



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The Voice of Rural Telecommunications

www.ntca.org

Ex Parte Handout June 6, 2007

**Federal-State Joint Board on Universal Service Proposed Interim Cap on CETC USF Support
WC Docket No. 05-337 and CC Docket No. 96-45**

NTCA supports the Joint Board's interim proposed cap on federal high-cost competitive eligible telecommunications carrier (CETC) support given the current (\$1 billion) and projected (\$2.5 billion in 2009) growth in federal high-cost CETC universal service fund (USF) support and the following facts which are jeopardizing the sustainability of the fund:

1. CETC federal high-cost USF support is not based on CETC costs;
2. CETCs do not have same equal access obligations as ILECs;
3. CETCs do not carry the same carrier of last resort obligations as ILECs;
4. Wireless CETCs are not subject to state rate and entry regulation;
5. Many wireless CETC family plans receive USF support for 3 or more phones per household;
6. CETC designations over the last six years have not materially increased the voice penetration rate in U.S. households;
7. Landline voice and wireless voice services are predominantly complimentary services;
8. The Act does not direct the FCC or state commissions to grant CETC designations to artificially stimulate competition in rural high cost service areas;
9. State Commissions may provide CETCs additional USF support through state universal service funds; and
10. National wireless carriers, such as the recently merged company of AT&T/Bell South/Cingular with over \$100 billion in operating revenues, are seeking CETC designations in rural ILEC service areas throughout the United States which may bankrupt the fund.

NTCA further recommends that the cap remain in place until the following long term USF reform measures are fully implemented:

1. Eliminate the identical support rule;
2. Base CETC USF support on each CETC's own costs;
3. Establish a meaningful public interest test for CETC designation applications;
4. Expand the base of USF contributors to include all broadband service providers, and
5. Remove the existing regulatory cap imposed on rural ILEC high cost USF support.

NTCA has historically opposed the current regulatory cap on rural ILEC high-cost USF support. NTCA believes that the cap on rural ILEC high-cost USF support conflicts with the sufficiency principle in section 254 of the Act, hampers timely deployment of advanced communications services under sections 254 and 706, and threatens the goal of affordable and comparable rates and services in urban and rural areas contained in sections 201 and 254. NTCA also shares the concerns of Commissioner Copps that the proposed interim CETC USF support cap may inflame discord, does not address the fundamental problems in the current USF rules, and may diminish the prospects for long term reform needed to sustain the high cost USF system. The proposed interim emergency CETC USF cap, however, is necessary in order to maintain sufficient and predictable high-cost universal service support for the foreseeable future.

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