

WRITTEN STATEMENT

of

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before the

U.S. SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

June 24, 2010

Chairman Rockefeller, Ranking Member Hutchison, members of the Committee, my name is John Gockley, and I am Vice President, Legal and Regulatory Affairs for United States Cellular Corporation. Thank you for the opportunity to discuss how Congress and the FCC might consider transforming the universal service fund to be better aligned with the needs of the Nation in the era of broadband.

U.S. Cellular provides wireless service in nearly 200 markets across 26 states located in regional clusters across the country, including many of the states represented on this Committee such as Kansas, Maine, Missouri, Nebraska, Virginia, West Virginia and Washington. The overwhelming majority of the geography we serve is rural in character. Our opinions and perspectives on the Universal Service Fund are informed by our experience as an eligible telecommunications carrier (“ETC”) serving rural America.

We use federal universal service support to build new cell sites and operate facilities in high-cost rural areas that would not otherwise have access, and we see first-hand the profound effect that access to advanced wireless service has on jobs and the quality of life of the consumers in rural America that we serve.

From our rural-centric perspective, we offer the following views on the role of universal service in a world evolving to broadband:

1. Providing USF Support Today for Investment in Fixed and Mobile Broadband Infrastructure is Critically Important

This hearing comes at a critical juncture for our nation's communications infrastructure. We have known for a long time that mobility and broadband are the two "must have" applications to enable our citizens and businesses to function in the modern world. Mobile broadband uptake is exploding, and the percentage of wireless-only households now approaches 30%. It has now been almost fifteen years since Congress had the wisdom to declare that rural citizens should have access to both **telecommunications and information services** that are reasonably comparable to those available in urban areas. As such, now is the time for the FCC to develop an approach that permits carriers to directly invest universal service funds in the two services that consumers desire most: broadband and mobility.

With wireless carriers poised to deploy state of the art 4G networks, the timing couldn't be better for supporting mobile broadband deployment. Access to broadband should no longer be considered a luxury – it is an absolute necessity. And any program with the goal of "preserving and advancing universal service" must make funding available to build, maintain and upgrade state of the art and high-quality broadband networks throughout those areas of the country that would not otherwise attract sufficient private capital. Along with access to basic voice service, broadband, whether delivered over land line or wireless networks, has the capability to deliver an enormous array of services and applications that will grow exponentially every year.

The FCC's National Broadband Plan identified a significant broadband investment gap in rural America and recommended that the universal service program

be an essential tool to close that gap. We agree that this program can and should be a key driver of broadband investment and consumer adoption. Rural America would not have high-quality telephone service today without universal service funding and it will not have high-quality broadband services tomorrow unless this program is properly structured to provide market-based incentives to carriers who are willing to invest in rural areas.

Between 1999 and 2009, over \$31 billion of universal service support has been invested in **fixed voice service** while \$6 billion has funded **mobile voice service**.¹ If the FCC simply permitted eligible carriers to use the support we already receive today to build broadband infrastructure, we would begin that process immediately, and our investment would substantially narrow the broadband gap in just a few years.

We embrace the challenge of building out high-quality broadband networks, but we also know that without universal service, rural and high-cost areas are going to be left behind. Furthermore, we believe there are ways to accomplish Congressional goals while maintaining strict budgetary control over the program, guiding investment to the areas of greatest impact, and ensuring the accountability of those that utilize the funds.

To be clear, permitting USF high cost support to be used in the deployment of fixed and mobile broadband services is the single most important action needed to accelerate access for those living in rural high-cost areas.

¹ 2009 Federal-State Joint Board Monitoring Report at Table 3.2;
http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-295442A5.pdf .

2. Mobility is Critical to Rural Americans.

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

What may also interest the Committee is that we get very few comments from our customers concerning the universal service line item on their bills. Yet, every day we receive scores of comments identifying rural areas where service needs to be improved. Many of these comments come from prospective customers who tell us that they are leaving their old carrier because it has insufficient coverage in rural areas. In addition, policy makers often tell us where they personally experience persistent dead zones, or where their constituents have identified a lack of coverage.

The symptoms are not just dropped calls and dead zones that compromise safety. They include an inability to receive email messages or access the Internet, inability to use smart phone functionalities, and batteries that die quickly because the device is constantly searching for a network.

Problems also extend to law enforcement and health workers. Awhile back, Sheriff Everett Flannery from Maine testified before this Committee about the many ways he and other first responders use mobile phones, and the frustration of attempting

to deal with a domestic disturbance or talk to an undercover officer in a rural area with inadequate service.²

We have used support to aggressively fill in rural areas and want this Committee to understand that while we have come a long way, the job of delivering basic mobile wireless coverage to rural America is not done. In fact, one point I would like to highlight for you is the well-worn statistic that almost everyone has access to two or more mobile carriers. That statement says absolutely nothing about the quality of service in rural areas. For us, universal service is the difference between ***some mobile service in some areas*** (think “one bar” that flickers in and out) and ***high-quality service (think “five bars” that remains steady as you move) everywhere that rural citizens live, work and travel.*** A robust and ongoing program is needed to enable carriers to fill in coverage gaps that continue to plague rural areas, otherwise citizens will be forced to settle for service quality that is inferior to that which is available in urban areas.

In recent years, we have aggressively invested federal universal service funds to dramatically improve coverage in rural areas. Those coverage gains are illustrated in the maps I have attached for Maine, Missouri, Nebraska, Virginia and West Virginia. In each of these states, it is easy to see that much work remains to be done to provide basic wireless coverage, and to improve that coverage to deliver seamless access where rural citizens and visitors live, work and travel. The same can be said for all of the

² See, 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 .

states in which we operate as an ETC. That is, while we obviously share the goal of delivering broadband to these regions, many areas still require investment in basic network access, to enable citizens to complete a telephone call.

Accordingly, we strongly disagree with the prior FCC's decision to cap wireless funding in areas where we need to improve service. We also disagree with the National Broadband Plan's recommendation to cut funding to wireless carriers immediately by reducing the cap in areas where Verizon and Sprint have voluntarily agreed to walk away from the program.

We understand that the FCC is currently considering an item that would recapture all of the funds relinquished by Verizon and Sprint, contrary to its May 2008 cap order. If this item is adopted, there will be a significant and immediate reduction in wireless investment in rural areas. For example, in Maine, where Verizon Wireless has relinquished its ETC status, we estimate that the state will lose up to \$3 million per year that other eligible carriers could use to build facilities in rural areas that need improved service, without increasing the size of the fund at all.

Given the need to continue to improve coverage, as our attached maps make clear, it makes little sense to begin to decrease existing funding before there is a concrete plan in place for the disbursement of the new funds. We fear that if wireless voice support is reduced or prematurely re-directed elsewhere, then coverage that exists today may be compromised as carriers come to grips with the economic reality of how to pay for the expense of maintaining and operating existing cell sites in rural areas that never would have been built in the first place but for USF support. Accordingly, we will oppose any proposal to "recapture" funds that large carriers are walking away from.

Chairman Genachowski recently said at the D8 Tech conference: “Unleashing mobile is one of the most important, if not the most important thing we can do. There's no doubt in my mind that the biggest opportunity over the next decade to drive innovation, to drive broadband success, to drive competition in broadband...is to take advantage of mobile broadband”³

We could not agree more. In rural and high-cost areas there is not now, and will not be, enough of an infrastructure to attract and keep businesses unless the universal service mechanism effectively accelerates the construction of infrastructure that is reasonably comparable to that now present in urban areas. We must have universal service mechanisms which ensure that mobile wireless networks provide sufficient coverage to enable broadband deployment to Americans living in rural high-cost areas.

As a positive first step, the Commission should simply make broadband a supported service and allow us to use the existing streams of support to continue to fill in coverage gaps, while at the same time deploying mobile broadband over the substantial network of towers we have built with USF support. This would make for a remarkably efficient use of both USF support already provided, and support yet to come, which is vital to completion of existing voice networks and to jump start high speed 4G mobile broadband networks.

³ [D8 Video: FCC Chairman Julius Genachowski on the Broadband Problem.](#)

We urge Congress to direct the FCC to develop mechanisms to provide rural Americans with access to mobile services that are reasonably comparable in quality and price to that which is available in urban areas by immediately permitting use of the high cost support that is available today for the deployment of 4G networks and including dedicated funding for mobile broadband as part of any long term solution.

3. Market-Based Mechanisms Benefit Consumers and Accelerate Investment.

The National Broadband Plan recommends the use of mechanisms that would select one winner per geographic area regardless of technology. This would mean that rural citizens would receive either fixed broadband or mobile broadband, but not both. And the government would choose which one. We disagree with this approach on a number of levels. A market-based mechanism that allows consumers to choose the carrier that provides the best service is superior to one where the government selects a single marketplace winner. Consumers benefit more when carriers fight in the market to provide better service and lower prices, rather than fighting in Washington to be awarded a dominant market position. Rural consumers also deserve a choice of providers, and the ability to access both fixed and mobile broadband, just like consumers in New York City and Chicago.

Consumers are increasingly accessing the Internet while mobile. If we fail to fund mobile broadband access in rural America, we are acquiescing in the creation of a new and more intractable digital divide. Therefore, we must have fixed **and mobile** broadband networks in rural America. We think the Broadband Plan is not bold enough

here because we should be first defining goals properly and then proceeding to determine how to pay for them – not limiting our goals because of a concern that the size of the current fund may be insufficient today.

If universal service is limited to one government-selected and subsidized carrier, soon thereafter it will become dominant, limiting choices and requiring extraordinary government regulatory oversight. The FCC will be required to impose market opening measures, including regulation of rates, resale, unbundling, and interconnection, similar to the current regime set forth in Section 251 of the Telecom Act for incumbent wireline carriers. Other aspects of mobile wireless service, such as customer service, reliability of coverage, availability of advanced handsets and promotional offerings will all be very difficult and expensive to regulate. This is counterproductive and amounts to the government reconstructing the very monopoly-style system that the 1996 Act intended to break up. Universal service mechanisms were intended to work within increasingly competitive markets, not prevent the very competition that the 1996 Act intended to promote.⁴

Rather, we should be exploring alternative and creative ways to foster competition by encouraging multiple carriers to seek support in an area before we conclude that it is simply too expensive and turn our back on the benefits of competition. It may make sense for policy makers to consider the benefits and economies of scale that might accrue if USF recipients were required to share the expenses of common infrastructure such as towers or backhaul with one another in order to maximize the USF support that is available.

⁴ See, e.g., Federal-State Joint Board on Universal Service, 14 FCC Rcd 8078, (1999).

U.S. Cellular has long favored mechanisms that determine an amount of support in high-cost areas, allowing carriers to gain support only when they get a customer, while losing support when they lose a customer. The incentive to get and keep a customer must be aligned with the availability of support. More important, from a budgetary basis, this kind of concept ensures that the size of the draw on the fund is controlled by the amount of subsidy available for each area. Frequent claims that the high cost fund needs to be better controlled would be addressed via mechanisms that only support the carrier that gets the customer.

We believe that the mobility fund contemplated by the FCC should fund the reasonable costs of both construction and operations for mobile broadband providers and should be expanded from just supporting 3G networks to include the coming 4G revolution which will be so vital to the future health, safety and economic growth of the Nation. If you take anything away from my testimony let it be this – rural Americans are entitled to have access to both fixed broadband and mobile broadband so that they may choose one, or even both, to satisfy their needs. Congress must provide sufficient funding for both.

With respect to determining the appropriate amount of support in a particular area, the FCC is considering a model-based approach, and we have previously testified before the Congress that models should be considered. In a recent order, the Commission explained its use of a model for some wireline carriers provides “a specific and predictable methodology for determining when non-rural carriers qualify for high-

cost support.”⁵ Computing power and mapping software have advanced the art and science of modeling light years ahead of the 1990s, when that model was developed.

A form of cost model may also be a useful tool in determining the true cost and benefits of introducing multiple competitors into a rural area. We look forward to participating in discussions with Congress and the FCC regarding the efficacy of adopting cost models to distribute USF support.

Market-based support mechanisms that provide proper incentives to invest and require accountability for the use of funds are far superior to the government selecting one carrier for rural citizens.

4. Support Must Be More Accurately Targeted.

Support funds are not unlimited and, thus, incentives must be properly structured so as to drive investment to the high-cost areas that need it most. Today, some relatively low-cost suburban areas receive too much support while other high-cost rural areas receive too little. Models can be an effective tool for identifying high-cost areas and the amount of support that should be available to carriers serving there.

We encourage more accurate targeting of support, in large part because our internal market analysis suggests that we are making great progress in areas where support is available. For example, in drive tests we commissioned in 2009 analyzing dropped and incomplete calls in urban and rural settings for all the major carriers, independent testing confirmed that our network performance in rural areas dramatically

⁵ High-Cost Universal Service Support, Order On Remand And Memorandum Opinion And Order, FCC 10-56 (April 16, 2010) at para. 18.

outperformed the networks of carriers not receiving USF support. We attribute this to the additional investments we have made using universal service funds. In short, rural consumers in areas where we are investing support are receiving higher quality service as a result of our participation in the program. That said, our drive tests also showed that our networks in urban areas out performed our networks in rural areas. As I said at the outset, there is still much work to be done to bring rural areas up to a comparable level of service.

Targeting support to the areas that need it most will increase incentives for rural carriers to deploy much-needed infrastructure to the benefit of rural citizens.

5. Promote Access for Low-Income Individuals.

Today, the Lifeline and Link-up programs provide low-income individuals with access telephone service, while the Schools and Libraries program enable access to broadband at anchor educational institutions. Universal service reform must include promoting access to discounted fixed and mobile broadband service for low-income households. It is not enough to provide broadband to a household if residents cannot afford to take advantage of it. Educational opportunities expand with access to broadband, as many low-income individuals cannot afford to attend traditional educational institutions.

We agree with the National Broadband Plan that there needs to be a Lifeline program promoting access to broadband for low-income Americans.

6. The Transition to New Support Mechanisms Must be Measured and Orderly.

The FCC has set forth a core reform principle that there should be no “flash cuts,” so that carriers can make appropriate adjustments and prepare for significant changes. We agree with that approach. Yet the National Broadband Plan and subsequent FCC proposals contain several troubling recommendations.

For example, support to wireless carriers under the existing mechanism would be phased down over a five year period, yet the Commission has offered no public assurance that the new broadband funds will be phased in over a similar period. ***The FCC must establish its broadband funding mechanisms first so that the timing of a phase in coincides with the phasing out of the current mechanisms.***

Just as troubling is the recommendation that support to wireline carriers be phased down over a ten year period, despite the fact that their networks are mature, while support to wireless networks would be phased down over five years, even though our networks require substantial additional investment to cover rural America. The arbitrariness and inequity of differing phase downs aside, accelerating the phase down of wireless carriers 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.

Moreover, any phase down should mirror the likely industry conversion from voice networks to all IP networks. An accelerated phase down that is not in sync with network deployment may have the unintended consequence of causing voice networks

to be prematurely abandoned. We do not know what that right time frame is yet, but a record needs to be developed before the phase down occurs.

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 the old in a timely fashion.

7. Reforming the Mechanism for Contributing to Federal Universal Service Must be a Priority.

Today, federal universal is funded by an assessment that is a percentage of interstate and international revenues for telecommunications services. Revenues from information services are not assessed. States fund their universal service programs by assessments on intra-state services. The immediate problem for the federal program is that spending on interstate telecommunications services has declined by sixteen percent from its high.⁶

Voice traffic is shifting to wireless and the Internet, prices are falling, and business and residential consumers are spending less on voice services as a result of the recession. As the amount of money spent on interstate and international services declines, the percentage assessment on the remaining revenue must rise. This of course is a primary cause of the recent rise in the contribution factor, not growth in funding to wireless ETCs, which have been capped.

⁶ See, FCC Quarterly Administrative Filings from 2001-2010 at <http://www.usac.org/about/governance/fcc-filings/2010/> .

The principle of universal service, that everyone should equitably share the burden of ensuring that the entire country has access to the services that we all need, since everyone gains from being connected to a greater network of users, is undermined when some segments of the industry bear a disproportionate share of the burden. In the case of wireless, our industry contributes roughly \$3.00 for every \$1.00 that comes back to support wireless services. This disparity harms rural citizens, who deserve high-quality mobile wireless networks.

For years, the FCC has entertained proposals for reforming the contribution mechanism so that all users of the network contribute equitably to further the universal service goals set forth in the Communications Act. U.S. Cellular has supported a hybrid approach that would assess both connections and revenues. But we are not wedded to this approach.

Near term action is needed to reform the contribution methodology to ensure that the system is equitable and that there is sufficient funding to enable all Americans to access our telecommunications networks.

Concluding Remarks

The nation is deep in catch-up mode when it comes to rural broadband development. Universal service must accelerate infrastructure investment so that rural citizens have access to advanced services and rural communities can have the health, safety, economic development, and jobs benefits that flow from broadband infrastructure. Just as important, universal service must look well down the road,

beyond the markets and devices we see today. Last week, it was predicted that tablet sales will exceed netbook sales in 2012 and desktop sales by 2013.⁷

Think about that – a device that made its debut just a few months ago is going to overtake the desktop computer in three years. What this tells us is that there will be more devices and more applications that will bring enormous change to everything, including law enforcement, health care, education, transportation, and energy management. Many of these changes require access to mobile broadband. Put simply, our citizens living in many rural high-cost areas are not going to have access to these devices and the applications enabled by them unless there are high-quality advanced networks in place.

We share your urgency concerning the need to keep rural and low-income Americans from falling further behind the information revolution and we are prepared to help the committee confront the critical issues addressed by today's hearing. We are supportive of the goals of the National Broadband Plan and we think that with some common sense adjustments that it can provide the way forward for deployment of fixed and mobile broadband throughout rural America.

⁷ See, http://blogs.forrester.com/sarah_rotman_epps/10-06-17-steve_ballmer_right_pc_market_getting_bigger ; see also, http://www.forrester.com/rb/Research/us_consumer_pc_market_in_2015/q/id/57210/t/2

MAP EXHIBITS SHOWING U.S. CELLULAR COVERAGE