

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

In the Matter of )  
)  
Inquiry Concerning the Deployment of ) GN Docket No. 07-45  
Advanced Telecommunications Capability to ) FCC 07-21  
All Americans in a Reasonable and Timely )  
Fashion, and Possible Steps to Accelerate )  
Such Deployment Pursuant to Section 706 of )  
the Telecommunications Act of 1996 )

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION  
INITIAL COMMENTS**

The National Telecommunications Cooperative Association (NTCA)<sup>1</sup> files its initial comments in response to the Federal Communications Commission's (Commission's or FCC's) April 16, 2007, Notice of Inquiry (NOI) into whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion.<sup>2</sup> The Commission seeks comment in this fifth Section 706 NOI on several issues, including whether advanced telecommunications capability is being deployed to all Americans and what actions can be taken to accelerate broadband deployment.<sup>3</sup>

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<sup>1</sup> NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents 575 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, cable, 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.

<sup>2</sup> *In re the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, Notice of Inquiry, GN Docket No. 07-45 (rel. Apr. 16, 2007) (NOI), ¶ 1.

<sup>3</sup> NOI, ¶ 11.

NTCA's 2006 Broadband/Internet Availability Survey Report, included with these comments as "Attachment A," provides unique insights into rural broadband deployment that will help the Commission to formulate its policy decisions that will enhance broadband availability. NTCA has conducted this survey for the past eight years and its 2006 Report reflects some of the trends of broadband deployment in rural areas.<sup>4</sup>

**I. NTCA 2006 Survey Shows That Rural Telcos Are Deploying Advanced Telecommunications Capability To Rural Americans.**

In the Notice, the Commission asks whether advanced telecommunications capability is being deployed to all Americans.<sup>5</sup> The attached 2006 NTCA Broadband/Internet Availability Survey Report offers some insight into broadband deployment in rural America. The survey results reflect the dedication and success of small rural providers working hard to bring advanced services to their customers, despite the often significant obstacles they must overcome. Survey respondents indicate that they consider the provision of broadband to be extremely important to their standing in their communities as the telecommunications provider of choice and to their overall bottom line.

**A. NTCA Survey Consists of 120 Rural Telephone Company Responses to Questions About Broadband Availability.**

In the late spring of 2006, NTCA surveyed its members on their activities in providing broadband services and Internet availability to their members/customers. Of the companies in NTCA's membership database; 120 members (21%) responded. NTCA is a national association of approximately 575 local exchange carriers in 44 states that provide service primarily in rural areas. All NTCA members are small carriers that are "rural telephone companies" as defined in

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<sup>4</sup> NTCA's 2007 Broadband/Internet Availability Survey Report is expected to be released later this year.

<sup>5</sup> NOI, ¶ 1.

the Telecommunications Act of 1996 (“Act”). While some offer local exchange service to as few as 44 lines and a small handful to 50,000 or more, nearly 50% of NTCA members serve between 1,000 and 5,000 lines. Population density in most member service areas is in the 1 to 5 customers per square mile range. Approximately half of NTCA’s members are organized as cooperatives and the other half are commercial companies.

The 2006 broadband survey is a follow-up to similar NTCA surveys conducted in recent years, and NTCA seeks to build upon the results of those surveys. This latest survey asked about technologies used to provide broadband service, broadband availability and subscription rates, prices charged, quantity and type of competition, broadband marketing efforts, fiber deployment, emerging technologies, Internet backbone connections, finance and availability of capital, and also provided an opportunity for respondents to provide specific comments they wished to share.

**B. NTCA Rural Providers Are Making Broadband More Available and at Higher Speeds Than Before.**

One hundred percent of the 2006 NTCA survey respondents offer broadband to some part of their customer base, up from 96% in the 2005 survey and a dramatic increase from 58% in 2000. Respondents indicated that they use a variety of technologies to provide broadband to their customers: 98% of those who offer broadband use digital subscriber line (DSL), 28% use fiber to the home (FTTH) or fiber to the curb (FTTC), 22% use unlicensed wireless, 15% use satellite and 13% use licensed wireless. Only 29% of 1999 survey respondents offered DSL service, and none offered wireless broadband.

Dial-up connection to the Internet at 56 kilobits per second (kbps) is available to 100% of NTCA survey respondents’ customers. Eighty-eight percent can receive 200 to 500 kbps service, 88% can receive 1 megabit per second (Mbps; up from 72% in 2005) and 39% can receive 3 Mbps (up from 31%). On average, 19% of respondents’ customers subscribe to 56

kbps service (down from 21% in 2005), 15% subscribe to 200 kbps to 500 kbps service (up from 12%), 6% subscribe to 1 Mbps (up from 5%) and 4% subscribe to 3 Mbps offerings (unchanged). Overall, dial-up take rates declined and broadband take rates rose slightly in 2006.

**C. Broadband Competition Is Coming To Rural Areas, Bringing Price Competition, Fiber To The Node, Fiber To The Home, VoIP, BPL, Video and IPTV Services.**

The typical 2006 NTCA Survey respondent is 125 miles from their primary Internet connection. Thirty-eight percent of the respondents have access to only one provider for reaching the Internet backbone, 19% have two providers from which to choose, 15% have three and 27% four or more. Eighty-six percent of survey respondents indicated they face competition in the provision of advanced services from at least one other service provider, virtually unchanged from 85% in 2005. By comparison, only 66% of 2003 survey respondents indicated they faced competition and only 43% in the 1999 survey.

Current competitors include national Internet service providers (ISPs), satellite broadband providers, cable companies and electric utilities. Respondents are taking numerous marketing steps to increase broadband take rates, including free customer premise equipment installation, price promotions, bundling of services, free hardware and free software. Nearly one-half of respondents find it difficult to compete with price promotions offered by competitors. Only 6% of survey respondents consider their company's marketing efforts to be "very successful."

Fifty-five percent of those respondents with a short-term fiber deployment strategy plan to offer fiber to the node to more than 75% of their customers by year-end 2006, while 30% plan to offer fiber to the home to at least 25% of their customers over the same time frame. Three percent of respondents currently offer VoIP service, approximately the same level as last year. Seventy-one percent of respondents have plans to offer VoIP in the foreseeable future. Five

percent have providers offering, or planning to offer broadband over power lines (BPL) within their service area. Fifty-eight percent of respondents offer video service to their customers, up from 42% last year. Fifty-eight percent of those respondents offering video offer cable TV, 26% Internet protocol television (IPTV) and 14% direct broadcast satellite (DBS).

**D. Rural Broadband Providers Face Economic Hurdles In Deployment.**

The Commission also asks for input on the economics of network investment and service deployment.<sup>6</sup> Rural carriers have always faced major economic challenges. Deployment cost remains the most significant barrier to wide deployment of fiber, followed by regulatory uncertainty, long loops, obtaining cost-effective equipment and low customer demand. Throughout the history of the survey, low demand has been a declining concern, while deployment cost has steadily grown.

National policies supporting universal telephone service have enabled rural carriers to provide comparable telecommunications services throughout their service areas. Today, rural carriers face the challenge of bringing advanced services to their service areas despite high costs. A major impediment facing rural providers is the cost of fiber deployment. Eighty-five percent of survey respondents identified this cost as a significant barrier to widespread deployment. Regulatory uncertainty was the number two barrier (50%), followed by long loops (46%), obtaining cost-effective equipment (30%) and low customer demand (28%). Eighty-six percent of survey respondents classified the process of obtaining financing for broadband projects as fairly to moderately easy, unchanged from 2005.

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<sup>6</sup> NOI, ¶ 11.

## II. Actions That the Commission Can Take To Accelerate Deployment.

The Commission sought input on actions that it can take to accelerate broadband deployment.<sup>7</sup> The Commission needs to consider the implications of a diverse rural marketplace. The rural environment is not monolithic; rather, it is very diverse. As part of the 2006 Broadband/Internet Availability Survey, NTCA asked respondents to explicitly detail actions that the Commission could undertake that would accelerate the pace of broadband deployment in their part of rural America.<sup>8</sup>

One recurring comment was the need for additional incentives to defray the costs of broadband deployment. Absent specific broadband incentives it is likely to be years before all rural households can order DSL or other broadband service. Special incentive programs targeted to extend broadband service to these unserved broadband areas will be needed for deployment to be accomplished on a reasonable and timely basis.

Another important theme was the need for regulatory certainty. Rural providers who wish to provide advanced telecommunications services must invest significant sums of money in order to do so. Fear of significant changes in the regulatory arena can be enough to compel rural providers to postpone, or, in extreme cases, cancel these investments. The rural customer, who is then unable to obtain service, ends up paying the price. Regulatory certainty concerning the classification of various types of broadband services, universal service, and access charges would assist in creating future incentives to deploy advanced services.

For small companies, universal service support is critical. Unless they are certain that the support will continue into the foreseeable future, they may again be forced to postpone important

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<sup>7</sup> *Ibid.*

<sup>8</sup> Survey respondents' comments are included as an Appendix to the Survey report.

investment decisions. Numerous survey respondents emphasized the importance of requiring VoIP service providers to pay for their fair share of use of the network. As VoIP grows in popularity, this issue will become increasingly important. NTCA members have invested dearly in the construction and maintenance of their networks; it is only just that carriers who seek to benefit themselves from the use of these networks pay their fair share of the cost.

### **III. Conclusion.**

For these reasons, the FCC should continue to develop rural broadband incentive programs targeted toward unserved and underserved areas, to provide rural carriers with a sense of regulatory certainty, and to ensure that all providers that use rural ILEC networks are required to pay their fair share of network costs.

Respectfully submitted,

**NATIONAL TELECOMMUNICATIONS  
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May 16, 2007

**CERTIFICATE OF SERVICE**

I, Adrienne Rolls, certify that a copy of the foregoing Initial Comments of the National Telecommunications Cooperative Association in GN Docket No. 07-45, FCC 07-21, was served on this 16<sup>th</sup> day of May 2007 by first-class, United States mail, postage prepaid, or via electronic mail to the following persons:

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