

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

In the matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for our Future)	GN Docket No. 09-51
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

REPLY COMMENTS OF GVNW CONSULTING, INC.

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EXECUTIVE SUMMARY

For rural areas to realize their share of the vision of the National Broadband Plan, it will be necessary for broadband networks to be constructed in anticipation of future broadband demand. Given the high fixed costs of constructing broadband networks, once built, they are not likely to be replaced, especially in rural areas that are unserved today. As a consequence, we believe that networks deployed in rural areas should not merely be adequate for current bandwidth demands. Instead, they also should be readily upgradeable to meet bandwidth demands of the future. Bandwidth-intensive applications could very quickly become the norm in the U.S. – even in rural areas. Technologies that cannot be upgraded easily could make Internet applications in less than five years from now look like the dial-up downloads of today.

With respect to modeling issues, by requesting detailed comment on modeling issues without determining whether a model is even necessary and proposing to eliminate legacy high-cost support without indicating how this transitioned support will be distributed via the CAF, if at all, the Commission has essentially jumped the gun.

Serious questions exist about the efficacy of a reverse auction approach. The prospect of using such a mechanism raises many questions that still remain unanswered. For instance, how do we ensure that the winning bidder provides the services for which support is received? What happens if the auction winner decides to discontinue its operations in the supported area? Who will pick up the pieces and how will that be decided?

The proposed plan will create a rural digital divide as urban America benefits from broadband speeds 25 times greater than that available in rural America. To start

with the premise that rural portions of the nation are less deserving than the more populated portions of our nation is just plain wrong. The Commission has before it a once-in-a-lifetime opportunity to shape the destiny of broadband in America. Such an opportunity calls for the development of a grand vision of what broadband will do to and for society. To insist that broadband deployment must be done on the cheap, with no real funding ignores the vast economic and social value broadband connectivity entails. It is clear universal broadband deployment will carry a large price tag. However, it is just as clear, failure to ensure this universal connectivity will prove to be many times more costly.

It bears noting the NBP's otherwise exhaustive record provides no factual or legal basis in support of its recommendations to eliminate RoR regulation for RLECs. At no point in proceedings leading up to the NBP, for example, did the Commission request comment on proposals to require RLECs to convert to incentive regulation, no workshops were held on the topic, and, as far as the Associations can determine, no significant discussion of this issue occurred in any of the tens of thousands of comments submitted on related topics. Nor does the NBP or NPRM explain what legal basis the Commission might have for imposing mandatory incentive regulation on RLECs. Clearly, the fact some larger carriers have sought or voluntarily accepted price cap regulation does not establish a legal basis for mandatory imposition of such regulatory structures on other carriers. The most recent drafts of USF reform legislation in the United States House of Representatives (Universal Service Reform Act of 2010) shows that Congressional leaders understand the importance of rate-of-return regulation for rural carrier service areas.

INTRODUCTION

With this Notice of Inquiry (NOI) and Notice of Proposed Rulemaking (NPRM), the Commission has taken an initial step toward crafting a national broadband universal service strategy. We recognize that the Commission desires comprehensive USF reform and seeks to redirect legacy USF support to supporting broadband infrastructure deployment in unserved areas, or to areas “that depend on universal service support for the maintenance of existing broadband service.”¹ We respectfully submit that a prudent public policy outcome will fully recognize providing this type of maintenance support to rural carriers in order to maintain the cornerstone of rural broadband infrastructure.

GVNW Consulting, Inc. (GVNW) is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America. We are pleased to see the formulation of a unified rural wireline industry position and support the comments filed by this group² on July 12, 2010. We refer to this filing as the “Joint Association filing” in this set of reply comments.

¹ Federal Communications Commission, *Connecting America: The National Broadband Plan*, released March 16, 2010, (National Broadband Plan – NBP), at 144.

² Joint Comments of the National Exchange Carrier Association, Inc. (NECA); National Telecommunications Cooperative Association (NTCA); Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO); Western Telecommunications Alliance (WTA); and The Rural Alliance, with concurrence by 38 associations.

REPLY COMMENT ISSUES

In the May, 2009 *Report on a Rural Broadband Strategy*, then acting-Chairman Copps recognized that broadband networks should be constructed in anticipation of future broadband demand:

... given the high fixed costs of constructing broadband networks, once built, they are not likely to be replaced, especially in rural areas that are unserved today. As a consequence, we believe that networks deployed in rural areas should not merely be adequate for current bandwidth demands. Instead, they also should be readily upgradeable to meet bandwidth demands of the future. Bandwidth-intensive applications could very quickly become the norm in the U.S. – even in rural areas. Technologies that cannot be upgraded easily could make Internet applications in less than five years from now look like the dial-up downloads of today.

We concur with Commissioner Copps' analysis and have framed our reply comments in this context.

THE NPRM JUMPS THE GUN WITH REGARD TO SEVERAL ISSUES

As AT&T stated in their filing at page 3:

But by requesting detailed comment on modeling issues without determining whether a model is even necessary and proposing to eliminate legacy high-cost support without indicating how this transitioned support will be distributed via the CAF, if at all, the Commission has essentially jumped the gun. (footnote omitted)

This corroborates the comments of the Indiana URC, stating that there has been insufficient analysis regarding the potential impact of some of the FCC's proposals on small and mid-size RLECs and their customers.

While a part of the NOI, the proposed model exhibits serious deficiencies

A large number of parties with a wide scope of interest offer harsh critiques with regards to the modeling efforts initiated by the Commission. In one of its two filings,

NASUCA³ et al offer that the information that has been provided by the staff is insufficient to allow for a full evaluation of the model:

*Despite the Commission's statement of purpose, the NOI is absolutely unclear on what specific use the model is to be put once it is developed. The Connect America Fund ("CAF") – where the model apparently will be used – has yet to be even set out for public comment. These and a host of other key questions need to be addressed **before** the model is finalized, much less applied. This is not just putting the cart before the horse, it is attempting to design the cart before knowing whether it will be drawn by a Percheron, a blood Arabian, or an ox; before knowing whether the road is dirt, gravel, or asphalt; and, even more importantly, before knowing who will pay for the animal, the cart, or the road. (**emphasis in original cite**)*

Model design issues also draw considerable criticism. In its filing, AT&T questions the foundational basis of model design at page 15 of its filing:

AT&T believes it would be highly problematic to use counties as the geographic area for targeting and calculating high-cost support. Most importantly, broadband providers do not make network build decisions at the county level, as the modelers apparently assume.

The Wyoming Public Service Commission (WyPSC) captured the challenges related to modeling issues in states with high-cost-to-serve areas in the following three excerpts. At page 9, the WyPSC states in part:

*Considering Platte County, as an example, the outcome under the FCC's proposal will be very undesirable...The FCC proposes capping Chugwater's support and GVNW's hypothetical analysis shows that if the FCC had proposed a cap on legacy support for Wyoming's **rural telephone companies** in 2003 at 2003 support per loop levels, our citizens in high-cost areas (customers of Chugwater Tel. Co. for example) would have been deprived of almost \$100 per loop per month in support. (**emphasis in original**)*

At page 5, WyPSC offered the following recommendation:

We recommend that, for states with an average county size greater than 4,000 square miles, the FCC not average census block level data to the county level; rather the FCC should provide policy and funding with greater care to recognize the important localized nuances of providing broadband in vast, sparsely populated open spaces.

³ The National Association of State Utility Consumer Advocates (NASUCA) filed individually, and in conjunction with the Maine Office of Public Advocate, Office of the Ohio Consumers' Counsel, Pennsylvania Office of Consumer Advocate, and the Utility Reform Network. (NASUCA et al). This citation is from the Summary of the NASUCA et al filing at ii.

At page 23, the WyPSC concludes:

We believe that the FCC's model and assumptions cannot reliably identify broadband gaps and target support for rural areas in Wyoming. For rural areas characterized by sparse population, small population centers, and very large areas we recommend a more specific and relevant analysis involving local knowledge and closer partnership with states.

There are several steps that appear to be out of order from a public policy perspective

The Commission has overlooked several issues that are ripe for a decision. In the NBP, recommendations were offered for adoption of interim rules addressing traffic pumping, phantom traffic, and the treatment of VoIP for intercarrier compensation purposes. The timing recommended would be for such issues to be resolved during the second stage of reform, anticipated to be in the 2012-2016 period. Since the Commission has already received an ample record on each of these issues, there appears to be no rational reason to delay issuing and implementing final orders⁴.

Some parties have questioned the Commission's legal authority to act

While there has been a great deal of recent debate as to what the Commission can and cannot do with respect to broadband regulation, it is likely to be resolved through yet another series of court decisions. In the meantime, we read with interest the arguments advanced by the Rural Telecommunications Service Providers Coalition (RTSPC) in their filing at pages 2 and 5-7:

As discussed herein, capping and cutting legacy universal service funding mechanisms when the funding of broadband is legally suspect is unwise and will devastate rural businesses and communities... Today's universal service support mechanisms are based on the consistent application of Section 254(c) of the Act, and nowhere in the Recovery

⁴ Parties supporting this concept include, but are not limited to: Independent Telephone & Telecommunications Alliance (ITTA) at pages i and 2, and Joint Association filing at pages 69-70.

Act's requirement for the FCC to develop the NBP did Congress suggest jettisoning Section 254 or successful legacy USF mechanisms. Neither Section 254(c)(1), nor Section 254(c)(2), give the FCC power to flip USF 180 degrees and use universal service monies to create a broadband-based USF out of the ruins of the "legacy" fund as the FCC has suggested doing with its new CAF plan. This strict limitation on the FCC's ability to define the services supported by universal service to telecommunications services has been confirmed in TOPUC v. FCC. Specifically, in discussing "supported services" pursuant to Section 254(c)(2), the Fifth Circuit called the FCC's attempt to redefine "services" to include services unrelated to telecommunications "an implausible reading of Congress' intent" ...The NBP has not changed any part of the Communications Act. Specifically, Congress' directions to the FCC have not amended or repealed any mandates relating to the governing principles of universal service. (Four footnotes omitted)

A REVERSE AUCTION APPROACH IS THE WRONG TOOL AT THE WRONG TIME

A broad range of parties argue forcefully against a reverse auction mechanism.

Even at the Federal Communications Commission Commissioner level, serious questions exist about the efficacy of a reverse auction approach. At the Commission's April 21, 2010 meeting, Commissioner Copps stated in part:

. . . the record will show that I have expressed concerns in the past about some of the suggestions put forward here. In particular ...the NOI places strong emphasis on the use of reverse auctions. When I supported the previous Commission's decision to seek comment on the merits of reverse auctions for distributing Universal Service support, I cautioned that the prospect of using such a mechanism raised many questions that still remain unanswered. For instance, how do we ensure that the winning bidder provides the services for which support is received? What happens if the auction winner decides to discontinue its operations in the supported area? Who will pick up the pieces and how will that be decided?

Previously, in the 2008 USF NPRM, several of the Commissioner statements accompanying that NPRM were reflective of the problems inherent with reverse auction proposals. Commissioner Adelstein offered the following observation at that juncture:

" To that end, I am also concerned about the impact of reverse auctions and whether such mechanisms can provide adequate incentives for build out in Rural America. For

*these reasons, I dissent from the tentative conclusions in the separate Reverse Auctions Notice. . . .I cannot support these premature tentative conclusions, and would have preferred a **more balanced presentation** of the potential disadvantages of such an approach.” (emphasis added)*

The purpose in this section of this reply comment filing is to assist in providing a more balanced presentation of the potential disadvantages of such an approach for the record.

The Commission would have controlled fund growth if not for the identical support rule

In one sense, reverse auctions appears to be a proposal to ameliorate problems resulting from the largest error made in implementing TA 96: the identical support rule. We submit that addressing that problem first is a more prudent public policy direction. It would also appear from the data currently in the record that reverse auctions do not constitute the competition that was envisioned in TA 96. One may argue that such competitive bidding is actually anti-competitive per TA 96, at least with respect to a customer’s access to competitive alternatives. In the proposed reverse auction approaches, carriers are only on an equal basis once every bidding cycle. If an existing rural wireline carrier were to be unsuccessful in a reverse auction proceeding, it is unclear as to how the Commission would intend to address confiscation issues.⁵

Reverse Auctions raise significant public policy issues for high cost to serve areas

Implementing a reverse auction approach for rural carriers could have unintended consequences, including an inability to raise capital and evolve appropriate levels of service.

⁵ While statements have been offered that an adequate transition would be contemplated, it is not clear that the Commission may supersede intrastate depreciation rates in light of the *Louisiana* standard.

It appears that a key to the success of a reverse auction approach is an exacting statement of work. As with any fixed-price bidding system, the success of the contract will depend entirely upon the quality of the statement of work that forms the basis of the proposal. We anticipate that the Commission would intend to define a static set of supported services. Since any services outside of this definition will not qualify as supported services, the ability to evolve services capabilities is seriously compromised as the auction winner may have no incentive to spend beyond the proscribed service level. This seems contradictory to the administration's goals and Congressional support present for an evolution to broadband networks.

When the Commission considered the reverse auction concept more than a decade ago, there was no public consensus on how to structure competitive bidding to make it reduce the overall amount of support.⁶ And, a decade ago, the decision was made to not pursue reverse auctions. If the current Commission chooses to "reverse" this prior decision, we respectfully submit that carriers other than rural wireline carriers should be the subject of such an experiment. Given the uncertainty regarding such an approach, and the lack of empirical data as to what constitutes a successful auction scenario, we believe rural carriers are not the proper subset on which to experiment in this regard.

Rural carriers often are the only provider of ubiquitous and high-quality service⁷ in a service area.

⁶ Recommended Decision, CC Docket No. 96-45 (Federal-State Joint Board on Universal Service), November 6, 1996, paragraph 334.

⁷ Rural carriers are measured against the 99.999% standard of reliability, not the "fewest number of dropped calls" as cellular carriers claim in their network and cable television advertisements.

Reverse auctions would create an uncertainty with respect to capital recovery and retard the deployment of rural infrastructure

Rural carrier telecommunications networks necessitate investing large amounts of capital in inherently long-lived plant assets. These investments are possible when lenders have a reasonable certainty of debt repayment⁸ and investors/stockholders/cooperative members are afforded an opportunity to receive a compensatory rate-of-return.

Under the proposed reverse auction scenario, universal service support would not be predictable over the long term. After the contract period expires, support for an area would be re-auctioned. In the subsequent period, the initial bidder, who will have made long-term investments to serve a rural area, would only retain its revenues if it submitted the winning second bid. This type of uncertainty would certainly not provide sufficient incentive for efficient, long-term investment strategies that are prerequisite to infrastructure deployment in low density, high cost to serve areas of the country.

Without adequate network performance standards firmly in place, the Commission will have fired the starting gun for a race to the bottom in terms of service quality

In the 2008 USF NPRM, several of the Commissioner statements accompanying the NPRMs are reflective of the problems inherent with reverse auction proposals. Commissioner Copps highlights some of the key unanswered service quality questions in the following excerpt:

“...our review raised in my mind many more questions than it answered. For instance, how do we ensure that the winning bidder provides adequate quality of service? What happens if the winner later decides it is no longer profitable to continue its operation? And who will be responsible for establishing the rules and enforcing them? Ironically, this purportedly market-based approach strikes me as hyper-regulatory. For these

⁸ Conversely, lenders available to rural carriers will be unwilling to provide new capital if there is significant uncertainty regarding the ability to meet principal and interest obligations.

reasons, I must dissent from the NPRM's tentative conclusion that the Commission should develop an auction mechanism to determine high-cost support."

The enforcement of service quality standards could be a difficult task for the Commission. In a competitively bid contract scenario, the purchasing party has the obligation to enforce the terms of the contract upon the bidder. At the same time, the financial incentives for the winning bidder are to perform the work at a lower cost than was bid. In order to prevent this natural incentive to cut costs resulting in a degradation of service, some form of oversight by a regulatory authority would be required.

Reverse auctions would create no incentive to invest after the contract, and would be especially acute in the later years of a contract cycle. For example, carriers would be unable to justify investing in long-lived assets in the eighth or ninth year of a ten year contract period when faced with the possible loss of support in year eleven.

Other important policy questions that the Commission must consider include: How does the Commission propose to monitor the winner's performance and how does the Commission intend to handle the provision of service when carriers exit high cost to serve markets if they are not the successful auction bidder?

In this regard, the Commission must be cautious to recognize the interdependence that wireless carriers have on wireline networks. The mobility provider depends on the wireline provider in its call completion architecture. Current wireless, VoIP, and satellite networks require a connection to land line infrastructure to provide full functionality. This network reality is documented in *Wireless Needs Wires: The Vital Role of Rural Networks in Completing the Call*, published by the Foundation for Rural Service in March, 2006. This paper states in part:

Without thoughtful consideration by policymakers of the challenges of providing wireless services in rural America, as well as the dependence of wireless services on wireline networks, portions of the nation are likely to remain underservedMost importantly, one must recognize that without the underlying wireline network, wireless networks could not exist in their current form. In spite of this obvious fact, large wireless carriers and policymakers alike continue to pursue practices and policies that will in fact undermine the critical wireline network. While discussions on how to modify reciprocal compensation, access charges, and universal service continue, attention must be placed on ensuring these mechanisms are capable of maintaining the fiscal health of that wireline network.

Another question that does not appear to be answered is what are the “costs” from a public policy perspective for reverse auction winners that are ultimately unable to perform? Historically, the “carrier of last resort” (COLR) designation has provided a reasonable assurance that customers in remote regions of the country will have access to communications services. An important part of the COLR package has been the availability of universal service support. The reverse auction proposals do not appear to address an adequate fallback position for customers in rural areas where the “winner” is unable to meet its commitment. This leads to another public policy question that must be answered: How would the Commission propose to mitigate a large carrier from low balling a bid to win the auction, and then ignore the low-density portion of the area? While this may not be important to 90+% of the customers, it is of vital importance to the potentially disenfranchised⁹ 10%. We encourage the inclusion of a rural incumbent carrier exemption in any approach to reverse auctions.

⁹ See, for example, Alaska Communications Systems (ACS) statements that “reverse auctions will not achieve the FCC’s goals given Alaska’s unparalleled situation...Alaska also fails to provide a reasonable environment for applying cost proxy models or reverse auctions to achieve the FCC’s goals. Attempts to geo-code Alaska will face immediate difficulties. Alaska has no counties.” (pages 2 and 5)

DIGITAL DIVIDE DILEMMAS

Rural versus urban disparity is poor public policy

The recommendation for a much lower target (4 megabits per second downstream) for rural areas has drawn criticism from both commenters and legislators. In a June 14, 2010 letter to Chairman Genachowski, a bipartisan group of 22 United States Senators urged the Commission to give significant thought to the impacts on rural America of such a recommendation that would result in an increase to the existing digital divide:

Establishing such a low threshold for rural residents and businesses relegates them to second class broadband capacity. It hinders their ability to share in the transformative vision for broadband outlined in the NBP.

In an earlier May 28, 2010 letter, a bipartisan group of 40 United States House of Representatives members¹⁰ urged the Commission to modify the relatively low goal for rural broadband speeds. The letter stated that the lower 4 Mbps threshold is inadequate “for the next several years, let alone the future demands of commerce, health care, education, energy, and public safety.”

These statements by bipartisan groups in both the Senate and House serve to effectively refute assertions that such low speeds are justified on a cost basis. As Home Telephone Company, Inc. states at page 2 and 12 of its filing, the NBP is only pricing out a relatively slow broadband connection that all parties understand will be obsolete in a few short years:

“...but first and foremost the proposed plan will create a rural digital divide as urban America benefits from broadband speeds 25 times greater than that available in rural America. To start with the premise that rural portions of the nation are less deserving

¹⁰ Signatories included four Commerce Committee members: Lee Terry (R., Nebraska), Tim Murphy (R., Pennsylvania), Mike Ross (D., Arkansas), and Bruce L. Braley (D., Iowa).

*than the more populated portions of our nation is just plain wrong. . . the Commission has before it a once-in-a-lifetime opportunity to shape the destiny of broadband in America. Such an opportunity calls for the development of a grand vision of what broadband will do to and for society. To insist that broadband deployment must be done on the cheap, with no real funding ignores the vast economic and social value broadband connectivity entails. It is clear universal broadband deployment will carry a large price tag. However, it is just as clear, **failure to ensure this universal connectivity will prove to be many times more costly.** (emphasis added)*

The rural vs. rural issue raised by Windstream is misplaced

In its filing, Windstream Communications, Inc. (Windstream) offers the following assertion:

Such reform is essential to eliminate the rural-rural “digital divide” that has arisen under current federal program rules, wherein certain high-cost areas receive generous support and are served by enhanced network facilities, while other high-cost areas – exhibiting comparable cost conditions –are virtually ignored. The Commission’s approach should lay the groundwork for new and better broadband service in areas where the majority of rural customers live.

Windstream argues for an increased allocation of federal universal service funding to price cap rural territory, at the expense of maintaining adequate support for rural rate-of-return carriers. Based on a cursory review of current universal service funding levels, Windstream’s arguments appear to be self-serving. Based on the data from the USAC HC-01 annualized from the 4Q of 2009 for Windstream in the states of Arkansas, Georgia, Kentucky, Missouri, Nebraska, New York, Ohio, Oklahoma, and South Carolina, Windstream’s federal universal service support totals over \$47.8 million.

Windstream states at page 42 of its filing that “*Windstream receives far less high-cost support per line for its 608 lowest-density wire centers than the amount of funding awarded to the average recipient of high-cost support.*” This occurs in part due to Windstream’s conscious decision not to invest in these wire centers and provide the same kind of service availability that the rural rate-of-return companies are offering.

We encourage the Commission to pause and very carefully review empirical data before adopting any of Windstream's recommendations. As noted in the Joint

Association filing at page 18:

Without this vision, the Plan will be obsolete upon its adoption and will maintain and likely widen an urban/rural digital divide that will violate the comparability, sufficiency, and preservation and advancement principles contained in section 254 of the Act. To avoid such an outcome, the FCC must summon the courage to adopt a realistic and prospective plan that will address the needs of rural consumers and businesses, and allow for sufficient USF support to achieve congressional universal service objectives.

FUND SIZE ISSUES ARE PROBLEMATIC

Rural carriers should continue to be regulated via rate-of-return regulation

The NPRM seeks comment on whether carriers currently regulated on a rate-of-return basis should be required to convert to some form of incentive regulation. The Joint

Association filing raises a significant point in its footnote 110:

It bears noting the NBP's otherwise exhaustive record provides no factual or legal basis in support of its recommendations to eliminate RoR regulation for RLECs. At no point in proceedings leading up to the NBP, for example, did the Commission request comment on proposals to require RLECs to convert to incentive regulation, no workshops were held on the topic, and, as far as the Associations can determine, no significant discussion of this issue occurred in any of the tens of thousands of comments submitted on related topics. Nor does the NBP or NPRM explain what legal basis the Commission might have for imposing mandatory incentive regulation on RLECs. Clearly, the fact some larger carriers have sought or voluntarily accepted price cap regulation does not establish a legal basis for mandatory imposition of such regulatory structures on other carriers.

The most recent drafts of USF reform legislation¹¹ in the United States House of Representatives (Universal Service Reform Act of 2010) shows that Congressional leaders understand the importance of rate-of-return regulation for rural carrier service areas.

¹¹ Language in proposed Section 103 directs the FCC to develop and implement a mechanism that maintains rate-of-return regulation for carriers that were subject to rate-of-return regulation as of the date of enactment.

Associations serving some of the most rural territory in the United States have also weighed in on this issue. In its comments at page 1, the Alaska Telephone

Association states:

We will focus on the proposed dichotomy of service between rural and urban America; the disregard and proposed termination of an admittedly successful regulatory policy; the proposed replacement of that policy with one modeled on a policy that has blatantly failed to deliver modern communications service to rural areas; a proposed ten-year transition period wherein successful practices are to be left behind while future practices are yet to be determined, and; the apparent substitution of agency policy for federal law.

The CTIA assertion that rate-of-return regulation eliminates incentives for efficiency and innovation and undermines competition (page ii and 13) is a hollow argument in light of the CoBank citation detailing that the key challenge in delivering broadband to rural America is that it costs 10 times more to provide local connections and 20 times more for transit and transport costs than in urban areas, footnoting data from the September 29, 2009 FCC Open Commission Meeting NBP Update slideshow (pages 2-3). The CTIA argument is further refuted by the National Tribal Telecommunications Association comment that “efficiency does not mean the lowest cost support for the cheapest networks,” especially in light of the study appended to the Nebraska Rural Independent Companies filing. This study illustrates that wireline technology is preferable to wireless technology for the provision of broadband service over the long term since wireless costs increase more rapidly than wireline costs as speed requirements increase (see, for example, Appendix A, page 8 – The OBI Model Does Not Accurately Determine Upgrade Costs).

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As noted in the Joint Association filing at page 19-20:

Network engineers must build such anticipated requirements into their current deployment plans. Waiting four years to address predicted growth will only result in wasteful spending, as networks built to standards known to be inadequate from the start will soon need to be upgraded. Another area of concern identified in the ACE Report is the NBP's overoptimistic reliance on wireless technology for the provision of broadband services in rural areas...good engineering practices require consideration of the ultimate capacity of a wireless system in a real-world environment. The Report extensively documents various constraints affecting wireless systems in rural areas, including signal strength limitations, terrain problems, interference issues, lack of "real world" testing, and lack of available spectrum. All of these issues negatively affect promised delivery speeds...As the speed requirements for many existing and new applications continue to increase, key data components of the wireless network would require great leaps in technology.

Respectfully submitted,

Submitted via ECFS

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