

**Before the
Federal Communications Commission
Washington, D.C. 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
)	
Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC)	

**COMMENTS OF
THE UNITED STATES TELECOM ASSOCIATION**

USTelecom¹ submits these comments in response to the Federal Communications Commission’s (“Commission’s”) Order and Notice of Proposed Rulemaking *In the Matter of High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*² (“NPRM”).

I. Prompt Reform of Universal Service and Intercarrier Compensation Is Necessary

Prompt reform of the high-cost universal service mechanisms would ameliorate issues arising from the use of support reclaimed from Sprint Nextel and Verizon Wireless

¹ USTelecom is the premier trade association representing service providers and suppliers for the telecommunications industry. USTelecom members provide a full array of services, including broadband, voice, data and video over wireline and wireless networks.

² See Order and Notice of Proposed Rulemaking, *In the Matter of High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*, WC Docket No. 05-337 and CC Docket No. 96-45, released September 3, 2010, and Public Notice, *Wireline Competition Bureau Announces Deadlines for Comments on High-Cost Universal Service Notice of Proposed Rulemaking*, WC Docket No. 05-337 and CC Docket No. 96-45, released September 21, 2010.

per their merger agreements. The sooner reform is adopted, the sooner the reclaimed funds will be able to be used for the reformed USF mechanisms. Changes to the current high-cost mechanisms to support access to broadband and increased broadband adoption are necessary, and USTelecom strongly supports moving forward in an expedited fashion on such changes. USTelecom member companies have done their part to increase access to voice and broadband services by continuing to invest tens of billions of dollars annually to deploy new broadband services and upgrading broadband facilities throughout their service areas. Despite those efforts, there are areas where the cost of providing service will – at least in the foreseeable term – prevent the deployment of broadband service comparable to that available to the majority of Americans.

The National Broadband Plan, properly implemented, can help expand broadband because its proposals recognize the importance of stabilizing the financial fundamentals by reforming universal service and intercarrier compensation, correctly targeting support at a more granular level, and focusing support on broadband deployment in addition to voice. And perhaps most importantly, the Plan recognizes the need for continued private investment. The Commission should move forward in an expedited fashion to decide these important issues and implement new mechanisms.

However, USTelecom recognizes that, if adopted, the proposed rules can generate immediate benefit from the reclaimed support. The proper use of this reclaimed support during the interim period between its generation and the implementation of a new high-cost regime is the subject of the NPRM and these comments.

II. Best Use of the Reclaimed Funds

There are several possible options for use of the reclaimed funds. These include redistribution to competitive eligible telecommunications carriers (“CETCs”) per the request of Corr Wireless; placement of the funds in a reserve; or immediate use of the funds to address U.S. households lacking access to baseline 4 Mbps broadband service. USTelecom supports the last option since it would result in the most immediate expansion of broadband availability and generation of increased economic activity.

A. Reclaimed Support Should Not Be Redistributed to CETCs

USTelecom agrees with the Commission’s proposal to modify its *Interim Cap Order*³ so that when a CETC relinquishes its ETC designation in a particular state, USAC would remove from the state’s CETC cap “the amount of support that the [CETC] was eligible to receive in its final month of eligibility, annualized.”⁴ USTelecom also supports the commission’s decision to not redistribute the high-cost universal service support reclaimed from Verizon Wireless and Sprint Nextel to other CETCs.

As a policy matter, redistribution under the legacy high-cost support mechanism to other CETCs providing service in that state (i.e., increasing “payments that support potentially duplicative legacy voice services”)⁵ would be an unwise choice. The Commission has already correctly concluded in the *Interim Cap Order*⁶ and the *National Broadband Plan*⁷ (“NBP”) that supporting multiple ETCs serving a particular geographic area is a poor use of scarce universal service funds.

³ See *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, 23 FCC Rcd 8834 (2008) (imposing the “Interim Cap”).

⁴ NPRM at para. 23.

⁵ Order at para. 1.

⁶ See *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, 23 FCC Rcd 8834 (2008) (imposing the “Interim Cap”).

⁷ Federal Communications Commission, *Connecting America: The National Broadband Plan*, [cite pages] (released March 16, 2010) (*National Broadband Plan*).

B. The Reclaimed Support Should Not be Placed in a Reserve

The benefit the Commission sees by having the USF earn interest until the funds are disbursed are outweighed by the benefits of increased broadband availability that could be realized by quickly allocating the funds for use on a granular basis in areas lacking a business case for deployment of baseline broadband access.⁸ Investment in networks today would bring more consumers the benefits of broadband as well as stimulate employment and economic activity with the construction and improvement of facilities.

USTelecom is also concerned that the Order and NPRM could result in an implicit shift of funds currently allocated to high-cost support to other purposes. While USTelecom acknowledges that some of the additional universal service reforms proposed in the NBP are worthy of consideration, none of those uses enhances broadband availability to households in high-cost areas. By establishing a reserve that could be used for these purposes, the Commission is signaling that it is willing to shift a proportion of the USF currently allocated to supporting network availability in high-cost areas to other uses. While the Commission does note that its reserve could eventually also be used for the Connect America Fund (“CAF”), a high-cost broadband and voice availability mechanism, a significant portion of the reclaimed funding could be directed elsewhere. The NBP estimates that at least \$24 billion, exclusive of additional funding that may be needed to offset revenue reductions resulting from USF or intercarrier compensation reforms, would be required to provide universal availability of broadband service at the

⁸ In addition, we note that, in its petition for reconsideration, SouthernLINC asserts that the Commission lacks the authority to establish a reserve. *See* SouthernLINC Petition at 7-9. While SouthernLINC raises its objections in response to the Commission’s decisions made in its Order, we note that the Commission proposes to expand and make permanent the reserve that it created in this Order and thus the Commission should consider these arguments in this proceeding as well.

4/1 Mbps speed threshold,⁹ and this estimate does not include the ongoing support that will be needed to maintain existing voice/broadband networks in high-cost areas. Yet the Order directs USAC to reserve the reclaimed funds, instead of starting now on the ambitious task of increasing broadband availability in high-cost rural areas, and makes it possible for an undetermined portion of those funds to be shifted to non-high-cost purposes.

C. During the Interim Period Prior to Implementation of the Connect America Fund, the FCC Should Use Reclaimed Funds to Address U.S. Households Lacking Access to Baseline Broadband Service

The Commission should determine how it could implement changes to the current high-cost support mechanism to quickly support broadband deployment on a granular basis in areas that currently lack a business case for such deployment. Directly supporting broadband Internet services for all Americans is the most important broadband universal service reform recommended by the NBP, and the Commission should not delay targeting funds to this purpose.

Controlling the size of the Universal Service Fund is an important priority and savings realized from policies that increase the efficiency of the Fund or reduce funding requirements (such as the Sprint Nextel and Verizon Wireless merger agreements), should be used to keep the Fund size reasonable, *as long as the remaining funding is sufficient to fulfill the Commission's purposes*. But with many U.S. households currently lacking access to baseline broadband service (defined by the NBP to be 4 Mbps), the higher priority for use of the reclaimed funds would be to begin to provide service to those households.

⁹ Federal Communications Commission, *Connecting America: The National Broadband Plan*, [cite pages] (released March 16, 2010) (*National Broadband Plan*).

To most efficiently address unserved households, any such interim support should be targeted on a granular basis to areas that lack a business case for deployment of baseline broadband access as defined by the NBP. The CAF as well as any interim program must avoid the inadequacies of the current high-cost program, which does not sufficiently target funds to such areas, in large part, due to two aspects of the current program rules. First, the Commission classifies an entire state under the non-rural high-cost fund as either eligible or not eligible for support based on statewide average costs. Second, some price cap carriers are not allowed to calculate all of their support under the forward-looking mechanism. The lack of more granular targeting significantly hinders companies' ability to provide access to telecommunications and broadband services in high-cost areas.

Currently, some high-cost areas are obscured by averaging within a state or study area, denying those high-cost rural customers the benefits intended by the universal service program. Statewide and study area averaging create implicit subsidies that are no longer sustainable in today's competitive environment. States that contain high-cost areas but have lower costs on average are denied access to non-rural high-cost universal service funding for those high-cost areas. Within states, lower cost urban and suburban areas naturally tend to attract the most competitive entry, thus limiting the ability of the incumbent carriers to implicitly subsidize high-cost rural portions of the study area without suffering a significant competitive disadvantage. The same is true within study areas for price cap rural carriers, where the study area averaging of lower-cost urban and suburban areas lowers the study area average cost below the level where support is provided. And of course, the stress placed by this regime increases as a company faces

more competition in its lower-cost areas, and thereby has less revenue to internally subsidize its high-cost areas.

III. Conclusion

It makes sense for the Commission to try to ensure that universal service funding supports broadband deployment sooner rather than later. That can best be accomplished by reallocating the funds reclaimed from Sprint Nextel, Verizon Wireless and other CETCs to address U.S. households lacking access to baseline broadband service. Consumers should not have to pay into the USF while unnecessarily waiting for needed investment in broadband facilities.

Respectfully submitted,

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