

North Dakota Legislative Council
Industry, Business, and Labor Committee Meeting
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Presented by:

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Introduction

1. My name is Steve Lysne and I am the CEO and General Manager of SRT Communications, Inc. I have been the CEO and General Manager of SRT for the past five years, and previous to that I was the Chief Financial Officer of the Company. I have lived in North Dakota all of my life. I was Born in Rugby, graduated from Leeds High School, and received my BSBA Degree from the University of North Dakota.
2. SRT Communications, Inc. is headquartered in Minot, North Dakota, and provides Communications services throughout the North Central Region of the State (see attachment 2). SRT is the LEC (Local Exchange Carrier) that provides Local and Long Distance Services to 26 telephone exchanges that include Minot, the Minot Air Force Base and the surrounding rural communities. SRT also provides Broadband Internet Services, Cable TV (in 18 communities where we have the Cable TV franchise) and Wireless PCS Service. The Company's total assets exceed \$100 million and our annual revenue exceeds \$50 million. SRT is a member-owned Cooperative, governed by a local Board of Directors elected by its member-owners.
3. SRT is a local provider of wireless voice service through its wholly-owned subsidiary, NDNC (North Dakota Network Company), which purchased a license to provide service in the PCS Spectrum D and F blocks of BTA Market 299. This BTA covers the SRT service area and extends to some points beyond our LEC service area (see attachments 1 & 2). While SRT wireless is a smaller facilities-based provider when compared to the national

providers, we are still a very relevant provider of wireless service in our region; especially to the more than 12,000 wireless customers we currently serve.

SRT History in Providing Wireless Services

4. The SRT Board of Directors determined that there was a need for better wireless service for its member-owners in 1997, when they authorized the purchase of the Broadband PCS (Personal Communications Service) Licenses in the Minot Region. The reasons for the identified need included the lack of reliable coverage in a significant portion of the rural part of the region, and the inconsistency of in-building coverage in Minot. The Company originally purchased licenses throughout North Dakota, but eventually decided to concentrate efforts on providing the best coverage in our member/owners' service area, divesting itself of most of the licenses not contiguous to our LEC territory.
5. SRT's build-out philosophy quickly became to provide as close to "seamless coverage" as was technically possible through out our service area. This included placing towers not just in the towns and along the major highways, but also in the most remote areas of the region. These areas include the vast farmland, oilfield, refuge and recreational areas of our service territory. This meant placing towers where the population was low and the travel was minimal. The license only required us to cover 70% of the population, but the company mission was to cover as close to 100% of the region as possible.
6. The challenges we faced with this build-out plan were many, and included: 1) the small market that was available to purchase the service, 2) access to the remote tower locations which are not on major highways, especially during inclement weather which is usually when you will have troubles and outages, and 3) cost.
7. When we first rolled out service in September of 1999, our business plan was to target the many customers in our region who had no wireless coverage at their home. With our "seamless coverage" build-out plan, and local calling to all of SRT's exchanges, we marketed our wireless product as "Extended

Community Cordless”. We took the unique marketing approach of offering a large number of minutes (2000), which for most people is “virtually-unlimited”, at the low price of \$19.95. We did this at a time when the trend was towards 200-300 minute plans at higher prices. As our coverage area grew, we attracted other markets such as regional businesses, families with student-aged children, farmers and oilfield businesses. By June of 2002 we had 5,000 wireless customers.

8. Today SRT Wireless offers many of the same services that our bigger counterparts offer. With our current roaming agreements, our customers have service nationwide and in Canada. We have toll-free plans that allow customers to call anywhere, anytime, without incurring additional long distance charges. We launched Text Messaging in February of 2002, shared and pooled plans in June of 2004, reached the FCC goal of 95% GPS capable handsets (for Phase II - E911) in August of 2006, and launched “Pay-As-U-Go” prepaid service in 2007. We currently have around 12,000 wireless customers.
9. SRT Wireless (under North Dakota Network Company) has been granted ETC (Eligible Telecommunications Carrier) status from the North Dakota Public Service Commission. The requirements for this include:
 - a. The provider is a Common Carrier providing service over its own facilities. NDNC is registered as a personal communications service provider offering services in North Dakota under a Certificate issued by the North Dakota Public Service Commission. SRT Wireless currently has over 50 towers in our licensed market, with plans to add 13 more sites in 2008 and 14 more sites in 2009 - 2012. Our total capital investment in PCS Wireless currently exceeds \$21 million.
 - b. The provider offers all supported services and functions. SRT Wireless provides all the required services necessary to be an ETC. These services are: 1) voice-grade access to the public switched telephone network, 2) local usage, 3) dual-tone, multi-frequency signaling, 4) single-party service, 5) access to emergency services, 6) access to operator services, 7) access to interexchange service, 8)

- access to directory assistance and 9) toll limitation service to qualifying low-income consumers
- c. The provider advertises the availability of supported services and charges using media of general distribution.

10. SRT Wireless as the result of obtaining ETC status in North Dakota is eligible and does receive Universal Service Funding. Our build-out in even the most remote regions of our service area is exactly what Universal Service Funding was meant for, and our aggressive build-out schedule far exceeds what we receive in USF funding.

SRT Wireless Today

- 11. SRT Wireless continues to expand and upgrade its service offerings. Just this month we are rolling out internet mobile web, picture messaging, and WAP services. EVDO, which is the mobile web equivalent of broadband on the wireless phone, is scheduled for deployment in 2008 and 2009. Today one of the more frustrating obstacles a small wireless carrier faces is access to the latest handsets and accessories that the large carriers have.
- 12. Our first commitment, however, continues to be providing the quality services that our customers want and need. We carefully “pre-screen” our customers and their wireless usage patterns to ensure our product is right for their needs. If the customer’s usage is largely outside our network, resulting in roaming charges that exceed the cost savings we offer, then we refer the customer to one of the national providers. Most of the area consumers are already SRT customers for other products and services, and it is our mission to help them determine what service best fits their needs.
- 13. The SRT Wireless focus is to provide the best coverage, at the best price, in our local service area. We have found that for many of our customers that is exactly what they are looking for. Often we think customers all want the same thing, large calling scope with no roaming or long distance, which is at a larger price. Our history has told us otherwise. That is, there are people who prefer better coverage where they live, at a smaller price, just paying for roaming and long distance when they actually use those services, instead of prepaying for those services whether they use them or not.

14. We also recognize that there are consumers who desire and fully utilize an extended calling area that the national provider's offer. The challenge a small carrier like SRT Wireless faces today is getting fair and equitable roaming arrangements with the larger carriers. Fortunately the FCC addressed this issue in a recent order (FCC07-143), where the Commission stated that automatic roaming is to be made available to the smaller rural carriers at rates that are just, reasonable and nondiscriminatory. We look forward to working with our national counterpoints on just such agreements.

Closing

15. I would like to sincerely thank the Committee for the time they allowed SRT Wireless to share our "small-carrier" wireless story. We feel we have been a large part of the solution to the wireless coverage needs in our region. Please also keep in mind that one size does not (always) fit all, and that a variety of needs requires a variety of solutions.

Attachment 1 – SRT Wireless Licensed Service Area

<u>Study Area Company</u>	<u>Wire Center</u>	<u>County</u>
SRT Communications, Inc.	Antler	Bottineau
	Berthold	Ward
	Butte	McLean
	Carpio	Ward
	Deering	McHenry
	Des Lacs	Ward
	Donnybrook	Ward
	Glenburn	Renville
	Karlsruhe	McHenry
	Landa	Bottineau
	Lansford	Bottineau
	Martin	Pierce
	Maxbass	Bottineau
	Metigoshe	Bottineau
	Minot	Ward
	Minot AFB	Ward
	Mohall	Renville
	Newburg	Bottineau
	Sawyer	Ward
	Sherwood	Renville
	South Prairie	Ward
	Tolley	Renville
	Towner	McHenry
	Upham	McHenry
	Westhope	Bottineau
Midstate Telephone Company	Portal	Burke
	Stanley	Mountrail
West River Telecommunications	Mercer	McLean
	Riverdale	McLean
	Turtle Lake	McLean
	Underwood	McLean
	Washburn	McLean
Northwest Communications Cooperative	Bowbells	Burke
	Columbus	Burke
	Flaxton	Burke
	Lignite	Burke
	Powers Lake	Mountrail

<u>Study Area Company</u>	<u>Wire Center</u>	<u>County</u>
Reservation Telephone Cooperative	Douglas	McLean
	Emmet	McLean
	Garrison	McLean
	Kenmare	Ward
	Makoti	Ward
	Max	McLean
	New Town	Mountrail
	Norma	Renville
	Parshall	Mountrail
	Plaza	Mountrail
	Roseglen	McLean
	Ross	Mountrail
	Ryder	Ward
	Spencer	Ward
Turtle Mountain Communications	Bottineau	Bottineau
	Dunseith	Rolette
	Kramer	Bottineau
	Rolla	Rolette

