

Smith Bagley, Inc.  
Ex Parte Presentation

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# Tribal Lands Deserve Special Treatment

- ▶ Native American lands, while not homogeneous, contain some of the most challenging demographics, including high unemployment, low per-capita income. Broadband adoption rates hover between 5% and 10%, far behind the nationwide rate of 65%.
- ▶ Navajo, Hopi, White Mountain Apache, Zuni, and Ramah Navajo in SBI's areas contain some of the most demographically challenging areas in the nation.
- ▶ SBI has submitted substantial record evidence of difficulties accessing electricity, plumbing, telecommunications services, schools and health care facilities.

# Tribal Lands Deserve Special Treatment

- ▶ SBI's success on tribal lands with Lifeline for voice:
  - 2000: No Lifeline subscribers, 27% household telephone penetration on tribal lands.
  - 2010: Approximately 60,000 Lifeline subscribers. Household penetration estimated in the 80%+ range, to be validated by 2010 Census.
  
  - 2000: Wireless voice service on Navajo, Hopi, Zuni, White Mountain Apache limited to some interstate highways and major towns.
  - 2010: Wireless voice service available throughout most of the areas where tribal residents live, work and travel.
  
  - 2000: 200 minutes of analog service available to Lifeline subscribers – sporadic service in rural areas.
  - 2010: 600 minutes of digital (2.5G) service and wider local calling area available to Lifeline subscribers, at same price point – substantial service in rural areas.

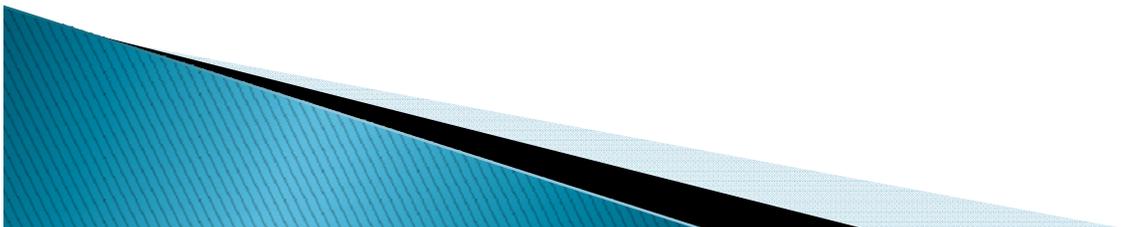
# Tribal Lands Deserve Special Treatment

- ▶ Tier 4 Lifeline Support Program for voice has been instrumental in lowering price of service, while providing carrier incentives to construct facilities and reach out to low-income households.
- ▶ SBI's outreach has included consumer education programs which can also be extended to citizens choosing broadband.
- ▶ A Lifeline program for broadband will provide similar incentives for carriers while benefitting rural citizens.
- ▶ Tribal lands an ideal area to study for application in other parts of the country.



## A Proposed Broadband Lifeline Program

- ▶ Broadband Lifeline program: \$10.00 monthly discount for basic broadband (3G or above) in non-tribal areas.
- ▶ Tribal Lifeline program: Similar to Tier 4 program, up to an extra \$25.00 discount (3G or above) in tribal areas.
- ▶ Linkup program: To reduce installation costs (e.g., 1/2 the installation fee up to a total discount of \$30, and an additional discount on tribal lands equal to 100% of installation charges between \$60 and \$130).

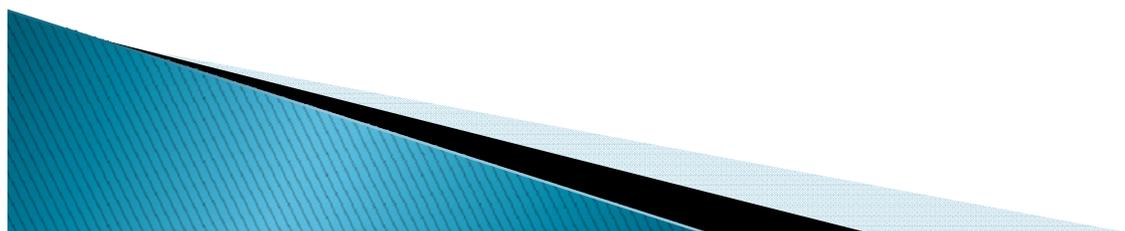


## SBI's Petition for a Limited Waiver of the Interim Cap for the Eastern Navajo Agency

- ▶ The *Interim Cap Order* includes an exception permitting CETCs to receive uncapped support on “Covered Locations” (generally defined as federally recognized tribal lands).
- ▶ This exception was intended to enable competitive ETCs to use uncapped high-cost funding to “help remedy the low penetration rates and poor telecommunications services in these areas.”

## SBI's Petition for a Limited Waiver of the Interim Cap for the Eastern Navajo Agency

- ▶ Because of its “checkerboard” makeup, the Eastern Navajo Agency does not fit squarely within the “Covered Location” exception.
- ▶ The Eastern Agency is the poorest of all Navajo lands.
- ▶ A limited waiver of the cap would permit SBI and other CETCs to use uncapped support to provide service in the Eastern Agency.
- ▶ The FCC previously granted relief to allow Tier 4 support on Eastern Agency, citing many of the circumstances here present.

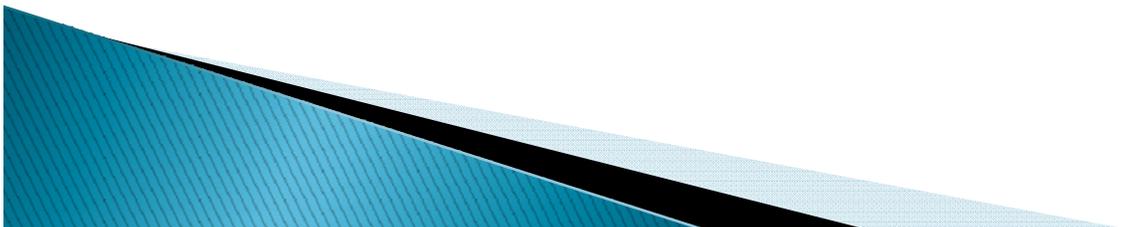


## SBI's Petition for a Limited Waiver of the Interim Cap for the Eastern Navajo Agency

- ▶ A limited waiver would advance the competitive goals of the FCC and the Telecommunications Act of 1996.
  - ▶ Waiving the cap, and disbursing support on a competitively neutral basis, would promote investment in the Eastern Agency.
  - ▶ If the cap is waived, SBI would not merely provide services that are complementary to incumbent carriers' services in the Eastern Agency.
  - ▶ SBI would provide services in unserved and underserved areas, where tribal residents have no service, or no access to mobile wireless services.

# SBI's Petition for a Limited Waiver of the Interim Cap for the Eastern Navajo Agency

- ▶ Uncapped high-cost support would enable SBI to construct additional cell sites, and to accelerate the deployment of all its cell sites.
- ▶ This will help increase levels of subscribership and access to modern telecommunications services in the Eastern Agency, consistent with the FCC's policies.



## USAC Has Incorrectly Interpreted the FCC's Covered Locations Exception to the Interim Cap

- ▶ On July 6, 2010, SBI sought review of USAC's refusal to fully implement the "Covered Locations" exemption to the Interim Cap.
- ▶ Under the exemption, all qualifying lines must receive uncapped high-cost support (not just high-cost *loop* support).
- ▶ Interstate Access Support continues to be capped in Covered Locations.

## USAC Has Incorrectly Interpreted the FCC's Covered Locations Exception to the Interim Cap

- ▶ Carriers serving Covered Locations are to receive support pursuant to Section 54.307 of the Commission's rules, which states that such carriers "*will receive the full amount of universal service support that the incumbent LEC would have received for that customer.*"
- ▶ Notwithstanding this requirement, USAC first "uncaps" support in Covered Locations, then "recaps" Interstate Access Support.
- ▶ As a result of this practice, Smith Bagley, Inc. receives significantly less than the "amount the incumbent LEC would have received" for those customers.

## USAC Has Incorrectly Interpreted the FCC's Covered Locations Exception to the Interim Cap

- ▶ SBI estimates that its support on tribal lands is being reduced by approximately \$900,000 per year – roughly 26% of its total support in tribal areas
- ▶ The requested relief is very limited in scope. Based on USAC data, SBI will be the only CETC to receive significant additional IAS.
- ▶ The Commission should therefore direct USAC to provide uncapped support to carriers for lines they report in Covered Locations without delay.

## SBI Petition to Increase Tier 4 Support on Tribal Lands for Voice

- ▶ SBI filed its petition on March 27, 2009 (RM-11529) to increase Tier 4 support by \$5.00.
- ▶ Current Tier 4 level established in 2000. Yet, Tier 4 has not been adjusted to account for inflation, cost of living, or any other factors.
- ▶ Telephone subscribership has dramatically increased on tribal lands as a result of Tier 4 support, but is still not on par with the rest of the nation.

## SBI Petition to Increase Tier 4 Support on Tribal Lands for Voice

- ▶ Increasing Tier 4 support will:
  - ▶ Enable carriers to increase the quantity of service provided.
  - ▶ Encourage increased competition and infrastructure investment on tribal lands.
  - ▶ Have negligible effect on overall fund size.

