



# Smith Bagley, Inc., d/b/a CellularOne

## Wireless Perspective on Universal Service and Intercarrier Compensation Reform

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# Smith Bagley, Inc.

- Serving rural northern New Mexico, Arizona and Utah
  - Navajo, Hopi, White Mountain Apache, Zuni and Ramah Navajo Tribes
- 125,000 subscribers
  - 56,000 are in low income households on Tribal lands

# Smith Bagley, Inc.

- Offering voice and 2G data services
- Recently acquired 700 MHz spectrum in New Mexico to support 3G/4G rollout
- Will enable fixed and mobile broadband speeds well in excess of 10 Mbps
- Will support laptop dongles and advanced smartphone applications

# Smith Bagley, Inc.

- Designated an ETC by NMPRC in 2003
- Invested Federal USF support to:
  - Dramatically increase NM cell sites—by about 7-fold
  - Construct high-capacity microwave backhaul network
  - Operate in remote rural areas that could not be constructed and operated without high-cost support

# What FCC Order Means For Wireless CETCs in NM

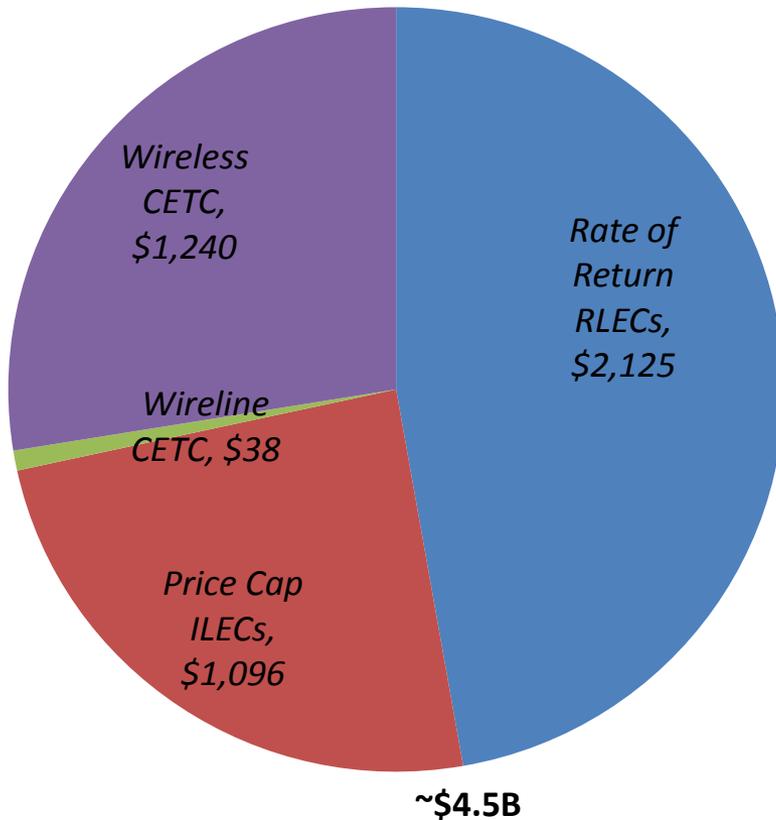
- Good:
  - Mobile Broadband recognized as critical
  - Dedicated funding for mobile
  - Broadband metrics for CAF (as defined today) allow wireless to compete for funding in CenturyLink areas in no more than five years.

# What FCC Order Means For Wireless CETCs in NM

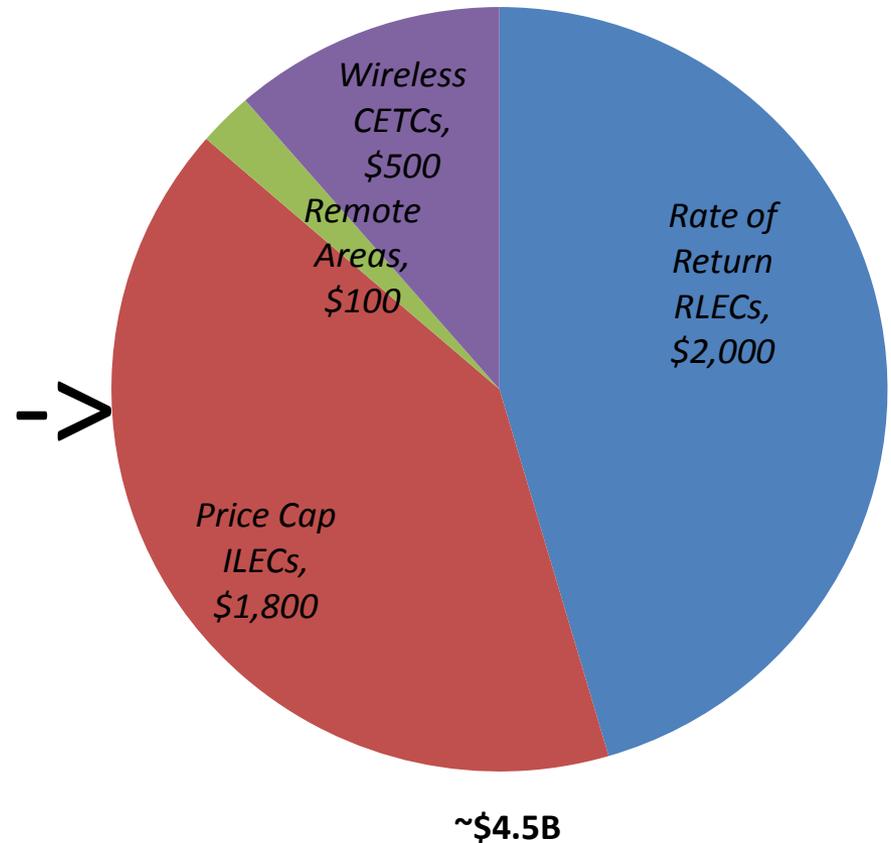
- Bad
  - Phase down of existing funding reduces mobile investment in rural areas at a critical time of 4G LTE roll outs by rural wireless (2013-15)
  - \$18 million in funding under existing program being provided to NM goes to \$0
  - New CAF likely to provide less investment to NM.
  - Preferential treatment for fixed, 20+ years after 1996 Act. Federal funding does not match what citizens want to use

# Nationwide, Wireless Support Is Reduced From \$1.3B To \$500M – NM Will Get Substantially Less Than Before Reform

**2011 High Cost USF Support, \$Mil.**

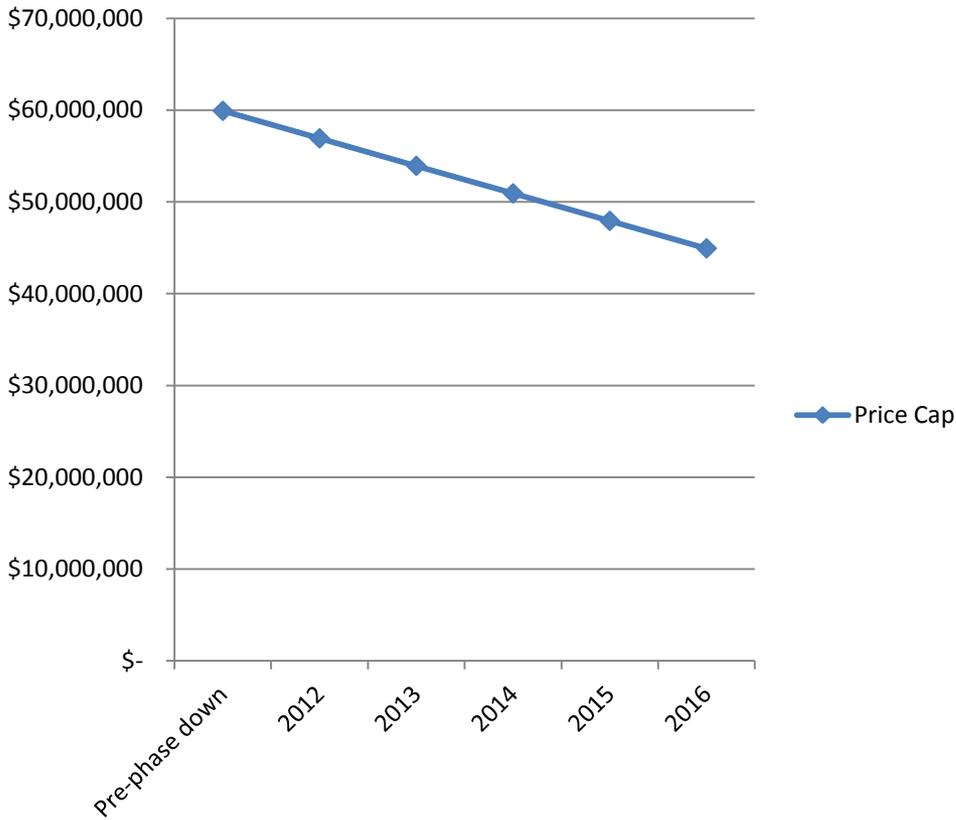


**2013 - 2017 CAF Support, \$Mil.**

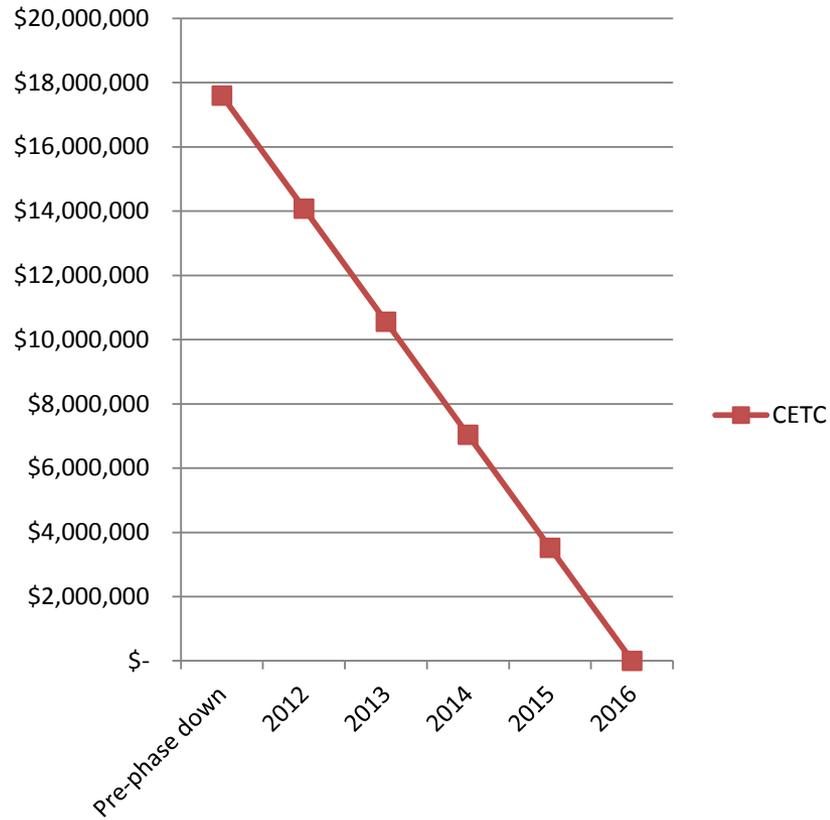


# What FCC's CAF Order Means for Wireless ETCs in NM

## ROR Phase Down



## CETC Phase Down



# What FCC Order Means For Rural Wireless Consumers in NM

- More Bad
  - Uncertain federal regulatory regime – roaming, co-location, Letters of Credit, rates
  - Inability to compete for support in RLEC area for up to ten years
  - Right of first refusal in big wireline areas – prevents efficient entry
  - Less competition and lower investment in rural areas is a negative for consumers

# Wireless Push Back in the 10th Circuit, Challenges to CAF Order

- FCC is not authorized to impose Title II common carrier regulatory requirements on providers of broadband Internet access, operating as Title I information service providers (*e.g.*, rates, roaming, performance metrics, coverage)
- Use of census blocks intrudes on state authority under § 214(e)(5), which requires, in areas served by a rural ILEC, that states and the FCC must agree on a funded service area that is different from a rural ILEC study area
- FCC usurped state power under § 214(e) by declaring that states may designate more than one ETC in an area, but the FCC would only provide Universal Service Fund (“USF”) support to a single ETC

# Adapting the NMRUSF to the New Realities

- FCC's Technical Advisory Council predicts by 2018 only 6% of homes will have traditional wireline phone service
- Can/should USF preserve 20<sup>th</sup> century networks and ways of business?
- What is the best way for the NMRUSF to ensure that residents and business have access to the voice and data services they want and need?

# Adapting the NMRUSF to Fund Services Consumers Need

- Develop policies that complement the FCC's order, not attempt to neutralize it
  - Promote and reward efficiency
  - Support what consumers need and choose
- Consider a mobility fund
- Why shift even more money from services consumers embracing to services consumers are abandoning?

# SBI Supports NMRUSF Policies that Encourage Carriers to Invest Efficiently

	NMECG	SBI (AZ, NM & UT)
Access lines = subs	34,411	125,000
Annual payroll	\$ 28,000,000	\$ 8,200,000
Number employees	526	180
Square miles served*	77,124	30,600
Number of Switches	91	1
Stats:	NMECG	SBI (AZ, NM & UT)
No. subs per employee	65.42	694.44
Avg. payroll per employee	\$ 53,232	\$ 45,556
Avg. payroll per sub	\$ 814	\$ 66
No. subs per square mile	0.45	4.08
No. subs per switch	378	125,000

\* ILEC square miles = service territory; SBI square miles = miles actually served

# Benefits of Supporting and Promoting Efficient Technologies—SBI Example

- SBI's network serves 3X more subscribers with 1/3<sup>rd</sup> the payroll, with 1/3<sup>rd</sup> the employees, and 1/90<sup>th</sup> of the switches
- PRC RUSF policies should encourage efficient investment
  - *E.g.*, 91 switches serving an area that could be served with one, should be investigated before increasing support

# Advantages of Using NMRUSF to Fund Mobile Broadband

- LTE technology will offer speeds approaching 100 Mbps
- There is no “spectrum crunch” in rural America, allowing wireless to provide broadband to all citizens
- If more state support is needed in rural NM, wireless is the more efficient option, and it can be deployed throughout the region more quickly
- Mobile broadband available throughout large areas – fixed broadband available at home/business only
- Mobile broadband - enormous public safety advantage



# Questions?

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