

ERTA

Eastern Rural Telecom Association

October 27, 2008

Chairman Kevin J. Martin
Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein
Commissioner Deborah Taylor Tate
Commissioner Robert M. McDowell
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**RE: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92
Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68
High-Cost Universal Service Support, WC Docket No. 05-337
Federal-State Joint Board on Universal Service, CC Docket No. 96-45**

Dear Chairman Martin and Commissioners Copps, Adelstein, Tate, and McDowell:

The Eastern Rural Telecom Association (“ERTA”) is a membership organization made up of local exchange companies (“LECs”) that provide telecommunications services to rural customers in the Eastern half of America. Besides providing local, long distance, and broadband Internet services, some ERTA members also provide wireless and cable television (“CATV”) services.

ERTA has been observing and monitoring reports of imminent Commission reform to both Intercarrier Compensation and the Universal Service Fund. On behalf of its members and the consumers served in rural America, ERTA has the following comments to make.

It is ERTA’s desire that consumers in rural America not be harmed and do not lose vital services connecting them to the world. ERTA members have been successful in building a quality facilities based infrastructure to serve rural consumers with voice and broadband services. From a business case perspective, it has only been possible to serve many of these rural consumers due to rate-of-return (“RoR”) regulation and other cost recovery mechanisms and support revenues. ERTA members serve consumers that many standalone Wireless Carriers and CATV companies do not serve because it could be uneconomic.

In many rural areas served by ERTA members, there are Competitive Local Exchange Carriers (“CLECs”), Wireless Carriers, and Voice over Internet Protocol (“VoIP”) companies that may provide a competitive choice. This can be good for consumers. Rural LEC infrastructure is often the foundation that makes competition possible. Without the network infrastructure of the rural LEC, these competitors would only be able to serve rural consumers if they made

investments that were uneconomic. One ERTA member is now paying approximately \$55,000 per mile to place new cable to serve customers in a rural and remote area. With much fewer customers served by ERTA members per square mile than more urban LECs, there is a much higher cost to serve each potential customer. Investments that most competitors have already chosen not to make in rural America. It takes years for ERTA members to repay the debts incurred to serve consumers.

ERTA members have invested and will continue to invest in their infrastructure in anticipation of covering their costs and being able to repay debt. Without sufficient and predictable universal service support and intercarrier compensation, it would be uneconomic for ERTA members to continue to provide telecommunications and broadband services, much less reach a majority of consumers in the rural areas of America. RoR regulation and cost recovery in access charges have provided the chance for many rural consumers to obtain voice and broadband services where a carrier would otherwise not be able to obtain capital because of an uneconomic business case. Requiring ERTA members to decrease termination prices for minutes of use to near zero would stifle new investment and could result in fewer consumers in rural America having access to voice and broadband services. For economic business reasons, even CATV companies often forgo offering services to consumers in rural areas in lieu of more lucrative towns and cities. ERTA is asking the Commission to not forget consumers in rural America in its decision making and continue to allow for complete cost recovery through RoR regulation and from the Universal Service Fund.

Without the continuation of sufficient and adequate support to RoR carriers to continue investing in the higher cost rural areas of America, broadband penetration would likely suffer and diminish. The national telephone subscribership is at all time highs thanks in part to RoR cost recovery and other regulatory support. It is important that consumers served by RoR companies not be harmed by decisions made by this Commission.

Respectfully submitted,

Eastern Rural Telecom Association

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