



The Voice of Rural & Regional Carriers

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September 10, 2010

Via ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: WC Docket No. 10-90; WC Docket No. 05-337
GN Docket No. 09-51**

Dear Ms. Dortch:

On September 9, 2010, Steven K. Berry, President and CEO of the Rural Cellular Association (RCA); Tim Donovan, RCA; Chris Nierman, CGI; Gwen Donaldson, representative for Nex-Tech Wireless; Grant Spellmeyer, U.S. Cellular; Doug Minster, Atlantic Tele-Network; Chuck Willis, Bluegrass Cellular; Ben Moncrief, Cellular South; Holly Henderson, SouthernLINC; Larry Lueck, Cellcom; Brian Spurgeon, Nex-Tech Wireless; Micah Schwalb, Viaero Wireless; David LaFuria with Lukas, Nace, Gutierrez & Sachs, on behalf of RCA; and the undersigned met with Patrick Halley, Scott Mackoul, Martha Stancill, Margaret Wiener, Carol Matthey, Rebekah Goodheart, Amy Bender and Elise Kohn to discuss implementation of the FCC's Universal Service Fund (USF) reform recommendations in the National Broadband Plan.

At the meeting, RCA outlined five critical public policy objectives that must be considered while reforming USF.

- Funding must be competitively and technologically neutral so as not to favor or disadvantage any class of funding recipients or any type of technology used to provide services in rural and high-cost areas.
- Funding must be efficient, success-based and forward-looking to target high-cost areas and benefit those that build facilities and acquire customers. This will promote competition, more efficient carrier operations, increased subscribership, and reduce the risk of USF growth.
- Funding must be provided on a highly disaggregated basis, and efficiently targeted to areas where USF is most needed to ensure that consumers in rural and high-cost areas have access to services comparable to those available in urban areas.
- Reform must be equitable and any phase down of support must have equal transitions for wireline and wireless carriers. To advance competitive and technology neutrality, RCA proposes a 10-year equal phase down for both ETCs and CETCs with no flash cuts.

- USF should support the provision of advanced broadband and voice services in rural and high-cost areas. Transition away from legacy support must mirror industry conversion from voice to IP networks to avoid abandoning voice networks.

In addition to RCA's general public policy principles, RCA discussed specific FCC proposals including the Mobility Fund and the Connect America Fund. RCA representatives highlighted the problems with the FCC's proposed Mobility Fund to provide one-time funding, awarded using a market-based mechanism, for certain states that lack 3G coverage. The FCC's proposal will undermine the success of the Mobility Fund because it does not adequately support operating expenses and because it does not fund 4G networks. Additionally, the current proposal disadvantages RCA members that have already spent significant funds developing 3G networks in rural, high-cost and underserved areas.

RCA also discussed the inherent harms of market-based mechanisms or reverse auctions to distribute universal service support. Reverse auctions encourage anti-competitive conduct and anti-competitive incentives to participate, including blocking support to competitors or off-setting contributions. Due to the small geographic areas in which carriers will compete, reverse auctions will result in an inconsistent checkerboard of service and technology, leaving unserved areas and dead spots. Reverse auctions also perpetuate a monopoly, at the expense of market-based competition, innovation, consumer choice, competitive prices and new technology. As an alternative to reverse auctions, RCA recommended the FCC use a cost model (or even two models – one for wireless carriers and one for wireline carriers) to target support. A properly-structured model that does not stifle competition would provide appropriate investment incentives, increase competition, and help to control the growth of the fund. A model would alleviate an expensive regulatory regime of reviewing costs and expenses and regulating rates.

In response to questions about the Connect America Fund, RCA urged the FCC not to phase out current USF mechanisms until a replacement mechanism is in place. RCA also insisted that the Connect America Fund must be competitively and technologically neutral and include support for wireless carriers. As evidenced by the recent GAO report,¹ consumers are increasingly choosing wireless technology as their primary mode of communications. This choice must be reflected in the FCC's USF reform. A success-based funding model will ensure that funding is provided to those carriers that construct facilities and acquire customers. The Connect America Fund must support capital and operating expenses to construct and maintain advanced telecommunications and broadband networks. Further, the FCC must ensure that the Connect America Fund provides rural Americans with comparable services to their urban counterparts.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,



Rebecca Murphy Thompson
General Counsel

¹ *Telecommunications: Enhanced Data Collection Could Help FCC Better Monitor Competition in the Wireless Industry*; GAO, Report to Congressional Requesters; GAO-10-779 (July 2010).

cc: Patrick Halley
Scott Mackoul
Martha Stancill
Margaret Wiener
Carol Matthey
Rebekah Goodheart
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