

Before the Senate Indian Affairs Committee

Testimony of Mike Strand

CEO and General Counsel

MITS - Montana Independent Telecommunications Systems

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Good Morning. I would like to thank the Committee for allowing me this time to offer my observations with respect to basic and advanced telecommunications services to Native Americans.

I represent seven small rural telephone companies operating in Montana. They range in size from about 1,600 lines to about 10,000 lines. Their service areas include all or part of five reservations: Fort Peck, Fort Belknap, Rocky Boy, Blackfeet and Crow. These rural telephone cooperatives are not tribally-owned, however several of them are cooperatives, so their subscribers on the reservation are owners of the cooperatives along with the other cooperative members.

While the policy of all of the companies I represent is to offer the same quality of service on reservations as we do off the reservation, it is nonetheless true that reservation areas pose unique challenges to our operations:

1. Our most current information is that the average per capita income on the reservations we serve is less than \$10,000 per year and unemployment is often greater than 30%. The enhanced Lifeline program that makes local service available for \$1 per month helps the poorest get service, but most still have difficulty paying long distance charges or paying for more advanced telecommunications services like high-speed Internet access.

2. Many residents, particularly among the elderly, speak primarily in their native language, and we cannot assume fluency in English. This creates challenges from a customer support standpoint.

3. There is often a pervasive mistrust of programs and projects offered on the reservation by non-Indians. Therefore we have met some initial resistance even to programs like the enhanced Lifeline program I mentioned before.

4. Finally, and perhaps most importantly, we acquired much of the reservation areas we serve from the local Bell company in 1994. We found that the telecommunications facilities we acquired were antiquated, lacked adequate capacity to handle calling volumes, and had not been deployed to many homes or businesses. Therefore subscribership among Native Americans in

such areas was as low as 50%.

Faced with these challenges, we were forced to come up with a number of different strategies to improve service and boost subscribership. I would like to outline some of these strategies for the committee because I think they are instructive for any company seeking to improve service to reservation areas. Then I would like to identify three areas in which we believe further improvements could be made.

The example I will use is Project Telephone Company, which serves most of the Crow Indian Reservation in Southeast Montana.

Project's experience is representative of the experiences of the other companies I represent.

1. Our first challenge upon acquiring the Bell company's facilities on the Crow Reservation was to re-engineer the physical telecommunications network so that it was not only capable of serving all of the residents, but also capable of providing the full range of basic and advanced telecommunications service. We found that the calling traffic capacity of the Bell company's old copper lines was exhausted in many areas and that the switching equipment was old analog equipment.

There was no way we could improve subscribership without installing new copper lines with greater capacity as well as certain amount of fiber optic cable to handle increased calling traffic. Further, there was no way to offer more advanced services like high-speed Internet access, voice mail, caller ID, call waiting, call forwarding, etc. without converting the antiquated switching equipment to digital equipment. This required an investment of over \$2 million on top of the price we had paid for the Bell company's system.

The reason I emphasize this point is that those companies, tribal or otherwise, must identify who they intend to serve and where those people are located as they construct their network in order to ensure that the network has both the proper geographic coverage and adequate capacity to handle calling volumes. Further, they need to identify what kinds of services they intend to offer so that the correct technology platform is built that can deliver those services. We intended to offer not just voice services but also high-speed Internet and videoconferencing services to the Crow, so we upgraded using wireline technology coupled with digital switching.

2. In addition to the Bell Company's facilities being antiquated, they simply did not reach a large segment of the population. Our understanding was that the Bell company's

construction policy required a substantial financial contribution from the customer before lines would be installed.

We were told that many customers did not have service because they could not afford to pay the thousands of dollars it demanded in construction assistance before it would install phone service to rural customers. To boost subscribership, we established a policy under which any customer that was within one mile of one of our lines could get service without construction charges. Nearly every resident of the reservation was within this distance, so construction charges pretty much became a non-issue.

4. In order to address the language and suspicion barriers, we hired Crow-speaking customer service representatives and field technicians to do hook-ups. We also appointed a tribal member to our Board of Directors.

5. While all of the measures I have mentioned boosted overall subscribership, we found that we were seeing a significant number of reservation residents were dropping service due to an inability to pay their long distance charges. At that time calls between the telephone exchanges on the reservation were long distance calls and so were calls to the largest nearby city, Billings, Montana. For this reason, we petitioned the state public utility commission for permission to establish a local calling area that included all of the reservation exchanges as well as the Billings exchange. Although the regulatory process took us nearly two years, we were ultimately successful and now calls between reservation communities and Billings are local, toll-free calls.

As the 2000 census shows, all of these efforts enabled us to boost subscribership among the Crow from around 50% to 84%. Our subscribership has continued to grow since 2000, due in no small part to the enhanced Lifeline and Link Up programs that make local service available to qualifying Native Americans for \$1 per month. We advertised the programs very aggressively on the Crow Reservation and our customer service representatives even contacted individual residents to further foster awareness. Of the 1,413 residential lines on the Crow Reservation, 591 or 41.8 % are now on the enhanced Lifeline program.

In addition to the improvements to voice services, we also made dial-up Internet access available to all customers. We have made high-speed Internet access using DSL technology available to nearly two-thirds of the tribal members. Finally, we have installed videoconferencing studios in the tribal college and K-12 schools so students are able to share teaching resources with other schools across the country.

All in all, we believe remarkable progress has been made

regarding the availability of basic and advanced telecommunications services on the Crow Reservation. However, there are still a few areas that remain troublesome.

1. While we have been able to alleviate some of the problems with long distance charges by expanding the local calling area, many residents still find themselves with large long distance bills for calls made to areas outside the local calling area. When those bills become unaffordable, we find some residents simply disconnecting their service.

2. While we have made broadband access available to the Crow Reservation, we have not seen great demand yet for such services. In part, we believe this is because economic conditions on the reservation simply prevent people from purchasing the service. We also believe that many residents of the reservation simply do not yet see why such access is relevant to their day-to-day lives. Our hope is that young people who use broadband services in the tribal schools will over time create demand for similar services in the reservation's homes and businesses.

3. Finally, there is a "wrinkle" in the FCC's rules regarding the distribution of universal service support to companies serving the reservation. Currently, if a competitor comes to the Crow reservation and is designated as being eligible to receive universal service funding, that competitor receives funding based on the costs we incur to provide service and not on the competitor's own costs. This creates a kind of "catch 22" dilemma for us insofar as the more we invest on the Crow reservation, the more funding that would be available to our competitors. For the first time, our Board of Directors and management have to think about more than just how we can improve service when considering further investment on the reservation because such investment may actually harm our competitive position. This issue is no doubt of substantial concern to the tribally-owned companies as well because they have the same exposure. The FCC is currently reviewing these rules.

Thank you very much for allowing me this time to share our experiences and to discuss some continuing challenges. I would be happy to answer questions at the appropriate time.

Michael C. Strand
Executive Vice -President and General Counsel

2021 11th Avenue, Suite 12
P.O. Box 5237
Helena, MT 59601
Phone: 406-443-1940