

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of )  
 )  
Federal-State Joint Board on ) WC Docket No. 05-337  
Universal Service Seeks Comment on )  
Long Term, Comprehensive High-Cost )  
Universal Service Reform )  
 )

**To: The Commission**

**Comments of the Rural Telecommunications Group, Inc.**

The Rural Telecommunications Group, Inc. (“RTG”),<sup>1</sup> by its attorneys, hereby submits its comments in response to the Public Notice in the above-captioned proceedings.

RTG, like the Commission, is concerned about the rapid growth in high cost universal service disbursements. RTG’s members, all of whom provide wireless service in rural areas, understand the importance of a targeted and limited universal service fund. Any long term universal service solutions must focus high cost support to regions of the country where it is needed and to the carriers most able to serve high cost rural areas. Such support, however, should not be relegated to one class of carriers or limited to certain technologies. As voice traffic migrates to wireless services and new, broadband

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<sup>1</sup> RTG is a Section 501(c)(6) trade association dedicated to promoting wireless opportunities for rural telecommunications companies through advocacy and education in a manner that best represents the interests of its membership. RTG’s members have joined together to speed delivery of new, efficient, and innovative telecommunications technologies to the populations of remote and underserved sections of the country. RTG’s members are small, rural businesses serving or seeking to serve secondary, tertiary and rural markets. RTG’s members are comprised of both independent wireless carriers and wireless carriers that are affiliated with rural telephone companies.

services become available on wireless networks, RTG urges the Commission to retain its technologically neutral universal service principle while avoiding the funding feeding frenzy that characterizes the current fund.<sup>2</sup>

### **I. Reverse Auctions Will Harm Rural Consumers**

Reverse auctions are ill-advised, untested, and unnecessary. Reverse auctions create an economic incentive to provide the least costly service in order to maximize the high cost subsidy. Reverse auctions will also reward carriers who are the least interested in investing in rural, high cost areas. This will result in rural consumers being saddled with second-rate technology and the possibility of providers more interested in maximizing their subsidy than in rural development. Even rural providers with ties to the local community like RTG's members may be unable to invest in new technologies, including broadband applications, if forced by a reverse auction to lower their bids in order to "win" the right to provide universal service to their customers in high cost areas at a discounted cost.

The Telecommunications Act of 1996 ("Act") mandates comparable services in urban and rural areas.<sup>3</sup> Reverse auctions will create an insurmountable economic incentive for "winners" of rural reverse auctions to take drastic cost cutting measures to the detriment of their customers. This incentive *against* rural investment will have a devastating economic impact on rural communities who will be cut off from providing

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<sup>2</sup> RTG will be filing comments in support of the Joint Board's proposed emergency, interim cap on competitive universal service funds, with specific revisions to target support more effectively to rural regions, in the Commission's related proceeding. *See in re High-Cost Universal Service Support*, WC Docket No. 05-337, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 07-88 (May 14, 2007).

<sup>3</sup> *See* 47 U.S.C. § 254(b)(3).

goods and services that rely on robust telecommunications links and broadband applications.

Just as wireless providers have an incentive to drive up the cost of spectrum being sought by their competitors in the Commission's spectrum auctions, participants in reverse universal service auctions will have the incentive to drive down the level of high cost support available to their competitors. This will result in support levels that may be lower than the actual support needed to provide high cost universal service support in rural regions. It would not be farfetched for large, nationwide carriers to enter into reverse auctions with the sole goal of lowering support to their rural competitors. These large carriers, many of whom have been fighting to eliminate and/or lower their universal service contributions for decades, would be likely to participate in reverse auctions with the self-interested goal of minimizing their universal service contributions rather than any public interest pursuit of providing telecommunications service in high cost rural areas. Many rural carriers rely on high cost support for their financial survival. Nationwide carriers know this and will be able to exploit this need in any reverse auction.

The FCC has no experience with reverse auctions for universal service and should not risk the continued viability of its successful universal service program on an untested experiment that could devastate rural America. The theory that a reverse auction will accurately determine the support needed to provide high cost universal service in accordance with the Act's comparability requirements has yet to be proven. While spectrum auctions give spectrum to the entities that value it the most, a universal service auction may give high cost support to the entity that values rural customers the least.

The FCC need not risk radically revising universal service with an administratively burdensome reverse auction mechanism when it can much more easily use carriers' own costs for determining the allocation of high cost support. Rural telephone companies and non-rate-of-return carriers have cost mechanisms in place. RTG suggests that the Commission abandon portable high cost support and use carriers' costs instead. Costs for wireless carriers would be determined by the cost per minute of use ("MOU"), average MOU per subscriber, and number of subscribers in a market. Surely, developing a cost model for wireless carriers will be less burdensome and less risky than developing and implementing a reverse auction mechanism.

## **II. GIS Technology Is Worth Investigating**

RTG is optimistic that geocoding technology ("GIS") may be able to target support to areas where it is most needed. RTG's optimism, however, is tempered by the fact that its members have yet to test any GIS network cost models. If the Commission is intent upon pursuing GIS technology as a possible high cost universal service solution, rural telecommunications must be involved in testing such technology since rural carriers are acutely aware of the costs to provide service in rural areas with highly-dispersed populations and environmental factors that affect network costs.

## **III. Mandatory Disaggregation Should Be Avoided**

There is no need for the Commission to force disaggregation on incumbent rural carriers. Rural carriers design their networks to serve *all* of their rural customers and forced disaggregation may distort their rational economic decisions, as well as those of competitors. It is unclear to RTG how mandated disaggregation will reduce the amount of high cost universal service disbursements. Disaggregation will merely shift support

around like a high cost shell game, rather than reduce support or more effectively target support. If rural telephone companies had believed that choosing disaggregation would have led to their competitors getting less support, they would have chosen Path Two or Path Three disaggregation options.

#### **IV. Support Should Remain Competitively and Technologically Neutral**

RTG believes that universal service support should remain available to all qualifying competitors on a technologically neutral basis. ETCs and competitive ETCs should be required to use USF monies for the maintenance, upgrade, and expansion of the supported network in the market area where they receive funds. A stringent rule requiring carriers to demonstrate where and how USF monies are being spent will keep carriers from going after high cost support simply to improve their bottom line. RTG and its members who receive high cost support are required to use their high cost support for specific rural buildout projects. Thus, high cost support that is targeted to small, rural wireless carriers gives rural consumers better mobile telecommunications coverage. In some cases, RTG members have committed to doubling the size of their rural networks and to serving previously unserved areas in exchange for their receipt of high cost funds.

RTG notes that wireless is winning the voice traffic battle over wireline providers. Wireline access lines are slowly declining nationwide while wireless subscribers are speedily growing. Any Commission favoritism over the type of technology used to provide universal service telecommunications reeks of Soviet-style industrial policy. The Act's "comparable"<sup>4</sup> service mandate requires fixed and mobile services, regardless of technology. Consumers in high cost areas should not be relegated to having to choose

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<sup>4</sup> 47 U.S.C. § 254(b)(3).

between either a wireline service or a wireless service (*i.e.*, a “primary line” limitation) for their telecommunications needs. Both services ought to be funded in accordance with the Act.<sup>5</sup>

#### **V. Broadband, High Speed Data Services Ought to Be Supported**

RTG is wary of supporting numerous additional broadband technologies when the Commission’s major concern with USF at the moment is the size of the fund. This is not to say that the government does not have a role in ensuring that broadband access is available in all regions of the nation, including rural areas. However, RTG believes that it is the proper role of Congress to explicitly fund such broadband programs rather than to put more pressure on a high cost fund that is buckling under the pressure of basic voice communications, be they fixed or mobile. As the Commission moves forward on any broadband funding measures, it should focus on high speed data services, rather than video and entertainment services.

RTG notes that the universal service fund is already aiding in the provision of broadband services in rural areas since network upgrades such as fiber deployment and DSL line treatments supported by USF allow rural telephone companies to provide broadband services. While broadband is important for the provision of vital business and public interest application, it is also used to deliver entertainment. It should not be a long term goal of the Commission to ensure that all Americans can watch “American Idol” on demand over their broadband connection. Broadband that is supported by high cost funding should be defined as Internet services with speeds greater than 200 kbps not to include video and entertainment services. If the Commission is to fund broadband, it will

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<sup>5</sup> Lifeline and Link-Up should be provided to and required of all ETCs.

need more contributors from the benefiting broadband community, such as broadband backbone providers.

Rural consumers use both wireless and wireline services. The Commission should not limit high cost universal service to just one technology. By focusing on rural providers who can demonstrably show where their high cost funds are being used, the Commission can target and limit the high cost fund. By using carriers' costs rather than reverse auctions, the Commission can target the fund without risking catastrophic damage to rural communities.

For the foregoing reasons, RTG respectfully requests that the Commission act in accordance with the views expressed herein.

Respectfully submitted,

**RURAL TELECOMMUNICATIONS  
GROUP, INC.**

By: \_\_\_\_\_/s/\_\_\_\_\_

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Date: May 31, 2007

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