NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
The Voice of Rural Telecommunications
www.ntca.org

March 16, 2006

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, D.C. 20554

Re: *ExParte* Notice:

In the Matter of Jurisdictional Separations, CC Docket No. 80-286;
In the Matter of Video Programming Competition, MB Docket No. 05-255;
In the Matter of Universal Service Contribution Methodology, CC Docket No. 96-45;
In the Matter of Verizon's 47 U.S.C. § 160(c) Forbearance Petition, WC Docket 04-440;
In the Matter of Implementation of Sec. 621(a)(1), Local Franchise Authority, MB Docket No. 05-311

Dear Ms. Dortch:

On Wednesday, March 15, 2006, Jessica Rosenworcel, Legal Advisor to Commissioner Copps, met with Daniel Mitchell, Vice President of Legal and Industry and Scott Reiter, Director of Industry Affairs with the National Telecommunications Cooperative Association (NTCA).[1]

At the meeting issues related to the above-referenced dockets were discussed. Specifically, the group talked about NTCA positions concerning the universal service fund (USF) contribution methodology, the separations freeze, and video issues. During the meeting, NTCA distributed handouts which were used to describe NTCA positions concerning the issues in CC Docket No. 80-286, MB Docket No. 05-255, CC Docket No. 96-45, and MB Docket No. 05-311. Copies of the handouts used at the meeting are enclosed. After the meeting an error was discovered in the pie charts on pages 11 and 12 in the slide presentation handout on the USF contribution methodology. Enclosed please find the corrected version of the USF contribution methodology slide presentation handout.

NTCA also recommended that the Commission deny the Verizon forbearance petition, WC Docket 04-440. The petition includes services that allow small, rural ILECs access to the Internet Protocol (IP) backbone. In the *Verizon/MCI Merger Order* the Commission found that "the merger, absent appropriate remedies, is likely to result in anti-competitive effects for wholesale special access services."[2] NTCA is concerned for its

[1] NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents 567 rural rate-of-return regulated incumbent local exchange carriers (ILECs). All of its members are full service local exchange carriers, and many members provide wireless, CATV, IPTV, Internet, satellite and long distance services to their communities. Each member is a "rural telephone company" as defined in the Communications Act of 1934, as amended (Act). NTCA members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

[2] In the Matter of Verizon Communications Inc. and MCI, Inc., Applications for Approval of Transfer of Control, WC Docket 05-75, ¶24, Memorandum Opinion and Order (rel. Nov. 17, 2005).

members who rely on Verizon/MCI for access services to the IP backbone. In some instances Verizon/MCI's access services to the IP backbone will be the only option for a small rural ILEC. If the Commission forebears from applying Title II regulation to these services, Verizon/MCI will have absolute market power in some remote rural areas to dictate the prices, terms and conditions in contracts with small communications providers. With unchecked market power, this multibillion dollar company will have a greater opportunity to conduct predatory pricing and implement discriminatory practices against much smaller communications providers.

Large vertically integrated corporations, such as Verizon/MCI, can walk away from negotiations with small providers because they control the market. Small companies cannot. Rural ILECs have very little leverage in negotiations with large companies. Forbearance from Title II regulation will allow Verizon/MCI to use its market power and non-disclosure agreements to charge one price for these services to its affiliated companies and charge a higher price for these same services to non-affiliated companies. Non-disclosure agreements will shield the public from knowing the discriminatory rates and conditions that may be imposed on small providers seeking wholesale interconnection to the IP backbone from large providers. Forbearance will also allow Verizon/MCI to refuse some providers access to the IP backbone.

The Commission must be very sensitive to the forbearance petition's impact on small providers, rural consumers and the public interest. Some rural communications providers could be harmed dramatically and rural consumers could find themselves paying premiums for access to the Internet. Rural consumers could also find themselves in a world without certain services or a world without competition for voice, video or data services. Such a result would be contrary to the Communications Act's goals of promoting the deployment of advanced services, developing competition and maintaining affordable rates for all Americans. For these treasons, the Commission should deny the Verizon forbearance petition

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2016.

Sincerely,

/s/ Daniel Mitchell
Daniel Mitchell
Vice President, Legal and Industry

Enclosures

cc: Jessica Rosenworcel

NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
4121 Wilson Boulevard • Tenth Floor • Arlington, Virginia 22203
Phone/703.351.2000 • Fax/703.351.2001 • www.ntca.org