Implementing Portability for ILECs Will Save Far More USF Support Than Any CETC Cap Could Accomplish

- The FCC has affirmed numerous times that portability is a critical component of competitively neutral universal service support mechanisms
- Yet, full portability has not been implemented; as a result, ILECs continue to be rewarded with increased support even as they lose customers

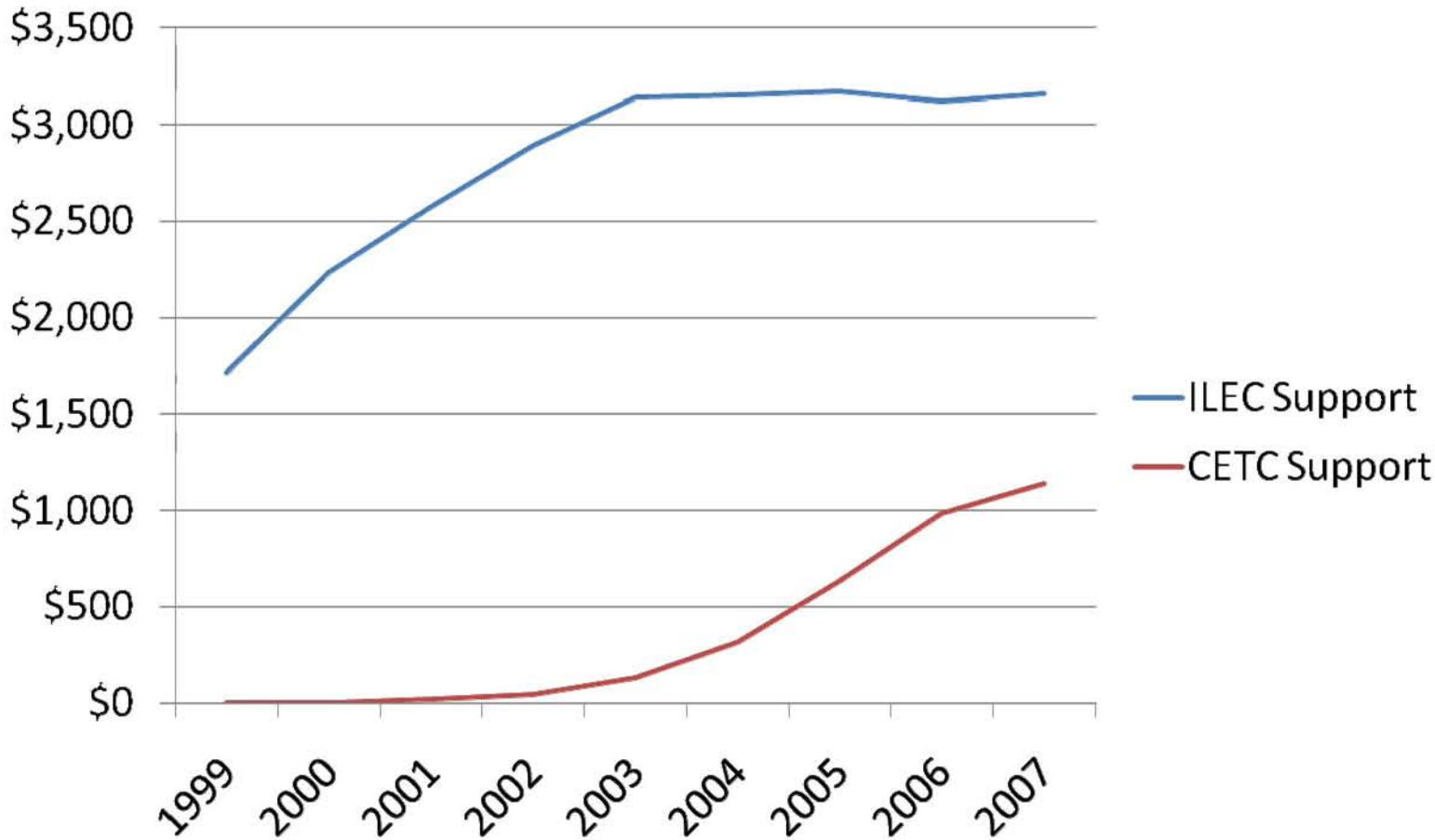
Implementing Portability for ILECs Will Save Far More USF Support Than Any CETC Cap Could Accomplish

- Between June 2002 and December 2006, the number of ILEC lines nationwide dropped from 167,330,005 to 138,847,296 – a ***decrease*** of 17%.
- During the same period, annual high-cost support to ILECs ***increased*** from $2.89 billion to $3.12 billion. In 1999, high-cost support for ILECs was $1.72 billion.

Implementing Portability for ILECs Will Save Far More USF Support Than Any CETC Cap Could Accomplish

- Had ILEC support declined at the same rate as ILEC access lines beginning in 2001, total savings from 2002 to 2007 would have amounted to approximately $5 billion.
- Cumulatively over the same five-year period, CETCs received only $3.2 billion.
- Accordingly, decreasing ILEC support as their loop counts decreased would have **more** than offset all fund growth attributable to CETCs.

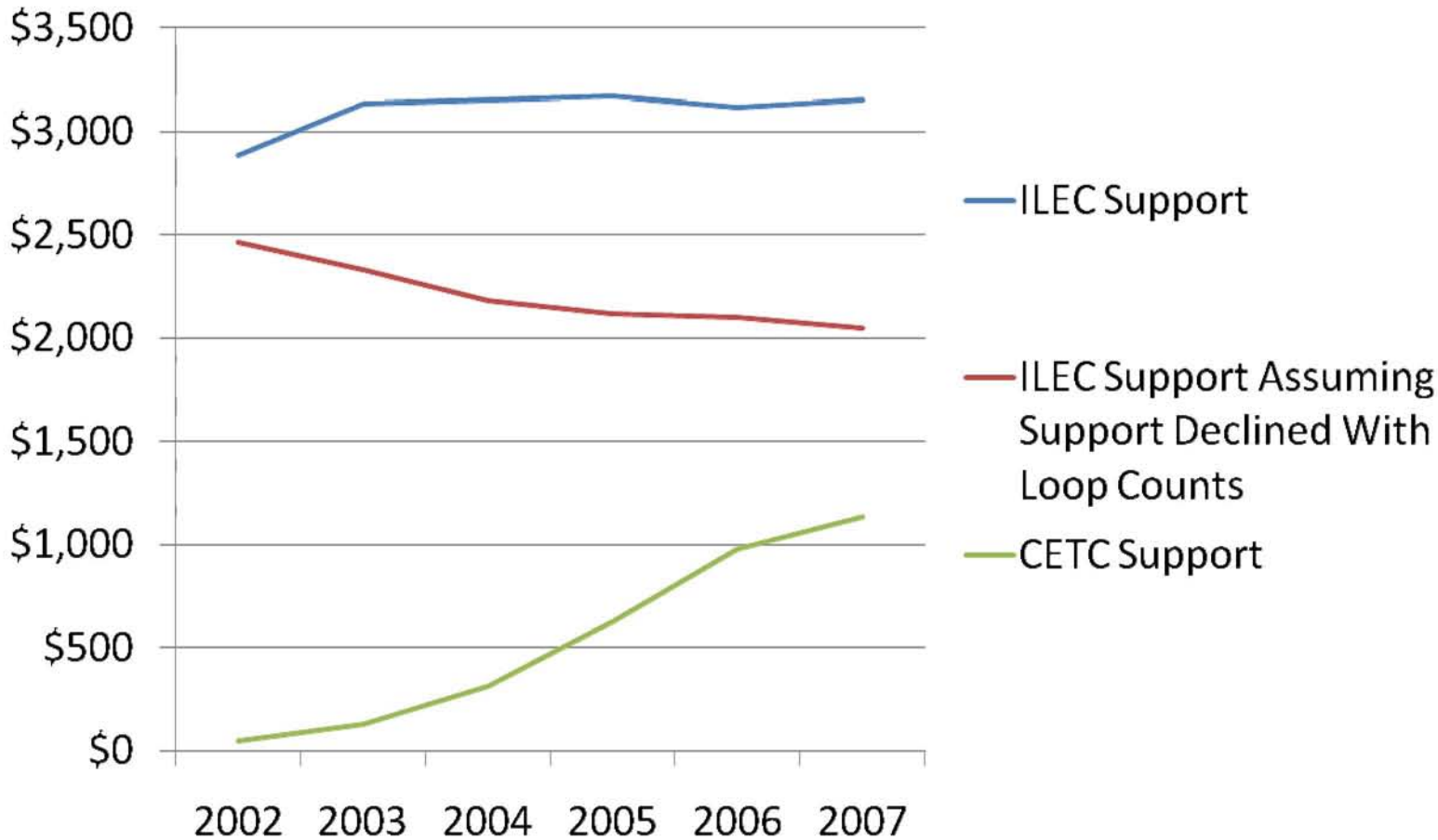
ILEC vs. CETC Support
1999-2007
(in millions)



Comparison of CETC Support and ILEC Support, 2002-2007

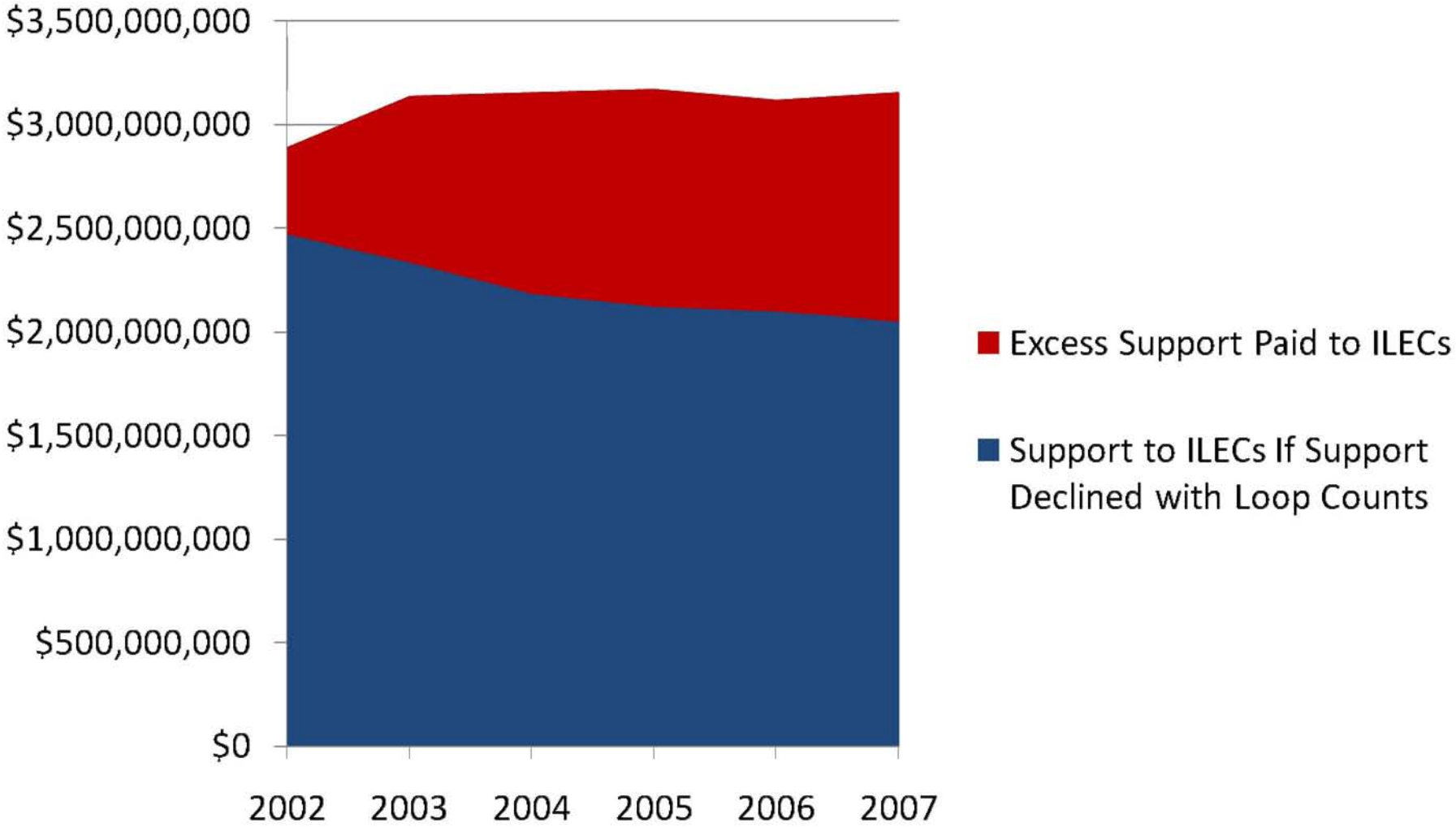
Actual ILEC Support vs. ILEC Support If Support Declined with Loop Counts (in millions)

Note: Loop counts are as of June of each year, except for 2007 (December 2006 figures used)

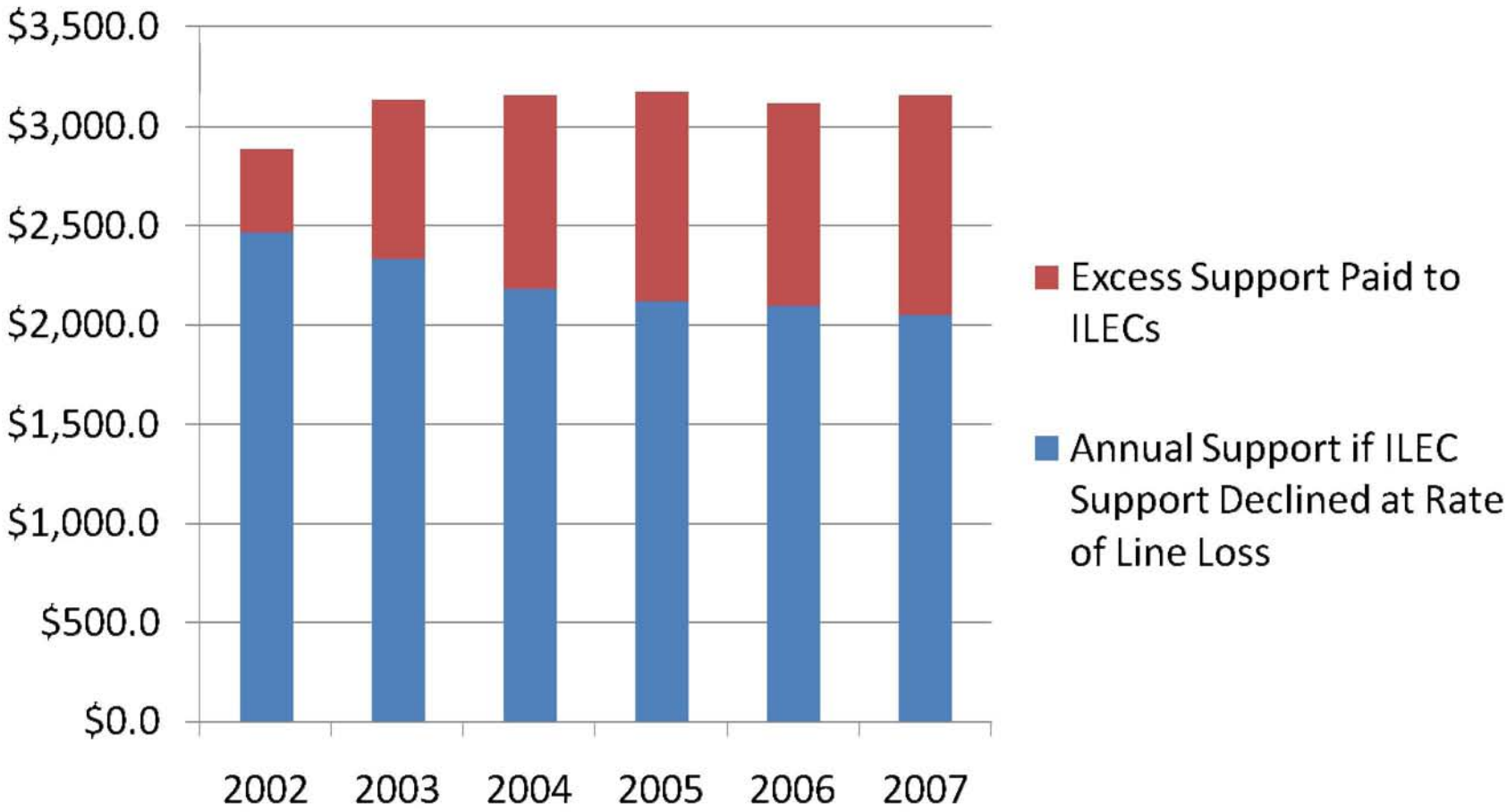


Amount of Savings if ILEC Support Declined at Same Rate as ILEC Loop Counts (2002-2007)

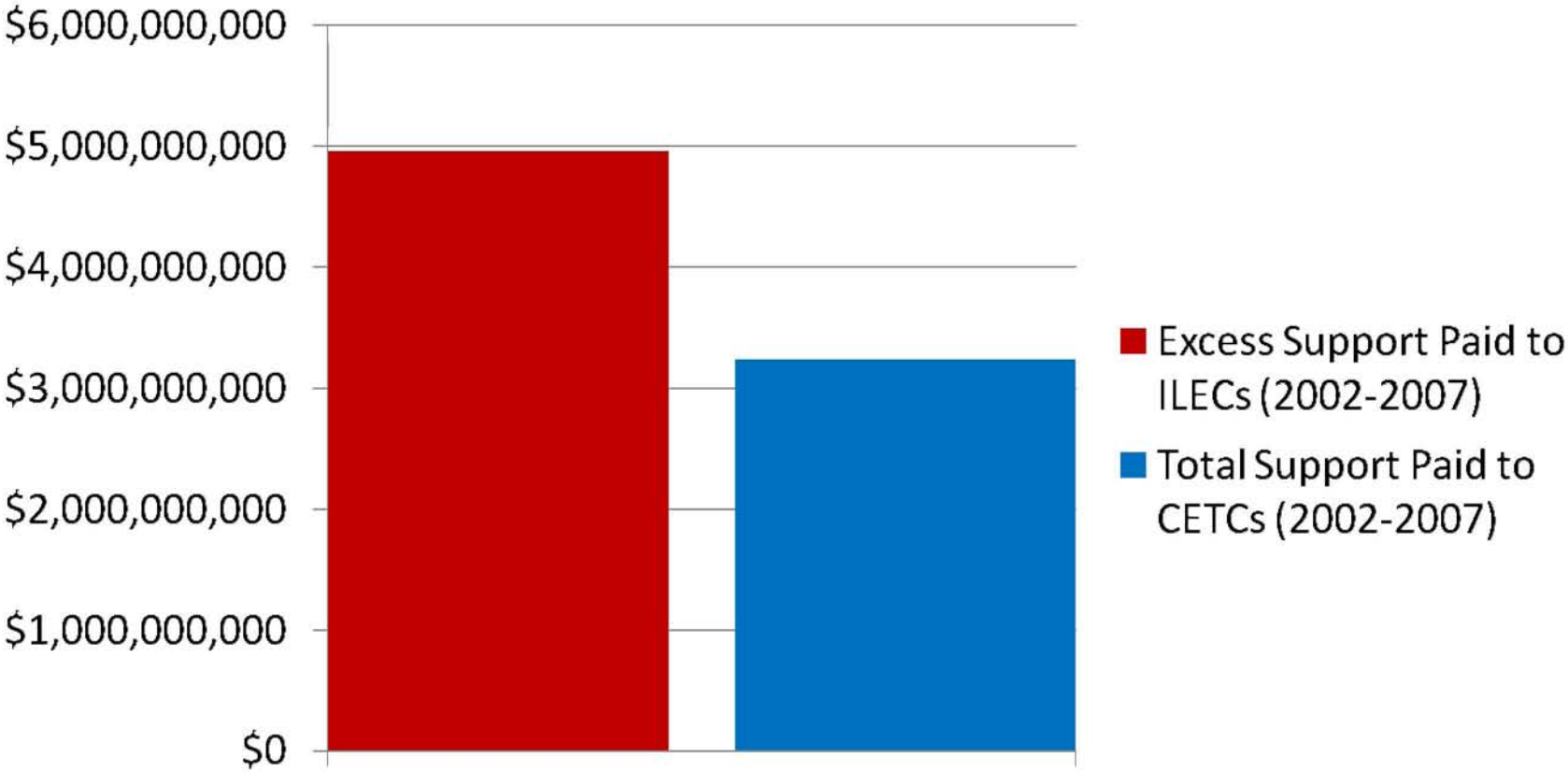
Note: CETCs, Unlike ILECs, Do NOT Continue Receiving Support For Customers They No Longer Have.



Excess Annual Support Paid to ILECs, 2002-2007
(in millions)



Bottom Line: Reducing ILEC Support As Loop Counts Decline* Saves Far More Than A CETC Cap; In Fact Would Have More Than Offset **All** Support to CETCs From 2002 - 2007.



*CETC Support Drops When Customer Accounts Decline; Yet CETCs Too Have Fixed Costs That Do Not Decline: Spectrum, Switching, Network Infrastructure

Grandfather All Pending Applications

- Applications for ETC Status at State Commissions Should Be Included in Cap Level
- To Include Pending Applications At FCC But Not Account For Those Still At State Commissions Would Be Arbitrary And Unfair To States That Accepted Jurisdiction
- Rural Wireless Deployment Tends To Follow Urban By Three Years – Due To The Exact High Cost Issue USF Exists to Redress; We Strongly Urge The Commission Not To Penalize Rural States And Their Carriers, Where Numerous Applications Are Still Being Processed, By Failing To Include Room Under Cap For These Applications.