



## Summary – Statement of Victor H. “Hu” Meena

President – Cellular South, Inc.

April 19, 2007

- The future of wireless services in America – particularly in rural America – depends on the success of the upcoming 700 MHz auction and on continued support from the Universal Service Fund. The 700 MHz spectrum and the Universal Service Fund are not separate issues when it comes to serving rural areas. Wireless carriers need both to provide broadband to rural customers.
- 700 MHz spectrum is uniquely suited for rural wireless services
  - This spectrum travels farther than higher-frequency spectrum
  - Carriers can cover large geographic areas more efficiently than ever before
  - 700 MHz spectrum must be put to use providing service to rural areas
- The 700 MHz auction rules must be designed to ensure that rural areas are built out and to allow all sizes of carriers to participate.
  - The auction rules must implement geographic requirements in order to encourage carriers to build out in rural areas. Existing population-based requirements provide incentives to build out only in urban areas. Geographic build out requirements ensure that rural areas receive service.
  - The auction rules also must allow small and mid-sized carriers to participate. Rules that provide varying sizes of license areas will encourage broad participation. The 700 MHz auction should follow the pattern of the AWS auction by using a mix of small, medium and large license sizes.
- The Frontline proposal offers solutions to two spectrum problems.
  - Frontline increases spectrum available to public safety entities. This will allow the creation of a nationwide interoperable public safety broadband network.
  - Frontline also creates a nationwide wholesale roaming provider. It is increasingly difficult, if not impossible, to enter high-speed data roaming agreements with national carriers. Frontline offers a solution for regional carriers.
- Universal Service support must continue in order for advanced technologies to reach rural areas. Many rural areas would not have any wireless service today without USF support. Wireless carriers can deliver broadband to rural America with continued support.
- Current proposals for Universal Service reform are unacceptable. The “reverse auction” idea is inherently flawed as a mechanism to determine support. Caps encourage inefficiency and do not provide consumer-based support. Any changes to the USF system must apply equally to all carriers and not discriminate against any class of carrier.

**WRITTEN STATEMENT**

**of**

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PRESIDENT  
CELLULAR SOUTH, INC.**

**Before the  
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET  
COMMITTEE ON ENERGY AND COMMERCE  
UNITED STATES HOUSE OF REPRESENTATIVES**

**April 19, 2007**

## **Introduction**

Good morning Mr. Chairman and distinguished members of the Subcommittee. Thank you for providing this opportunity to testify before you today regarding the future of wireless services in America. Cellular South is the nation's largest privately-owned wireless carrier serving all of Mississippi and portions of Alabama, Tennessee, Arkansas and Louisiana. Most of the area served by Cellular South is rural, so we understand the unique challenges in delivering services to these areas. We also understand that our rural customers expect and deserve the advanced telecommunications services available in urban areas, and that the future of wireless in America must include these rural customers.

The telecommunications network once connected specific locations. Today, wireless technology has created a network that connects people, not just locations. Also, modern wireless networks offer more than simply voice services. Wireless customers can use handheld devices to perform countless business and non-business applications. Newer devices place e-mail and the Internet at a person's fingertips, moving the Internet's utility off of the desktop and into a mobile environment. As technology continues to evolve, it is essential that wireless carriers have the ability to expand and improve services for consumers. Ultimately, we serve the consumer and we should make decisions that are in the consumer's best interest.

In many ways this hearing could not come at a more crucial time for rural Americans. The Federal Communications Commission ("FCC") is preparing to auction the last block of spectrum suitable for providing wireless services to rural areas, and it is considering dramatic changes to the Universal Service Fund ("USF"). It is important to note that these two topics are not separate issues. Decisions regarding the 700 MHz auction and the Universal Service Fund

will determine the future of broadband service in rural America. For millions of rural Americans, it is essential that policymakers “get it right” when making these decisions.

## **I. 700 MHz**

The 700 MHz spectrum is the future of wireless service for rural America. Because of its physical characteristics, this spectrum offers the last realistic chance to provide advanced wireless service – including wireless broadband – to rural areas. Lower-frequency spectrum (such as the upcoming 700 MHz spectrum and the already-licensed 800 MHz spectrum) travels farther than higher-frequency spectrum, making it ideal for serving rural areas. By contrast, spectrum in the higher-frequency ranges (such as 1900 MHz Personal Communications Services (“PCS”) spectrum or 1700 MHz & 2100 MHz Advanced Wireless Services (“AWS”) spectrum) is more abundant and is well-suited for serving urban areas. The upcoming 700 MHz auction will auction the last of the low-frequency spectrum and, with it, the last opportunity for rural Americans to receive wireless services. There simply is no other spectrum that can serve rural areas the way that 700 MHz spectrum can.

### **A. Broadband and Advanced Services**

FCC Commissioner Michael Copps recently described a nationwide broadband network as today’s great infrastructure challenge just as railroads and highways were America’s infrastructure challenges in years past.<sup>1</sup> Broadband is becoming an essential part of everyday life for people around the world. We must ensure that all Americans have the opportunity to enjoy the benefits of broadband connectivity.

Today, there is a “digital divide” in our country where some Americans have access to broadband technology while others are being left behind. This is particularly true in rural areas.

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<sup>1</sup> *Oversight of the Federal Communications Commission, Before the Subcomm. on Telecommunications and the Internet of the H. Comm. on Energy and Commerce, 110th Cong. (March 14, 2007) (testimony of Michael Copps, Commissioner, Federal Communications Commission).*

Entire communities are deprived of e-commerce opportunities, lifesaving telemedicine applications and other benefits of advanced data services. According to the most recent global rankings, the United States ranks only 15th in the world in broadband penetration behind such countries as Iceland (1st), Denmark (4th), Finland (7th), and Canada (9th). This ranking is due, in part, to large rural areas in the United States that do not have broadband access. If America is ever to assume a global broadband leadership role, these rural areas must receive broadband service. Wireline networks have not filled this need and broadband access via satellite remains prohibitively expensive for most rural consumers. Fortunately, wireless carriers can provide broadband access to rural America as they proceed with network upgrades and expansion.

The upcoming 700 MHz auction promises wireless carriers a method of delivering broadband to unserved areas, while support from the Universal Service Fund could offer the means to provide this service. The 700 MHz spectrum is a perfect platform for delivering wireless broadband because the spectrum travels great distances and penetrates obstructions. The Universal Service system is already in place to aid in providing advanced services to rural and high-cost areas. Any carrier who could not otherwise afford to provide broadband to rural areas can serve these areas with 700 MHz spectrum and USF support. These two tools will allow wireless carriers to close the “digital divide” that faces rural America.

#### **B. 700 MHz Auction Rules**

Because this spectrum is so unique and valuable, it is important that the auction rules are designed to ensure that winning bidders actually use the spectrum in rural areas, and to provide small wireless carriers – typically those carriers who serve rural areas – an opportunity to acquire 700 MHz licenses.

## 1. Implement Geographic Build Out Requirements

First, carriers should be committed to serving customers with the spectrum they acquire in the auction. FCC Chairman Kevin Martin recognized the importance of 700 MHz spectrum to rural America in his testimony before this Subcommittee earlier this year. Chairman Martin stated that the FCC “should consider some kind of policies to make sure that people are actually building out and utilizing the spectrum they are purchasing in geographic areas.”<sup>2</sup> He further emphasized the importance of building out license areas, noting that the FCC must “make sure that people that are participating in this auction have every intention of actually building [the area] out and utilizing [the spectrum] to serve those in rural areas.”<sup>3</sup>

Population-based build out requirements are not the solution for delivering service to rural America. This type of requirement measures a carrier’s progress according to the percentage of the population that the carrier serves. This encourages wireless carriers to build out in densely-populated metropolitan areas and can penalize carriers who serve rural areas.

The best way to ensure that 700 MHz spectrum is actually used for the benefit of all Americans – including rural Americans – is to require winning bidders to meet certain geographic build out objectives in their license areas within a designated period of time. Geographic build out requirements are based on the amount of land that a carrier covers. This eliminates the incentive to serve metropolitan areas at the expense of rural areas. In licensing the 800 MHz spectrum, the FCC only allowed wireless carriers to keep licenses for geographic areas that they built out. As a result, carriers provided 800 MHz service to many rural areas when they would not have done so otherwise. The only way to guarantee that rural Americans will benefit

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<sup>2</sup> *Oversight of the Federal Communications Commission, Before the Subcomm. on Telecommunications and the Internet of the H. Comm. on Energy and Commerce, 110th Cong. (March 14, 2007) (testimony of Kevin Martin, Chairman, Federal Communications Commission).*

<sup>3</sup> *Id.*

from the inherent advantages of 700 MHz spectrum is to establish geographic build out requirements.

Cellular South supports strong geographic build out rules that would require carriers to establish coverage in 25% of their licensed area after 3 years, 50% after 5 years, and 75% after 8 years. Carriers that are not committed to serving 75% of their geographic license areas within 8 years should be required to give up portions of those areas to other carriers who will provide service. This “keep what you use” geographic build out requirement strikes a reasonable balance between the rights of carriers to serve the areas they choose and the rights of rural Americans to benefit from a national resource.

## **2. Offer a Mix of Geographic License Sizes**

A second and equally important aspect of the 700 MHz auction is that small carriers and new market entrants must have a realistic opportunity to participate because these are the carriers who are most likely to build out and serve rural areas. Currently, the 700 MHz spectrum blocks are divided into six (6) large licenses (each covering roughly 1/6 of the United States) called Economic Area Groupings (“EAGs”). These licenses are entirely too large for small carriers to participate in the auction. Chairman Martin addressed this issue in his testimony earlier this year, stating that he “support[s] auctioning off multiple bands in smaller areas than [EAGs]” in the upcoming 700 MHz auction.<sup>4</sup>

In order to allow small carriers an opportunity to acquire 700 MHz licenses, there must be at least three blocks of spectrum designated as small Cellular Market Area (“CMA”) licenses or medium Economic Area (“EA”) licenses, and each of these blocks must contain at least 10 MHz of paired spectrum. If the FCC does not have multiple small and medium blocks with paired spectrum, all small and regional carriers will be forced to compete against each other in

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<sup>4</sup> *Id.*

one or two blocks of spectrum while the large carriers will have the very large spectrum blocks to themselves because smaller carriers cannot compete in the auction for those licenses.

A group of small and mid-sized wireless carriers submitted a proposal called the “Balanced Consensus” Plan that would use small, medium and large license areas. Chairman Martin stated that “[the FCC] will try to accommodate exactly what the rural wireless providers have asked for” with regard to these license areas.<sup>5</sup> It is important that the FCC use small, medium and large license areas to ensure a diverse group of auction participants.

In the recent AWS spectrum auction, the FCC used a well-balanced mix of small, medium and large license sizes which allowed numerous carriers to participate. This is an absolute necessity if small carriers, mid-sized carriers and new entrants are to have any opportunity for participation, and it is a win-win proposition for all bidders. Small license areas have the advantage of allowing large carriers to target areas that they will actually serve – typically the densely-populated areas – while giving small and mid-sized carriers a chance to bid on the smaller geographic areas where they can reasonably provide service. Small geographic license areas will promote deployment of advanced wireless services in rural areas. Chairman Martin recognized these points in his Subcommittee testimony, noting that he “think[s] it is actually critical that we continue to try to establish smaller & smaller geographic areas when we are auctioning off spectrum to make sure . . . that smaller entities are able to participate vibrantly in the auction and also that we can make sure that people are buying spectrum in geographic areas that they will actually utilize.”<sup>6</sup>

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

### **3. Reject Package Bidding / Combinatorial Bidding**

As a final thought on the 700 MHz auction rules, it is important to make sure that any rules promoting small carrier participation are not offset by other auction rules. In particular, rules that allow “package” or “combinatorial” bidding could undo all the benefits of having small geographic license areas.

“Package bidding” allows a carrier to combine numerous small licenses and make one bid for the entire collection. If the total bid for the package exceeds the sum of individual bids for the licenses, then the package bidder wins that group of licenses. This benefits the carriers who are able to bid on numerous licenses across the country, but harms smaller carriers who focus on local markets and contiguous licenses. Whatever theoretical gains may come from package bidding, in practice package bidding would virtually eliminate the opportunity for smaller and rural carriers to acquire licenses in the 700 MHz auction.

Small and rural carriers are eager to provide advanced wireless services to rural Americans. The FCC’s rules for the 700 MHz auction will determine whether carriers have this opportunity.

#### **C. Frontline Proposal**

Recently, a group called Frontline proposed a plan that would create an interoperable broadband network for public safety entities, and would also provide a source of wholesale nationwide roaming to wireless carriers. This proposal has the potential to solve two problems facing wireless users today.

First, emergency responders have made clear their need for a nationwide interoperable broadband network. This will allow public safety entities to communicate with each other and

will create a foundation on which they can deploy future advanced technologies to protect all Americans in times of emergencies or natural disasters.

Second, regional carriers who focus on rural areas have a challenge to provide service to our customers when they leave the regions we serve. Small and regional carriers must have roaming agreements with large carriers in order for our customers to use wireless devices when they leave our networks. The FCC currently has no rule in place that requires wireless carriers to cooperate with one another through roaming agreements to provide consumers with automatic access to voice, data and, of great importance, broadband access when they travel outside the area served by their home wireless carriers. Technical incompatibility may be a reasonable exception, but refusal by some carriers to cooperate is quite another. While this hurts small and regional wireless carriers, the one who truly pays the price is the customer. Frontline's proposal would provide a source of nationwide roaming for customers of small and rural carriers.

We support Frontline's proposal because it addresses crucial public safety needs and also provides opportunities for regional carriers like Cellular South to provide nationwide broadband services to our customers when they leave our network.

## **II. Universal Service Fund**

To further elaborate on an earlier issue, the future of the Universal Service Fund is a concern for small wireless carriers today. The USF system has been under attack recently because the size of the high-cost fund is growing. While there may be areas of the program that could be improved, I fear that the Fund's accomplishments are being overlooked.

### **A. Universal Service Fund Success**

Support from the Universal Service Fund is the reason that many portions of rural America have wireless services. As you know, the goal of the Fund is to provide consumers in

rural and high-cost areas with reasonably-priced services that are reasonably comparable to the services offered in urban areas. When the Telecommunications Act of 1996 opened local markets to competition, wireless carriers became eligible to receive USF support. It is this support that made it possible for wireless carriers to serve rural markets that would not otherwise have these technologies.

In Mississippi, Universal Service support has helped Cellular South build out our network in rural areas. It is this network that was the only source of communication for many in the aftermath of Hurricane Katrina in 2005. While wireline networks remained inoperable for weeks, Cellular South's network was at full capacity just ten days after the hurricane made landfall. Relief workers and storm survivors along the coast as well as inland areas relied on Cellular South's network as we began the recovery process together. This comprehensive network would not have been possible without support from the Universal Service Fund.

As small carriers acquire spectrum in the upcoming 700 MHz auction, it is important that the USF continue to aid carriers in building out their license areas and allow carriers to use support for broadband services. Small carriers serve the rural customers that large carriers leave behind. It is essential that the USF system allow small carriers to continue deploying wireless technology, including broadband, to rural areas.

#### **B. Unacceptable Reform Proposals**

Currently, there is a proposal to restructure the USF program by implementing a system of "reverse auctions" in which carriers bid against each other to determine the least amount of support necessary for a carrier to provide service in an area. The reason that high-cost areas receive subsidies is because it is uneconomic for carriers to provide service without this support. Under a "reverse auction" plan, the available support in a high-cost area would go to a single

winner. Therefore, the only carrier who could afford to serve an area would be the carrier who wins the auction and receives the subsidy. This would drive out all competition and create a monopoly for the winning carrier, which is exactly the situation that the Telecommunications Act of 1996 was designed to correct.

Another suggestion for USF reform is to place a “cap” on the amount of USF support available to carriers. Under one version of this plan the cap would apply solely to wireless carriers while other USF recipients remain free of any kind of reform. There are several problems with this type of reform.

First, a cap is the wrong approach for reform because it does nothing to make the system more efficient. With a cap, inefficiencies are locked in place while new entrants (who may have a more efficient method of delivering services) are prevented from obtaining support. A cap would promote inefficiency in the system, thus artificially inflating the necessary amount of support.

Also, a cap on wireless carriers inequitably focuses on one class of carrier while the purpose of the Universal Service Fund is to aid in delivering services to consumers. Support to wireless carriers is growing because consumers are choosing wireless. Capping that support effectively increases the subsidy that wireless consumers provide to wireline networks that they are abandoning. I am advised that such discrimination against one class of carrier is not only fundamentally unfair, but it fails the FCC’s own core principle of competitive neutrality – that is, the universal service rules are not permitted to advantage or disadvantage any technology or class of carrier. Cellular South believes that any reform proposal should apply to all USF recipients equally, regardless of the technology that the carrier employs.

The Universal Service Fund receives \$2.5 billion each year from wireless customers. These customers deserve the benefits of choices in advanced communication services that Congress intended to provide in the Telecommunications Act of 1996.

### **Conclusion**

As you can see, this is an important time for the wireless industry and for the future of telecommunications in rural America. Decisions made over the coming months will define whether America succeeds in connecting our society through a comprehensive, reliable broadband network. Wireless carriers are poised to do for broadband what they have already done for voice services, reaching users at home, at work and anywhere else on the network.

We have an extraordinary opportunity to deliver broadband to rural America. Wireless carriers can extend broadband technology to unserved areas using the capabilities offered by 700 MHz spectrum and Universal Service support to aid in the build out. The tools are there for delivering broadband to unserved areas, and small carriers are eager to provide service to these markets. With your help, we can deliver broadband to rural America.

Thank you again for the opportunity to be here today. I appreciate your time and your interest in these issues and look forward to discussing them here this morning. With that, I welcome any questions you may have.