Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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
Lifeline and Link Up	WC Docket No. 03-109
Universal Service Contribution Methodology	WC Docket No. 06-122
Numbering Resource Optimization	CC Docket No. 99-200
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	CC Docket No. 96-98
Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92
Intercarrier Compensation for ISP-Bound Traffic	CC Docket No. 99-68
IP-Enabled Services	WC Docket No. 04-36

COMMENTS OF THE RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION

On November 5, 2008, the Commission released an Order on Remand and Report and Order and Further Notice of Proposed Rulemaking regarding a wide range of intercarrier compensation and universal service issues. RIITA opposes all three recommended changes because it believes that these proposals will deprive rural

communities served by small telephone carriers of advanced telecommunications services and ultimately deprive those communities of voice communications.

The Rural Iowa Independent Telephone Association (RIITA) is a non-profit association of rural independent telephone companies, representing approximately one hundred and thirty Iowa incumbent local exchange carriers (ILECs) located in Iowa. RIITA's membership is limited to companies that serve fewer than 25,000 access lines and to cooperative telephone companies. In reality, most members actually serve far fewer than 25,000 access lines and about one-half of our members serve fewer than 1000 lines. All RIITA members serve high-cost rural exchanges and receive high-cost universal service support.

Iowa's small rural telephone companies serve communities that were not served by the Bell System prior to divestiture. These companies have a long history of providing voice service to rural communities using the most recent available technologies. The communities they serve are not likely to ever have a large—or even a midsize carrier start service. Though many of these communities are served by Commercial Mobile Radio Service (CMRS) carriers, most of those communities are served by wireless services owned by their local company or have geographic territory that is not covered by CMRS carriers. In addition, often the only high-speed internet service available is the service offered by their local ILEC.

Despite the high-cost nature of the exchanges, cooperatives and local companies have worked hard to provide high-quality and advanced telecommunications services. RIITA member companies offered 100% digital switching in the 1980s, well before the

RBOCs and mid-size carriers located in the state. RIITA members offered broadband access throughout the vast majority of their exchanges years before the RBOCs and mid-size carriers, some of which offer only limited access to this day—even in urban areas. Many RIITA members are moving to second- and third-generation broadband services, VoIP services and IPTV services either over DSL systems, coaxial cable and fiber to the premises or to the curb.

A number of opponents of rural companies have made this service provision difficult. Companies with 1000 access lines have no bargaining power to negotiate with large interexchange carriers, RBOCs, mid-size carriers and video content providers. Companies like Qwest have pushed both unidentified traffic and Qwest's own traffic onto the networks of small carriers without compensating the small companies. Wireless carriers have outright refused to compensate rural carriers for terminating traffic. Many large companies have engaged in oppressive litigation in various forums, using abusive discovery requests and other expensive litigation techniques to drive up legal costs. Because of the large capital investment in serving our communities, minor regulatory changes can have a large effect. Originating and terminating traffic in our exchanges is different—and more challenging—than in low cost areas.

Despite these challenges, Iowa's small rural carriers are a critical link in a nationwide telephone network, carrying local voice traffic, providing advanced communications services to rural America and carrying a large amount of special access traffic for larger carriers throughout rural areas. These services have been provided through the hard work of these truly local carriers in combination with the regulatory system

based on the statutory commitment to universal service and combined efforts of rural telecommunications lenders. In order for voice service to continue, for broadband deployment to continue, for advanced telecommunications services to continue to roll out, any regulatory change must take into consideration the regulatory contract that has been in place for over seventy years and the statutory commitment to universal telephone service throughout the United States.

RIITA recommends that this Commission reject the proposals in Appendixes A, B and C of its order and instead adopt an intercarrier compensation scheme and Universal Service Fund that will assure that rural America continue to be an interconnected part of the country's nation-wide network.

RIITA notes that the emerging consensus discussed in the Comments of Commissioners Copps, Adelstein, Tate and McDowell contain worthy goals. In contrast to the clear statement of those goals, they will not be achieved in rural America by the proposals in the Appendixes attached to the order. These proposals will halt broadband development in communities that presently are served and deprive other communities of ever gaining the opportunity at receiving broadband service. Worse, the proposals threaten to deprive rural communities of voice telecommunications services, one of the purposes of the 1934 Act and the present Telecommunications Act.

RIITA urges the Commission to reject these proposals. Many RIITA members supported or have participated in developing proposals to modernize telecommunications regulation. These companies have allowed managers and technicians enormous amounts of time and have expended resources in travel, technology and communications to work

across the industry to support change. RIITA supported the Missoula Plan and particularly the efforts of the Rural Alliance in developing comprehensive reform. Like many telecommunications associations and their member companies, RIITA filed comments in most of the dockets identified above.

What the Commission now proposes to do is to ignore those comprehensive proposals and instead support a plan developed by large interexchange carriers and RBOCs that simply moves revenues from small rural carriers to large carries, with no benefit (and likely harm) to rural Iowa and rural America. The detail in these proposals is of itself misleading.

RIITA agrees with National Telecommunications Cooperative in its ex parte comments filed on November 18, 2008 in CC Docket No. 01-92, CC docket No. 96-45 and WC Docket 04-36. Though small rural high-cost providers have many issues in common, some of the consequences of the FCC's proposals will vary in each state—indeed consequences will vary with each exchange.

Three things should be highlighted in NTCA's comments from RIITA's perspective.

One, on page 7, NTCA states that if the proposal in Appendix C were ever adopted, many rural ILECs would very likely be out of business within ten years. This statement is accurate. RIITA understands both the Commission's and the industry's frustration with the present regulatory scheme (RIITA has expressed that frustration, too.) However, the proposals in the present NPRM will put Iowa rural carriers out of business. Some carriers will likely survive and some will stay in business longer than others. However, some will fail in shorter periods of time. Some will raise local rates to outrageous levels and lose

customers, some will sell non-regulated businesses that have been their primary source of revenues, some will make decisions to stop upgrading plant and allow service to gradually degrade. But whatever approach, these plans will make voice provision (not to mention advanced telecommunications services) unsustainable in the long run in rural high-cost areas. With these failures, companies will default on loans made by the Rural Utility Service, CoBank and the Rural Telephone Finance Cooperative. All of these lenders based their loans on the commitment of the United States to universal service.

Frustration with the present regulatory scheme does not justify this result, particularly in light of alternatives. As noted, many RIITA companies participated actively in the Rural Alliance. RIITA supported the Missoula Plan, which was a massive compromise across many parts of the industry.

In its frustration, the Commission offers a massive redistribution of revenues from small carriers to the relatively small benefit of large carriers and to the complete detriment of customers in rural Iowa and rural America. These proposals constitute a betrayal of the 1934 Telecommunications Act and a violation of the 1996 Telecommunications Act.

Two, NTCA points to problems arising from the classification of interconnected VoIP as an information service and exempt from access payments. RIITA's member companies are not only experienced in operating rural telecommunications companies, but also in negotiating with (or more accurately attempting to negotiate with) with large carriers. There is absolutely no doubt that the major interexchange carriers will promptly move to change the protocols used to transport their traffic (AT&T already attempted to do that with its VoIP in the middle proposal), reclassify their traffic as interconnected VoIP and stop paying all

access. Experience shows that they will also not pass this windfall to their customers. This action, alone, will seriously damage small rural ILECs and harm rural customers.

Three, RIITA, like NTCA, supports the goals expressed in the consensus referred to by Commissioners Copps, Adelstein, Tate and McDowell. NTCA accurately states that the proposals in the NPRM will not accomplish those goals. RIITA urges rejection of these proposals.

In addition to the comments made by NTCA, RIITA notes that that theoretical fixes proposed in ICLS to make up for USF freezes, reclassification of traffic, elimination of pooling and various other proposals can be quantified and do not create the needed support for serving high-cost exchanges. Until a comprehensive scheme is designed that will continue the commitment to rural service and a national communications network, the Commission should not adopt comprehensive change. In the meantime, RIITA has supported numerous specific changes, including the elimination of the identical support rule, stopping phantom traffic and stopping all forms of regulatory arbitrage.

Iowa's rural carriers have maintained service by cooperating with other companies and developing local innovations. Companies sometimes share switching services, personnel, and other forms of cooperation. Indeed, Iowa's rural carriers formed Iowa Network Services, Inc. (INS) as a means of providing equal access to long-distance carriers. By pooling their resources, Iowa's rural carriers were able to create a point where multiple interexchange carriers could connect with Iowa customers, giving those customers access to carriers they could not access before and giving carriers access to customers they would not otherwise be able to serve. This also reduced the dependence of rural

carriers on the old bell system and the RBOC serving Iowa's urban customers. INS, while still functioning primarily as a centralized equal access carrier has evolved to assist small rural carriers in providing advanced telecommunications services and video services. It provides access to the internet backbone for numerous Iowa companies.

In contrast, larger carriers serving rural Iowa have demonstrated an inability to provide these services. Instead, those companies have provided lower service quality and less access to advanced telecommunications services. In particular these companies offer less access to high-speed internet communications access than RIITA members.

RIITA members are cooperatives and small local companies. Many members receive rates of return that are substantially less than the allowed rate. Because our members are cooperatives and small local companies, many are often motivated by a combination of desire to provide service, in addition to the profit motive.

In reality, the public switched telephone network is extremely complex. Overly simple solutions, like uniform intercarrier rates or company consolidation will not solve the problems that have arisen over time with the present access and universal service scheme. RIITA urges the Commission not to let a desire for change or a frustration with the present system drive a change to a new system that will not work and will deprive rural customers of voice communications and advanced telecommunications services.

CONCLUSION

The present proposals will lead to a decline in rural voice service and in rural high-speed internet access. They will deter future development of high speed access in rural areas that have no access and inhibit development of future generations of advanced

telecommunications services in areas that are presently served. These proposals will cause some small rural carriers to go out of business.

There is a strong desire to change the present access and universal service system. However, the changes these proposals would cause are not improvements. If the Commission desires to implement the Telecommunications Acts of 1934 and 1996, it must reject these proposals.

Respectfully Submitted,

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