

**WRITTEN STATEMENT**

**of**

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**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

**UNITED STATES CELLULAR CORPORATION**

**before the**

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

**October 12, 2011**

Chairman Rockefeller, Ranking Member Hutchison, members of the Committee, my name is Mary Dillon, and I am President and Chief Executive Officer of United States Cellular Corporation. Thank you for the opportunity to discuss the FCC's imminent action to reform the universal service and intercarrier compensation mechanisms.

### **Introduction.**

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 Maine, Missouri, New Hampshire, 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.

Fifteen years ago, Congress declared that rural citizens should have access to telecommunications and information services that are reasonably comparable to those available in urban areas. Last week, Chairman Genachowski announced that his vision of universal service reform includes the creation of a mobility fund, recognizing the critical role that mobile broadband plays in public safety and economic development in rural and high-cost areas. We thank him for his leadership in recognizing the important role of mobile broadband in enriching the lives of all of our citizens. What we hope to see in the upcoming order is a mobile broadband program that is sufficiently funded so that we can effectively expand and deploy mobile broadband networks in rural America.

From our perspective, mobility and broadband are the two “must have” applications to enable our citizens and businesses to be competitive with other developed countries. Our country is stronger when citizens living in both urban and rural areas have access to the tools needed to participate in the world economy. As you know, mobile broadband uptake is exploding, and roughly one in three households is now wireless-only.

We use federal universal service support to build new cell sites and operate facilities in many 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. In furtherance of the mission you gave them, to both “preserve and advance” universal service, the Federal Communications Commission must include funding 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.

Between 1999 and 2010, over \$34 billion of universal service support has been invested in **fixed voice service** while less than \$8 billion has funded **mobile voice service**.<sup>1</sup> In the wireless industry, support has been integral to our ability to extend new cell towers into rural areas, beyond the major towns and highways. Included with my statement as Exhibit 1, are a series of maps that demonstrate two things. First, we’ve made tremendous progress in improving coverage for rural Americans thanks to USF support, and second, that significant coverage gaps remain.

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<sup>1</sup> 2010 Federal-State Joint Board Monitoring Report at Table 3.2;  
[http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-303886A5.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-303886A5.pdf)

These maps are instructive, because it is readily apparent that building new towers and providing high-quality coverage is the essential building block in delivering future mobile broadband services. That is, support is needed to build new towers, and overlay new 4G broadband technology in order to provide rural areas with high-quality mobile broadband service that they can depend on.

Here is one small example of what is happening in the marketplace. Amazon recently announced that its new Kindle Fire device includes free cloud storage for all Amazon content. Consumers are discovering the convenience of cloud storage for their digital content, including books, music, video and periodicals. As this transition commences, demand for mobile broadband will increase exponentially, as consumers will access this content any place that network quality is good. They do not intend to plug these devices into a wire in order to access their content.

As a carrier that invests in rural communities and wants to deliver these services to our customers, we offer the following views on the Commission's upcoming action and the role of universal service in helping all Americans access broadband services:

**1. High-Quality Mobile Service is Critical to Rural Americans**

As we've previously testified before this Committee, our research indicates that, given an either/or choice, most rural citizens would give up their home connection to the Internet because they view mobile access as a critical communications tool. Traveling in remote rural areas without a wireless device capable of dialing 911 or communicating with family is just not done in today's world. This is not to suggest that rural areas don't

deserve access to both fixed and mobile broadband, but it highlights how important our rural citizens believe mobile services are in today's world.

Many of our new customers tell us that the reason for choosing our service is superior coverage in rural areas, much of which has been made possible by the FCC's current universal service mechanism. In addition, policy makers often tell us they personally experience dead zones, or that their constituents have identified a lack of coverage in areas they live, work and travel. The symptoms 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.

I would like to address up front the well-worn assertion that almost everyone has access to two or more mobile carriers. While technically that statement could be true it is misleading at best because it says absolutely nothing about the quality of that access experienced by citizens living 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 remain steady as you move) everywhere that rural citizens live, work and travel.*** A robust and ongoing program is needed to enable mobile 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. And, as I mentioned above, coverage delivered by building towers is the gateway to high-quality broadband.

Further evidence that more investment is needed in rural America to deliver high-quality mobile services can be found in a recent poll we commissioned. We have

included a copy of this data as Exhibit 2. Currently, the federal high-cost mechanism disburses approximately \$4.5 billion per year. When asked how that amount should be divided going forward between fixed and mobile services, the great majority of Americans surveyed would invest approximately 50% in each category.

This indicates a clear understanding that mobility plays a critical role and that more needs to be done. The idea that over 90% of universal service funds should be invested in either technology polled at 14% approval. Yet, the wireline-sponsored industry proposals that the FCC is considering would invest 93% of available funds to landline technology and it would reduce existing funding for mobile broadband by 75%, or perhaps more, depending upon whether wireline carriers choose to take 100% of the funds which under their proposal they have the ability to do so.

If you look forward a decade under the wireline industry proposal, \$42-45 billion would be invested in fixed services, while \$0-3 billion would be invested in mobile services. At this time, when smart phones now place enormous computing power in an average person's hands, when tablets are on the verge of revolutionizing industry and education, and when demand for mobile broadband is exploding in our urban centers, this is not an investment mix that will provide rural Americans with the opportunities they need to compete. It will fail to provide rural Americans with access to reasonably comparable services, which is what Congress mandated that the FCC do.

I note that South Korea has set a goal to connect every one of its citizens at a speed of one gigabit per second by the end of 2012,<sup>2</sup> while here in the U.S., wireline carriers propose to connect most of our citizens at 4 megabits per second, ten years

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<sup>2</sup> <http://www.nytimes.com/2011/02/22/technology/22iht-broadband22.html>

from now. This is hardly the kind of big thinking that has been the hallmark of this country from its inception.

In areas where population density and geographic challenges make it too expensive to string fiber to homes, mobile broadband can today provide speeds far greater than 4 megabits, and next generation LTE technology promises significant increases in speed, in addition to mobility.

It is absolutely essential to provide enough support for mobile broadband to “move the needle” and bring meaningful infrastructure development to rural areas. We are prepared to build new towers that provide coverage and will be broadband-ready on day one. Accordingly, it is essential that at least \$1 billion per year be invested in expanding our mobile broadband networks. That is less than 25% of the high cost fund to support the technology that rural consumers are demanding.<sup>3</sup> Given that consumers of mobile services now contribute over \$3 billion per year into the fund each year, they should not have to subsidizing networks they have abandoned to the exclusion of the networks they have chosen and be denied access to reasonably comparable services that Congress intended they receive.

We thank FCC Chairman Genachowski for announcing last week that the FCC will adopt an FCC plan, not an industry plan, and we ask this Committee to insist that the FCC reject the plan for our rural areas that the wireline industry has included in its recent proposals.

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<sup>3</sup> The FCC’s Technological Advisory Council recently estimated that by 2018, only 8% of the population will subscribe to residential telephone service on the public switched network. See, <http://transition.fcc.gov/oet/tac/TACJune2011mtgfullpresentation.pdf> .

***Access to high-quality mobile broadband service that is reasonably comparable to that which is available in urban areas must be a core component of universal service reform.***

## **2. Universal Service is a Driver of Jobs and Economic Development.**

The high-cost fund can be a powerful engine of economic development, especially with respect to mobile broadband. When carriers use support to build infrastructure, it has a substantial multiplier effect in the economy. Jobs are created in construction, and more are created when mobile broadband enables people to build businesses.

Deloitte recently released a study indicating that every one billion dollars of investment in mobile infrastructure creates 15,000 jobs.<sup>4</sup> Accordingly, at this critical time, when jobs and growth are foremost in every government decision, if you want program funds to go farther, to deliver faster speed in a shorter time, while creating thousands of jobs and accelerating economic opportunities for rural Americans, more funding should be directed toward mobile broadband services.

When a business decides whether to move to a rural area, or move out of it, high-quality mobile wireless coverage is a factor. Each year, it will be more of a factor, especially as new 4G networks continue to proliferate. At a time when our economy is struggling, and millions of people are unemployed, we have urged the FCC to reject any proposal that would constrain funding to mobile wireless carriers, an industry that continues to buck national trends by investing in infrastructure and hiring new workers.

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<sup>4</sup> [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/TMT\\_us\\_tmt/us\\_tmt\\_impactof4g\\_081911.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/TMT_us_tmt/us_tmt_impactof4g_081911.pdf)



Yet, as I understand the wireline industry plans, they propose to cut funding for mobile wireless, perhaps to zero. Today we're using those funds to build towers, and related infrastructure. Every time we turn on a tower, all of the consumer and economic development benefits we've talked about are made available. Nobody has adequately explained to me why, at this moment, reducing infrastructure investment in our economy is being seriously considered.

***A one billion dollar investment in mobile broadband infrastructure each year would create 15,000 jobs and stimulate economic growth in rural America. We believe that an investment of that order of magnitude – although less than what is being invested today – is needed to keep rural America from falling further behind.***

### **3. Improving Mobile Coverage and Enabling Mobile Broadband Will Deliver Enormous Public Safety Benefits to Rural Americans.**

As you know, a mobile phone has become the single most important safety tool that a person can have. Seemingly every day you can find a story on the web about someone who has been helped, including an incredible one a few weeks ago where a severely injured man trapped in a ravine in a remote area of California was rescued with the help of mobile wireless technology.

Anyone who travels throughout rural areas knows there remain dead zones that need to be filled in, and that mobile phones do not work on all mobile wireless networks. That problem will continue in the coming 4G world, because there remain significant

challenges in developing interoperable networks in both commercial and public safety networks. Accordingly, as mentioned above, funding mobile technology so that carriers can continue to fill in dead zones in rural areas has critical public safety benefits for all Americans.

The FCC is now moving forward on a proceeding to enable people to contact 911 operators and first responders through text messaging and other media devices, such as a tablet, a book reader, or any device with a web connection, enabling people to not only speak to first responders, but to send pictures or video that can assist them. These tools have incredible potential, but at their core they are meaningless without towers and the coverage they provide which enable these devices.

Senator Rockefeller, you and others on this committee have championed the cause of public safety by advocating that they receive additional spectrum so they can have an interoperable broadband network. When the time comes to build that network, its cost and the time it takes to build it can be greatly reduced, while coverage can be improved if commercial carriers have towers in place on which public safety can hang their radios, rather than building a new cell site.

For years, we have advocated that support be targeted more accurately to the high-cost areas that need investment, including those with “some service in some areas” so that carriers become more accountable for the funding they receive and that rural consumers see meaningful improvement in network quality. Properly targeting support increases program accountability and accelerates benefits to rural communities.

***Accordingly, the best thing you can do for your rural constituents is to see that the FCC creates a robust mobile broadband fund with proper accountability, so that rural citizens have the benefit of high-quality mobile wireless coverage – and mobile broadband.***

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

The Broadband Plan and the Commission have said that reform should be done without “flash cuts,” so that carriers can make appropriate adjustments and prepare for significant changes as reform is implemented. We agree with that approach. Yet, our understanding is that a phase down of support to wireless carriers under the existing mechanism would begin immediately, even though a new mobility fund mechanism may not be in place for several years.

It is critically important that the timing of a phase-out of existing support coincides with the phase-in of new mechanisms. First, if support to wireless carriers is reduced without a replacement mechanism, cell sites built in remote areas will be immediately at risk, especially those where revenues are not covering cell site operating costs.

Second, it is counterproductive to rapidly reduce funding to rural areas that still require significant capital investment to be brought up to par with urban areas.

Third, as a part of how we are accountable for the funds we receive, we have submitted build plans to many states, the accomplishment of which depend on high-cost support. Cutting funding will undermine the regulatory promises we have made to state commissions and deny many communities the benefit of new cell sites that we have committed to deliver.

***A new mobility fund that provides sufficient funding for rural America must be phased in coincident to the phasing out of the current support mechanism.***

## **Concluding Thoughts**

We are likely to get a reform order within weeks. This Committee's oversight responsibility must include direction that a new broadband fund that does not include sufficient funding to meaningfully improve the lives of rural Americans is not acceptable. All four Commissioners have made clear how important it is to reform this program, and all share the goal of investing funds more efficiently and directing more funds to the services that consumers are actually using.

Unfortunately, last minute proposals from the wireline industry maintain the status quo for them, while gutting investment in mobile broadband. To date, the Chairman has made clear that he will not be adopting such proposals.

I urge you to continue to monitor the process, as there is no more important mission for the FCC at this time than to ensure that public funds are invested efficiently, targeted toward areas that need them, that companies who receive funds are accountable, and that universal service is used to accelerate both fixed and mobile broadband service throughout our nation.

