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Office of the Secretary

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| In the Matter of |) | |
| |) | |
| Federal-State Joint Board on Universal Service |) | WC Docket No. 05-337 |
| Seeks Comment on the Merits of Using |) | |
| Auctions to Determine High-Cost |) | |
| Universal Service Support |) | |

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
REPLY COMMENTS**

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SUMMARY

In its initial comments in this proceeding, NTCA noted its support for the universal service goals of providing rural and urban consumers comparable rates and services, and curtailing excessive growth of and inefficiency in the high cost universal service fund (USF). However, the implementation of reverse auctions for determining the distribution of universal service in those areas with pre-existing infrastructure and ubiquitous service would be “a serious mistake.”¹ As NTCA noted, “[t]he potential downside of reverse auctions for the determination of universal service provision is too great, the risk of an unfavorable outcome too large, and the stakes too high for reverse auctions to be considered a feasible alternative.”²

The majority of parties commenting in this proceeding agreed with NTCA that reverse auctions are not the answer for determining high cost universal service support. The minority who support reverse auctions were not able to offer any relevant real world examples of reverse auctions successfully utilized in a manner similar to the way they would be utilized for provisioning universal service support. There was virtually no consensus amongst the supporters as to how the reverse auction system would work—there were disagreements in such fundamental elements as geographic areas to be auctioned, time periods between auctions, and the number of winners to be selected. Scant attention was paid to arguably the biggest obstacle of all—the recovery of previously-incurred investments in infrastructure. Taken as a whole, the record leads inevitably to the conclusion that reverse auctions, quite simply, are not the answer.

¹ NTCA Initial Comments, *In the Matter of Federal-State Joint Board on Universal Service Seeks Comment on the Merits of Using Auctions to Determine High-Cost Universal Service Support*, WC Docket No. 05-337, October 10, 2006, p. 2 (NTCA Initial Comments).

² *Id.*

NTCA continues to urge the Joint Board to reject the reverse auction concept and to consider and recommend the following alternatives to accomplish the same goals, with much less risk to those both providers who rely on sufficient, reliable universal service support for the provision of affordable communications services and to the consumers who rely on those providers:

1. Apply a meaningful public interest test when considering future ETC designations;
2. Eliminate the identical support rule;
3. Provide alternative cost-based support to rural wireless ETCs; and
4. Expand the base of USF contributors to include all broadband service providers.

Implementing these four changes to the existing universal service rules will enable the Commission to ensure comparable rates and services for rural and urban consumers and rein in the excessive growth of and inefficiency in the high cost universal service fund associated with the identical support rule.³ The proposed changes will also ensure that multiple ETCs in any given high-cost area in fact are necessary for providing rural consumers with affordable and comparable services. Expanding the base of contributors to include all broadband service providers will ensure sufficient, predictable and sustainable universal service support that will evolve with the future public communications network that will inevitably rely on IP-based transmission services.

³ 47 C.F.R. § 54.307.