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 CENTURYLINK

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SUMMARY

The majority of commenters support a new broadband fund, but raise significant issues as to its proposed parameters. Prior to adopting a model to determine or inform future disbursements, CenturyLink believes that the Commission should develop a distribution plan that would ensure it does not undermine the progress that has already been made under the current universal service program. By stabilizing current USF receipts, and ensuring a smooth transition to the future, the FCC can better support networks to meet its broadband service goals.

The Commission should adopt one funding mechanism for all supported areas in a targeted fashion to better align distribution with underlying economics and eliminate today's uneconomic cross-subsidies from state-wide and study-area-wide averaging. Rural and high cost areas should be funded regardless of the type, size, or regulatory classification of the provider. The FCC should therefore not waste time on adopting proposals that alter current study areas, which may also have unintended consequences to unrelated rules and policies. Furthermore, funding must continue to support networks by delivering support directly to the carriers building and operating the supported networks, rather than to consumers who may or may not purchase the mandated service offering, which would only increase the risk and thus cost of building the supported networks. And the funding mechanism should not take into account extraneous factors that do not affect advancement of broadband universal service goals, such as whether carriers are also providing unsupported services or how they finance their operations.

The transition from the current USF mechanisms should ensure that existing broadband and voice network deployment be maintained and extended, particularly where carrier-of-last-resort obligations remain in place. This should include careful transition mechanisms as well as maintaining *both* IAS and frozen per-line ICLS payments, at least until the CAF is fully

implemented, because they support broadband development. Conversely, wireless carriers have failed to demonstrate that the USF support they currently receive is necessary to promote rural network deployment so this funding can be phased out before alternative support is in place.

Modification of the USF contribution rules is a pressing aspect of universal service funding today, and must be addressed by the FCC before making any other reforms. As part of the creation of the CAF, CenturyLink urges the Commission to adopt a numbers- or connections-based contribution assessment mechanism in order to stabilize the funds and more broadly distribute the burden of providing necessary funding.

The Commission should be precise about which unserved areas of the country it will support. Although competition can reduce support payments, the FCC should reject cable company proposals to eliminate funding when only 75 percent of an ILEC's wire center is served by unsupported competitors. That policy would effectively create disincentives for cable providers to continue to expand their networks beyond 75 percent of the population. In addition, support continues to be necessary to the remaining 25 percent of the ILEC's wire center that competitors are unwilling to serve. Establishing a process where a competitor, including cable, can build out only in economic areas and simultaneously put the uneconomic build-out of the COLR-bound carrier (usually an ILEC) at risk would be detrimental to the goals of universal service and broadband service expansion. Furthermore, the Commission should adopt commenters' proposals that satellite coverage be a permissible solution for coverage to the hardest-to-reach customers in order to avoid unnecessary support levels.

By avoiding ill-advised proposals, the Commission can better support it goals of ensuring that broadband and voice services are available to all Americans.

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REPLY COMMENTS OF CENTURYLINK

CenturyLink, on behalf of its operating subsidiaries, hereby replies to comments filed in the above-captioned proceedings.[1] The vast majority of the commenters support the establishment of a Connect America Fund ("CAF"), but almost all raise significant issues as to how this should be accomplished. Prior to adopting a model, CenturyLink believes that the Commission should focus its efforts on developing a distribution plan that would support networks that are broadband-capable, ensuring that it does not undermine the progress that has already been made under the current universal service program. By stabilizing current USF receipts, and ensuring a smooth transition to the future, the Federal Communications Commission ("FCC") can better meet its broadband service goals.

[1] Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support, WC Docket No. 10-90, *et al*., Notice of Inquiry and Notice of Proposed rulemaking, FCC No. 10-58 (rel. Apr. 21, 2010)("*Notices*").

I. BROADBAND UNIVERSAL SERVICE SUPPORT SHOULD BE DISTRIBUTED TO ALL RECIPIENTS PURSUANT TO A UNIFIED MECHANISM.

The National Broadband Plan was clear in its recommendation to eliminate current high cost support, and eventually to replace it with support focused on ensuring that broadband and voice services are provided to Americans in geographic areas that are uneconomic to serve without external support.[2] Although some commenters still appear to be focused on simply tweaking the existing universal service fund ("USF"), CenturyLink supports the FCC's interest in correcting the mistakes of the current mechanisms; mistakes that have prevented the USF from fully accomplishing its objectives while inefficiently spending some funds redundantly. In order to accomplish this goal, however, certain lessons must be learned from aspects of the current system that are not working well today.

A. Broadband Universal Service Support Should be Reserved for Uneconomic Areas Regardless of the Characteristics of a Recipient or the Size of a Study Area.

The distribution mechanism of current high cost loop support must be improved to target support to those wire centers that are truly rural and high cost. The current system does not accomplish this goal because different mechanisms are applicable to different companies depending on their size, the characteristics of their service territories, or their regulatory classification, e.g., non-rural vs. rural or price cap vs. rate of return. CenturyLink demonstrated that the current mechanism provides inadequate support to a number of companies because of the cross-subsidies between low- and high-cost areas inherent in study-area and state-wide

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[2] Federal Communications Commission, Connecting America: The National Broadband Plan, GN Docket No. 09-51, 145 (rel. Mar. 16, 2010)("National Broadband Plan").

averaging.[3] The FCC should take the opportunity provided through creation of a new fund to unify these disparate programs and to disburse money based solely on the economic characteristics of a particular wire center, rather than based on irrelevant factors that have nothing to do with the economics of providing broadband and voice to residents of those territories. At base, rural and high cost areas should be funded regardless of the type or size of the provider.

Some commenters continue to be focused on the past. For instance, CTIA argues that all study areas of an incumbent local exchange carrier ("ILEC") in a state should be consolidated into one study area. In addition, it argues that any combined study areas be treated like a non-rural company for purposes of distributing USF.[4] Such thinking is a relic of monopoly-era regulation and would utterly fail to accomplish the goals of universal broadband service in today's market areas that have highly variable cost and competitive characteristics. The current and future state of the industry demand a targeted USF distribution system that is sufficiently granular to focus funding on the truly uneconomic areas, while avoiding funding areas where competition flourishes without external support. The FCC should not waste time on these proposals because they focus on older mechanisms, exacerbate and extend the problem of study-area and state-wide averaging, and would be disruptive to the receipt of current support until the CAF replaces them. In addition, these proposals are also likely to produce unpredictable impacts on intercarrier compensation and interconnection contracts that are unrelated to USF. CenturyLink submits that the FCC should focus its efforts instead on defining a workable and

[3] Comments of CenturyLink, WC Docket No. 10-90, 6-7. 24-25 (filed Jul. 12, 2010)("CenturyLink Comments").

[4] Comments of CTIA—The Wireless Association®, WC Docket No. 10-90, 19 (filed Jul. 12, 2010)("CTIA Comments").

effective broadband support system that will distribute support to uneconomic areas for the purpose of promoting broadband and voice services, regardless of the size or nature of the recipient.

B. Broadband Support Needs to be Provided to Carriers Who Build Networks.

As CenturyLink stated in its comments, building a suitable network is an essential building block of providing broadband and voice services.[5] Because these networks connect local areas to the Internet cloud and other subscribers in the Nation and the world, support must be provided to the network builders so they have the financial wherewithal to serve all rural Americans. Indeed, this recognition has been at the base of today's high cost support, which has achieved robust universal service for voice services today,[6] albeit inefficiently and in an unsustainable fashion given competitive and technological changes. Once these networks are built, all customers can choose to connect and pay reasonable prices for their access to services on this network. This laudable achievement would not have been possible with a system that focused only on paying individual subscribers.

Because of this fundamental fact, Sprint is incorrect that the CAF should solely be distributed to broadband subscribers.[7] Although CenturyLink supports lifeline for low-income individuals, Sprint's proposed mechanism to support only a subset of the users of the network would not be an efficient mechanism to attract investment to build and maintain the network that provides both broadband and voice services. In addition, if only broadband users received

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[5] CenturyLink Comments at 3.

[6] The latest statistics show that 95.6 percent of the Nation subscribe to voice telephone services. Federal Communications Commission, Telephone Penetration by Income by State (Data Through March 2009), 1 (Wir. Comp. Bur., rel. May 2010). Availability of voice services is much higher than this figure.

[7] Comments of Sprint Nextel Corp., WC Docket No. 10-90, 10 (filed Jul. 12, 2010)("Sprint Nextel Comments").

support, the network might never have been built or maintained in the first place because either non-supported customers in the area could not afford to pay the full price of the network or it would be necessary to increase the support level to each broadband subscriber to properly compensate the network providers.[8] Such an approach would be clearly inefficient. Therefore, Sprint's limited customer payments program will not likely achieve greater broadband availability, or at least not in a cost effective manner, and should therefore be rejected.

C. Broadband Support Should be Based Solely on the Costs and Revenues Associated With Providing Supported Services, not on Irrelevant Factors.

The FCC has proposed use of an economic model that will predict the needed support for delivering broadband services to all Americans. As CenturyLink stated in its comments, all network costs necessary to make provision of such service economic, together with the revenues from supported services, should be taken into account in developing such a model.[9] Assuming that the supported level of broadband service is in the range of 4 to 6 Mbps, it would not be appropriate, however, to include non-supported revenues, such as video revenues, in such a formulation because these services might not actually be provided either in that area or by the support recipient.[10] A model that includes non-supported services inevitably would not generate sufficient or predictable support. And failure to generate sufficient support would undermine the goal of promoting availability of broadband and voice to rural Americans.

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[8] Even if customers somehow would channel all of their support to the one network provider that is capable of building out into their service area, there is no assurance to investors of that company that such support would continue or would be paid to that provider. Thus, a customer payments program is too disjointed and unpredictable to achieve the intended purposes of the support.

[9] CenturyLink Comments at 52-53.

[10] For instance, NCTA argues that unregulated service revenues should be included in the model. Comments of The National Cable & Telecommunications Association, WC Docket No. 10-90, 19 (filed Jul. 12, 2010)("NCTA Comments").

For the same reason, the Commission should not consider unrelated factors in deciding the level of support to be provided. For example, the FCC should not adopt CWA's suggestion that USF distribution be reduced if a company pays out more than 75 percent of its net income in dividends.[11] Since dividends are not considered in rate-setting or universal service processes, they should be viewed as irrelevant to whether a carrier may recover costs from the CAF. Dividends are set at market levels depending on what a potential shareholder demands in order to be willing to provide equity funds to a company. Payment of dividends is crucial to attracting investment in telecommunications companies, and it is no exaggeration to state that ILECs would not have equity investors without paying dividends in accordance with market characteristics and history. Dividends are commonly paid by other regulated entities such as electric, water, and gas companies. Furthermore, regulatory actions that would effectively punish dividend payments increases the pressure for companies to utilize debt financing to perhaps excessive levels. Excessive debt can limit a company's flexibility, increase the risks of financial distress, and can even threaten its ability to continue as a going concern. Just as equity investors can be threatened by dividend reductions, debt investors can be similarly threatened by risk of non-payment of interest. Obtaining a balance of debt and equity is a highly sensitive business decision, and regulatory interference can produce serious unintended consequences, up to and including bankruptcy. Therefore, CWA's proposal is far off target and not designed to promote increased broadband availability. If carriers do not pay sufficient levels of dividends to fairly compensate capital investors for risks taken, they may have insufficient money to invest in

[11] Comments of Communications Workers of America, WC Docket No. 10-90, 3 (filed Jul. 12, 2010).

broadband networks and delivering broadband services, a result contrary to the stated goals of the Commission in the National Broadband Plan.[12]

II. THE FCC SHOULD RATIONALLY TRANSITION CURRENT USF SUPPORT TO THE CAF BY ENSURING THAT CURRENT PAYMENTS THAT SUPPORT BROADBAND AND VOICE SERVICES NOT BE TERMINATED, WHICH WOULD UNDERMINE COMMISSION UNIVERSAL SERVICE GOALS.

A. Current USF Payments for Wireline Carriers Should not be Prematurely Eliminated Because They Support Broadband and Voice Service to Uneconomic Areas.

Any transition from the current voice USF mechanisms to the new CAF should ensure that existing universal service gains be continued and furthered. Several state commissions express concern that existing USF support to wireline providers should not be prematurely eliminated because that support is currently being used to build, maintain, and operate networks that provide both broadband and voice services in uneconomic areas. These commissions are particularly concerned how existing carrier-of-last-resort obligations will be transferred from voice to broadband services. For instance, the Indiana commission expresses concern about the impact of the CAF on the provision of broadband and voice services, particularly as it impacts small and mid-size ILECs. It states: "the reality is that the monies received have supported the entire enterprise, including the build out of broadband and the network that sustains it, for a high percentage of rural customers."[13] In addition, the Washington commission urges the Commission to ensure that the new broadband model does "not jeopardize the gains that have

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12 *See* National Broadband Plan at 4 ("Our plan must be candid about where current government policies hinder innovation and investment in broadband . . . . [and] correct the problematic policies found here.").

13 Initial Comments of Indiana Utility Regulatory Commission, WC Docket No. 10-90, 4 (filed Jul. 14, 2010).

been accomplished through the exiting Universal Service mechanisms."[14] These comments underscore the findings of the National Broadband Plan that existing voice customers should not be abandoned as the Nation moves toward support for rural and high cost broadband support.[15]

B. The FCC Should be Cautious about Changing IAS Support to Avoid Undermining Broadband Deployment.

In response to the *Notices* proposal to eliminate IAS, the parties who commented on this issue were almost unanimous in their request that the Commission be cautious in its approach to interstate access support ("IAS"). US Telecom, for instance, urged the Commission only to phase out IAS over a relatively long period of time after reexamining whether it is excessive, but in no event prior to the time the CAF is up and running.[16] Even wireless carriers argued that IAS should only be phased out, and not be immediately eliminated.[17] AT&T argued that such support should only be eliminated if found to be unnecessary and that carriers be permitted flexibility to recover the lost revenues.[18]

There is no record evidence that IAS is not currently being used to build networks that advance the commission's broadband goals. No party even alleged that IAS was not needed to

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[14] Comments of the Washington Utilities & Transportation Commission, WC Docket No. 10-90, 3 (filed Jul. 12, 2010). *See also* Joint Comments of The Nebraska Public Service Commission and The North Dakota Public Service Commission, WC Docket No. 10-90, 12 (filed Jul. 12, 2010)(care must be exercised in the transition from voice to broadband to ensure existing COLR responsibilities are smoothly transferred to new broadband providers); Initial Comments of The Pennsylvania Public Utility Commission, WC Docket No. 10-90, 3, 11 (filed Jul. 12, 2010)(expresses concern that broadband deployment in non-rural carrier areas is slower than for rural areas); Comments of The Wyoming Public Service Commission, WC Docket No. 10-90, 22 (filed Jul. 12, 2010)(FCC must "continue support for maintaining existing lines that are available to provide broadband in a scalable fashion.").

[15] National Broadband Plan at 150.

[16] Comments of The United States Telecom Association, WC Docket No. 10-90, 16 (filed Jul. 12, 2010).

[17] Sprint Nextel Comments at 11; CTIA Comments at 19.

[18] Comments of AT&T, Inc., WC Docket No. 10-90, 22 (filed Jul. 12, 2010).

support broadband investment. Even commenters that are apparently single-minded in their intent on reducing the size of the fund have not made such an allegation.[19] In fact, as Windstream cogently indicated, the Commission "must take thoughtful measures to ensure continuity of service" by "incumbent carriers whose networks must remain viable to support ILEC retail services."[20]

Regardless of what the Commission decides to do concerning the level of IAS payments, it should refuse to follow the suggestion of Verizon to decrease price cap carrier frozen ICLS support at the same time as IAS support is decreased.[21] A number of new price cap carriers have agreed to freeze their Interstate Common Line Support ("ICLS") payments at the time they converted to price caps.[22] These companies agreed to this approach to access replacement payments because IAS was a closed fund and unavailable for price cap carriers that did not exist at the time it was created.[23] Frozen ICLS payments were one of the conditions that converting companies received in exchange for agreeing to convert to price cap regulation, a regulatory

[19] *See, e.g.*, Comments of Verizon & Verizon Wireless, WC Docket No. 10-90, 17 (filed Jul. 12, 2010)("Verizon Comments"). NCTA is careful only to allege that elimination of IAS would not harm voice customers, without making any statement concerning the ability to provide broadband services. NCTA Comments at 13.

[20] Windstream Comments at 39 (footnote omitted).

[21] Verizon Comments at 17.

[22] *Windstream Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief*, WC Docket No. 07-171, 23 FCC Rcd 5294 (2008)("*Windstream Price Cap Conversion Order*"); *CenturyTel, Inc., Petition for Conversion to Price Cap Regulation and Limited Waiver Relief*, WC Docket No. 08-191, 24 FCC Rcd 4677 (Wir. Comp. Bur. 2009)("*CenturyTel Price Cap Conversion Order*").

[23] *See Windstream Price Cap Conversion Order*, ¶ 19; *CenturyTel Price Cap Conversion Order*, ¶ 15. These companies also agreed to limit recovery of any lost ICLS receipts, unlike price cap carriers that receive IAS support. *Windstream Price Cap Conversion Order*, ¶ 20; *CenturyTel Price Cap Conversion Order*, ¶ 16.

result that Commission policy has historically favored.[24] Therefore, it would be an unreasonable bait and switch to eliminate one of these fundamental quid pro quos now that the carriers cannot return to rate-of-return regulation.[25] Such a result is also arguably unconstitutional.[26] Furthermore, there is no justification for treating price cap carrier frozen ICLS payments differently from ICLS payments made to rate-of-return carriers, and Verizon has cited no justification for such discriminatory treatment.[27] Therefore, the FCC should reject Verizon's proposal.

C. Wireless Carriers Have not Demonstrated that They Bear the Cost of the Carrier-of-Last-Resort Obligation in Rural Areas; Therefore Wireless Carrier Support Can be Immediately Phased Out over a Reasonable Time Period.

Although wireless eligible telecommunications carriers have argued that their current support should not be interrupted, these carriers have yet to prove that they foster the Commission's universal service goals. Wireless commenters simply do not back up their rhetoric with facts to show additional or improved service to the highest cost areas in the country where ILECs face carrier-of-last-resort ("COLR") obligations.[28] This lack of benefit is ample

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[24] *See Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, ¶ 21 (1990); *Windstream Price Cap Conversion Order*, ¶ 8. In the *Notices* the Commission proposed to convert rate-of-return carriers to price cap regulation. *Notices*, ¶ 55.

[25] 47 C.F.R. § 61.41(d).

[26] *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 315 (1989)("[A] State's decision to arbitrarily switch back and forth between methodologies in a way which required investors to bear the risk of bad investments at some times while denying them the benefit of good investments at others would raise serious constitutional questions.").

[27] Such patent discrimination would be arbitrary and capricious. *See* CenturyLink Comments at 38. Verizon does not indicate whether it would continue to suggest this proposal if the FCC mandated that all rate-of-return carriers become price cap carriers, with attendant frozen ICLS payments. *See* Verizon Comments at 18-19.

[28] *See, e.g.*, Comments of United States Cellular Corp., WC Docket No. 10-90, 23 (filed Jul. 12, 2010)(assertions of rural benefits are unsupported by any specific evidence or examples); Comments of Sprint Nextel at 6; Comments of T-Mobile USA, Inc., WC Docket No. 10-90,

justification for phasing out current competitive eligible telecommunications carrier ("CETC") support as CenturyLink has advocated.[29]

III. AN ESSENTIAL ELEMENT OF PROMOTING STABILITY FOR USF IS TO REFORM THE CONTRIBUTION MECHANISM.

As part of the creation of the CAF, a number of parties urged the Commission to promptly reform the universal service contribution mechanism.[30] CenturyLink urges the Commission to adopt a numbers- or connections-based contribution assessment mechanism in order to stabilize the funds and more equitably distribute the funding obligation.

Modification of the contribution rules is a pressing aspect of universal service funding today, and must be addressed by the FCC before making any other reforms. With the current contribution factor at 13.6 percent of interstate telecommunications revenues,[31] immediate action is required to stabilize the funding base for universal service. The Commission has acknowledged that the current funding base is contracting, even while demand for support is expanding.[32] The decrease in interstate wireline long-distance minutes has irrevocably changed the funding base.[33] It is critical that the contribution base be expanded and stabilized without

9 (filed Jul. 12, 2010); Comments of The USA Coalition, WC Docket No. 10-90, 1, 26-27 (filed Jul. 12, 2010)(vague claims of rural benefits from wireless services unsupported).

29 CenturyLink Comments at 40-41.

30 Verizon Comments at 24-26; Comments of COMPTEL, WC Docket No. 10-90, 4 (filed Jul. 12, 2010).

31 *Proposed Third Quarter 2010 Universal Service Contribution Factor*, Public Notice, DA 10-1055 (June 10, 2010). This factor is not far from the all time high of 15.3 percent which was exacted in the second quarter of 2010. *Proposed Second Quarter 2010 Universal Service Contribution Factor*, Public Notice, 25 FCC Rcd 2383 (Mar. 12, 2010).

32 *See Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report & Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952 (2002) ("*USF Contributions NPRM*").

33 *USF Contributions NPRM*, ¶ 3.

further delay to ensure sufficient funding will be available to fulfill the Communications Act's mandates and more fairly distribute the funding burden.

At a more fundamental level, all interconnected service providers, including wireless carriers and cable telephony providers, benefit from their ability to deliver calls to and receive calls from wireline customers. The only equitable, non-discriminatory and technology-neutral rule for contributions that will produce a sufficient base of support is to require all service providers who benefit from the ubiquity of the ILEC-built network to begin immediately to contribute to its support.

For this reason, a number of parties have advocated changing from a revenue-based contribution methodology to a hybrid numbers-based or connections-based methodology. Contributors would simply count the number of customers connected to a working telephone number, Internet Protocol ('IP") address, or the equivalent, and contribute based on a multiple of that number. Assessments on special access circuits and dedicated Internet access connections could fall under this methodology, but may require additional contribution rules. Such an approach has merit provided: (i) the rules are clear and enforceable; (ii) the obligation is inclusive, encompassing all technologies and all users of the ILEC-built network in a competitively-neutral manner, with no special exceptions based on technology or uncertain regulatory status; and (iii) the obligation evolves with technology, so if, for example, IP addresses replace telephone numbers in the market, the contribution base would be preserved.

There also should not be unsupportable exceptions made for multiple wireless handsets in a household or low-volume customers.[34]

IV. THE FCC SHOULD BE PRECISE IN DEFINING WHAT AREAS ARE UNSERVED FOR PURPOSES OF DISTRIBUTING SUPPORT.

A. Claims by Cable Operators that Cable Broadband Service Is Widely Available Today in Very Rural Areas Are Exaggerated.

Cable companies continue to argue that USF should not be distributed in areas where 75 percent of the households in a territory are served by a facilities-based provider that does not receive USF.[35] CenturyLink agrees that USF should be provided only in those geographic territories where it is uneconomic to serve customers without external support, and service by non-supported competitors may indicate that the area in which the facilities-based competitors is economic to serve. Notwithstanding, CenturyLink is adamantly opposed to this cable proposal because it is a not-so-subtle bid to reduce support even in areas that they do not serve, but are high cost for ILECs that would not serve these customers without external support.

As CenturyLink has demonstrated, broadband availability in existing cable franchise areas is highly exaggerated.[36] Therefore, broadband coverage claims from cable operators are suspect. In addition, cable operators often do not serve the most rural customers who tend to be the highest cost to serve, something which ILECs must do because of carrier-of-last-resort requirements. Therefore, even if support can be eliminated where a competitor provides broadband service without support, the remainder of the ILEC's service area must continue to be

[34] CenturyLink does support, however, exempting lifeline customers from having to pay for USF contributions because this would unnecessarily burden both the USF program and low-income subscribers.

[35] NCTA Comments at 10; Comments of Comcast Corp., WC Docket No. 10-90, 9 (filed Jul. 12, 2010)("Comcast Comments").

[36] CenturyLink Comments at 46-48.

supported if the remaining territory would be uneconomic to serve. The FCC's model should be precise enough to define support in these truly unserved areas. At any rate, from a public policy perspective, the 75 percent threshold for eliminating USF is far too low to permit a competitor to put COLR-driven service to uneconomic areas at risk in the remaining 25 percent of the service area. Such a policy is contrary to the goals of universal service and provides a disincentive for additional cable investment to continue to expand its service footprint.

B. The FCC Should Encourage Lower Cost Alternatives in Promoting Availability of Broadband to the Hardest-to-Reach Subscribers.

A number of parties agreed with CenturyLink that the FCC should strongly consider encouraging the use of satellite broadband services in areas where the hardest-to-reach subscribers reside.[37] Such a solution, even if not at the same speeds as available in other territories, could provide broadband service at sufficient speeds for needed services, while seriously reducing the funds needed for the CAF and increasing the efficiency of the fund. Indeed a number of satellite providers supported this concept, indicating their ability to provide higher speed broadband in the relatively near future.[38] In addition, the FCC should strongly consider allowing a wireline carrier to meet its broadband commitment in its wire center by arranging for satellite-delivered broadband for the hardest-to-reach and highest cost customers.[39]

V. CONCLUSION

CenturyLink encourages the Commission to move forward with the National Broadband Plan, but take the steps CenturyLink has requested to further strengthen the Plan and to make

[37] Verizon Comments at 30; Comcast Comments at 13.

[38] Comments of Viasat, Inc. & Wildblue Communications, Inc., WC Docket No. 10-90, 4 (filed Jul. 12, 2010); Comments of Hughes Network Systems, LLC, WC Docket No. 10-90, 8 (filed Jul. 12, 2010).

[39] The FCC could by rule indicate the costs and/or areas which would qualify for the "satellite exception" to the FCC's universal broadband coverage rules.

broadband and voice services ubiquitously available, while providing needed support for rural and high cost networks. The FCC should promptly phase out CETC support, but should not eliminate IAS, particularly not before fully replacing existing high cost USF with broadband and voice USF support. The FCC should also promptly reform the contribution mechanism in order to stabilize the receipt of funding and more fairly distribute the funding burden. By better targeting the areas of the country that truly need universal service support, ensuring continued support for areas that are uneconomic to serve, and using more efficient satellite technology where necessary, the FCC can achieve its broadband and voice service goals for all Americans.

Respectfully submitted,

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