



Is the Tail Wagging the Dog in Communications Policy: Access to New Technologies and Services in Florida

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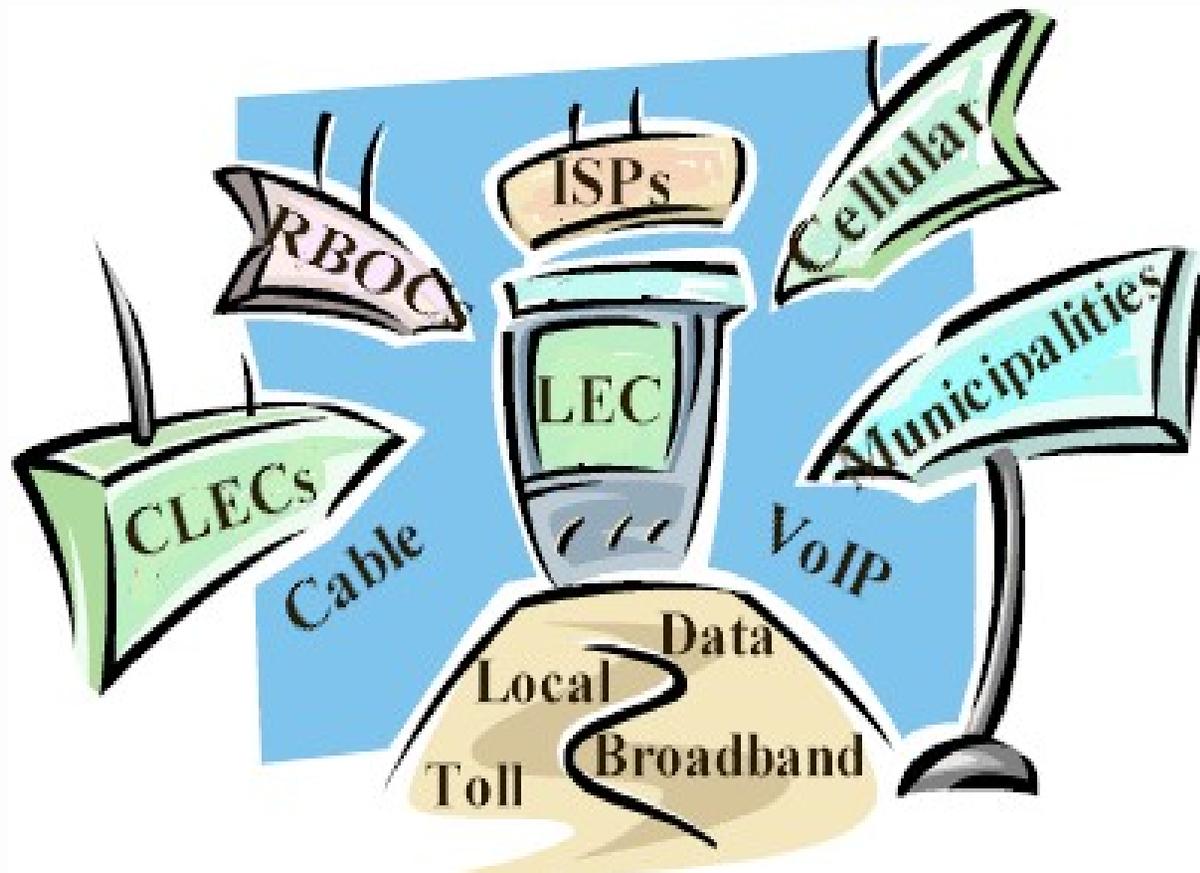
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Who Is TDS Telecom?

- Founded in 1969 in Wisconsin
- Own and operate 112 small ILEC companies in 28 states serving nearly 800,000 lines. The average size of each ILEC is approximately 7,000 lines.
- TDS provides service in Quincy, FL. Some of our unique serving areas include an island off the coast of Maine, as well as the bottom of the Grand Canyon.
- In 1997, TDS formed a CLEC, a facilities based provider serving Wisconsin, Michigan, Illinois, Minnesota, and North Dakota.
- Telephone and Data Systems, Inc. owns 100% of TDS Telecom, and an 82% ownership in US Cellular.

Competition Is Coming From All Angles – Regardless Of Company/Market Size





Impacts of Competition Being Felt By Rural Carriers

- Access line counts, minutes-of-use and revenues are flat or declining
- Second line displacement – some via DSL, most via cable modems
- Cutting of the cord
 - Cellular
 - Cable Telephone
 - VoIP



Rural LECs - Customer Focus

- Rural LECs are committed to providing high quality services, and access to advanced services at affordable rates.
- Rural LECs tend to have a strong and often times personal relationship with customers.
- Advances in technology, competition and customer demand is forcing rural LECs to be voice, video and data providers.
- Subsidized basic local exchange service cannot be the focus of rural LECs.



Is There a Digital Divide Between Rural and Urban Markets? If Yes, Why?

- Yes. However, the gap is closing. Based on the FCC's recent report on the availability of broadband services approximately 70% of sparsely populated zip codes have access to at least one broadband provider compared to 40% two years ago.
- FCC report shows only 1% of Florida zip codes do not have access to at least one high-speed provider.
- All FL incumbent local exchange carriers have deployed some level of broadband service.



Is There a Digital Divide Between Rural and Urban Markets? If Yes, Why?

- Broadband deployment is expensive, especially in rural areas.
- Many rural LECs take a wait and see approach waiting for the market to mature, and equipment costs to decline.
- Ongoing advances and changes in technology requires careful evaluation.
- Rural LECs cannot afford to make the wrong deployment decision.



TDS' Competitive Response

- Customers expectations and demands are changing.
- Rural LECs can no longer focus on being only a dial-tone provider.
- Access to Broadband is critical to our customers and company.
- TDS has been diligently deploying broadband.
- Customers are looking for bundled services such as voice, video, and data.



TDS Telecom's Deployment of Broadband

- In 2000, approximately 10% of TDS access lines were equipped with DSL
- By the end of 2004, we anticipate DSL being available to 63% of our access lines
- Our customer demand lags behind availability but improving
- Where available, only 4% of customers base has subscribed to DSL service
- TDS is experimenting with video, and providing a FTTH solution in TN.



TDS Telecom's Future Plans for Broadband Deployment

- Over the next 5 years, TDS intends to provide more 384K products
- TDS intends to provide bundled services of DSL, Video, and Voice products
- Video will likely be provided through our own cable or partnership with satellite providers
- Trial and launch higher speed DSL services
- Provide add on services such as wireless home networking, VoIP, and video over IP



How to improve Broadband Deployment

- Targeted efforts are preferred as complete deregulation of broadband will not speed deployment;
- Tax credits, loans, and grants for broadband deployment can be effective if structured properly;
- Adding broadband capabilities to the definition of universal service should be considered, if compensation issues are addressed;
- All communications providers should be subject to universal service contribution requirements;
- Restrictions on ILEC retail pricing and bundling of broadband products and services should be eliminated;
- Regulatory parity among providers of communications and broadband services; and
- Government-owned networks should be discouraged or, at a minimum, be held to the same regulatory standards as other carrier networks so that they cannot use inherent advantages in an anti-competitive manner.



Thank you

Questions?