

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

In the Matter of )  
 )  
Report on Rural Broadband Strategy ) GN Docket No. 09-29  
 )

**COMMENTS OF IOWA TELECOMMUNICATIONS SERVICES, INC.**

Iowa Telecommunications Services, Inc. (“Iowa Telecom”) hereby files these comments in response to the Federal Communications Commission’s (“Commission’s” or “FCC’s”) Public Notice in the above-captioned proceeding.<sup>1</sup> The Public Notice seeks comments in order to enable the FCC to fulfill its Congressional mandate to issue a report, in consultation with the Secretary of Agriculture, detailing a comprehensive rural broadband strategy as required by Congress in the Food, Conservation, and Energy Act of 2008 (“2008 Farm Bill”).<sup>2</sup> Iowa Telecom is pleased to provide these comments to aid the Commission in that effort.

As the incumbent local exchange carrier (“ILEC”) operating in three price cap rural study areas in Iowa providing service to over 400 rural Iowa communities, Iowa Telecom is very concerned that existing programs, such as the Universal Service Fund (“USF”), do not adequately “preserve and advance” universal service, as required by 47 U.S.C. § 254. While other federal programs, such as the recently enacted broadband grants in the American Recovery and Reinvestment Act of 2009,<sup>3</sup> provides for additional needed funds to aid in promoting the availability of broadband services in rural America, the continuing need exists to reform the

---

<sup>1</sup> Public Notice, *Comment Date Established For Report on Rural Broadband Strategy*, GN Docket No. 09-29, DA 09-561 (rel. Mar. 10, 2009)(“*Public Notice*”).

<sup>2</sup> Pub. L. No. 110-246, 122 Stat. 1651 (Jun. 18, 2008).

<sup>3</sup> Pub. L. No. 111-5, 123 Stat. 115 (2009)(“*Recovery Act*”).

existing USF rules so that the ongoing needs of rural America are met as well. Iowa Telecom urges the Commission to recognize USF reform as an important complement to the new Recovery Act grants and has therefore chosen to focus its comments on the already-demonstrated need for immediate USF reform to aid rural economic development and broadband deployment, particularly in Iowa.

## **I. INTRODUCTION**

Iowa Telecom is dedicated to providing excellent service to its rural and small town customers, which it acquired from GTE in 2000. Since then, Iowa Telecom has invested more than \$170 million to modernize the network that it purchased from GTE and to make its network capable of providing technologically advanced voice and broadband services. Although this investment has produced improved service for many Iowans, the company has not been able to invest at levels which would accelerate broadband service to even more subscribers. Although broadband service is available in every Iowa Telecom exchange, roughly 20% of Iowa Telecom's access lines are not DSL-qualified due either to the length or mechanical condition of their copper loop. Further, many of the customers who are DSL-qualified are currently limited to maximum download speeds of below 1.0 mbps because interoffice facilities serving the community in which they live are not provisioned via fiber facilities. These conditions are likely to remain for some time in the future absent additional federal funding.

Broadband services are widely considered to be a major driver of technological innovation and economic expansion, and will continue to be a major force well into the Twenty-First century. Broadband services not only deliver data and voice, but are also the platform that is capable of providing additional services such as video. Broadband is fast becoming an engine

of corporate productivity and a point of access for consumers, businesses, charities, and government agencies nationwide.<sup>4</sup> Broadband is the connection that can bring geographically-isolated Americans into the mainstream of the global economy and that can revitalize areas that have suffered from the impact of global competition and economic disruptions.

The largest segment of America that currently lacks access to broadband services is the ten to fifteen percent of the population living in geographic areas that are considered rural by any measure of that term, an area which includes the agricultural sectors and small towns of America.<sup>5</sup> Iowa Telecom's roughly 19,500 square-mile service territory certainly falls into this category. Only one of the 440 communities served by Iowa Telecom has significantly more than 10,000 residents (Newton, Iowa, with a population of approximately 15,000) and only four others have a population close to the 10,000 population threshold used by the U.S. Bureau of the Census. Many residents of rural America, including a substantial portion of residents in Iowa Telecom's territory, continue to rely on slow dial-up access, which seriously limits the usefulness of modern communications that could be provided over a broadband-capable network. The FCC has been careful in the past to establish regulations that accommodate this most difficult to reach segment of the United States population.<sup>6</sup>

---

<sup>4</sup> See, e.g., National Telecommunications & Information Administration, *Networked Nation: Broadband in America 2007*, at i (Jan. 2008).

<sup>5</sup> One way of identifying these rural places is to utilize an often-used definition of areas of the country that do not include either an incorporated place with more than 10,000 population or any territory that includes an urbanized area as defined by the Bureau of the Census. See, e.g., 47 U.S.C. § 153(37)(A).

<sup>6</sup> See, e.g., *In the Matter of Federal-State Joint Board on Universal Service; Multi-Association Group (MAG) Plan for Regulation of Interstate Access Service of Non Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Dockets No. 96-45 and 00-256, 16 FCC Rcd 11244 (2001) ("RTF Order" or "Rural Task Force Order"); *Federal-State Joint*

Any economic crisis tends to hit rural Americans harder than urban or suburban Americans, in part, because rural residents often are located far from potential jobs, educational resources and entertainment. Broadband access helps reduce the impact of distance. Indeed, broadband is considered an essential engine of economic recovery. Establishing federal goals to focus regulatory efforts on improved broadband penetration could make people's lives better in rural America. Providing goals that will improve access in rural America to broadband through multiple governmental mechanisms can go far to address the deficiencies in the existing system. The FCC report owed to Congress can provide a road map that will better outline this process.

## **II. EXISTING UNIVERSAL SERVICE POLICIES UNDERMINE THE PROVISION OF BROADBAND TO UNSERVED RURAL COMMUNITIES.**

The one program that is already up and operating and capable of addressing rural broadband needs is not currently designed to address this need effectively. Universal service high-cost loop support has been essential to ensuring that rural Americans receive modern and advanced telecommunications.<sup>7</sup> The USF has been instrumental in allowing companies to build infrastructure, particularly wireline infrastructure, that is capable of delivering broadband to rural geographic areas. Some telephone companies serving rural America have utilized high-cost funds to modernize their networks to extend their reach into expensive areas and to install and maintain network infrastructure to provide both voice and broadband services. A study by Balhoff, Rowe, and Williams established this close nexus between receipt of these funds and

---

*Board on Universal Service, First Report & Order, 12 FCC Rcd 8776, ¶¶ 252-255 (1997)*(“*USF First Report & Order*”).

<sup>7</sup> Section 254 of the Communications Act obligates the FCC, in conjunction with the Federal-State Joint Board, to devise mechanisms that promote the availability of affordable telecommunications and advanced services to consumers located in rural, high cost, and insular areas of the country. 47 U.S.C. § 254.

telecommunications development.<sup>8</sup> The FCC should continue this policy mechanism that is so important to building vital network infrastructure in rural America.

Despite the clear linkage between USF receipts and advanced services deployment, not all Americans living in rural areas are able to realize the benefits of this program. In fact, through a quirk of existing rules, certain rural carriers, such as Iowa Telecom, receive no high-cost loop support for rural networks that are built out to the most remote customers, the very mandate contained in Section 254 of the Communications Act of 1934, as amended (“Act”). The result of these rules serves to penalize rural customers served by carriers which are not eligible to receive USF funding as a result of existing rules and deprive them of the benefit of advanced communications services, including broadband.

Existing FCC USF rules stand in the way of supporting and encouraging investment in rural network infrastructure. For instance, a rural telephone company may receive universal service support only if its net investment exceeds the “national average,” a figure that is indexed to a much higher level to fund support only below a certain cap.<sup>9</sup> If investment in network infrastructure has been inadequate for years, such as has been the case with exchanges sold by large companies with significant urban and suburban service territories, such as those purchased by Iowa Telecom, the acquired operations would likely *never* be eligible to receive high-cost loop support because their loop costs are far below the national average. Even tens of million of

---

<sup>8</sup> M. Balhoff, R. Rowe, and B. Williams, *Universal Service Funding: Realities of Serving Telecom Customers in High-Cost Regions* (Summer 2007).

<sup>9</sup> See 47 C.F.R. §§ 36.601-04 and 36.621-31. In light of this, the national average loop cost figure used as a threshold for gaining support increases dramatically from year to year pursuant to 47 C.F.R. §§ 36.622 and 36.601(c). For funding in calendar year 2008, this average loop cost, including the indexed threshold, was over \$350 dollars, whereas the uncapped cost per loop is only \$240.

investment in a study area (Iowa Telecom has three large price cap study areas) may be insufficient to bring a carrier's average costs above the adjusted national average used to determine funding eligibility. Furthermore, existing "safety valve" rules reimburse companies for new investment at a small fraction of needed investment.<sup>10</sup>

Although mid-size companies such as Iowa Telecom have made significant investments in their infrastructure, they cannot rationally do so at the levels necessary to bring modern infrastructure and services (including broadband services) to their customers. The nature of rural properties, given their small subscriber base and low density, makes it impossible for carriers not eligible for high-cost loop support to fund all of these investment costs on a self-sufficient basis, even if they charge local exchange service rates moderately above the national average level.

### **III. THE FCC SHOULD EXPEDITIOUSLY ADOPT PROPOSALS ALREADY BEFORE IT THROUGH WHICH IT CAN REMEDY SIGNIFICANT DEFICIENCIES IN FEDERAL RURAL BROADBAND POLICY.**

One way to address the significant deficiencies in federal rural broadband policy would be to adopt Embarq's BCS Solution as part of permanent USF reform.<sup>11</sup> The BCS Solution would reprogram existing USF amounts to provide proportional loop support to price cap carriers targeted to their most costly wire centers. These high-cost wire centers currently receive very little support today – and in Iowa Telecom's case, it receives no high-cost loop support for

---

<sup>10</sup> Section 34.305(d) makes a carrier eligible to receive Safety Valve Support only if it is eligible for USF in the first place, regardless of the level of added investment it makes after the purchase. And even if the carrier is initially eligible, it recovers only a small percentage of its actual investment. 47 C.F.R. § 34.305(d).

<sup>11</sup> See Letter from David C. Bartlett, Embarq, to Chairman Kevin J. Martin, FCC, et al., WC Docket Nos. 05-337, et al. (Sept. 18, 2008), *attaching* A Plan To Promote Broadband Deployment And Reform High-Cost Support Without Increasing Overall USF Levels: *The Broadband and Carrier-of-Last-Resort Support (BCS) Solution* (Sept. 18, 2008) ("BCS Solution").

any of its very rural territories – which remains a gaping hole in the Commission’s implementation of Section 254. The BCS Solution uses existing data and mechanisms of the Commission, so it would be easy to implement. The BCS Solution also allows competitive carriers to gain a portion of the BCS support, if they agree to the same minimum standards that the Commission would adopt for all recipients of support under the BCS plan. This proposal is supported by other industry members, such as the Independent Telephone and Telecommunications Alliance (“ITTA”).<sup>12</sup>

The critical need to fund such high-cost wire centers exists now. In these difficult economic times, funding sources have dried up, but consumer demand for and interest in receiving modern advanced services has not. Therefore, if the Commission cannot adopt the Embarq BCS plan promptly, it should grant the waiver petition filed by Iowa Telecom which would allow Iowa Telecom to be treated as a non-rural carrier for purposes of high-cost loop support.<sup>13</sup> Iowa Telecom’s waiver petition has been pending for almost three years, and the Commission’s inaction has served to harm customers in rural Iowa.

#### **IV. CONCLUSION**

While the grants, loans, and tax incentives made possible by the Recovery Act will, indeed, be helpful in beginning to turn around the rural American economy through spurring

---

<sup>12</sup> See Comments of Independent Telephone & Telecommunications Alliance, WC Docket Nos. 05-337, et al. (Nov. 26, 2008). ITTA makes one modification to its support. Instead of funding broadband commitments pursuant to the BCS proposal, it would adopt a plan to establish a \$500 million pilot program to fund broadband. Iowa Telecom supports this modification as well.

<sup>13</sup> Iowa Telecom Petition for Interim Waiver of the Commission’s Universal Service High-Cost Loop Support Mechanisms, WC Docket No. 05-337 (filed May 8, 2006)(“Iowa Telecom Waiver Petition”).

broadband deployment, so, too, would the network investment (and resulting hastening of broadband deployment) enabled by expeditiously adopting certain USF distribution proposals already before the FCC. Iowa Telecom respectfully suggests that no report to Congress on broadband deployment in rural areas can be complete without addressing such concerns.

Respectfully submitted,

By: /s/ Gregory J. Vogt

D. Michael Anderson  
Edward B. Krachmer  
Iowa Telecommunications Services, Inc.  
115 S. Second Avenue West  
Newton, Iowa 50208  
(641) 787-2357

Gregory J. Vogt  
Law Offices of Gregory J. Vogt, PLLC  
2121 Eisenhower Ave.  
Suite 200  
Alexandria, VA 22314  
(703) 838-0115

Of Counsel

Counsel for Iowa Telecommunications Services, Inc.

March 25, 2009

## Certificate of Service

I, Gregory J. Vogt, do hereby certify that I have on this 25th day of March 2009 caused a copy of the foregoing "Comments of Iowa Telecommunications Services, Inc." to be served by electronic mail upon the following:

Competition Policy Division  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554  
[CPDcopies@fcc.gov](mailto:CPDcopies@fcc.gov)

Spectrum & Competition Policy Division  
Wireline Telecommunications Bureau  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554  
[RuralBB@fcc.gov](mailto:RuralBB@fcc.gov)

Best Copy and Printing, Inc.  
Portals II  
Room CY-B402  
445 12th Twelfth St., S.W.  
Washington, D.C. 20554  
[fcc@bcpiweb.com](mailto:fcc@bcpiweb.com)

/s/ Gregory J. Vogt

Gregory J. Vogt