A National Broadband Plan
Federal Universal Service Reform

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U.S. Cellular

- U.S. Cellular provides Personal Communications Service and Cellular Radiotelephone Service in 44 Metropolitan Statistical Areas , 100 Rural Service Areas, one Major Trading Area, and numerous Basic Trading Areas throughout the Nation.

- U.S. Cellular is an eligible telecommunications carrier ("ETC") in Washington, Iowa, Wisconsin, Kansas, Oregon, Maine, Missouri, Nebraska, Oklahoma, West Virginia, Illinois, New Hampshire, North Carolina, Virginia, Tennessee, and New York.

Broadband Support Mechanisms Must Be Competitively Neutral

- New 4G mobile wireless platforms such as LTE, Wi-Max can provide rural consumers with ***reliable and substitutable*** broadband services.

- The Commission's prior pronouncements on competitive neutrality must be carried forward into new broadband mechanisms. 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***." 12 FCC Rcd at 8790.

Competitive Neutrality (cont'd)

- There is no record evidence supporting the need for so-called "revenue replacement" for any class of carrier.
- NBP proposal to phase out support on different schedules is not competitively neutral.

Support Must Be Efficient and Targeted to Areas that Need Investment

- Support is for high-cost areas, not necessarily high-cost carriers.
- Provide an efficient level of support to the identified high-cost areas so that areas that support robust competition on their own do not receive subsidies.
- Transition away from embedded costs. Consider providing support using models.
- Target support using competitively neutral boundaries. Avoid ILEC-centric boundaries that impede entry by other technologies.

Consideration of a Model to Determine Efficient Costs and Appropriate Support Levels

- Significantly increased computing power and mapping software have improved the capability of models to accurately predict costs and determine efficient support levels.

- Courts have upheld the use of forward-looking cost methodologies: See e.g., Verizon Communications Inc. v. FCC, 535 U.S. 467 (2002).

- Consider providing support based on a common unit of service measurement, such as minutes of use, or Megabits of throughput delivered to consumers, rather than lines in service.

Reverse Auction Challenges

- Any single winner approach erects entry barriers. Recreates problem 1996 Act sought to solve.
- Competition occurs at the auction rather than in the marketplace. An auction is not "market-based reform."
- Will require creation of "251-type" obligations for dominant carriers to open networks and limit anti-competitive conduct.
- Largest carriers have an incentive to bid near-zero to drive out competitors and reduce large carrier contributions.
- Newcomers must be able to access support mechanisms on a level playing field with other market participants.

Reverse Auction Challenges (cont'd)

- Auction winner, having bid for the lowest level of support and operating with limited competition, has no incentive to deliver high-quality service.

- Patently unfair to limit auctions to wireless:
  - Wireless consumers contribute the biggest share of USF.
  - Consumers want high-quality wireless platforms.
  - Auctions for wireless limit choice, and growth.
  - Declining technologies remain on embedded costs – "the more you spend, the more you get."

- Auction "term" will exacerbate stranded facilities problem, i.e., plant may not be depreciated.

Reverse Auction Challenges (cont'd)

- Defining Service Areas and Achieving Interoperability is Extraordinarily Difficult.
  - What is being auctioned must be identical to all parties, yet service areas for different carriers vary widely.
  - A carrier with a large footprint may win in portions of its service area, and not necessarily in contiguous areas.
  - A reverse auction for wireless will result in a "checkerboard" of platforms that greatly limits interoperability.
  - Wireless consumers, many or most of whom drive cars, will be "in and out" of areas of compatible coverage.
  - Huge blow to public safety for consumers and limited utility for public safety/first responder usage.

There is Significant Support for Competitively Neutral Solutions

- T-Mobile, Sprint, CTIA, RCA members (Wireless Carriers"), all favor targeting support toward high-cost areas or end user customers.

- The vast majority of rural America (*not* the "last 250,000 households") would be harmed by any single winner approach to the Mobility Fund.

- Marketplace impairment caused by a single winner requires much higher regulatory costs, with corresponding reduction in consumer welfare.

The Commission Should Explore Two Universal Service Funds

- U.S. Cellular favors a “fixed broadband” fund and a “mobile broadband” fund.
- Each fund based on efficient costs.
- The plan must provide funding sufficient to fulfill Congressional objectives, even if fund size increases or if timetable slips.

The NBP Recommendation Does Not Include Sufficient Analysis of Mobile Broadband

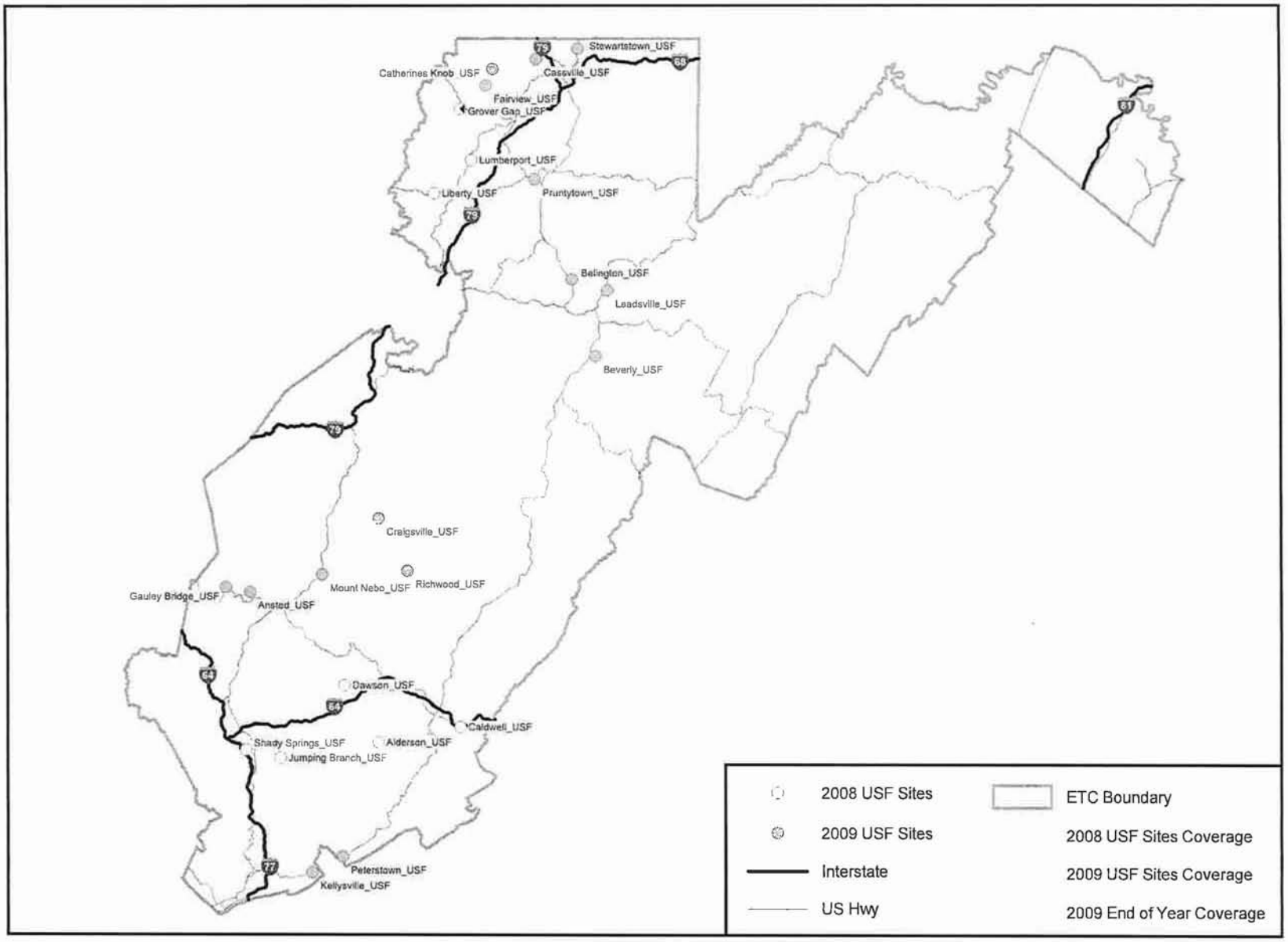
- NBP and related materials focus on cost of building broadband to residences and businesses using fixed wireline and wireless connections.

- In order to comply with 254, FCC must establish a universal service price tag for providing 100% mobility, everywhere that people live, work and travel.

- A mechanism must be developed to identify both unserved areas and dead zones so that support can be efficiently targeted.

- The NBP assumes a "robust" mobile marketplace without support for ongoing operating and maintenance expenses.

US Cellular
West Virginia 2009 Network Coverage
with 2008 and 2009 USF Sites and Coverage



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