case of U.S. Cellular. Moreover, this observation would not be true in ***any*** rural area if the Commission had adopted rules that more accurately target support (and thus investment) to those areas that are in the greatest need of support. The FCC's current rules make targeting of support optional, not mandatory, and only ten percent of the Nation's incumbent rural carriers have opted to target support to high-cost wire centers.[16]

As discussed in more detail below,[17] a single dominant carrier, which receives all of the available universal service support to the exclusion of other competitors, would destroy competitive market dynamics. U.S. Cellular opposes any initiative or proposal that would lead to such a result. To the extent possible, funding mechanisms should be designed to promote competitive entry, because the best means of replicating as much as possible the advanced broadband services available in urban areas is to harness the efficiencies and technological innovation produced by competitive markets.

To the greatest extent possible, universal service mechanisms should promote choices in broadband services for rural consumers and only provide support to carriers to the extent that they actually serve customers.

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[15] *High-Cost Universal Service Support Federal-State Joint Board on Universal Service, Alltel Communications, et al., Petitions for Designation as Eligible Telecommunications Carriers*, CC Docket No. 96-45, Order, 23 FCC Rcd 8834, 8844 (para. 21) (2008).

[16] *See* 47 C.F.R. §54.315(b).

[17] See Section III, *infra*.

C. The Commission Can and Should Permit Existing ETCs to Invest High-Cost Support to Provide Broadband Services.

One way to immediately accelerate investment in broadband is to permit carriers who are eligible to draw high-cost support to invest it in broadband infrastructure. While this is not the proceeding to debate the question whether to reclassify broadband services currently regulated under Title I of the Act, we do note that Section 254 sets forth the goal of using universal service support mechanisms to ensure that rural consumers have access to advanced information services, which includes broadband access to the Internet. Only a very (and unnecessarily) narrow reading of the statute and legislative history would limit the FCC's flexibility in this regard.

Accordingly, even if the FCC ultimately declines to reclassify broadband service under Title II, it should immediately permit ETCs to invest ongoing universal service support in network infrastructure that delivers broadband in rural areas. This is a national imperative and investment in infrastructure in rural areas should not stand idle during the reclassification debate.

II. UNIVERSAL SERVICE REFORM MUST BE COMPETITIVELY NEUTRAL.

"Section[s] 254(b) and 214(e) of the 1996 Act provide the statutory framework for a universal service mechanism that encourages competition while preserving and advancing universal service."[18] The Commission has acknowledged these twin goals, and has long embraced the principle that "universal service mechanisms and rules" should "neither unfairly

[18] RTF White Paper 5 at 8, *cited in* CTIA Comments, Joint Board USF Reform Proceeding, WC Docket No. 05-337, May 31, 2007, at 5.

advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology or another."[19]

The Commission in the *First Report and Order* established the *core principle* of competitive neutrality as a means of pursuing the twin goals established in the Act. This core principle — which is the only core principle the Commission has adopted pursuant to its authority under Section 254(b)(7) of the Act[20] — rests on the same footing as those principles enacted by Congress in Section 254(b) and applies with the same force as the statutory principles.

The twin statutory goals have been given a practical and forceful judicial interpretation: Universal Service Fund ("USF") funding mechanisms, *in order to comply with the Act*, must not only be sufficient to preserve and advance universal service, but also must be competitively neutral.[21] The *Alenco* court stressed that:

> The [USF funding] program must treat all market participants equally — for example, *subsidies must be portable* — so that the market, and not local or federal government regulators, determines who shall compete for and deliver services to customers. . . . [T]his principle is made necessary not only by the economic realities of competitive markets *but also by statute*.[22]

That universal service mechanisms should promote efficient markets, minimize unfair competitive advantages, and allow new entrants to offer services to consumers in rural, high-cost areas, are not new ideas:

> Our decisions here are intended to minimize departures from competitive neutrality, ***so as to facilitate a market-based process***

[19] *First Report and Order*, 12 FCC Rcd at 8801 (para. 47).

[20] 47 U.S.C. § 254(b)(7).

[21] *Alenco Communications, Inc. v. FCC*, 201 F.3d 608, 616 (5th Cir. 2000) ("*Alenco*").

[22] *Id*. (emphasis added).

> ***whereby each user comes to be served by the most efficient technology and carrier.*** We conclude that competitively neutral rules will ensure that such disparities are minimized ***so that no entity receives an unfair competitive advantage that may skew the marketplace or inhibit competition by limiting the available quantity of services or restricting the entry of potential service providers***.[23]

The NBP proposes to develop competitively neutral universal service mechanisms, yet as currently proposed it fails to conduct the proper inquiry, that is, "whether the ***effect*** of the legal requirement, rather than the method imposed, is competitively neutral."[24] For example, while a reverse auction might bring competition within an electronic auction room, it would not have a competitively neutral effect in the marketplace.[25]

Rural Americans will not benefit if a government process pre-determines a single dominant market participant. In reviewing the Verizon Wireless-Alltel merger, the Department of Justice stated that without the divestitures "[t]his loss of competition would result in consumers facing higher prices, lower quality service, and fewer choices of mobile wireless telecommunications services providers."[26] U.S. Cellular has previously submitted into the record a paper by William P. Rogerson, Professor of Economics at Northwestern University, discussing,

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[23] *First Report and Order*, 12 FCC Rcd at 8802 (para. 48) (emphasis added).

[24] *See Federal-State Joint Board on Universal Service, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission,* Declaratory Ruling, 15 FCC Rcd 15168, 15177 (2000) (para. 22) (emphasis in original).

[25] U.S. Cellular agrees with the Rural Cellular Association ("RCA") that "[c]ompetitive neutrality encourages market entry in rural and high-cost areas, market entry forces incumbents and competitors to operate efficiently in order to attract and retain customers, these efficient operations lower operational costs, and these lower costs, in turn, translate into affordable rates for consumers." Comments of RCA, High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, WC Docket No. 05-337, CC Docket No. 96-45, filed May 8, 2009, at 5.

[26] *See* U.S. Dep't of Justice, *United States of America, States of Alabama, California, Iowa, Kansas, Minnesota, North Dakota, and South Dakota vs. Verizon Communications Inc. And Alltel Corporation,* Case No. 1:08-cv-01878, *Competitive Impact Statement,* Oct. 30, 2008.

among other things, the need for high-cost support mechanisms to work in a competitively neutral fashion.[27]

The principles of competitive neutrality employed to date have, where investments have been made, successfully permitted rural consumers to have choices among telecommunications services, just the same as urban consumers enjoy. As the world evolves away from voice-only networks towards broadband networks, government policies should not present rural consumers with fewer choices than they have today. The Commission must reject options that do not have a competitively neutral effect and would skew the marketplace.

III. A REVERSE AUCTION METHODOLOGY IS INCONSISTENT WITH THE TELECOMMUNICATIONS ACT OF 1996 AND, THEREFORE, SHOULD BE REJECTED.

In 2001, the Commission stated, "[i]n the 1996 Act, Congress established principles for the preservation and advancement of universal service in a competitive telecommunications environment."[28] Despite clear policy direction from Congress to develop universal service mechanisms that work in a competitive environment, the NBP proposes that the federal universal service mechanism should only support one service provider.[29] As discussed below, reverse auctions present significant problems.

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[27] *See An Economic Analysis of Universal Service Payments to Wireless Carriers*, attached to U.S. Cellular's comments filed Nov. 26, 2008, accessed at http://fjallfoss.fcc.gov/ecfs/document/view?id=6520189131 ("Rogerson Competition Paper").

[28] *RTF Order*, 16 FCC Rcd at 11252 (para. 14).

[29] NBP at 145 (recommending that, in connection with establishment of a "Connect America Fund," there should be at most one subsidized provider of broadband service per geographic area).

A. Single Winner Auctions Would Not Fit Within the Statutory Scheme for Universal Service.

By their very nature, single winner auctions restrict marketplace competition. Such restriction contradicts Section 214 of the Act, which declares that states and the FCC *shall* designate multiple carriers in areas served by non-rural carriers and *may* designate multiple carriers in areas served by rural carriers.[30] Moreover, it is inconsistent with the FCC's own prior interpretation of its Congressional mandate.[31]

Using a single-winner auction would only provide the supported services at affordable rates if the Commission or the states actively regulate rates — since competition would be stifled. Yet, price regulation of Commercial Mobile Radio Service ("CMRS") providers is prohibited by Section 332 of the Act.[32]

B. Auctions Would Require Imposition of An Expensive Regulatory Regime.

A single-winner auction would perpetuate a monopoly (or, a duopoly environment if a separate auction is conducted for wireline and wireless technologies). It would forestall all of the innovation currently seen in urban areas — such as for example, the introduction of flat-rated nationwide local service offerings from large incumbent LECs and the rapidly changing rate plans offered by wireless carriers operating in competitive markets. A single-winner auction is

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[30] 47 U.S.C. § 214(e)(2); *see also* 47 U.S.C. §§ 254(b)(3), 254(b)(5).

[31] *First Report and Order*, 12 FCC Rcd at 8790 (para. 21) (emphasis added) ("***We adopt this principle and the principles enumerated by Congress in section 254(b) to preserve and advance universal service while promoting the pro-competitive goals of the 1996 Act***."). *See also Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High-Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45, 97-160, Tenth Report and Order, 14 FCC Rcd 20156, 20160 (para. 3) (1999); *Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High-Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45, 97-160, Fifth Report and Order, 13 FCC Rcd 21323, 21326 (para. 6) (1998).

[32] 47 U.S.C. § 332(b).

inferior to encouraging competitive entry and the natural competition in pricing and service offerings that come with it.

In addition to rate regulation, presumably the Commission would have to impose obligations similar to those contained in Section 251 of the Act[33] in order to open up these monopoly networks to other carriers who wish to enter without support. A dominant carrier would require expensive service quality standards, including for example, detailed billing rules, length of time to answer phones, dispute resolution procedures, and perhaps a tariffing regime. These additional layers of regulation are the ***opposite*** of what the 1996 Act demands — that universal service mechanisms help to deregulate the marketplace and promote competition for all Americans, not just those living in urban areas. As Professor Rogerson characterized it, "to a first order of magnitude it would not surprise me if the Commission's and firms' collective costs of establishing and operating a full-blown regulatory structure of this sort could rival or even exceed the total level of funds available to support high cost wireless service in the first place!"[34]

Auctions that result in a single winner would not promote the availability of reasonably comparable services at reasonably comparable rates in rural areas. This is the most critical of universal service goals. Auctions would limit the ability of carriers to compete in many areas and, as a result, the benefits of innovation, service choices, and new technologies would be delayed or denied to consumers in many rural areas. The much better course is to reaffirm the existing principle of competitive neutrality by providing fully portable support to all carriers willing to offer the supported services throughout a designated service area, and by limiting such

[33] 47 U.S.C. § 251 (imposing an extensive array of interconnection obligations on incumbent LECs).

[34] Rogerson Competition Paper at 11.

support to a level needed to provide consumers with similar choices in telecommunications services as are available in urban areas.

C. Reverse Auctions Risk Anti-Competitive Conduct That Would Be Extraordinarily Difficult to Combat.

The NBP's conclusion that a reverse auction would drive the level of support down to an efficient level could be true, provided all auction participants approach the auction with a similar goal, to build high-quality, comprehensive networks and serve rural customers. Unfortunately, participants would have widely divergent and incompatible goals that would greatly reduce the positive effects on rural consumers.[35]

In a competitive marketplace, identifying actionable anti-competitive conduct is difficult. Filing a lawsuit to prove it is extraordinarily expensive. In an auction setting, such challenges are magnified. An auction participant may have a financial incentive to win an auction at a price that would not generate a positive return, if the effect is to, (1) provide that carrier with an offsetting benefit of reducing its obligation into the fund, or (2) eliminate support for competitors so as to dominate the market, or a broader market. The objectives for such an auction winner could be to provide the minimum acceptable level of service in high-cost areas, and to seek to influence the Commission's decision-making processes in order to maintain its status as a dominant provider of services. Or, an auction participant may bid simply to drive prices to a level which accomplishes the objectives set forth above. These objectives are unacceptable for a universal service program and could amount to illegal anti-competitive conduct.

[35] U.S. Cellular submitted into the record a second paper authored by Professor Rogerson, providing an extensive discussion of the shortcomings of reverse auctions. *See Problems With Using Reverse Auctions to Determine Universal Service Subsidies for Wireless Carriers* (Jan. 14, 2010), accessed at http://fjallfoss.fcc.gov/ecfs/document/view?id=7020384144 ("Rogerson Auction Paper").

Such anti-competitive conduct or intent would be very difficult to identify at the auction, and all but impossible to combat in the market, once an auction is done. Carriers who would prefer to reduce or eliminate their contributions because their business models focus on urban markets should not be able to frustrate the fund's essential purpose of providing rural Americans with access to high-quality advanced broadband infrastructure.[36]

The Commission should be wary of any distribution methodology supported by carriers that have conspicuously walked away from rural telecommunications assets, voluntarily relinquished universal service support rather than use it to build cell sites, and lobbied the Commission for policies that would reduce their contributions to the fund.[37] Rural consumers are well served by policies that drive investment in rural areas, not those that would limit funding and frustrate achievement of Congressional goals.

D. A Single Winner Reverse Auction Presents Practical Problems.

In addition to the regulatory difficulties described above, reverse auctions with a single wireline or wireless winner create practical issues that would harm rural consumers' ability to access critical basic telephone services. The NBP proposes geographic service areas at the census block level, which are far smaller than wireless carrier service areas. It is possible, even likely, that a single auction winner using fixed fiber, CDMA, GSM, LTE, and Wi-Max technologies (both fixed and mobile) would all be scattered and mixed throughout rural America.

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[36] To the extent that the Commission might intend to use reverse auctions to reduce the size of the high-cost fund, it must be noted that nowhere in the 1996 Act is the Commission given such a mandate. The high-cost fund must be sufficient to achieve Congressional goals and to sustain universal service. Decisions regarding the size of the fund are the province of Congress.

[37] For example, Verizon Wireless, one of the two largest recipients of high-cost support, has voluntarily relinquished ETC status in several rural states, including Maine, Vermont and Oregon.

For example, a wireless winner would sit side-by-side with a fiber winner in an adjacent area. Wireless consumers moving around rural areas would find huge dead areas where their phones do not work in an area served by fixed fiber.

These problems are far more than inconveniences. When he testified before the Senate Commerce Committee, Sheriff Everett Flannery of Kennebec County, Maine, described how his department uses CMRS services in undercover and other law enforcement duties. He described the wide rural area within which his department is expected to track suspects and respond to calls for help, including domestic disturbances and other emergencies. Oftentimes, using a mobile phone to call ahead gives him critical information such as whether a domestic disturbance involves alcohol or firearms.[38]

Interoperability has been a continuing issue for mobile platforms, since the advent and deployment of CDMA, GSM and ESMR technologies. A reverse auction methodology for either the Mobility Fund or the Connect America Fund ("CAF") would present a checkerboard of fixed and mobile platforms for broadband that would inevitably limit rural consumers' ability to communicate and would compromise critical health and safety applications.

Professor Rogerson summarized the difficulties of a government-managed rural development program compared to one that uses support to promote market entry as follows:

> Thus, there will be an unavoidable trade-off between targeting support and accommodating small carriers versus accommodating large carriers. Government regulators will have to make a decision about this tradeoff in advance, based on their own estimation of which pattern of facilities build-out is most likely to best

[38] Testimony of Sheriff Everett Flannery before the Committee on Commerce, Science, and Transportation, U.S. Senate, accessed at http://commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=37f1f667-9824-460f-a4b6-c678b6c815d0&Statement_id=f7e627f0-bf87-485f-9fa4-b074c3beb8b9&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=6&YearDisplay=2007.

> meet consumer preferences. By contrast, under a consumer choice system, where small and large firms would be freely able to compete for customers, there would be no need for government regulators to decide the issue in advance. Rather, the emergence of competition in the marketplace for customers could be used to determine the success or failure of different strategies.[39]

Long term, a single-winner auction that installs a marketplace winner in advance can have devastating long-term consequences for rural areas. Stunted development of advanced infrastructure would leave areas less competitive and leave consumers with few choices in services and service offerings. A lack of interoperability would frustrate consumers who cannot use their phones throughout rural areas. A dominant participant would exert monopoly power over consumers. Newcomers would face severe disadvantages in attempting to enter a market against a subsidized carrier.[40]

In sum, the Commission would effectively cement an artificial monopoly into place that would significantly limit consumer welfare and effectively resurrect the problem that the 1996 Act attempted to resolve.

IV. A COST MODEL SHOULD BE CONSIDERED AS A MEANS OF TARGETING AN APPROPRIATE AMOUNT OF SUPPORT TO RURAL AREAS.

The NBP was correct when it said that support to rural areas must be more accurately targeted to high-cost areas that need investment the most.[41] A well designed model that targets support to high-cost areas and identifies an amount of support that is portable to all market

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[39] Rogerson Auction Paper at 18.

[40] In his paper regarding auctions, Professor Rogerson summarizes various scholarly papers describing the use of reverse auctions in other countries as follows: "The uniform and consistent observation of all of these papers is that successful use of reverse auctions in the international context has almost entirely been limited to extremely simple situations where the sorts of difficulties presented in the American context of subsidies for wireless broadband services do not arise." *Id*. at 21.

[41] *See* NBP at 141 (recommending that the Commission's universal service reforms "should target areas that are currently unserved").

participants who choose to enter, can serve to preserve and advance universal service, as required by the Act. The NBP evidences a great deal of work in developing a cost model, and the Commission should continue working toward a final product.

Advancing universal service while promoting competition can best be achieved by fixing a proper amount of support in an area in order to allow carriers to build infrastructure and provide advanced services to rural consumers. As evidenced by the work product set forth in the NBP, a model can be used to determine an appropriate amount of support. By using a model to determine support for an area, the Commission will further the principle that "the purpose of universal service is to benefit the customer, not the carrier. 'Sufficient' funding of the customer's right to adequate telephone service can be achieved regardless of which carrier ultimately receives the subsidy."[42] In addition, a model offers a number of other advantages:

- A model promotes consumer choice for consumers living in rural areas. Any carrier willing to build a business plan that combines customers and support into a profitable venture can enter the market, but is not guaranteed success. Good businesses are rewarded and bad ones are not.

- A model provides marketplace certainty. A fixed amount of support in an area (subject to adjustment for growth in population, inflation, *etc*.) provides all participants with critical information needed to build a business plan. It discourages inefficient carriers from entering and encourages those that are efficient.

- A model can be adjusted to suit changing circumstances. If carriers do not enter a particular area, a model can be adjusted upward. If there is evidence that support levels are too high, a model can be adjusted downward. A model can determine support on a "per-line," "per-minute" or "per megabyte" basis, depending upon how policymakers choose to provide support.

- A model reduces the possibility of anti-competitive conduct, by fixing an amount of support that only goes to carriers that get customers. A model confers no special advantage on any class of carrier or technology.

[42] *Alenco*, 201 F.3d at 621.

- A model operates as an effective cap on support.[43] Once an amount of support is determined to be sufficient to provide the supported services to an area, it matters not how many market participants enter, as long as all carriers are required to provide service to all requesting customers, either through their own facilities or through the facilities of another carrier. With support only going to facilities-based carriers, there is ongoing competition for customers and support, within a capped amount.[44]

On this last point, it is important to note that one of the most serious misconceptions in the universal service debate is that "multiple networks" should not be subsidized in areas that would not support competition.[45] As we have seen to date, in most rural areas a fixed amount of support can attract one or more carriers, with support transferring among carriers competing for customers.

Whether used to determine an amount of support per minute, per handset, or per megabyte of throughput, a properly structured model would supplement private investment capital, at levels sufficient for more than one carrier to enter, but would not provide a guarantee of success. For the Commission to accomplish increased consumer choice in rural areas, provide

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[43] In this regard, a cost model would promote the Commission's objective of "ensur[ing] that the size of the fund remains reasonable." *NPRM* at para. 51.

[44] The Commission has recognized this principle in the Lifeline context, where the number of customers seeking discounts in an area limits the amount of support, no matter how many carriers offer the discount:

> Lifeline support, designed to reduce the monthly cost of telecommunications services for eligible consumers, is distributed on a per-customer basis and is directly reflected in the price that the eligible customer pays. Because it is customer-specific, a carrier who loses a Lifeline customer to a reseller would no longer receive the Lifeline support to pass through to that customer. Thus, a wireless reseller who serves a Lifeline-eligible customer and receives Lifeline support directly from the fund does not receive a double recovery.

Federal-State Joint Board on Universal Service, Petition of TracFone Wireless, Inc., CC Docket No. 96-45, Order, 20 FCC Rcd 15095, 15100 (para. 12) (2005).

[45] *See, e.g.*, *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, 23 FCC Rcd 1467, 1488 (2008) (Statement of Chairman Kevin J. Martin).

appropriate incentives for investments by carriers using advanced technologies, and control growth of the fund, a model should be considered as superior to other methodologies that limit marketplace competition.

It is important to speak briefly about the Commission's "identical support" rule.[46] We do not here advocate having an identical support rule that operates between fixed and mobile services. Instead, we propose two separate funds, one for fixed broadband infrastructure and one for mobile broadband infrastructure. A predetermined level of support would be available to carriers providing consumers with ***fixed*** broadband services, and a separate (and different) level of support would be available to carriers providing consumers with ***mobile*** broadband services.

For all of its references to the Commission's *First Report and Order* following the 1996 Act, the key concept absent from the NBP is ***portability*** for mobile services. Portability is the key driver of consumer benefit — it is like a coupon that consumers can take with them to choose the mobile service provider that best suits their needs.[47] Portability removes from regulators the task of determining marketplace winners and regulating prices. Once an acceptable level of support is determined, carriers are free to enter and those with lower prices, innovative service offerings, or other advantages will have an incentive to bring products and services to market. We therefore encourage the Commission to revisit portability in conjunction

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[46] The identical support rule provides that per-line support received by competitive ETCs must be equal to the amount of per-line support received by incumbent LECs.

[47] Portability is also grounded in the statute:

> [T]he [USF funding] program must treat all market participants equally — for example, *subsidies must be portable* — so that the market, and not local or federal government regulators, determines who shall compete for and deliver services to customers. . . . [T]his principle is made necessary not only by the economic realities of competitive markets *but also by statute*.

Alenco, 201 F.3d at 616 (emphasis added), *quoted in* U.S. Cellular NBP Notice # 19 Reply Comments at 11.

with its consideration of cost models, in order to empower consumers and require carriers to compete for both consumers and support.

V. THE NBP'S BROADBAND AVAILABILITY GAP IMPROPERLY FOCUSES ON FIXED WIRELESS DEPLOYMENTS AND DOES NOT SET FORTH A PLAN TO PROVIDE MOBILE BROADBAND SERVICE THROUGHOUT RURAL AMERICA.

The NBP does not include a plan to deliver high-quality mobile broadband service throughout rural America, where citizens ***live, work and travel***. Instead, the Broadband Availability Gap technical paper calculates the cost of providing fixed wireline and fixed wireless broadband to households and businesses.[48]

Although the NBP admits it lacks a "comprehensive data" set that provides an accurate look at broadband availability,[49] it goes on to conclude, without substantial support, that "government intervention will [not] be necessary to enable a robust mobile broadband ecosystem in most parts of the country."[50] That statement may be accurate if "most parts of the country" refers to those areas currently receiving high-quality service without support. If that statement is meant to imply that commercial mobile wireless carriers do not need support to build networks throughout rural areas, then it is demonstrably incorrect.

In many areas where wireless coverage is shown to exist in high level maps, there remain significant areas where service is unacceptably poor, or unavailable altogether. A significant amount of investment by wireless carriers participating in the universal service program is

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[48] *See* The Broadband Availability Gap, OBI Technical Paper No. 1, accessed at http://download.broadband.gov/plan/the-broadband-availability-gap-obi-technical-paper-no-1.pdf .

[49] *See NOI* at para. 12.

[50] NBP at 146.

dedicated to filling in dead zones between cell sites, or clustering cell sites in and around small rural communities so as to deliver seamless service. In order for service to be reasonably comparable to that which is available in urban areas, it is often necessary to increase cell site density within an area that otherwise appears covered on less granular maps. ***These past investments of high-cost support are the reason that literally hundreds of small rural communities across the country have high-quality mobile wireless service today. Without high-cost support, these types of communities will not have high-quality mobile wireless service, much less mobile broadband.***

This disparity can be illustrated in part by data developed through third-party network quality testing. This testing, which has been widely used in the wireless industry for many years, compares the call quality of the wireless networks in a given area. The test results are based on actual calls made on each network at various locations within the tested area. U.S. Cellular has found compelling evidence that universal service support is helping the company improve its networks in rural areas. For example, competitors' networks that are unsupported by USF experience dropped call rates that are as much as eight times higher than U.S. Cellular's dropped call levels. U.S. Cellular also discovered that while its dropped call rates in high-cost areas are better than its competitors, they remain higher than what U.S. Cellular achieves in urban and suburban areas, suggesting more work needs to be done to achieve reasonable comparability.

The use of universal service support to install low powered cell sites, femtocells and other hardware tools will likely become an increasingly important means of enabling rural consumers to rely on mobile devices as their primary communications tool. If the broadband plan fails to allocate adequate support to mobile broadband platforms, it will shortchange the

Administration's goal of delivering the substantial economic development opportunities afforded by mobile broadband.

In sum, there is ample and reliable evidence for the Commission to conclude that universal service support mechanisms must provide funding for the construction of cell sites in rural areas and for mobile broadband deployment. Support must increase investment in underserved areas so that rural consumers can receive high-quality service, and so that mobile broadband devices work as intended throughout their rural communities.

VI. NEW MECHANISMS MUST SUPPORT THE SERVICES CONSUMERS ARE ACTUALLY USING AND NOT INSULATE ANY CLASS OF CARRIERS FROM MARKET FORCES.

New universal service mechanisms must take into account the fact that wireless is now the dominant mode of voice communications. As of this date, mobile wireless networks in rural areas still require substantial additional capital to provide coverage that is reasonably comparable to that which is available in urban areas. Yet, between 1999 and 2009, while over $31 billion of universal service support has been invested in ***fixed voice service,*** only approximately $6 billion has funded ***mobile voice service***.[51]

U.S. Cellular recently asked rural consumers in several states whether they would give up their mobile handsets or their home connections to the Internet if they had to choose between them. U.S. Cellular was not surprised when a majority said they would give up their home connections to the Internet, mostly because they viewed a mobile handset as a critical health and safety tool. Although U.S. Cellular is building out in rural areas as quickly as possible, over 75% of the consumers in states where U.S. Cellular operates, such as West Virginia and Maine,

[51] 2009 Federal-State Joint Board Monitoring Report at Table 3.2, accessed at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-295442A5.pdf .

still experience dead zones or poor call quality while moving around the state, a clear indication that work still needs to be done to make service ubiquitous.

With these facts, it is apparent that additional funding must be made available to accelerate construction of mobile wireless networks and to deliver mobile broadband. Yet, funding to mobile networks has lagged behind that of wireline networks, even though wireless consumers are contributing in excess of $3 billion per year into the universal service mechanism. In an age where a mobile wireless handset is perhaps the single most valuable safety tool a rural consumer can have, universal service mechanisms must be structured to fully support mobile voice and mobile broadband, until the job of building high-quality networks in rural areas is finished.

VII. SOME RECOMMENDATIONS IN THE NATIONAL BROADBAND PLAN FAVOR FIXED SERVICE OR RISK "FLASH CUTS" THAT THE PLAN PURPORTEDLY SEEKS TO AVOID.

In order to ensure competitive neutrality to the greatest extent possible, transitional mechanisms must not favor any one class of carrier.

- ***The mobility fund as currently proposed would provide funding only for construction costs, but no operating expenses.***

To date, no record has been developed to understand the extent to which mobile wireless carriers will require ongoing support to continue the operation of cell sites constructed in rural areas. U.S. Cellular can state unequivocally that it is already operating scores of cell sites that would not have been constructed but for the availability of high-cost support. As networks penetrate deeper into rural America, the stand-alone profitability of wireless operations only becomes more challenging. As transitional and future support mechanisms are developed, the Commission must address the reality that mobile wireless networks in many rural areas are going

to require support for ongoing operating and maintenance expenditures. Without sufficient support to at least cover ongoing operating expenses it is possible that unprofitable cell sites operating in rural areas today may be decommissioned, resulting in coverage gaps and inadequate service.

- ***The proposed phase down for wireline and wireless networks is unequal.***

The NBP proposes the phase down of support to wireline carriers over a ten-year period, while phasing down support to wireless carriers over a five-year period. There is no explanation or record developed as to why wireless carriers should have a shorter phase down. In fact, the presence of a Mobility Fund, to accelerate investment in new mobile networks, is evidence that relatively immature wireless networks require substantial funding to bring rural network quality up to the standard set in urban areas.

In addition, the NBP proposes to repurpose support voluntarily relinquished by Verizon Wireless and Sprint.[52] These funds amount to an estimated $3.9 billion over ten years, support that could be invested in rural wireless networks. If adopted, the NBP proposal would reduce support to rural states for wireless investment without any replacement mechanism being in place, or even set for near term implementation. It makes little public policy sense to proceed in

[52] NBP at 147 (footnote omitted):

> [T]he FCC should issue an order to implement the voluntary commitments of Sprint and Verizon Wireless to reduce the High-Cost funding they receive as competitive ETCs to zero over a five-year period as a condition of earlier merger decisions. Sprint and Verizon Wireless received roughly $530 million in annual competitive ETC funding at the time of their respective transactions with Clearwire and Alltel in 2008. Their recaptured competitive ETC funding should be used to implement the recommendations set forth in this plan. This represents up to $3.9 billion (present value in 2010 dollars) over a decade.

such a fashion, particularly at a time when there is an increasing recognition of the importance of mobile wireless broadband services, particularly in rural and high-cost areas.[53]

Accelerating the phase down of wireless carriers' support only reduces the ability of carriers to construct new cell sites in remote areas. This seems counter-productive, especially given that broad swaths of rural America still require significant capital investment to be brought up to par with urban areas. U.S. Cellular does not yet know what the right time frame for a phase-down of support is, but a record needs to be developed before any phase down commences. In addition, a replacement mobility fund must be in place before any phase-down commences.

In sum, the transition to new support mechanisms should not be inequitable, should occur on the same schedule as contemplated for wireline carriers, and new mechanisms should replace existing mechanisms in a timely fashion.

- ***The proposal to eliminate interstate access support represents a flash cut.***

The NBP proposes to eliminate Interstate Access Support ("IAS") for both incumbent and competitive carriers.[54] Today, many CETCs receive support from the IAS fund. The NBP's proposal to convert IAS into the CAF can represent a substantial flash cut for CETCs operating in areas where IAS is a major source of funding. In some states, IAS represents a significant percentage of the total support. For example, IAS represents approximately 87% of all support in Virginia, 40% of all support in West Virginia, 29% of all support in Washington, and 19% of

[53] For example, President Obama recently highlighted the importance of wireless broadband in rural America, declaring that "[e]xpanded wireless broadband access will . . . provide cost-effective connections in rural areas . . . and allow for the development of mobile telemedicine, timework, distance learning, and other new applications that will transform Americans' lives." Presidential Memorandum on Unleashing the Wireless Broadband Revolution (June 28, 2010).

[54] *See* NBP at Recommendation 8.6.

support in New Mexico.[55] For CETCs operating in Virginia, the elimination of IAS would all but shut down new cell site construction in the Commonwealth. Moreover, there is no indication that there will be a replacement fund being phased in as IAS is flash-cut from the system.

Before converting IAS to the CAF, the Commission should carefully consider alternatives that do not amount to flash cuts and inadvertently cause major disruptions to the construction plans that CETCs currently have on file with the FCC and state commissions. Moreover, the phase in of new mechanisms should be coordinated with the phasing out of legacy programs.

VIII. SUPPORT MECHANISMS MUST BE EFFICIENT, MUST DELIVER COMPARABLE SERVICES TO RURAL AREAS, AND MUST SUPPORT BOTH FIXED AND MOBILE SERVICE IN ALL AREAS.

The Commission has repeatedly stated its intention "to transform universal service mechanisms so that they are both sustainable as competition in local markets develops, and explicit in a manner that promotes the development of efficient competition across the nation."[56]

New support mechanisms for broadband must seek to provide an efficient level of support that is needed to accomplish Congressional goals. How the Commission accomplishes this task is less significant than the desired outcome: an amount of support for fixed broadband and another amount for mobile broadband, targeted to high-cost areas and available to any carrier providing the supported services — with support flowing only to those who build

[55] These figures were derived from USAC's FCC Filings Web Page using the first quarter 2010 figures, at spreadsheet HC02.

[56] *Federal-State Joint Board on Universal Service; Access Charge Reform*, CC Docket No. 96-45, CC Docket No. 96-262, Seventh Report and Order and Thirteenth Order on Reconsideration in CC Docket No. 96-45, Fourth Report and Order in CC Docket No. 96-262, and Further Notice of Proposed Rulemaking, 14 FCC Rcd 8078, 8086 (para. 20) (1999).

facilities and get customers. If support is perceived to be insufficient, or excessive, the amount can be adjusted to reach desired outcomes.

Consumers should not contribute more than the cost of building and operating efficient networks; conversely, consumers in rural areas should be able to access broadband services that are reasonably comparable in quality and price to those available in urban areas.

Today, much of the more than $3 billion in high-cost support flowing to wireline networks continues to support ***fixed voice services***, and roughly $1.3 billion goes to support ***mobile voice services***. These funds must be repurposed over time into separate funds that support ongoing investments in both fixed and mobile broadband infrastructure. Moreover, universal service mechanisms must evolve to support investments in networks of the future but must be careful to not unwittingly cause the abandonment of existing voice networks while they are still providing great utility to rural consumers.

IX. CONCLUSION.

A key goal of the Commission's National Broadband Plan is to reform universal service funding mechanisms to operate more efficiently and economically in bringing communications services to rural America. As the Commission designs and implements the mechanisms to be used in transitioning universal service support from voice services to advanced broadband services, it should take account of two important objectives: the promotion of competitive market forces to the extent practicable, and the utilization of mobile wireless broadband.

The Commission has long recognized that supporting competitive entry in rural and high-cost markets will result in the efficient use of universal service funds, will provide choices to consumers, and will effectively serve the principle of service and pricing comparability between rural and urban areas. The Commission has also documented the increasing importance of

mobile wireless broadband, and consumers are dramatically confirming in the marketplace that the shift to mobile broadband services will continue to accelerate.

As U.S. Cellular has demonstrated in its Comments, several aspects of the Commission's reform proposals would likely be ineffective in ensuring that universal service mechanisms promote competition and the deployment of mobile broadband networks. U.S. Cellular respectfully urges the Commission to weigh its actions in this proceeding carefully, so that universal service reform can successfully capture the benefits of competition and mobile broadband.

Respectfully submitted,

UNITED STATES CELLULAR CORPORATION

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July 12, 2010

EXHIBIT 1

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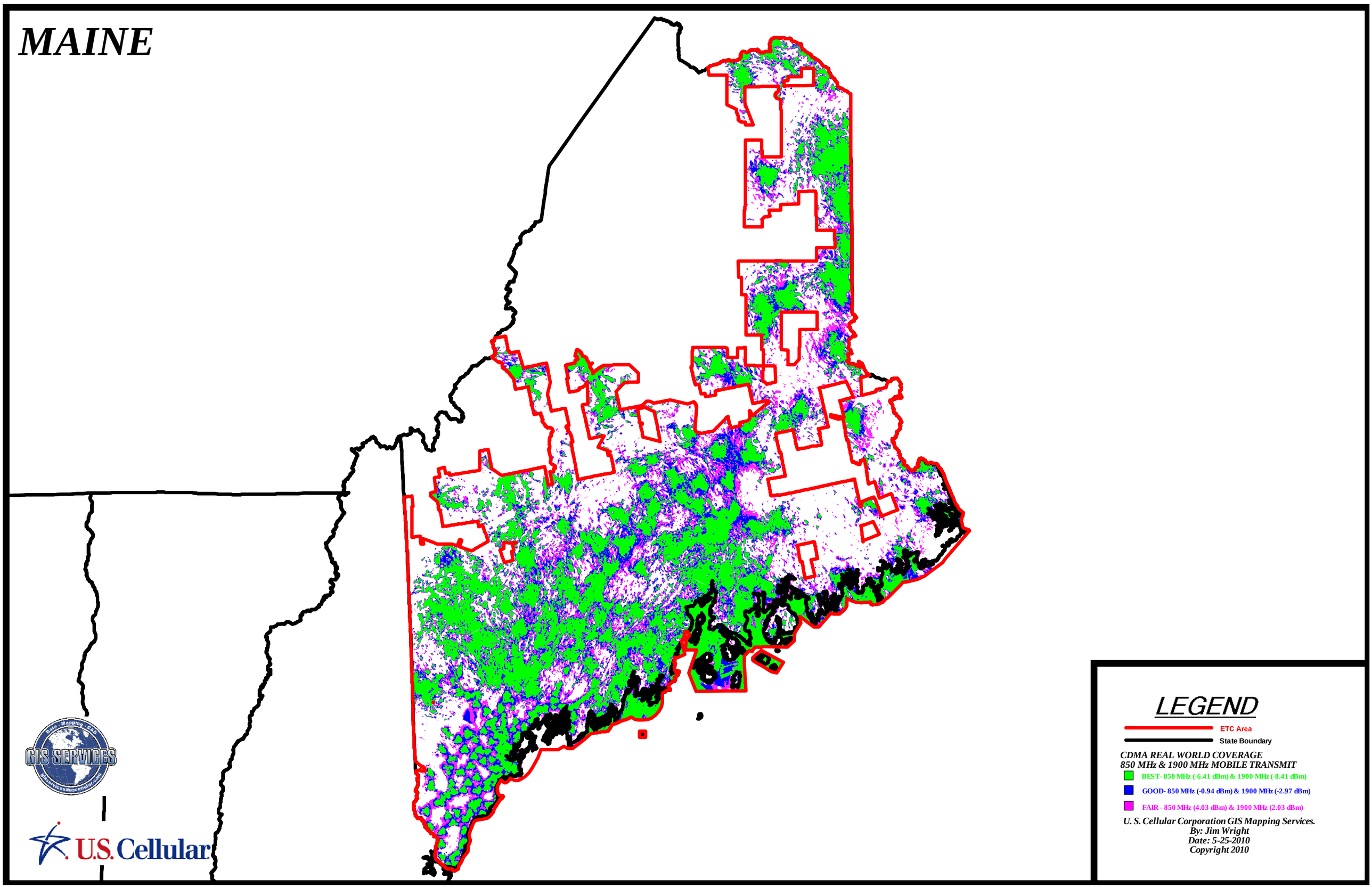
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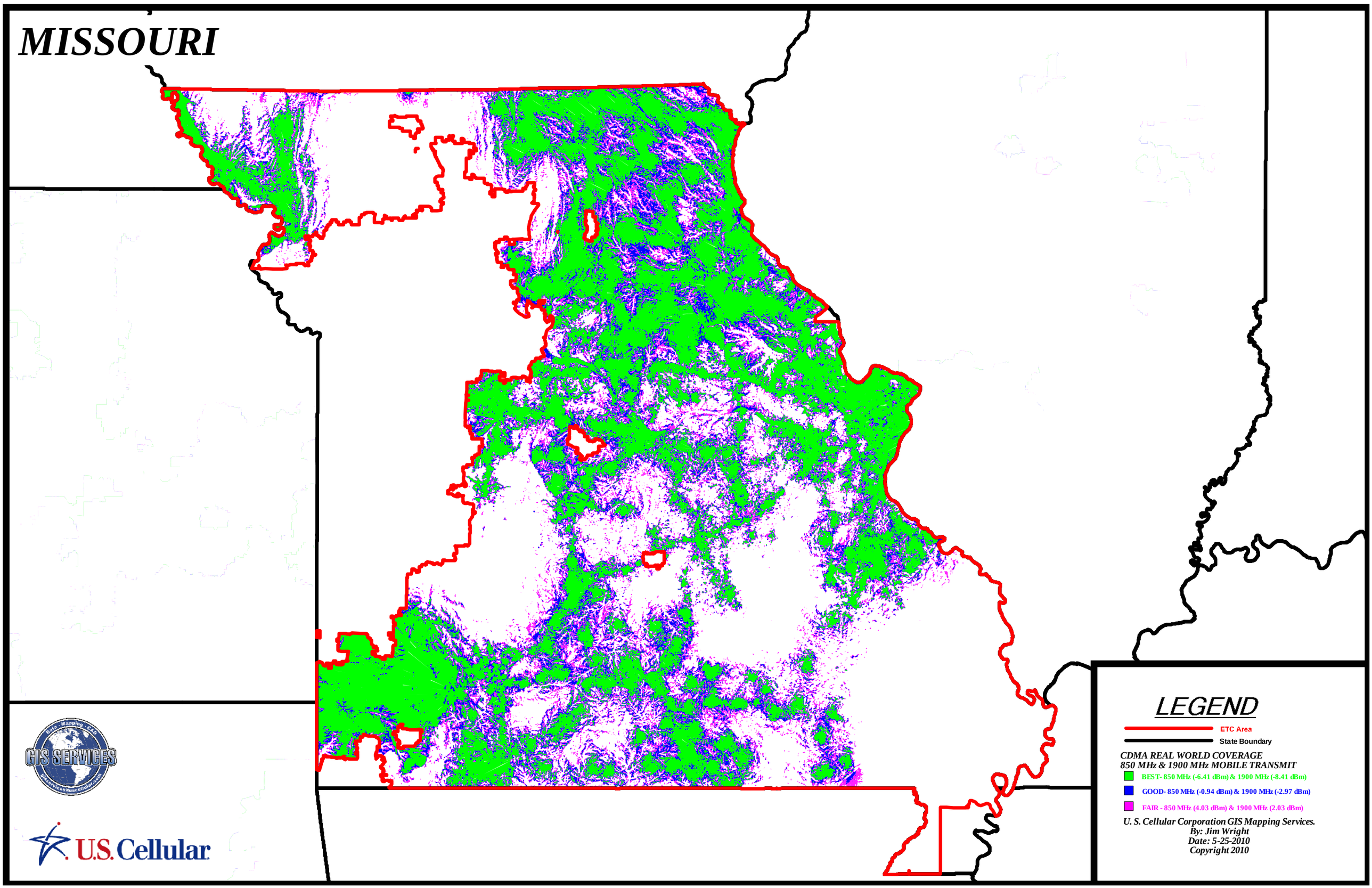
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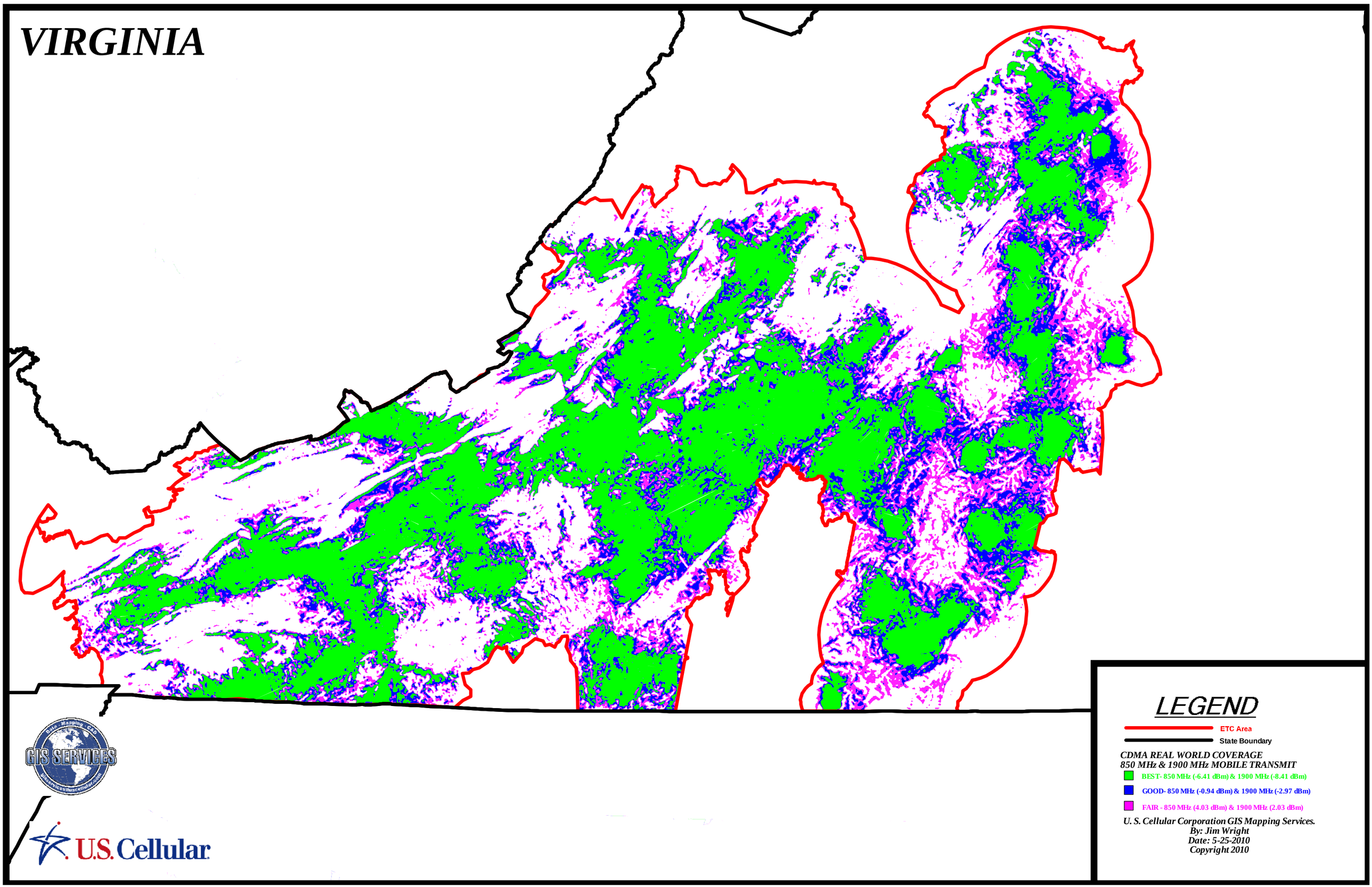
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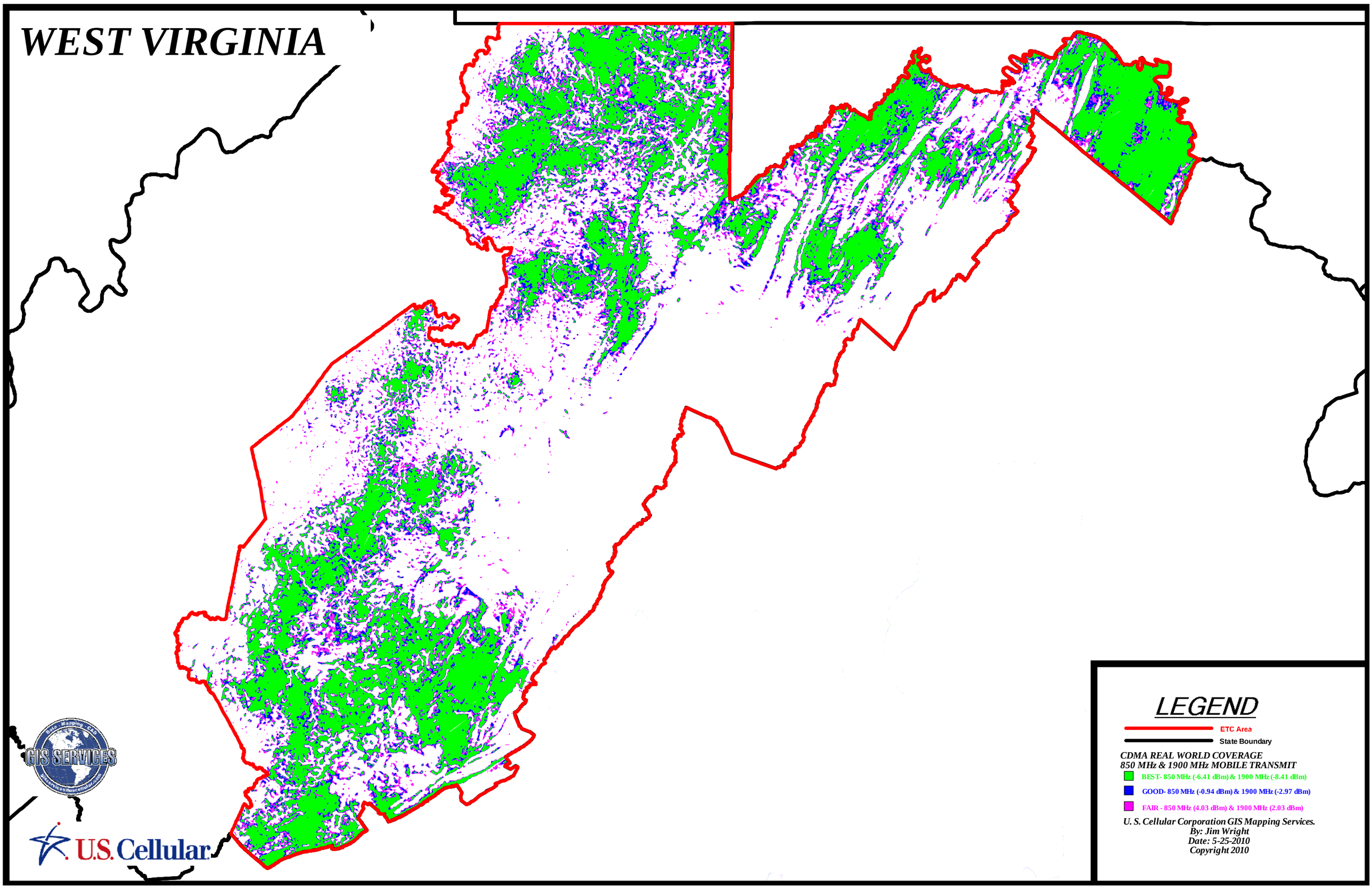
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