INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

October 10, 2008

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20054

Re: ***EX PARTE* SUBMISSION FOR THE RECORD**
Federal-State Board on Universal Service
CC Docket No. 96-45
WC Docket No. 05-337

Dear Ms. Dortch:

The Independent Telephone & Telecommunications Alliance (ITTA) hereby files this letter as an ex parte submission in the above-captioned dockets. ITTA urges the Commission to adopt the Broadband and Carrier-of-Last-Resort Support (BCS) Solution filed by Embarq on September 18, 2008 (a copy of which is attached to this letter), with one modification—ITTA does not support the broadband component included in Embarq's BCS Solution. Instead, the Commission should adopt the Broadband Pilot Program proposed by Qwest Communications on July 9, 2007, with one modification--ITTA does not support funding the Broadband Pilot Program using savings from imposing the restriction on funding multiple ETC handsets. Instead, the Commission should fund the BPP through normal universal service fund operations. Finally, ITTA reiterates its request that the Commission act on the pending Notice of Proposed Rulemaking issued nearly a year ago to eliminate the identical support rule.

In brief, this ITTA proposal would involve the following:

From the BCS Solution-

- Combine all of the price cap study areas in a new mechanism (the BCS) that replaces the non-rural mechanism, and putting all rate-of-return study areas in the current Rural Loop mechanism, where high-cost support will operate as it does today.
- Fund the BCS with $1 billion—the sum of current loop/model support to price cap areas plus wireless access replacement support (per the Identical Support NPRM).
- Distribute the support in fixed sums to the lowest-density wire centers (using HCPM loop output as a proxy and re-evaluating every 5 years).
- Make each recipient commit to:
    - Maintain basic rates within the range bounded by the highest and lowest sampled rates on the FCC-published table of selected urban rates; and
    - Serve the entire wire center within 5 years using only its own facilities.
- Select a single CETC if it makes the same commitment, in which case the CETC and the ILEC would divide the support 50/50. If there is more than one CETC, the CETC recipient would be chosen by the ETC designating body (state commission), perhaps using auctions or an RFP.

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From the Broadband Pilot Program-

- Create a new $500 million Broadband Pilot Program, funded without drawing support from another USF mechanism.
- Distribute support through the BPP to states based on relative percentage of unserved areas.
- Have states select the recipients for one-time payments through a competitive bidding process.
- Permit BPP support to be used only for infrastructure deployment in support of the designated level of broadband service.
- Permit BPP support to be distributed only to projects in areas that are unserved by terrestrial broadband, and the program would terminate when there are no more unserved areas.
- Allow states to petition to use a portion of the Broadband Pilot Program support for wireless broadband.

On Identical Support-

- Eliminate the Identical Support Rule and require ETCs to show their actual costs where support is calculated based on costs (accordingly, this outcome would not apply to areas covered by the BCS).

These three proposals together form a comprehensive USF distribution reform package. Embarq's BCS Solution addresses Universal Service Fund (USF) issues that are important to consumers in areas served by price cap local exchange carriers; Qwest's Broadband Pilot Program would benefit consumers in all unserved areas; and the elimination of the identical support rule would overcome public policy concerns in areas served by local exchange carriers subject to rate-of-return regulation even if the Commission adopts the BCS Solution. As described briefly below, ITTA continues to advocate other USF reforms that are important to its full membership. But, ITTA believes adoption of these three proposals now offers a rare opportunity for the Commission to achieve multiple public policy, statutory, and judicially-ordered goals in all high-cost rural areas with a minimum of cost and effort. Indeed, this combination of proposals will advance the interests of customers located in these areas by: promoting the viability and vitality of both landline and wireless networks; fostering accelerated broadband deployment; and ensuring the stability of the USF.

ITTA members are mid-size price cap and rate-of return carriers that provide a broad range of high-quality wireline and wireless voice, data, Internet, and video services to 30 million access lines in 45 states. ITTA has participated extensively in the above-captioned proceedings and has advocated meaningful modifications of USF mechanisms. The combination of proposals described above will build on that advocacy and bring much-needed reform by: (1) targeting high-cost loop support to high cost exchanges (not study areas) where it is needed most and covering consumers in all price cap areas with the same USF eligibility rules; (2) fostering deployment of broadband services in unserved rural areas throughout the Nation; and (3) rationalizing USF support in rate-of-return areas by supporting all eligible telecommunications carriers according to their own costs.

In previous filings, ITTA has urged the Commission to ensure proper targeting of USF support to truly high-cost areas, and has supported USF reformation that will support networks that enable the provision of broadband services. The USF Joint Board has cited ITTA members and other carriers for doing a "commendable job of providing voice and broadband services to their subscribers."[1] The task, however, is not complete.

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[1] *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service: Recommended Decision,* WC Docket No. 05-337, CC Docket No. 96-45, FCC 07J-4, at para. 39 (rel. Nov. 20, 2007) (November 2007 Recommended Decision) (internal citation omitted).

The proposals described above offer a rational method for achieving these and other important public policy goals by *inter alia* instituting fixed-cost grants to support the deployment of broadband in areas where it does not exist. Additionally, adoption of the proposals makes moot the debate on the use of auctions to allocate USF support, resolves the identical support issue and effectively eliminates the parent trap. Under the combined proposals, eligible carriers would also be required to provide supported local services at rates that meet statutory standards of comparability and affordability, thereby satisfying concerns raised by the United States Court of Appeals for the Tenth Circuit. Recipients would also be required to build-out and serve the entire wire center using only their own facilities within five years.

Importantly, the combined proposals would not have a major impact on overall USF funding. Rather, the proposals echo ITTA's previous call for more rational distribution of USF resources, including but not limited to funding no more than two carriers (which would often be one landline and one wireless carrier) in any single exchange service area and eliminating access-replacement support for wireless carriers. Cost savings achieved through these modifications would be used to assure support for high-cost exchange areas and to facilitate further broadband deployment. This new stability and focus for the USF should greatly improve the likelihood of ubiquitous landline and wireless broadband availability and competition.

As noted above, adoption of these proposals will address other policies ITTA has advocated previously, including elimination of the identical support rule, opposition to auctions for incumbent carriers, and elimination of the parent trap rule. Finally, ITTA also supports contribution reform that would assess USF contributions on the basis of working numbers while recognizing that important details need to be worked out regarding which numbers are assessed to create competitive neutrality and basic fairness. For example, ITTA opposes any carve-outs for second lines, or "teen" lines or wireless "family plans".

In conclusion, ITTA urges the Commission to adopt the combined proposals, described above, and to accordingly assure the beneficial application of USF to the next generation of communications services.

Respectfully submitted,

s/*Curt Stamp*
Curt Stamp, President