

TESTIMONY OF CENTENNIAL COMMUNICATIONS CORP.  
William L. Roughton, Jr. Vice President – Legal and Regulatory Affairs

THANK YOU MR. CHAIRMAN AND HONORABLE MEMBERS OF THIS COMMITTEE FOR GIVING CENTENNIAL COMMUNICATIONS THE OPPORTUNITY TO DISCUSS ISSUES RELATED TO THE PROVISION OF TELECOMMUNICATIONS SERVICES IN RURAL AREAS OF THE COUNTRY.

MY NAME IS WILLIAM ROUGHTON AND I AM VICE PRESIDENT FOR LEGAL AND REGULATORY AFFAIRS AT CENTENNIAL COMMUNICATIONS.

CENTENNIAL COMMUNICATIONS IS A LEADING REGIONAL WIRELESS AND BROADBAND TELECOMMUNICATIONS SERVICE PROVIDER SERVING OVER ONE MILLION CUSTOMERS IN MARKETS WITH NET POPULATION OF OVER 17.3 MILLION IN THE UNITED STATES AND THE NEIGHBORING CARIBBEAN. IN THE UNITED STATES, WE ARE A REGIONAL WIRELESS SERVICE PROVIDER IN SMALL CITIES AND RURAL AREAS IN TWO GEOGRAPHIC CLUSTERS COVERING A POPULATION OF APPROXIMATELY 6.1 MILLION. OUR MIDWEST CLUSTER INCLUDES PARTS OF INDIANA, MICHIGAN (INCLUDING ARENEC AND IOSCO COUNTIES) AND OHIO, AND OUR SOUTHEAST CLUSTER INCLUDES PARTS OF LOUISIANA, MISSISSIPPI AND TEXAS. IN OUR PUERTO RICO-BASED CARIBBEAN SERVICE AREA, WHICH ALSO INCLUDES OPERATIONS IN THE DOMINICAN REPUBLIC AND THE U.S. VIRGIN ISLANDS, WE ARE A FACILITIES-BASED, FULLY INTEGRATED COMMUNICATIONS SERVICE PROVIDER OFFERING BOTH WIRE-

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LESS AND BROADBAND SERVICES TO BUSINESS AND RESIDENTIAL CUSTOMERS.

TO SERVE OUR DOMESTIC MARKETS, WE HAVE CONSTRUCTED A HIGH-QUALITY DIGITAL WIRELESS NETWORK THAT BRINGS THE SAME QUALITY OF SERVICE AND RANGE OF PRODUCTS TO THESE RURAL AREAS THAT URBAN SUBSCRIBERS IN MAJOR METROPOLITAN AREAS ENJOY. FOR EXAMPLE, WE LAUNCHED GSM/ GPRS SERVICE IN OUR MIDWEST CLUSTER IN NOVEMBER 2003. GSM/GPRS PROVIDES FASTER DATA SERVICES AND MAKES AVAILABLE MORE ATTRACTIVE, MULTI-FUNCTIONAL HANDSETS, SUCH AS CAMERA PHONES. WE RECENTLY COMPLETED THE GSM/ GPRS SERVICE UPGRADE IN THE SOUTHEAST CLUSTER AND LAUNCHED THIS SERVICE BY THE END OF CALENDAR YEAR 2004.

IN ADDITION, OUR NETWORKS ARE POSITIONED TO BRING EVEN MORE CUTTING EDGE SERVICES TO THESE RURAL MARKETS. WIRELESS DATA IS AMONG THE FASTEST GROWING AREAS OF THE MOBILE TELECOMMUNICATIONS INDUSTRY. WE HAVE UPGRADED OUR NETWORKS TO TAKE ADVANTAGE OF THIS GROWTH AREA AND HAVE BEGUN OFFERING A RANGE OF MESSAGING SERVICES TO OUR CUSTOMERS INCLUDING TEXT MESSAGING, SHORT MESSAGING, MULTI-MEDIA MESSAGING, AND BROADBAND SERVICES. IN ADDITION, OUR CUSTOMERS CAN CURRENTLY ACCESS THE INTERNET DIRECTLY FROM THEIR HANDSETS AND WE EXPECT TO OFFER OUR CUSTOMERS THE ABILITY TO DOWNLOAD GAMES AND RING TONES.

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OF GREATER IMPORTANCE IS THE FACT THAT CENTENNIAL, LIKE SOME OTHER RURAL WIRELESS CARRIERS, IS EFFECTIVELY THE CARRIER OF LAST RESORT IN SOME AREAS. FOR EXAMPLE, IN A REMOTE AREA OF LOUISIANA, SOME 80 HOMES HAVE NEVER HAD TELEPHONE SERVICE. SOMETIME DURING THE FIRST QUARTER OF 2005, THESE 80 HOMES WILL HAVE ACCESS TO THE MODERN COMMUNICATIONS SERVICES I HAVE OUTLINED THROUGH OUR WIRELESS NETWORK.

THE ABILITY OF RURAL WIRELESS CARRIERS LIKE CENTENNIAL TO BRING THESE SERVICES TO RURAL AREAS HINGES UPON THEIR CONTINUED ACCESS TO UNIVERSAL SERVICE FUNDS. REMOTE AREAS OFTEN LACK SERVICE SIMPLY BECAUSE IT COSTS SO MUCH TO SERVE THEM THAT A SERVICE PROVIDER CANNOT EXPECT TO RECOVER THE INVESTMENT IT WOULD INCUR TO SERVE THAT REMOTE AREA. UNIVERSAL SERVICE FUNDS MAKE IT POSSIBLE TO DO SO. FOR EXAMPLE, UNIVERSAL SERVICE FUNDING IS MAKING IT POSSIBLE FOR CENTENNIAL TO CONSTRUCT FACILITIES TO SERVE THOSE 80-SOME HOMES OF SHAW, LOUISIANA. UNIVERSAL SERVICE FUNDING WAS NECESSARY TO BRING THE OLD WIRELINE NETWORKS OUT INTO THE FARTHEST CORNERS OF RURAL AMERICA, AND IT IS NEEDED TO BRING WIRELESS COVERAGE THERE AS WELL.

FROM A BROADER PERSPECTIVE, RESTRICTING WIRELESS CARRIERS' ACCESS TO UNIVERSAL SERVICE FUNDS WILL DENY RURAL CONSUMERS THE ABILITY THAT CONSUMERS IN METROPOLITAN AREAS TAKE

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FOR GRANTED: THE ABILITY TO CHOOSE THE TELECOMMUNICATIONS PRODUCTS AND VENDORS BEST SUITED TO THEIR NEEDS. THIS ACCESS TO COMPARABLE TELECOMMUNICATIONS SERVICES IS GUARANTEED TO CONSUMERS BY SECTION 254 OF THE COMMUNICATIONS ACT.

AND LIKE THE REST OF THE COUNTRY, RURAL CONSUMERS WANT THE ADVANTAGES THAT WIRELESS COMMUNICATIONS OFFER.

NATIONALLY, MORE THAN 50% OF THE AMERICAN POPULATION HAS A WIRELESS PHONE AND IN 2003 WIRELESS REVENUE EXCEEDED WIRELINE REVENUE. INCREASING NUMBERS OF CONSUMERS HAVE “CUT THE CORD” OR ARE USING THEIR WIRELESS PHONE AS THEIR PRIMARY TELECOMMUNICATIONS MEDIUM.

RURAL AMERICA IS A PART OF THIS TREND. A 2004 STUDY BY NTCA SHOWED THAT SOME 84% OF RURAL TEENS USE A WIRELESS PHONE AND THAT 20% OF THEM RARELY USE A LANDLINE PHONE WITH SOME 14% NEVER USING A LANDLINE PHONE AT ALL. IN WYOMING, AN AARP SURVEY REVEALED THAT 66% OF THE ELDERLY THERE USE A MOBILE PHONE AND THAT ABOUT 47% OF THEM HAVE OR ARE CONSIDERING SWITCHING TO WIRELESS FOR ALL THEIR TELEPHONE NEEDS. THE REASONS FOR THIS TREND ARE OBVIOUS: WIRELESS SERVICES ARE A CONVENIENT, COST-EFFECTIVE MEANS OF COMMUNICATION THAT OFFER SAFETY, AVAILABILITY, INNOVATIVE SERVICES, AND BROADBAND ACCESS.

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WIRELESS TECHNOLOGY IS ALSO A “GOOD BUY” FOR THE UNIVERSAL SERVICE FUND BECAUSE IT IS SO OFTEN THE MOST COST-EFFICIENT WAY TO SERVE CONSUMERS.

IN URBAN MARKETS, WIRELESS CARRIERS INVEST ON AVERAGE ABOUT \$920 TO SERVE A CUSTOMER WHILE THE BIG LANDLINE CARRIERS SPEND ALMOST \$2500 A CUSTOMER. IN RURAL AREAS, THE DIFFERENCE IS EVEN STARKER: \$1,734 PER WIRELESS LINE AS COMPARED TO MORE THAN \$7,000 FOR A LOCAL EXCHANGE CARRIER’S LINE. IT ALSO TAKES FOUR TIMES AS MANY EMPLOYEES TO SERVE 10,000 LANDLINE CUSTOMERS AS IT DOES TO SERVE THE SAME NUMBER OF WIRELESS SUBSCRIBERS. THESE COST DIFFERENTIALS PRODUCE MARKEDLY HIGHER OPERATING EXPENSES FOR THE LOCAL EXCHANGE CARRIER. INDEED, SINCE 1996, 91% OF THE INCREASES IN THE UNIVERSAL SERVICE FUND HAVE GONE TO THE LOCAL EXCHANGE CARRIERS. CONSUMERS THROUGHOUT THE COUNTRY – AND THE ECONOMY AS A WHOLE – WILL BENEFIT IF THIS SUBSIDY SYSTEM IS RIGHT-SIZED.

THERE IS ONE FINAL ELEMENT IN THE ABILITY OF RURAL CONSUMERS TO EXERCISE THE SAME FREEDOM OF CHOICE AS URBAN CONSUMERS AND THAT IS LOCAL NUMBER PORTABILITY. IN THE PAST, CARRIERS OWNED TELEPHONE NUMBERS AND CONSUMERS WERE HELD HOSTAGE TO THEIR CURRENT SERVICE PROVIDER UNLESS THEY GAVE UP THEIR TELEPHONE NUMBERS. TODAY, CONSUMERS HAVE THE RIGHT TO SWITCH SERVICE PROVIDERS AND KEEP THEIR NUMBERS. THIS IS TRUE FOR ALL

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AMERICANS EXCEPT FOR THE CUSTOMERS OF SOME RURAL LOCAL EX-CHANGE CARRIERS THAT HAVE CONVINCED STATE PUBLIC SERVICE COMMISSIONS THAT THE INCUMBENT CARRIER'S PROFITS ARE MORE IMPORTANT THAN CONSUMER CHOICE.

DENYING RURAL CONSUMERS THE ABILITY TO PORT THEIR PHONE NUMBERS AGGRAVATES THE URBAN-RURAL DIVIDE.

TO ENSURE THAT RURAL CONSUMERS HAVE THE SAME FREEDOM OF CHOICE IN THEIR MEANS OF COMMUNICATION THAT AMERICANS LIVING IN METROPOLITAN AREAS HAVE, CENTENNIAL URGES THE FOLLOWING POLICY:

1. WIRELESS CARRIERS SHOULD HAVE COMPETITIVELY NEUTRAL ACCESS TO FEDERAL AND STATE UNIVERSAL SERVICE FUNDS. UNIVERSAL SERVICE AND COMPETITION ARE NOT INCOMPATIBLE.
2. UNIVERSAL SERVICE POLICIES SHOULD RESPOND TO RURAL NEEDS AND NOT PROTECT GROUPS OF CARRIERS FROM COMPETITION.
3. LOCAL NUMBER PORTABILITY IS AN ENABLER OF COMPETITION AND RURAL CONSUMERS SHOULD ENJOY THE BENEFITS OF LNP.