

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Iowa Telecom Petition for Forbearance Under)	WC Docket No. 05-337
47 U.S.C. § 160(c) from the Universal Service)	
High-Cost Loop Support Mechanisms)	
_____)	

COMMENTS OF AT&T INC.¹

AT&T has long supported comprehensive and fundamental reform of the nation’s universal service support mechanisms to ensure that those mechanisms are capable of preserving and advancing universal service objectives in a competitive environment, as Congress intended. As a consequence, AT&T generally has not supported proposals for piecemeal reform to address specific shortcomings of the existing mechanisms (such as Puerto Rico Telephone Company’s proposal to establish an insular high-cost support mechanism) out of concern that focusing on such issues would divert Commission time and resources from developing a complete plan for universal service that considers and balances all of the objectives and principles in section 254(b) of the Act, and ensures that all Americans have access to high quality, advanced telecommunications and information services at affordable rates, as required by the Act and the Tenth Circuit.

Iowa Telecom’s petition exemplifies the irrationality of the Commission’s existing mechanisms and the need for comprehensive universal service reform. Iowa Telecom is in the unique position of being a price cap carrier that is classified as a “rural”

¹ On November 18, 2005, SBC Communications Inc. closed on its merger with AT&T Corp. The resulting company is now known as AT&T Inc. In these comments, “AT&T” refers to the merger company, including its ILEC operating subsidiaries, unless otherwise noted.

carrier under the Commission’s current universal service support framework. As a consequence, it is entitled to obtain support based only on its embedded costs. But because its predecessor failed to invest in its network, Iowa Telecom’s embedded costs are so low that it receives no high cost support under the rural mechanism.² Without such support, Iowa Telecom faces the Hobson’s choice of imposing significant rate increases or foregoing network investment necessary to provide advanced services to its customers.³ Iowa Telecom therefore asks the Commission to permit it to obtain high cost support under the non-rural support mechanism, even though it is a “rural” carrier.⁴ Iowa Telecom claims that granting its petition would permit it to receive approximately \$22.2 million in support annually, but result in a net increase in the size of the fund of only \$7.7 million due to offsetting reductions in funding for other non-rural carriers.⁵ Thus, under the existing mechanism, simply changing a carrier’s classification from “rural” to “non-rural,” and vice-versa,⁶ without any change in the areas or customers served by that carrier would significantly change the amount of support it receives. And, changing even one carrier’s classification would significantly alter the amount of support that all other carriers receive – even though their costs of meeting their carrier of last resort obligations have not changed. On no rational basis could such disparate outcomes – based solely on arbitrary regulatory classifications rather than the economics of serving customers in

² Iowa Telecom Petition at 2.

³ *Id.* at 5.

⁴ *Id.* at 20-21.

⁵ *Id.*

⁶ In most cases, if not all other cases, changing a carrier’s classification from “non-rural” to “rural” would increase the amount of support available to that carrier.

rural and other high cost areas – be justified, nor can they be reconciled with the universal service objectives of the Act.

Plainly, the Commission’s existing universal service framework places Iowa Telecom, and its customers, in an untenable position that demands Commission attention and action. In its comments in the *Tenth Circuit Remand* proceeding, AT&T offered a proposal for comprehensive reform of the nation’s universal service support framework that would target explicit support to consumers and carriers in rural and other high cost areas, and provide support sufficient to achieve the universal service objectives in section 254, without unnecessarily bloating the fund.⁷ AT&T believes that prompt action in the *Tenth Circuit Remand* proceeding would be the best way to resolve Iowa Telecom’s situation, and therefore urges the Commission to complete comprehensive reform of its high cost support mechanisms without further delay.

Respectfully submitted,

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July 3, 2006

⁷ See AT&T’s comments and reply comments filed in CC Docket No. 96-45 and WC Docket No. 05-337.