

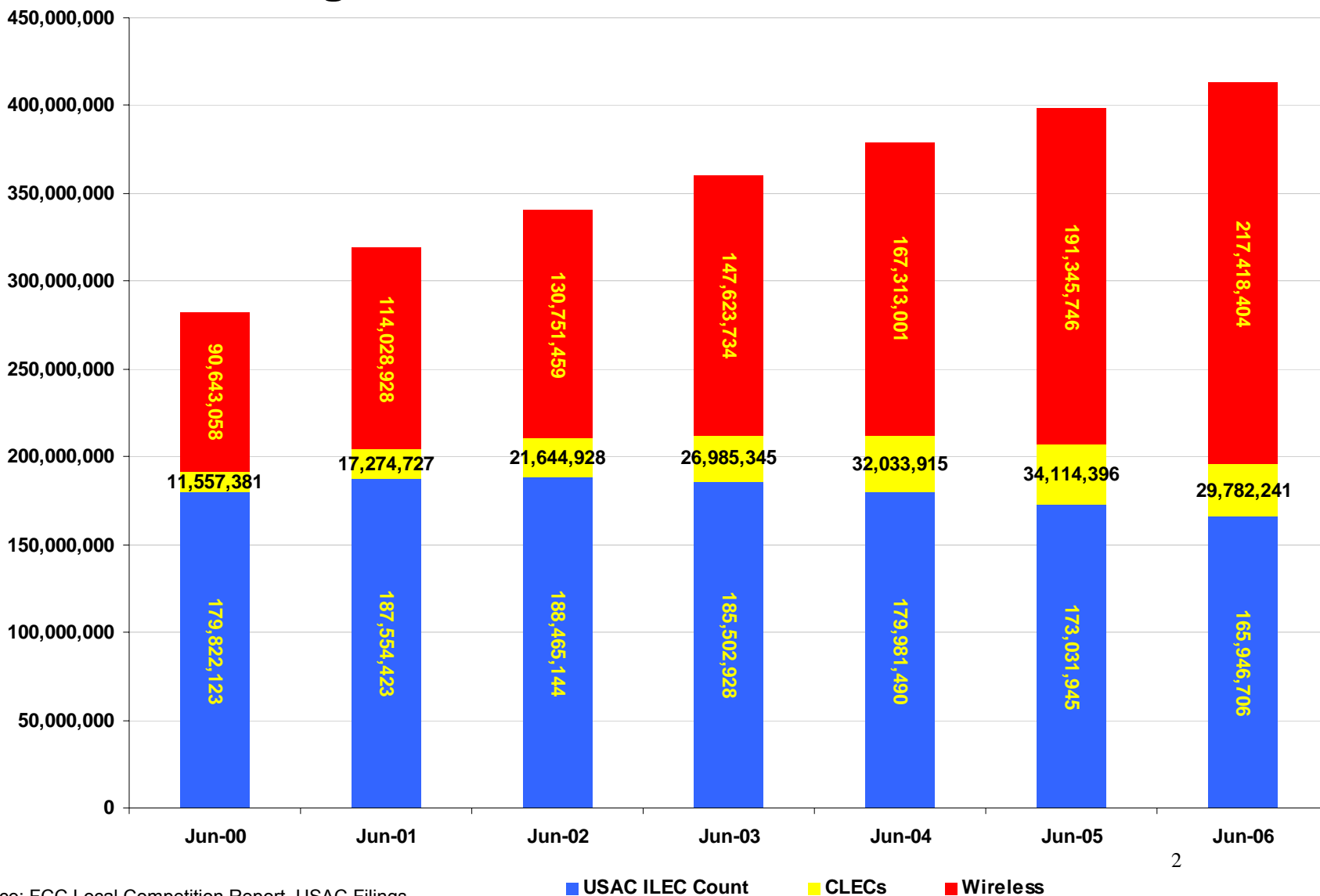
High-Cost Universal Service Reform Presentation to Federal-State Joint Board on Universal Service

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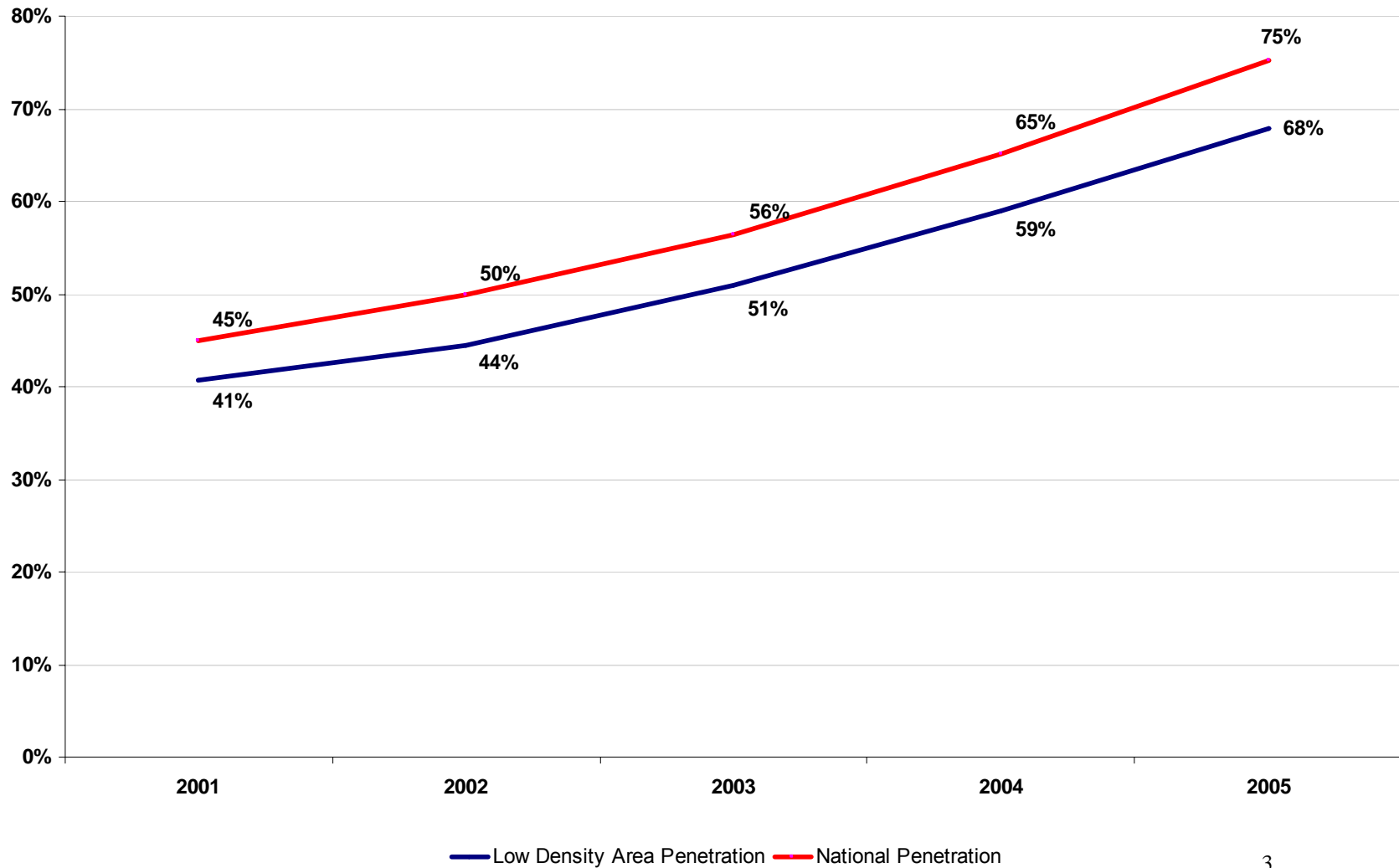
February 20, 2007

National Wireless, ILEC and CLEC Subscriber Trends – Through June 2006

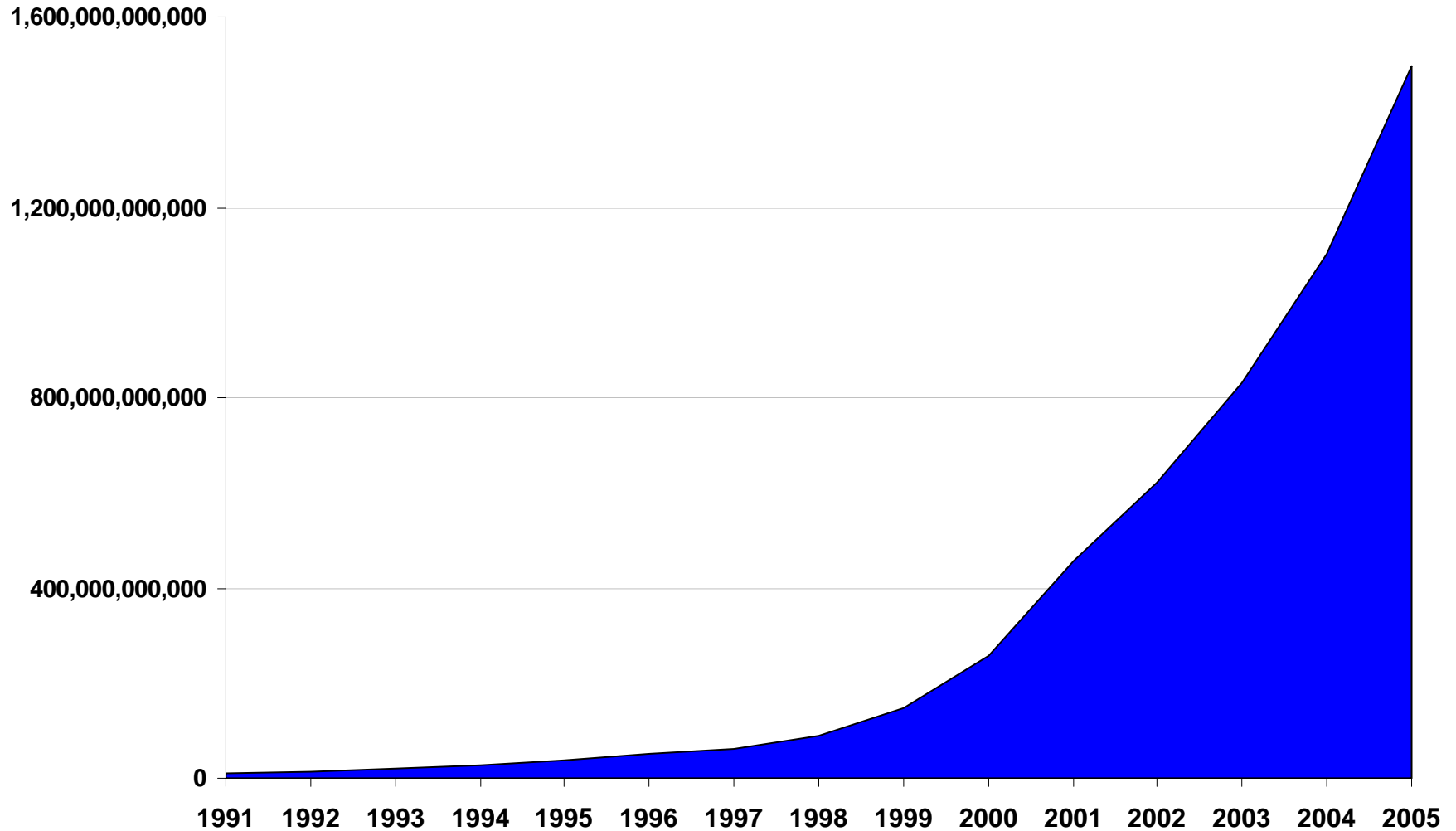


Source: FCC Local Competition Report, USAC Filings

Rural and National Wireless Penetration: Rural Equated with Fewer than 100 Pops per Square Mile



Wireless Minutes of Use Have Consistently Climbed in Double-Digits Year-over-Year



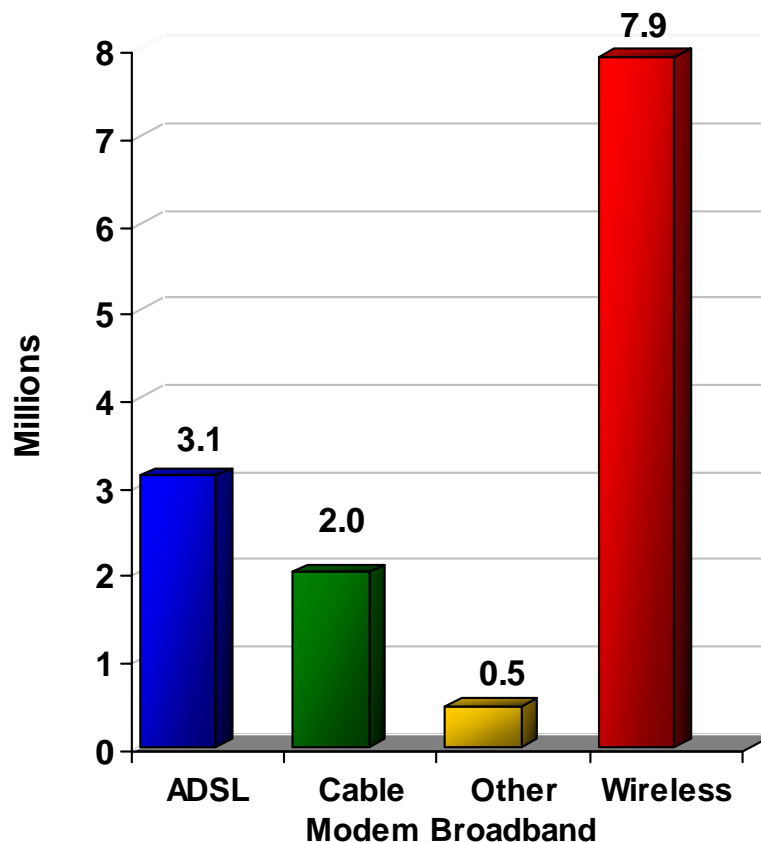
The Growth of Wireless-only Households

- National Center for Health Statistics has been tracking the growth of wireless-only households over the past three years – including year-to-year trends, and the different distribution of such households across the country. As of Jan.-June 2006:
 - About 10.5% of households do not have a traditional landline telephone, but do have at least one wireless telephone. About 9.6% of all adults (21 million) and 8.6% of all children (>6 million) live in households with only wireless telephones.
 - Adults living in the South (11.4%) are more likely than adults living in the Northeast (7.2%), Midwest (10.2%), or West (7.8%) to be living in households with only wireless telephones.
 - Adults living in Metropolitan Statistical Areas (as defined by the Census Bureau) were more likely to live in wireless-only households than were adults living outside of Metropolitan Statistical Areas (10.3% vs. 7.0%).

High-Speed Line Growth

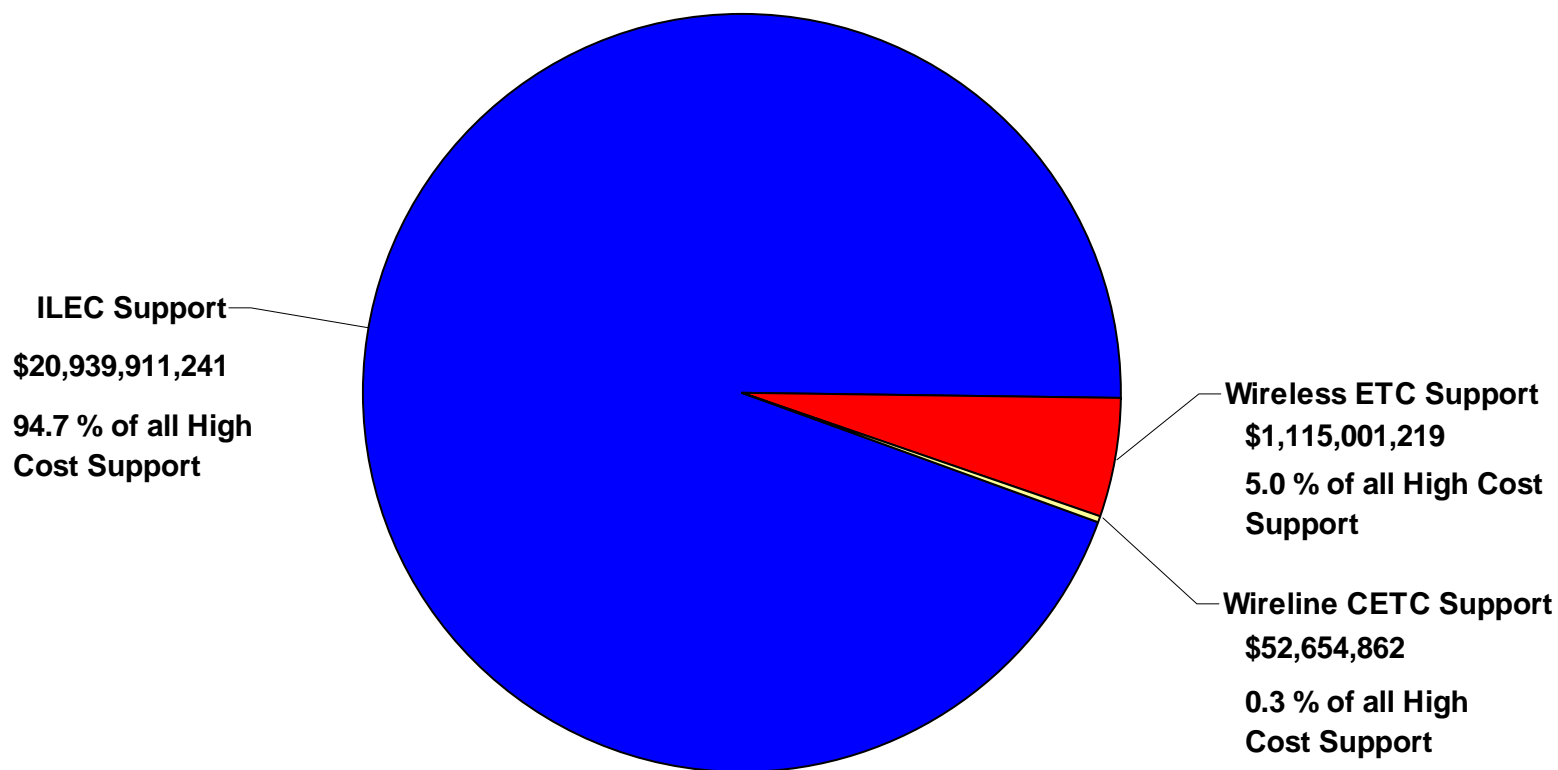
- In 1H06, total high-speed lines grew 26%, from 51.2 million to 64.6 million lines, and 59% of all adds were mobile wireless subscriptions.
- From June 2005 to June 2006:
 - ADSL’s share of total broadband lines fell from 38% to 35%,
 - Cable modem’s share fell from 56% to 44%.
 - Mobile wireless’ share of total broadband lines rose from 1% to 17% of total broadband lines.
 - The share of “other” forms of broadband (including fixed wireless, satellite, fiber, and broadband over power line) remained at 4% of total broadband lines – although their total line count grew 39%.

High Speed Net Adds by Type, Dec. 2005 – June 2006

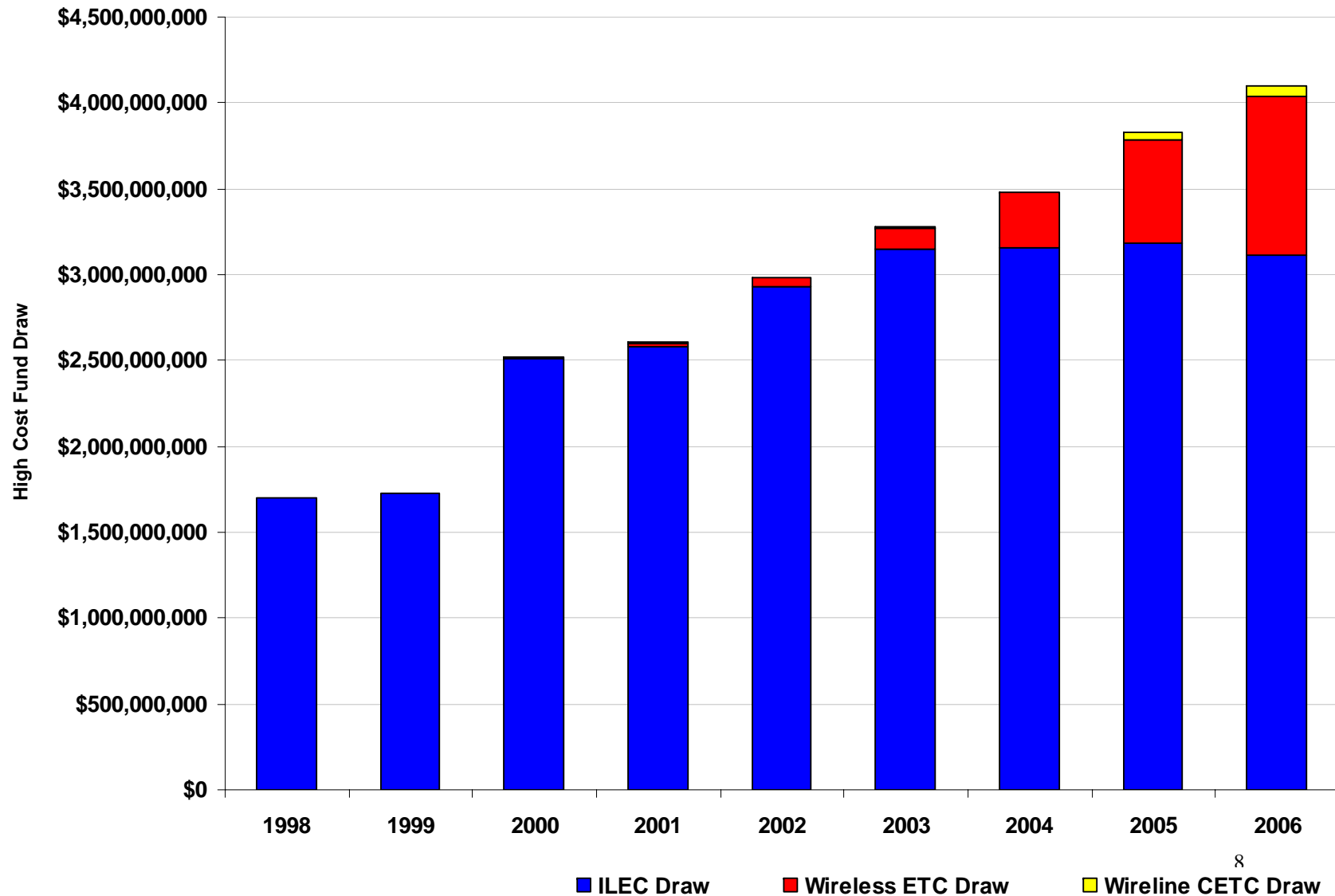


Sources: FCC Report on “High-Speed Services for Internet Access,” Jan. 2007.

Wireless and Wireline Shares of Cumulative High Cost Support Drawn from the Federal Universal Service Fund: 1998 - 2005



Distribution of High Cost Support



Source: USAC Data

Key Elements of Any High-Cost Universal Service Mechanism

- Competitive- and Technological-Neutrality
- Efficiency

Universal Service Reverse Auctions

- CTIA supports competitively- and technology-neutral reverse auctions to determine high-cost universal service support.
 - As the success of the wireless industry demonstrates, auctions are a proven method for allocating a limited resource.
 - Universal service auctions have worked well in other countries and can work in the United States.
 - If properly designed, reverse auctions can serve as a market-oriented means to place disciplines on the size of the universal service fund while still achieving important universal service goals.
- CTIA also continues to support other reforms to better target support and encourage and reward efficiency.
- Key elements to CTIA's support for reverse auctions:
 - The pool of eligible bidders must be maximized.
 - Wireless and wireline ETCs should compete in the same auction.
 - “Winner Gets More” auctions.*

* Only one “winner”, but “losers” eligible for some lesser amount of per-line support.

Reverse Auctions – A Measured Transition

- The transition to reverse auctions should occur in stages:
 - Short Term (Implement between now and January '08):
 - Mandatory disaggregation (≥ 2 zones);
 - 6-month deadline for consideration of ETC petitions; and
 - Upgrade antiquated model to improve accuracy.
 - Medium Term (Implement January '09):
 - Transition ILECs with $\geq 50,000$ access lines in a state (and their competitors) to model-based support;* and
 - Perform reverse auction pilots.
 - Long Term (Implement January '11):
 - Transition remaining ILECs (and their competitors) to a single model-based support mechanism;
 - Eliminate 54.305 transfer rule; and
 - If pilots successful, rollout reverse auctions nationally.

* In the alternative, incumbent LECs should be limited to one study area per state (*i.e.*, study areas combined).