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June 27, 2007

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: WC Docket No. 05-337 and CC Docket No. 96-45

Dear Ms. Dortch:

On June 26, 2007, Michael Fox, Derrick Owens, Eric Keber and Gerard Duffy representing the Western Telecommunications Alliance ("WTA") met with Scott Deutchman, Competition and Universal Service Legal Advisor to Commissioner Michael J. Copps, and Michael Richardson of Commissioner Copps' office, to discuss various matters relating to short-term and long-term Universal Service Fund ("USF") reform.

The topics included: (a) WTA's support for the May 1, 2007 Recommended Decision of the Federal-State Joint Board on Universal Service regarding the placement of an interim cap on portable high-cost support provided to competitive eligible telecommunications carriers; (2) the existence of unanswered questions and complexities regarding the design, implementation and investment impacts of potential reverse USF auctions; and (c) the existence and general status of efforts by certain service providers and trade associations to develop alternative plans and options for long-term USF reform.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings. The PowerPoint slides handed out at the meeting are attached.

Respectfully submitted,

Gerard J. Duffy

cc: Scott Deutchman
Michael Richardson

Ex Parte Meetings
WC Docket No. 05-337
CC Docket No. 96-45
June 2007

WESTERN
TELECOMMUNICATIONS
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Western Telecommunications Alliance

- National rural telecom trade association dedicated to promoting affordable communications service in the rural West
  - » 250+ small rural telecom companies
  - » Companies operate in 24 states west of the Mississippi River
- WTA members average less than 3000 access lines per company and serve less than 500 customers per exchange
  - » Serve some of the most remote & high cost areas of the country

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Joint Board's Recommendation is Necessary

- Universal Service Fund growing at unsustainable rate
  - » Total Fund $7.3 billion in 2006; $6.6 billion in 2005; $5.75 billion in 2004
- Without addressing, entire Fund is jeopardized
- Allows for fiscal control in short-term so long-term reform plan can be developed and adopted
  - » RLECs support recommendations, as do two largest wireline and wireless companies (AT&T and Verizon)

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Joint Board's Recommendation is Necessary

- Competitive Eligible Telecom Carriers (CETCs) – The Main Cause of Growth
  - » In six years, CETC support has grown from $15 million to nearly $1 billion at the end of 2006; projected to reach $1.3 billion in 2007 and $2.5 billion by 2009
  - » ILEC support has been flat or declining in recent years

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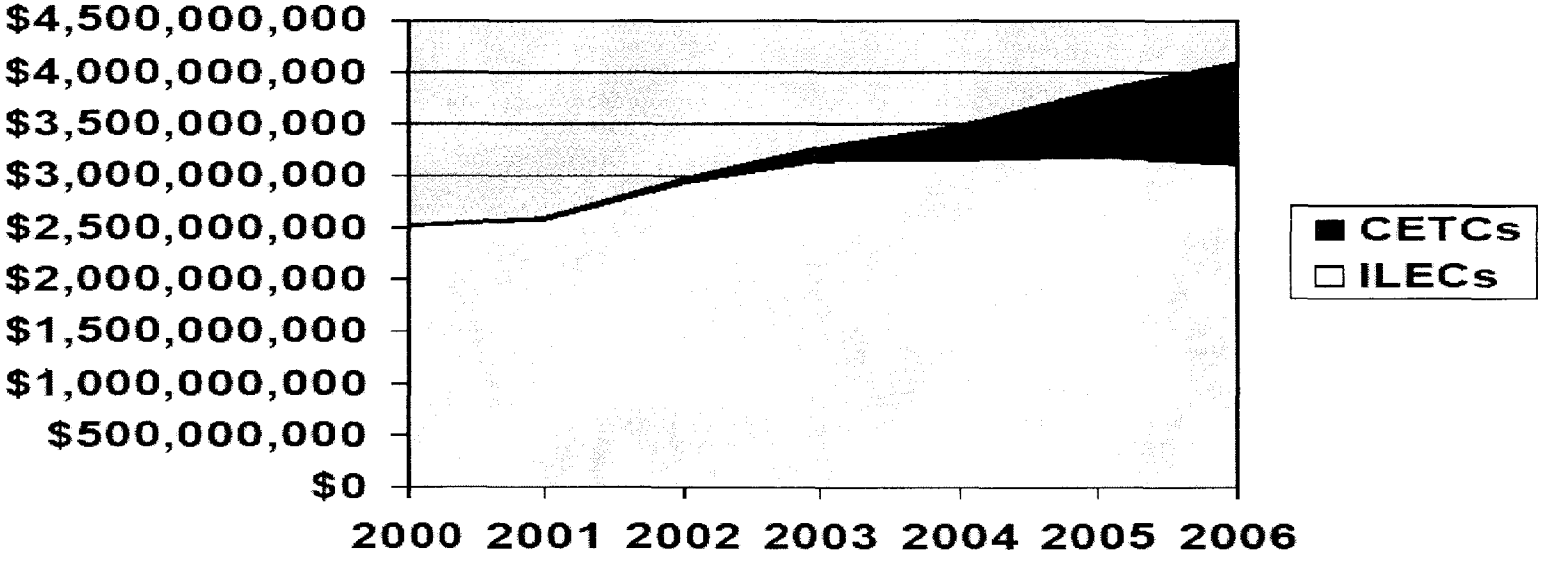
Total High-Cost Support Fund Payments – ILECs and CETCs



Source: USAC Data and Projections

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Joint Board's Recommendation is Necessary

- Interim cap is competitively neutral – the recommendation levels the playing field
  - » CETCs – only group of carriers not subject to a cap with respect to any portion of their USF support
    - High Cost Program capped in 1993 and re-indexed in 2001
      - » As a result of HCLS cap, rural LECs have foregone approximately $2.5 billion in legitimate high cost recovery
    - Schools and Libraries capped at $2.25 billion
    - Rural Health Care Program capped at $400 million
    - Low Income Program not capped

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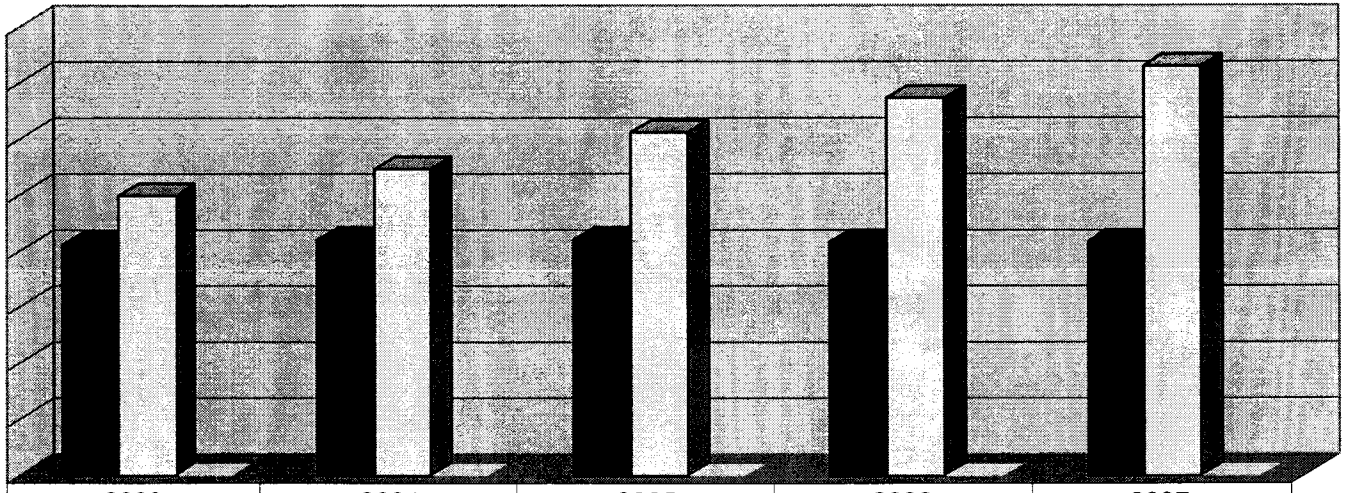
Comparison of Capped Versus Uncapped Rural ILEC HCL Funding



	2003	2004	2005	2006	2007
■ CAPPED	$ 1,028,349,903	$ 1,047,210,350	$ 1,046,733,725	$ 1,037,677,290	$ 1,039,938,780
□ UNCAPPED	$ 1,243,201,380	$ 1,361,370,592	$ 1,521,579,759	$ 1,682,015,538	$ 1,815,517,230
% Unrecovered HCL	17%	23%	31%	38%	43%

Source: NECA's 2006 USF Submission of 2005 Study Results

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Joint Board's Recommendation is Necessary

- Eliminating Equal Per Line Rule/Identical Support Rule will help contain growth of Fund
- CETCs should be eligible to receive USF support – based on their own costs
- It's not sound public policy to provide USF support to multiple CETCs serving the same study area
  - » 100s of study areas have 2 or 3 CETCs
  - » 160 study areas have 4 or more CETCs
  - » 4 study areas have 16 or more CETCs
  - » 2 study areas have more than 20 CETCs

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Long-term USF Reform

- WTA working with other organizations to develop long-term reform plan
- Reform should take into consideration: purpose of USF; nature and evolution of existing PSTN in future; and reasonable capabilities and constraints of USF
- Contributions – should be expanded so that all who use public switch network contribute
- Reverse auctions – many questions need to be answered

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Conclusion

- Critical that the rapid growth of the USF be brought under control otherwise funding for all communications providers is jeopardized because of the threat to the long-term sustainability of the Fund.
- Predictable and sufficient revenue streams and cost recovery are essential to WTA members if they are to continue investing in and operating essential telecom facilities in high-cost rural areas, while providing their rural communities and customers with high-quality and affordable services that are reasonably comparable to those is urban areas.

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Conclusion

- Therefore, the Joint Board's interim recommendation is strongly needed and justified.
- The recommendation will stanch the Fund's unsustainable growth and allow policymakers, regulators, and industry to work together to develop a more comprehensive long-term USF plan – one that is strong and viable well into the future.

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