

**CONCURRING STATEMENT OF
CHAIRMAN LISA POLAK EDGAR**

In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45

I support the Recommended Decision and the accompanying Public Notice.

Rapid growth in the Universal Service High-Cost Fund is placing unprecedented financial pressure on consumers of telecommunications services and the Federal-State Joint Board on Universal Service today takes a necessary step to address that unplanned and exceptional growth.

The cap detailed in today's Recommended Decision is an interim step, meant to create a pause in fund growth while a more equitable and comprehensive distribution mechanism can be crafted. The current support mechanisms must be reformed to reduce excessive support to multiple providers and better target financial support as envisioned by the Telecommunications Act of 1996. Funding redundant providers is particularly troubling for consumers in net-contributor states, who shoulder the burden of undue growth in the high-cost fund. Therefore, I share my colleagues urgency in addressing a comprehensive reform of the high-cost distribution mechanism that adheres to the goals of universal service.

STATEMENT OF
COMMISSIONER LARRY S. LANDIS*In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45*

In recent weeks, the bulk of the attention by various parties offering ex parte comments in this proceeding has been devoted to certain anticipated aspects of the proposed interim emergency cap which is addressed in today's Recommended Decision. I can appreciate the concern of various parties with regard to how (without knowing the exact parameters of the proposed cap) it might impact them. Much has been said and written about the need for competitively and technologically neutral policies, disregarding the fact that in some respects the current regime is anything but.

The basic facts are inescapable, as set forth in the Recommended Decision. Growth in high cost support on the current trend line is unsustainable. A number of proposals were offered in ex parte filings as alternatives, with the intent of "sharing the pain" among various groups of providers. Those proposals fail to address the fact that for most segments, growth has been virtually flat or even modestly negative in the short run; there is only one group of providers which have seen dramatic and continued growth, and that group is wireless CETCs.

To use an analogy, if you are offering emergency medical treatment to a badly injured person who is bleeding profusely from the arm, you don't address the short-term problem by applying a tourniquet to the patient's leg. Having said that, a tourniquet is not a long-term or permanent solution, and neither is the interim emergency cap.

While the growth is attributable to CETCs, most of which are wireless carriers, they are simply operating under the current laws and rules, once they have received ETC designation. Over the course of the past several months, I have come to a greater appreciation of the extent to which there are wireless companies which operate on a business model targeted primarily to serving rural areas, and which contribute significantly to realizing the goal of providing truly universal service to areas where costs are such that no business case can be made for buildout, absent Universal Service support.

At the same time, there are many rural areas where multiple wireless providers are active. Where there is already competition, we need to make sure we don't inadvertently advantage one company over the others which entered that market based on a competitive, unsubsidized model. Indeed, it may be time to ask if the presence of some minimum number of competitors greater than one in a market is a prima facie indicator that the market is contestable and competitive, and that no universal service support should be rendered to the competing providers in that market.

The states have an obligation and a growing partner role with the FCC as joint stewards in seeing to it that Universal Service funds are appropriately deployed, that legitimate needs are met, but that accountability and performance are audited and demanded.

Now that the interim Recommended Decision has been approved by this body, it is my hope that we can move on to the far more significant and far-reaching issues and potential solutions addressed in the companion Request for Comment.

The Request for Comment raises the question of whether the Joint Board and the Commission should consider adding broadband to the list of supported services. It is my hope that the parties will examine not only the threshold questions (is penetration sufficient for broadband to qualify as a supported service?) but also, if they conclude that broadband should be a supported service, how that can best and most efficiently be implemented. What are the appropriate threshold funding obligations of providers?

Of the several states, including (but not limited to) state funds and other incentives? And of the high cost funds? These potential interrelationships require closer examination.

Finally, I appreciate the concerns of those who have suggested that the interim emergency cap will somehow morph into an intermediate or long-term default "patch" to the issues we propose to examine. By explicitly committing to making further recommendations regarding long term, comprehensive high-cost universal service reform within six months, and by proposing that the cap expire one year from the date when such recommendations are offered, I hope that we have convinced interested parties that the Joint Board is determined to address those long term issues in a meaningful, thoughtful and aggressive manner.

If we are to do so, we will need to build a record which is considerably more comprehensive and provides greater granularity than that which we have today. Interested parties simply need to move with dispatch. The clock is running for all parties with an interest in the outcome of this deliberation. As such, the record will be only as robust as the parties make it.

STATEMENT OF
COMMISSIONER JOHN BURKE

In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45

I agree with my colleagues on the USF Joint Board as to today's Recommended Decision. I would stress the need for a comprehensive solution to be finally adopted by the FCC at the earliest possible date.

Some inequities could result from any cap but inequities undoubtedly already exist at least in part because of the identical support rule as presently applied. I would hope then that the cap never be extended beyond the 18 month period contemplated as the outside margin of this recommendation for development and adoption of these more comprehensive reforms

**CONCURRING STATEMENT OF
COMMISSIONER RAY BAUM*****In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45***

In concurring with today's interim decision capping the CETC portion of the fund, I would like to emphasize the following:

1. I underscore that today's decision is interim. The Joint Board intends to recommend major reform of the USF to the FCC within six months of the date of this decision. Parties should file their comments in response to the accompanying Public Notice within the comment periods. Parties who wait to put forward their proposals in ex parte submissions will jeopardize their consideration. The Joint Board intends to move expeditiously, and takes seriously the six month deadline for recommending major reform.
2. My support for a cap of this nature is limited to the 18 months outlined in today's decision. In several states, there are high cost rural service areas that had no CETC drawing USF support during the interim cap's 2006 base period. As a result of the cap, consumers in these rural areas may not enjoy the same quality and reliability of service that is enjoyed by rural consumers in states with earlier CETC designations. The CETC portion of the fund is now disproportionately allocated among rural consumers and states. This cap does not remedy that inequity.
3. Broadband is critical to telecommunication/information services of the future, for both rural and urban Americans. Rural ILECs have generally done a good job of making broadband available to the rural consumers they serve; non-rural ILECs generally have not. The Joint Board and commenting parties should address whether this inequity can be remedied by properly focused incentives to ETCs, both wireline and wireless, to provide necessary broadband services to all rural consumers.
4. Due to unsustainable growth pressures on the fund all ETCs should anticipate changes to current USF distribution mechanisms. The identical support rule for CETCs may not survive. Rural ILECs may no longer receive support based on their embedded costs. All parties should use the forthcoming comment periods to put forth their best ideas, describing in detail how they are to be implemented.

The Joint Board faces difficult decisions in the next six months. The best efforts of all parties in filing comments to assist the Joint Board is essential and appreciated.

**DISSENTING STATEMENT OF
COMMISSIONER MICHAEL J. COPPS*****In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45***

Congress made clear what it expected of the Federal-State Joint Board on Universal Service in section 254 of the Communications Act: the Board shall recommend policies to preserve and advance universal service. Since I rejoined the Joint Board over two years ago, my colleagues and I have worked with this singular purpose in mind. As anyone who toils in the field of universal service knows, there are many worthy ideas on how to achieve the purposes set forth in the Act. Today the Joint Board recommends that the FCC impose a so-called "interim, emergency cap" on the high cost support available to competitive eligible telecommunications carriers. While I commend my colleagues for their good intentions – to curb the growth of the universal service fund – I have serious concerns that such a cap will be misinterpreted as a solution, even though it does not address – or pretend to address – the fundamental, comprehensive reforms needed to carry a viable and improved system of universal service forward in the twenty-first century.

The clear and compelling challenge to the Joint Board and the FCC is to bring basic and advanced telecommunications to all our citizens and to ensure that our universal service system, which has accomplished so much, can continue to sustain itself. Our job is to develop strategies and programs to bring the best, most accessible and cost-effective communications system in the world to all our people – and universal service does indeed mean "all" our people. Every citizen of this great country should have access to the wonders of communications – whether they live on farms or rural hamlets, on tribal lands or in the inner city; whether they have limited income or are challenged by disabilities; whether they are schoolchildren or rural health care providers.

Universal service has done great things for America. But its job is far – very far – from complete. Revolutionary changes are transforming the world of telecommunications, but not all of us will be able to benefit from them without significant universal service system reforms. We have studied these problems for a very long time. Hundreds of discussions have taken place. Ideas have been exchanged. Solutions have been proposed. The problem is that the solutions are not painless. Companies and government both get comfortable with business as usual, and when someone proposes to rock the boat we all get nervous. Game theory supersedes decision-making – and nothing gets done. Yet reality keeps knocking at the door: the system is stressed; down the present path it may not be sustainable; it still marches to the tune of 20th century telecom. And there is this: we may all be called on for shared sacrifice if universal service is going to fulfill its mission.

I believe we have it within our ability – and within our grasp – to resolve our current universal service fund problems and to deploy a system that can contribute mightily to economic opportunity for all our citizens and to truly expansive economic growth for our country. This modernized universal service system would ensure that every citizen in our country is connected to vital education, public health, public safety, employment and entrepreneurial opportunities.

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.

The Joint Board has two major referrals before it, one dating to 2002 and the other to 2004. These are complicated referrals, to be sure, but it is nevertheless entirely possible to come forward with recommendations on the outstanding issues with which we are all familiar. Instead the Joint Board proposes an interim, emergency cap that solves no enduring problem and that will be interpreted by many

as movement enough to justify putting the larger universal service reform imperative on the back-burner. I fear today's action diminishes rather than enhances the prospects for near or even mid-term reform.

In the best-case scenario under the proposed cap, even if the Joint Board acts within six months on fundamental reforms and the FCC then proceeds to adopt some version of those reforms in a year, it will be 18 months – autumn of 2008 – before we even have a strategic long-term plan from the FCC for universal service reform. If the past is prologue, coming to FCC consensus may take far longer than that, not to mention any legislative changes that may be suggested.

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. I don't see the need to poison the well when we could all be drinking from the same cup. Others have expressed concerns that this emergency action could lead to extended litigation and to putting into play concerns about the lack of technology neutrality that some see in this proposal.

It is not just the pressure on the universal service fund that compels action. It is even more the pressure from our country's grossly inadequate under-performance in getting advanced telecommunications out to all our citizens. Just last week, the OECD moved the United States down three more spots in its broadband rankings – now your country and mine is Number 15. Some are attempting to impugn the rankings or to say that, even if true, it is good news that other countries are moving forward so quickly! These comments and claims are lame attempts to mask a national embarrassment. Universal service has a huge role to play in correcting our course and moving us back toward the top where the United States always belongs.

This is why it is so incumbent upon us to get comprehensive Joint Board recommendations to the Commission expeditiously and then for the Commission to act. We need to act not just because informed action will move us up the rankings, but because of what our country's poor performance means in terms of a continuing, perhaps even worsening, rural-urban digital gap and in terms of economic opportunities foregone for individuals, communities and businesses all across America.

The Joint Board is filled with uncommon knowledge, expertise and good judgment. It has most of the information, data, and analysis that it needs, right now, to move ahead to propose needed repairs and modernization for universal service. I will be in the minority with my vote today. Still, I look forward to working with my colleagues and friends on the Joint Board and the Commission to move the ball forward on the new field we have designed. To them and to all the millions of stakeholders in this work, I pledge my full participation and cooperation to move ahead as speedily as possible to expedite and complete the Joint Board's work.

APPENDIX B

INITIAL REGULATORY FLEXIBILITY ANALYSIS

1. As required by the Regulatory Flexibility Act (RFA),¹ the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on small entities by the policies and rules proposed in the Notice of Proposed Rulemaking (Notice). Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Notice provided in paragraph 9 of the item. The Commission will send a copy of the Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).² In addition, the Notice and IRFA (or summaries thereof) will be published in the Federal Register.³

A. Need for, and Objectives of, the Proposed Rules

2. Section 254(a)(2) of the Communications Act of 1934, as amended (the Act),⁴ requires that the Commission implement within one year recommendations from the Joint Board based on the universal service requirements provided in section 254 of the Act, which establishes a number of principles for the preservation and advancement of universal service in a competitive telecommunications environment.⁵ On May 1, 2007, the Joint Board recommended that the Commission adopt an interim cap on high-cost universal service support for competitive ETCs to rein in the explosive growth in universal service.⁶ In this Notice, the Commission seeks comment on the Joint Board recommendation that the Commission cap competitive ETC support at the amount of support received by competitive ETCs in 2006.⁷ The objective of the Notice is to explore whether the Commission should take action to cap the high-cost universal service support in the manner that the Joint Board recommends, and whether there are other issues related to the interim cap that should be considered.⁸

B. Legal Basis

3. The legal basis for any action that may be taken pursuant to the Notice is contained in sections 1, 2, 4(i), 4(j), 201, 202, 205, 214, 254, 403 and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i)-(j), 201, 202, 205, 254, 410 and sections 1.1, 1.411, 1.412, 1.415, 1.419, and 1.1200-1.1216, of the Commission's rules, 47 C.F.R. §§ 1.1, 1.411, 1.412, 1.415, 1.419, 1.1200-1.1216.

¹ See 5 U.S.C. § 603. The RFA, see 5 U.S.C. §§ 601 – 612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² See 5 U.S.C. § 603(a).

³ *Id.*

⁴ 47 U.S.C. § 254(a)(2). The Communications Act of 1934 was amended by the Telecommunications Act of 1996. Pub. L. No. 104-104, 110 Stat. 56 (1996)(1996 Act).

⁵ See 47 U.S.C. § 254(b).

⁶ *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 (Fed.-State Jt. Bd., rel. May 1, 2007) (*Recommended Decision*) (Appendix A).

⁷ See Notice, para 4.

⁸ *Id.*, para. 5.

C. Description and Estimate of the Number of Small Entities to Which Rules Will Apply

4. The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the rules, if adopted.⁹ The RFA generally defines the term “small entity”¹⁰ as having the same meaning as the terms “small business,”¹¹ “small organization,”¹² and “small governmental jurisdiction.”¹³ In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities.¹⁴ Under the Small Business Act, a “small business concern” is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the Small Business Administration (SBA).¹⁵ Nationwide, there are a total of approximately 22.4 million small businesses, according to SBA data.¹⁶ A small organization is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.”¹⁷ Nationwide, as of 2002, there were approximately 1.6 million small organizations.¹⁸

5. The most reliable source of information regarding the total numbers of certain common carrier and related providers nationwide, as well as the number of commercial wireless entities, is the data that the Commission publishes in its *Trends in Telephone Service* report.¹⁹ The SBA has developed small business size standards for wireline and wireless small businesses within the three commercial census categories of Wired Telecommunications Carriers,²⁰ Paging,²¹ and Cellular and Other Wireless Telecommunications.²² Under these categories, a business is small if it has 1,500 or fewer employees. Below, using the above size standards and others, we discuss the total estimated numbers of small businesses that might be affected by our actions.

⁹ 5 U.S.C. § 604(a)(3).

¹⁰ 5 U.S.C. § 601(6).

¹¹ 5 U.S.C. § 601(3).

¹² 5 U.S.C. § 601(4).

¹³ 5 U.S.C. § 601(5).

¹⁴ 5 U.S.C. § 601(3) (incorporating by reference the definition of “small business concern” in 5 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies “unless an agency after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition in the Federal Register.” 5 U.S.C. § 601(3).

¹⁵ 15 U.S.C. § 632.

¹⁶ See SBA, Programs and Services, SBA Pamphlet No. CO-0028, at 40 (July 2002).

¹⁷ 5 U.S.C. § 601(4).

¹⁸ Independent Sector, *The New Nonprofit Almanac & Desk Reference* (2002).

¹⁹ FCC, Wireline Competition Bureau, Industry Analysis and Technology Division, *Trends in Telephone Service*, Table 5.3, page 5-5 (February 2007) (*Trends in Telephone Service*). This source uses data collected as of October 20, 2005.

²⁰ 13 C.F.R. § 121.201, North American Industry Classification System (NAICS) code 517110.

²¹ *Id.* § 121.201, NAICS code 517211 (This category will be changed for purposes of the 2007 Census to “Wireless Telecommunications Carriers (except Satellite),” NAICS code 517210.).

²² *Id.* § 121.201, NAICS code 517212 (This category will be changed for purposes of the 2007 Census to “Wireless Telecommunications Carriers (except Satellite),” NAICS code 517210.).

1. Wireline Carriers and Service Providers

6. We have included small incumbent local exchange carriers (LECs) in this present RFA analysis. As noted above, a “small business” under the RFA is one that, *inter alia*, meets the pertinent small business size standard (e.g., a telephone communications business having 1,500 or fewer employees), and “is not dominant in its field of operation.”²³ The SBA’s Office of Advocacy contends that, for RFA purposes, small incumbent LECs are not dominant in their field of operation because any such dominance is not “national” in scope.²⁴ We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

7. *Incumbent LECs.* Neither the Commission nor the SBA has developed a size standard for small businesses specifically applicable to incumbent LECs. The closest applicable size standard under SBA rules is for Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.²⁵ According to Commission data,²⁶ 1,307 carriers reported that they were engaged in the provision of local exchange services. Of these 1,307 carriers, an estimated 1,019 have 1,500 or fewer employees, and 288 have more than 1,500 employees. Consequently, the Commission estimates that most providers of incumbent local exchange service are small businesses that may be affected by our action.

8. *Competitive LECs, Competitive Access Providers (CAPs), “Shared-Tenant Service Providers,” and “Other Local Service Providers.”* Neither the Commission nor the SBA has developed a small business size standard specifically for these service providers. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.²⁷ According to Commission data,²⁸ 859 carriers reported that they were engaged in the provision of either competitive LEC or CAP services. Of these 859 carriers, an estimated 741 have 1,500 or fewer employees, and 118 have more than 1,500 employees.²⁹ In addition, 16 carriers have reported that they are “Shared-Tenant Service Providers,” and all 16 are estimated to have 1,500 or fewer employees. In addition, 44 carriers have reported that they are “Other Local Service Providers.” Of the 44, an estimated 43 have 1,500 or fewer employees, and one has more than 1,500 employees. Consequently, the Commission estimates that most competitive LECs, CAPs, “Shared-Tenant Service Providers,” and “Other Local Service Providers” are small entities that may be affected by our action.

2. Wireless Carriers and Service Providers

9. *Wireless Service Providers.* The SBA has developed a small business size standard for

²³ 15 U.S.C. § 632.

²⁴ See Letter from Jere W. Glover, Chief Counsel for Advocacy, SBA, to Chairman William E. Kennard, Federal Communications Commission (May 27, 1999). The Small Business Act contains a definition of “small business concern,” which the RFA incorporates into its own definition of “small business.” See 15 U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret “small business concern” to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b).

²⁵ 13 C.F.R. § 121.201, NAICS code 517110.

²⁶ *Trends in Telephone Service* at Table 5.3.

²⁷ 13 C.F.R. § 121.201, NAICS code 517110.

²⁸ *Trends in Telephone Service* at Table 5.3.

²⁹ *Id.*

wireless firms within the two broad economic census categories of “Paging”³⁰ and “Cellular and Other Wireless Telecommunications.”³¹ Under both categories, the SBA deems a wireless business to be small if it has 1,500 or fewer employees. For the census category of Paging, Census Bureau data for 2002 show that there were 807 firms in this category that operated for the entire year.³² Of this total, 804 firms had employment of 999 or fewer employees, and three firms had employment of 1,000 employees or more.³³ Thus, under this category and associated small business size standard, the majority of firms can be considered small. For the census category of Cellular and Other Wireless Telecommunications, Census Bureau data for 2002 show that there were 1,397 firms in this category that operated for the entire year.³⁴ Of this total, 1,378 firms had employment of 999 or fewer employees, and 19 firms had employment of 1,000 employees or more.³⁵ Thus, under this second category and size standard, the majority of firms can, again, be considered small.

10. *Wireless Telephony.* Wireless telephony includes cellular, personal communications services (PCS), and specialized mobile radio (SMR) telephony carriers. As noted earlier, the SBA has developed a small business size standard for “Cellular and Other Wireless Telecommunications” services.³⁶ Under that SBA small business size standard, a business is small if it has 1,500 or fewer employees.³⁷ According to Commission data, 432 carriers reported that they were engaged in the provision of wireless telephony.³⁸ We have estimated that 221 of these are small under the SBA small business size standard.

3. Satellite Service Providers

11. *Satellite Telecommunications and Other Telecommunications.* There is no small business size standard developed specifically for providers of international service. The appropriate size standards under SBA rules are for the two broad census categories of “Satellite Telecommunications” and “Other Telecommunications.” Under both categories, such a business is small if it has \$13.5 million or less in average annual receipts.³⁹

12. The first category of Satellite Telecommunications “comprises establishments primarily engaged in providing point-to-point telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via

³⁰ 13 C.F.R. § 121.201, NAICS code 517211 (This category will be changed for purposes of the 2007 Census to “Wireless Telecommunications Carriers (except Satellite),” NAICS code 517210.).

³¹ 13 C.F.R. § 121.201, NAICS code 517212 (This category will be changed for purposes of the 2007 Census to “Wireless Telecommunications Carriers (except Satellite),” NAICS code 517210.).

³² U.S. Census Bureau, 2002 Economic Census, Subject Series: “Information,” Table 5, Employment Size of Firms for the United States: 2002, NAICS code 517211 (issued Nov. 2005).

³³ *Id.* The census data do not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees; the largest category provided is for firms with “1000 employees or more.”

³⁴ U.S. Census Bureau, 2002 Economic Census, Subject Series: “Information,” Table 5, Employment Size of Firms for the United States: 2002, NAICS code 517212 (issued Nov. 2005).

³⁵ *Id.* The census data do not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees; the largest category provided is for firms with “1000 employees or more.”

³⁶ 13 C.F.R. § 121.201, NAICS code 517212.

³⁷ *Id.*

³⁸ *Trends in Telephone Service* at Table 5.3.

³⁹ 13 C.F.R. § 121.201, NAICS codes 517410 and 517910.

a system of satellites or reselling satellite telecommunications.”⁴⁰ For this category, Census Bureau data for 2002 show that there were a total of 371 firms that operated for the entire year.⁴¹ Of this total, 307 firms had annual receipts of under \$10 million, and 26 firms had receipts of \$10 million to \$24,999,999.⁴² Consequently, we estimate that the majority of Satellite Telecommunications firms are small entities that might be affected by our action.

13. The second category of Other Telecommunications “comprises establishments primarily engaged in (1) providing specialized telecommunications applications, such as satellite tracking, communications telemetry, and radar station operations; or (2) providing satellite terminal stations and associated facilities operationally connected with one or more terrestrial communications systems and capable of transmitting telecommunications to or receiving telecommunications from satellite systems.”⁴³ For this category, Census Bureau data for 2002 show that there were a total of 332 firms that operated for the entire year.⁴⁴ Of this total, 259 firms had annual receipts of under \$10 million and 15 firms had annual receipts of \$10 million to \$24,999,999.⁴⁵ Consequently, we estimate that the majority of Other Telecommunications firms are small entities that might be affected by our action.

D. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

14. The specific proposals under consideration in the Notice would not, if adopted, result in additional recordkeeping requirements for small businesses.

E. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered

15. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance and reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or part thereof, for small entities.⁴⁶

16. This IRFA seeks comment on how the Joint Board’s recommendation could be implemented in a manner that reduces the potential burden and cost of compliance for small entities. We also seek comment on the potential impact of the proposed recommendations related to the interim cap proposal on high-cost universal support for competitive ETCs. In the Notice, the Commission has offered several alternatives and that might avoid or mitigate reductions in the amount of high-cost support flowing to

⁴⁰ U.S. Census Bureau, 2002 NAICS Definitions, “517410 Satellite Telecommunications”; <http://www.census.gov/epcd/naics02/def/NDEF517.HTM>.

⁴¹ U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization),” Table 4, NAICS code 517410 (issued Nov. 2005).

⁴² *Id.* An additional 38 firms had annual receipts of \$25 million or more.

⁴³ U.S. Census Bureau, 2002 NAICS Definitions, “517910 Other Telecommunications”; <http://www.census.gov/epcd/naics02/def/NDEF517.HTM>.

⁴⁴ U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, “Establishment and Firm Size (Including Legal Form of Organization),” Table 4, NAICS code 517910 (issued Nov. 2005).

⁴⁵ *Id.* An additional 14 firms had annual receipts of \$25 million or more.

⁴⁶ See 5 U.S.C. § 603(c).

competitive ETCs, some of which might be small entities.⁴⁷ For instance, the Commission inquires into other methods, besides a cap, to control the growth of high-cost support; asks about the length of time the interim cap should be in place; seeks comment on the level that the cap should be set at; and asks whether other operational, administrative, or implementation issues might have an impact on implementing an interim cap.⁴⁸

F. Federal Rules that may Duplicate, Overlap, or Conflict with the Proposed Rules

17. None.

⁴⁷ Notice, paras. 4-5.

⁴⁸ *Id.*