

# HILDA GAY LEGG

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October 28, 2008

Commissioner Kevin J. Martin  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Washington, D.C. 20554

RE: Notice of Written Ex Parte Communication in WC Docket No. 05-337, CC Docket No. 96-45, WC Docket No. 06-122, CC Docket No. 01-92

Dear Chairman Martin:

I am writing to express my extreme concern over details that are slowly emerging which relate to your draft intercarrier compensation and universal service reform proposal. Significantly, these two cost recovery mechanisms generally account for two thirds of a rural carrier's revenue stream. It is critically important that any reform plan does not upset the balance between these revenue streams and the third cost recovery element, consumer rates.

Naturally, as a former Administrator of the Rural Utilities Service (RUS) I am particularly concerned by this latter point. During my tenure at RUS, I worked diligently with the administration, Congress, the public, and the communications industry to keep the RUS program strong and to ensure the success of rural carriers striving to serve rural customers by providing affordable advanced communications services throughout rural America. Today, RUS has more than \$3.5 billion in outstanding commitments to these carriers. Has anyone at the FCC inquired as to the impact of these proposed changes on this government held loan portfolio, the taxpayer's loan portfolio? Jeopardizing these government loans may be just one of several "unintended consequences" of this still undisclosed rule. Reforms that do not adequately ensure the ongoing repayment of these commitments will lead to the failure of companies, rural communities and sadly even the RUS.

As you know, I have always been an ardent proponent for ubiquitous broadband deployment. Since I left the RUS, I have continued to focus on bringing the benefits of broadband services to rural areas, working with both rural incumbent telephone companies and entrant competitors, as well as, facilities based and wireless providers. Competition in any business is good for the economy and the consumer. Today, as a rural resident and small business owner, I was looking forward to more choices and lower rates. Instead it appears the FCC is moving toward significant consumer rate increases and fewer advanced services. This was not what I was expecting and this is not what the rural telecommunications providers deserve for taking the risks and proving to be leaders in deploying modern telecommunications systems in rural America. The proposed action appears punitive to those who took the risks and brought this vital service to rural residents.

This brings me to my final concern, which is the process being used to address this issue. It is clear to me that critical industry components are being impacted by an FCC decision that can only be guessed at, as selective information is made available. This far reaching decision demands an open process where all parties have the opportunity to evaluate the full proposal of the FCC and provide constructive comment. Whatever policy choices the FCC ultimately makes can only be improved by an open and informed debate. It is the responsibility of the FCC to insure a strong and reliable communications system, available to all of our citizens. Please, do not back away from that mission!

Sincerely,

Hilda Gay Legg  
Legg Strategies

cc:  
Commissioner Michael J. Copps  
Commissioner Jonathan S. Adelstein  
Commissioner Deborah Taylor Tate  
Commissioner Robert M. McDowell