

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

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| In the Matter of: High-Cost Universal Service Support Federal-State Joint Board on Universal Service | WC Docket No. 05-337 CC Docket No. 96-45 |
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**COMMENTS BY THE RURAL IOWA INDEPENDENT
TELEPHONE ASSOCIATION ON RECOMMENDATION FOR AN
IMMEDIATE INTERIM CAP ON SUPPORT FOR COMPETITIVE
ELIGIBLE TELECOMMUNICATIONS CARRIERS**

On May 23, the Commission had published in the Federal Register a Notice of Proposed Rulemaking on the recommendation of the Federal-State Joint Board on Universal Service. The issue raised in this rulemaking is whether an immediate, interim cap should be placed on distribution of Universal Service Funds to competitive Eligible Telecommunications Carriers (ETCs).

RIITA is a non-profit association of rural independent telephone companies, representing approximately one hundred and thirty Iowa incumbent local exchange carriers. RIITA's membership is restricted to mutual telephone companies in which at least fifty percent of the users are owners, co-operative telephone corporations or associations, and telephone companies having less than fifteen thousand customers and less than fifteen thousand access lines that serve rural Iowa and are incumbent local exchange carriers as defined in the 1996 Telecommunications Act. Approximately one-half of our member companies serve communities with fewer than 1000 access lines. Only an

extremely small percentage of those communities have wireline local exchange competitors. As an association of incumbent local exchange carriers (ILECs), the interests of our members arise from the impact on our members that are also competitive wireline and wireless ETCs and from any negative impact that adopting this recommendation could have on distribution to ILEC ETCs.

In paragraph 4 of the Commission's order, the Commission draws attention to the growth of the Universal Service Fund. Though the numbers supporting that concern appear to be accurate, RIITA suggests that a better measure of the growth of the fund is the impact on the rate at which customers are billed. RIITA believes that changes in the contribution rate better reflect the nature of fund growth, which is partially due to an increasing number of overall phone lines.

By looking at the contribution rate, Fund size increases can be put in better perspective: the main reason the Fund has grown is the growing number of entities contributing to the Fund. As long as the contribution factor stays relatively flat or only increases in very small increments, the overall size of the Fund itself should not automatically be a concern. The growth of the Fund with stable contribution factors could well be considered just a demonstration of our growing telecommunications system. To assert that Fund growth is itself a problem is to miss the real issues that should be addressed regarding Universal Service.

Despite how the growth is gauged, there is no doubt about the primary cause of this growth is the growth of competitive ETCs, as shown in the Commission's order, particularly

the graphs included in Appendix A. RIITA agrees with this conclusion and agrees that it is appropriate to look at the issue as a CETC issue.

In particular, RIITA agrees with the Commission's statements in paragraph 6 of its order, outlining the important differences between incumbent and competitive ETCs. As the commission notes, (1) competitive ETCs have no equal access obligations, (2) competitive ETCs are not subject to rate regulation, (3) competitive ETCs may not have carrier of last resort obligations, (4) competitive ETCs receive support that is not based on their costs.

In general, RIITA has opposed caps on the fund because ILECs receive support based on their own costs and a cap on funds threatens service to customers in high-cost areas. That reason does not apply to this proposed rule because this cap would not apply to ILECs. However, additional reasons exist to be wary of capping support from the Fund.

Primarily, caps on support do not address the underlying issues related to fund growth. Caps treat a symptom. The Joint Board's recommendation acknowledges this. Instead, the cap is proposed as a temporary or interim measure.

Though this cap is intended as an interim and temporary one, RIITA is concerned that temporary caps can become either so long-term or become permanent simply because no other solutions can be implemented. That would be an unfair result for Universal Service. With the other recommendations of the Joint Board in place, particularly elimination of the identical support rule, the growth might not continue on the same path. With overall intercarrier reform in addition to Universal Service reform, completely different results are likely. RIITA believes that reform ought to be pursued over temporary caps. RIITA joins the concerns of Commissioner Copps in his dissent from the Joint Board

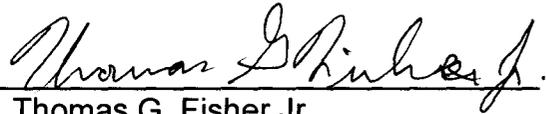
recommendations: “But we don’t have the luxury of time to get this right. That is why I believe today’s recommendation misses the mark—it puts too many issues off to another day. It’s risky business.”

Additionally, RIITA is extremely concerned that a cap on CETCs could ultimately lead to a cap on IETCs, resulting in a loss of affordable service to rural customers in high-cost areas. The propose cap will slow growth of the fund by not distributing funds that would otherwise be distributed—it does not seek to resolve any underlying fund issues. The same heavy-handed result could be reached on the ILEC side: the fund could be further slowed—or even decreased—by other caps on other carriers. A cap on ILECs puts rural telecommunications at risk and should not be implemented.

Finally, the cap does not create pressure on the industry, the commission or the state commissions to resolve USF issues. Instead, it sets a temporary arbitrary limit on the fund. RIITA shares Commissioner Copps’s concern about the impact of implementing this cap: “Frankly, I worry that an emergency, interim cap inflames discord and disagreement among industry sectors at a time when we should be bringing everyone to the table to develop as much consensus as we can.”

In summary, RIITA is extremely concerned about the impact of the proposed cap on resolution of the bigger issues facing Universal Service reform. If that reform can move forward quickly and fairly, the cap could be part of an interim attempt to slow the growth of the fund. However, it would be better to face those issues directly.

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