



MONTANA
TELECOMMUNICATIONS
ASSOCIATION

Senate Energy & Telecomm. Comm.
Exhibit No. 1
Date 4.12.05 Geoffrey A. Feiss, General Manager
Bill No. ENSO

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To: Senate Energy and Telecommunications Committee

I am enclosing two documents that I hope will give you a general background on telecommunications issues.

The first is an excellent summary of the state of the telecommunications industry from a national perspective, as reported by Legg Mason, a financial services/research firm.

This special report describes a "three-front battlefield" with jostling among different network providers and end-user applications providers; and the effects of government policy on the competitive playing field.

- Since the mid-80s, the consumer price index for traditional telecom services has lagged the CPI for all products
- Revenue is migrating to video, data and wireless services
- Network providers and network technology (i.e., wireless, cable, telephone, satellite) are competing on the same field for the same customers using a variety of "bundles" of services and products
- Challenges facing traditional phone companies are considerably greater than those of cable operators
- Government policy significantly affects the ability of various players to compete. ("in some cases similar [service] bundles can have different prices based solely on government policy.")
- Competition for the right mix of network technology and end-user services will continue to be intense.

The second attachment is a "backgrounder" on the rural, independent telecommunications industry in Montana, prepared by MTA.

Please feel free to call or reply if you have any questions or comments.

Best regards,

Geoff Feiss