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October 28, 2010

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: Developing a Unified Intercarrier Compensation Regime,  
CC Docket No. 01-92  
Establishing Just and Reasonable Rates for Local Exchange Carriers,  
WC Docket No. 07-135  
High-Cost Universal Service Support, WC Docket No. 05-337  
Connect America Fund, WC Docket No. 10-90  
A National Broadband Plan for Our Future, GN Docket No. 09-51  
Universal Service Contribution Methodology, WC Docket No. 06-122**

Dear Ms. Dortch:

On October 28, 2010, on behalf of the National Cable & Telecommunications Association (NCTA), Steve Morris, Neal Goldberg and I met with Margaret McCarthy, Wireline Policy Advisor for Commissioner Copps, to discuss issues related to the above-captioned dockets. We provided Ms. McCarthy with a copy of the attached handout, which summarizes the issues we discussed. In addition, we expressed concern that expanding the current revenue-based universal service contribution methodology to include broadband would negatively affect broadband adoption, and reiterated NCTA's support for a universal service fund contribution regime based primarily on telephone numbers.

Respectfully submitted,

**/s/ Jennifer K. McKee**

Jennifer K. McKee

Attachment

cc: M. McCarthy

## **Universal Service High-Cost Support & Intercarrier Compensation Reform**

**Goal: Promote universal access to broadband and reform intercarrier compensation without materially increasing the size of the \$9 billion Universal Service Fund.**

### **Basic Principles**

- USF and ICC are inextricably related – changes in one system may not be effective without parallel changes in the other, particularly as to rural LECs.
- Three methods to recover network costs – (1) end user charges, (2) intercarrier (i.e., access and reciprocal compensation) charges, and (3) universal service high-cost support.
- In competitive markets, where most providers and most services are not subject to rate regulation, cost recovery from ICC and USF should be minimal.
- Broadband data (from NTIA’s broadband map and FCC’s 706 report) should be used to inform universal service disbursement decisions.

### **Adopt NBP Recommendations Regarding USF Reform**

- Immediately adopt some of the changes proposed in the NPRM
  - Cap universal service fund at current level.
  - Eliminate legacy access replacement IAS for price cap regulated carriers – no evidence that eliminating IAS will negatively affect retail rates or broadband deployment.
  - Eliminate legacy high-cost support for competitive ETCs.
- Convert rate-of-return regulated carriers to incentive regulation and freeze per-line ICLS.
  - Alternatively, in areas where ROR may still make sense, reexamine the 11.25% prescribed rate of return, set in 1990.
- Use funds from these reductions to support broadband through new, single CAF mechanism.
- These changes must occur in parallel; the Commission should not distribute funding under new mechanisms without implementing fiscally-responsible reforms to legacy mechanisms.

### **Simultaneously Reform Intercarrier Compensation.**

- Adopt a low, uniform terminating rate for all traffic.
- Any new rules should account for the transition to an all-IP world.
- New “access replacement” high-cost support, if any, should be limited to areas where it is actually necessary.
  - Not needed in areas where unsubsidized competitors are providing service.
  - Not needed where entities receive revenue from unregulated services (wireless, broadband, video).
  - Providers must demonstrate their need for additional support before receiving it.

### **Additional Immediate Fixes**

- Address traffic pumping –focus on reducing rural access charge rates, not revenue sharing.
- Address phantom traffic – all providers must pass calling information.
- If the Commission clarifies the compensation obligations applicable to VoIP, it should do so without reaching a definitive decision regarding classification of retail VoIP services.