Opening Statements

• As a rural wireless carrier, Western Wireless’ interests are consistent with many of yours, but also opposite of yours in some respects

• I would like to focus in on two issues that are near and dear to both us: universal service and interconnection
Evolution of the Wireless Services

• As many of you already know, the wireless industry has experienced significant growth over the years.
• I’d like to share with you some data that highlights this growth:
  – Wireless penetration in the U.S.: 45% or 140M subscribers
  – Average minutes-of-use by subscribers: 500+ resulting in more than 456B wireless minutes-of-use in 2001, which represents more than 84% of all interstate MOUs on the landline network
• What does all of this mean? Based upon a survey conducted by Western Wireless:
  – 51% of wireless subscribers have replaced a large portion of their landline
  – 50% of wireless subscribers consider their wireless service equal to or more important than their landline phone
  – Nearly 25% of wireless subscribers consider their wireless service their primary means of communications.
The Law Attempts To Keep Pace With The Evolution of the Telecom Market

The Law
• The Telecom Act of ’96 brought about two important changes:
  1. revised eligibility for universal service support (Section 254 and 214(e)); and
  2. established reciprocal and non-discriminatory interconnection obligations (Section 251 and 252).

Universal Service – It’s A Brand New World
– Wireless carriers may obtain Eligible Telecommunication Carrier (ETC) status for purposes of universal service support (Section 214(e)(2))
– FCC established explicit, portable universal service fund allowing all carriers providing service in “rural” areas to receive support
– FCC has reduced “implicit” subsidies and other barriers to competitive carriers’ entry into the universal service market
The Law Attempts To Keep Pace With The Evolution of the Telecom Market

Interconnection

- All telecom carriers must interconnect directly or indirectly with other carriers (Section 251(a)(1))
- All local exchange carriers (“LECs”) have an obligation to establish reciprocal compensation arrangements for the transport and termination of telecommunications traffic (Section 251(b)(5))
- All LECs have an obligation to provide dialing parity and non-discriminatory access to telecom services (Section 251(b)(3))
- All incumbent LECs must negotiate an interconnection agreement with a requesting carrier (Section 252(a)(1))
Western Wireless’ Entry Into The Universal Service Market

1996  Telecom Act creates competitive universal service

1998  WWC applies for ETC status in 15 states

1999  WWC begins offering Universal Service

2002  Western Wireless is the largest competitive universal service provider in the U.S. The Company is an ETC in 14 states plus on the Pine Ridge Indian Reservation in South Dakota.

2003  Western Wireless seeks ETC status in Montana
Providing Support For Rural Wireless Services
“Preserves and Advances” Universal Service

Why?
- Consumer demand for constant connectivity provided by wireless services
- New paradigm shift in universal service from providing connectivity to a “building” to connecting people across time and geography
- Consumer access to different types of services “advances” universal service
- Bridges the “telephone divide” in previously unserved areas
- Competition results in consumer benefits, making universal service offerings responsive to customer needs
Providing Support For Rural Wireless Services “Preserves and Advances” Universal Service

How are we same?

- Both of us are rural carriers
- Both of us are focused on providing service to rural consumers
- Both of us have costs reflective of our rural operations
- Universal service is important to both of our abilities to fully serve rural consumers
- Both of us do not want artificial limitations on our ability to receive universal service funding, such as primary line restrictions
Providing Support For Rural Wireless Services  
“Preserves and Advances” Universal Service

How are we different?

- You are an incumbent carrier in the universal service market; Western Wireless is a competitive carrier

- ILECs have advocated for greater scrutiny of competitive ETC applications; Western has sought comparable treatment of competitive and incumbent carrier ETC applications

- ILECs have generally sought to limit universal service support to competitive carriers; Western has advocated for fully portable support

- ILECs are monopoly or dominant carriers in the local market and are regulated accordingly. Competitive carriers are not dominant carriers in the market and therefore are (should) not be subject to regulations aimed at protecting consumers from potential ILEC (dominant carrier) abuses.
Providing Support For Rural Wireless Services “Preserves and Advances” Universal Service

Next Steps for Universal Service?
- ETC Application pending at Montana Public Service Commission for Qwest areas
- Potential future ETC application in rural telco areas
- Federal-State Joint Board proceeding on universal service funding
Interconnection

Next Steps for Interconnection?
(1) Establishment of transport and termination rates based upon the “additional” cost of terminating traffic

(2) Address implementation issues related to HB 641

(3) Resolve controversial interconnection issues, such as wireless termination tariffs, discriminatory treatment of wireless numbers, local number portability, virtual NXXs, and MTA-wide local calling