

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 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
)	
Advantage Cellular Systems, Inc. Request for Cost-Based Universal Service Support)	

COMMENTS OF THE

INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

To the Commission:

The Independent Telephone & Telecommunications Alliance (ITTA) hereby submits comments in above-captioned proceedings. ITTA members are mid-size local exchange carriers that provide a broad range of high-quality wireline and wireless voice, data, Internet, and video services to 30 million customers in 44 states. ITTA submits that the petition of Advantage Cellular Systems, Inc. (Advantage) raises fundamental questions regarding the process of cost-categorization for wireless competitive eligible telecommunications carriers (CETCs). Inasmuch as the cost study submitted by Advantage was redacted, ITTA limits its comments to general issues surrounding the Advantage petition, but reserves its right to comment on the particulars of the associated cost study at such time as the study is available for inspection. Accordingly, ITTA recommends the Commission enable greater public access to the Advantage cost study in order to enable sufficient review, while concurrently addressing questions of broader applicability to wireless cost studies.

In May 2008, the Commission took an important step in Universal Service Fund (USF) reform when it took action to “rein in the explosive growth in high-cost universal service support disbursements.”¹ Finding that increases in high-cost disbursements were due largely to “increased support provided to competitive ETCs, which receive high-cost support based on the per-line support that the incumbent LECs receive, rather than on the competitive ETC’s own costs,”² the Commission imposed an interim cap on support paid to CETCs. At the same time, the Commission noted that high-cost support for incumbent LECs, much of which is constrained by an existing cap, had remained “flat” for the preceding half-decade.³

The interim cap, as ordered by the Commission, froze CETC support at the statewide level. In ordering the interim cap, however, the Commission allowed that a carrier filing cost data demonstrating that its costs meet the support threshold in the same manner as incumbent LECs would not be subject to the cap. This measure was consistent with the Commission’s commitment to support competitive ETCs while breaking the flawed construct of the identical support rule.⁴ In March 2009, Advantage, a wireless provider, filed a petition seeking cost-based USF support. The petition describes, generally, the structure of a cost study that Advantage filed with the petition, but which

¹ *High-Cost Universal Service Support, Federal State Joint Board on Universal Service, Alltel Communications, Inc., et al., Petitions for Designation as Eligible Telecommunications Carriers, RCC Minnesota, Inc., and RCC Atlantic, Inc., New Hampshire ETC Designation Amendment: Order*, WC Docket No. 05-337, CC Docket No. 96-45, FCC 08-122, at para. 1 (2008). 08-122 at para. 1 (CETC Cap Order).

² CETC Cap Order at para. 6.

³ CETC Cap Order at para. 6.

⁴ 47 CFR § 54.307.

was redacted in its entirety and is not made available for review with the petition.

Advantage's petition claims that its cost study evidences the "extremely high cost associated with the provision of mobile telecommunications" in its rural Tennessee service area.⁵ The Commission now seeks comment on the petition.

As ITTA has stated previously, the "identical support rule" is especially troublesome where the various carriers rely upon fundamentally different technologies, cost structures, and business models, all while being subject to definitively different regulatory obligations.⁶ The cost study described by Advantage in its petition appears an attempt to close this gap by correlating aspects of wireless service to cost categories that have been defined for wireline services. Taken as a whole, however, the Advantage petition raises numerous questions regarding the Commission's on-going approach to CETC cost studies. As a threshold matter, comment on the particulars of the cost study is not possible at this time because the entire study was redacted; the Commission must consider how it can elicit adequate review absent availability. Beyond that matter which is specific to the instant study, any cost study implicates various common questions, and the incidence of this first wireless cost study submitted in the response to the CETC interim cap order raises several procedural issues.

⁵ Petition at 1. In its petition, Advantage claims that its costs exceed the amount it would receive under the "identical support rule," but nevertheless requests the Commission only to provide support in the same manner as Advantage received prior to implementation of the interim cap, specifically, support pursuant to the identical support rule.

⁶ With an eye toward comprehensive reform, ITTA has included in its USF plans support for both incumbent LECs and a CETC. That process, however, is intertwined with other elements of the ITTA USF proposal, and accordingly for purposes of these comments ITTA addresses the "own costs" approach of the instant petition.

As the Commission moves forward in its consideration of the matter, the Commission must clarify whether the Advantage study, if approved, will be the template for all future wireless CETC studies. Without opportunity to review the study as yet, ITTA cannot comment on the merits of the study, including how the cost study described by Advantage properly imputes mobile wireless costs to a study designed for wireline operations. Regardless, however, of whether the Commission intends to use prospectively a wireline-based cost study for wireless CETCs (including, but not limited to, the Advantage model), or whether the Commission intends to itself craft a wireless-specific cost study, the structure of that study must be released for public review, and not simply approved in a vacuum. Many issues that demand public participation arise. These include, but are not limited to: whether studies should rely upon embedded or forward-looking costs; what will be accounted as traffic sensitive in-puts; and, what will be designated as the equivalent or analogue of loops. The relevant Commission rules that pertain to incumbent LECs are exacting and of general applicability. Similarly, cost studies purporting to demonstrate the parameters of mobile wireless CETC costs should adhere to common and publicly-known values; for example, the formula and algorithms that are used to determine study areas and National average costs for incumbent LECs are publicly available at the Commission's website.⁷ As Advantage explains, "CMRS carriers are not required to use Part 32 Rules and other accounting-related FCC rules"⁸ Adequate review of a cost study for wireless carriers must first contemplate the

⁷ <http://www.fcc.gov/wcb/iatd/neca.html>, at Appendix B (last viewed Aug. 6, 2009 (11:00)).

⁸ Petition at 5.

determination of which costs shall be included, and then move forward to testing the actual study itself.

By way of example, the Advantage study includes a factor that has no place in a wireless cost study, namely, Interstate Common Line Support (ICLS).⁹ ICLS, as an access replacement form of universal service support, cannot be categorized as a “cost” for wireless carriers, since it is functionally the difference between rate-of-return carriers’ interstate common line costs and subscriber line charge revenues. To the extent that Advantage seeks a route by which it would obtain an analogue of access replacement support, that avenue should be closed. In all events, access replacement support for wireless carriers, which do not earn access-based revenues, should be eliminated.¹⁰ The inclusion of access replacement in the Advantage cost study stretches the bounds of good reason, and should be rejected. Moreover, it evidences the hazards of forcing wireless costs into a study designed to account for wireline network costs.

Globally, the reported results of the Advantage study support the proposition that USF support should be limited to a single CETC per study area. Advantage states that the cost study reveals that its per-line costs would entitle it to more USF support than it would obtain under the identical support rule. If a Commission-approved cost study indeed reveals that wireless CETC costs are equal to or exceed incumbent carrier costs, then the notion of supporting multiple CETCs in a single service area emerges as even less rational than it ever might have been to support numerous providers in areas that are

⁹ Petition at 6.

¹⁰ ITTA has previously advocated elimination of access replacement support for wireless ETCs. *See, e.g., Federal-State Board for Universal Service: Comments of the Independent Telephone & Telecommunications Alliance*, at 10-14 (filed May 31, 2007).

prohibitively expensive for a single carrier. The introduction of cost studies for wireless CETCs should reinvigorate the debate regarding the role of CETCs and the standards they must achieve in order to obtain USF support.¹¹

The Advantage cost study requires careful examination and implicates resolution of broader underlying policy and other inquiries. Accordingly, ITTA recommends the Commission enable greater public access to the Advantage cost study in order to enable sufficient review, while concurrently addressing questions of broader applicability to wireless cost studies, generally, consistent with the issues described above.

Respectfully submitted,

s/ Joshua Seidemann

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¹¹ See, *Federal –State Board for Universal Service: Comments of the Independent Telephone & Telecommunications Alliance*, Docket Nos. 96-45, 05-337, at 31-36 (filed Apr. 17, 2008).