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December 19, 2011

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

**Re: Connect America Fund, WC Docket No. 10-90
National Broadband Plan, GN Docket No. 09-51
Establishing Just and Reasonable LEC Rates, WC Docket No. 07-135
High-Cost Universal Service Support, WC Docket No. 05-337
Intercarrier Compensation, CC Docket No. 01-92
Universal Service, CC Docket No. 96-45**

Dear Ms. Dortch:

On December 16, 2011, I spoke by telephone with Rebekah Goodheart of the Wireline Competition Bureau regarding the above-referenced proceeding. Specifically, we discussed separate requests made by a group of price cap incumbent local exchange carriers and by the National Telecommunications Cooperative Association to delay the implementation of bill and keep for intraMTA CMRS-LEC traffic exchange or, in the alternative, to ensure that incumbent LECs are able to offset any “lost” revenue through the Access Recovery Mechanism (ARM).¹

I explained to Ms. Goodheart that NCTA was strongly opposed to any action that would increase the amount of funding made available to incumbent LECs, particularly price cap LECs, under the ARM as a result of the new rules for LEC-CMRS compensation. The ARM *already* overcompensates price cap LECs because there is no evidence that such funding is necessary to offset network costs that could not be recovered from retail customers, as competitive LECs must do.² In addition, providing additional ARM funding to incumbent LECs raises significant concerns about the Commission’s ability to stay within the budget established in the *Order*.³

¹ See Letter from Karen Brinkmann PLLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90 et al. (filed Dec. 14, 2011); Letter from Michael R. Romano, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90 et al. (filed Dec. 14, 2011).

² As the Commission has acknowledged, “price cap carriers’ access charges are not based on current costs, and reliable cost information is not readily available.” *Connect America Fund*, WC Docket No. 10-90, et al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 at ¶ 869 (rel. Nov. 18, 2011) (*Order*). To the extent the *Order* suggests that access charges contain implicit subsidies that these LECs use to support

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I also explained that any delay in implementing the rules for LEC-CMRS compensation should apply to all LECs, not just incumbent LECs. All LECs will experience both revenue reductions and cost savings associated with changes in the LEC-CMRS compensation rules and there is no basis for providing incumbent LECs with more favorable treatment of those changes than other LECs.

Please do not hesitate to call should you have any questions regarding this filing.

Respectfully submitted,

/s/ Steve Morris

Steven F. Morris

cc: R. Goodheart
Z. Katz
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networks in high-cost areas, *id.* at ¶ 862, that rationale is inapplicable with respect to the cost-based reciprocal compensation at issue here.

³ *Id.* at ¶ 18.