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
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

REPLY COMMENTS OF THE
NATIONAL CABLE & TELECOMMUNICATIONS ASSOCIATION

Rick Chessen
Steven F. Morris
Jennifer K. McKee
National Cable &
Telecommunications Association
25 Massachusetts Avenue, NW – Suite 100
Washington, D.C. 20001-1431

February 17, 2012

TABLE OF CONTENTS

INTRODUCTION AND SUMMARY 2

I. THE COMMISSION SHOULD CONTINUE TO REFORM THE SUPPORT MECHANISMS FOR RATE OF RETURN CARRIERS 3

II. THE COMMISSION SHOULD MOVE FORWARD WITH TARGETING OF SUPPORT IN RATE OF RETURN AREAS 7

A. The Incumbent LECs Misunderstand the Purpose of the Targeting Exercise 8

B. The Process for Reducing Support Should Not Be More Burdensome Than the Process for Receiving Support 10

C. The Use of Rebuttable Presumptions Regarding Competitive Overlap and Cost Is the Only Feasible Way to Proceed 13

CONCLUSION 14

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
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	))	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing a Unified Intercarrier Compensation Regime	))	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	))	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

REPLY COMMENTS OF THE
NATIONAL CABLE & TELECOMMUNICATIONS ASSOCIATION

The National Cable & Telecommunications Association (NCTA) hereby submits its reply comments in response to Sections XVII.A-K of the Report and Order and Further Notice of Proposed Rulemaking in the above-referenced proceedings.[1] For the reasons explained below, the Commission should continue with its efforts to reform the support mechanisms in areas served by rate of return local exchange carriers, particularly reducing support in areas served by unsubsidized competitors.

---

1 *Connect America Fund, et al.*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (*CAF Order* or *CAF Further Notice*).

INTRODUCTION AND SUMMARY

The opening round of comments (along with dozens of pending appeals and petitions for reconsiderations) reveal the extent to which incumbent local exchange carriers (LECs) are completely unwilling to embrace the significant changes adopted by the Commission in the *CAF Order*. The consistent theme in the comments filed by all of these companies is that they want more money,[2] they want fewer obligations associated with that money,[3] and they want to provide as little information as possible regarding what they do with that money.[4]

In these reply comments, NCTA focuses on reform of support mechanisms in areas served by rate of return (ROR) carriers. While the ROR LEC pleadings attempt to evoke a great sense of nostalgia for the legacy support regime, the reality is that the old regime was ineffective and inefficient, as the Commission has acknowledged for a long time.[5] The legacy regime often did a poor job of providing rational investment incentives and it was ineffective in moving support away from those areas where it is no longer needed and shifting it to those areas that still struggle to attract private investment in broadband networks.[6]

---

2 Rural Associations Comments at 9-11 (advocating a larger budget); USTelecom Comments at 5 (advocating additional support for middle mile and backbone costs).

3 Rural Associations Comments at 28-29 (opposing broadband obligations); USTelecom Comments at 14-16 (opposing CAF obligations).

4 Rural Associations Comments at 28-29 (opposing compliance mandates).

5 *CAF Order* at ¶ 194 ("Some of our current rules are not meeting their intended purposes, while others simply no longer make sense in a broadband world."); *Connect America Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554, 4614, ¶ 171 (2011) (stating that, absent reform, the ROR regulatory framework provides support to companies "with high costs due to or exacerbated by imprudent investment decisions, bloated corporate overhead, or an inefficient operating structure."); *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8900, ¶¶ 226-27 (1997) (finding that "[t]he use of embedded cost [as a method for disbursing high-cost support] would discourage prudent investment planning because carriers could receive support for inefficient as well as efficient investments.").

6 *CAF Order* at ¶ 207 ("Although many carriers may experience some reduction in support as a result of the reforms adopted herein, those reforms are necessary to eliminate waste and inefficiency and improve incentives for rational investment and operation by rate-of-return LECs.").

Having started down the road to meaningful reform of the high-cost support regime, the Commission must move forward, not backward. It should continue to consider how best to support broadband in ROR service areas, keeping in mind the need to stay within the budget adopted in the *CAF Order*. In addition, the Commission should stand firm in its decision that today's competitive broadband marketplace requires that high-cost support be made available only where the marketplace is not able to attract investment and not used to subsidize areas already served by unsubsidized competitors.

I. THE COMMISSION SHOULD CONTINUE TO REFORM THE SUPPORT MECHANISMS FOR RATE OF RETURN CARRIERS

In the *CAF Order*, the Commission adopted a budget for the high-cost program and took a number of steps designed to constrain the demand placed by ROR LECs on the program. In particular, it adopted a regression analysis that it plans to use to limit the amount of capital expense and operating expense that would be covered by high-cost support.[7] In the *CAF Further Notice*, the Commission sought comment on details of the regression analysis, which will be finalized by the Wireline Competition Bureau, as well other issues, including a plan by the Rural Associations to explicitly support broadband-only expenses, such as middle mile transport costs.[8]

In their comments responding to the *CAF Further Notice*, the incumbent LECs encourage the Commission not to adopt any additional reforms (other than the Rural Associations' proposal for additional broadband support) and they advocate steps that would largely undo many of the reforms adopted in the *CAF Order* and return to a regime with more funding, fewer obligations and less scrutiny.[9] In particular, the ROR LECs object to the Commission's decision to adopt the regression analysis that will be used to reduce the amount of capital expense and operating

[7] *Id.* at ¶¶ 214-26.

[8] *Id.* at ¶¶ 1085-88, 1032.

[9] Rural Associations Comments at i-iii.

expense that some companies will be able to recover through the high-cost support mechanism.[10] The use of such an approach is unfair, they assert, because it provides less support than a company may have anticipated at the time it made an investment, i.e., investments might not have been made had the company known that its support would be reduced in this manner.[11]

NCTA supports the reforms adopted in the *CAF Order* and we encourage the Commission not to delay any further reform efforts. The use of a regression analysis is a reasonable approach to addressing the incentive for ROR LECs to over-invest in their networks that the Commission found to be a significant problem with the legacy regime.[12] Compounding these poor incentives is the interplay between high-cost support and Rural Utilities Service (RUS) loans. As economist Jeffrey Eisenach concluded in a 2011 report, "RUS subsidies amplify the inefficient incentives inherent in the USF program, effectively creating a vicious cycle in which firms borrow money from the RUS to make inefficient investments, receive higher USF payments in return, and use the higher USF payments to justify still more loans for still more inefficient investments."[13]

The Rural Associations' approach to addressing this problem is to keep support at current levels for at least the duration of any outstanding loans.[14] Put differently, until RUS and other

---

[10] Rural Associations Comments at 63-64.

[11] *See, e.g.*, Rural Telephone Service Company Comments at 5 ("RTSC's choices would have been different had it known the Commission would drastically change the way broadband investment is supported . . . .").

[12] *CAF Order* at ¶¶ 211-12. The Rural Associations object not only to the use of a regression analysis, but also to many of the particular input decisions made the Commission in developing the regression. In addressing these concerns, the Commission should fix any problems that would render the regression analysis unreliable, but it should not back away its decision to establish limits on the capital expense and operating expense that are recoverable from the high-cost support mechanism.

[13] Jeffrey A. Eisenach THE RURAL UTILITIES SERVICE SHOULD REASSESS ITS RELIANCE ON UNIVERSAL SERVICE HIGH-COST SUPPORT TO LEVERAGE BROADBAND LOANS at i (September 2011) at http://www.ncta.com/PublicationType/ExpertStudy/Analysis-of-RUS-and-USF-Reform.aspx.

[14] Rural Associations Comments at 12 ("These mechanisms, then, must remain in place until at least such time as those investments are recovered.").

lenders are paid in full for loans made prior to the new high-cost support regime, only changes that affect new investment can be made. Under this approach, future overinvestment might be curtailed, but all past investments (whether prudent or not) would be reimbursed in full.

The inadequacy of the Rural Associations' approach can be seen by considering the situation of Rural Telephone Service Company (RTS), a carrier serving portions of Western Kansas.[15] Like many other ROR LECs, RTS says the reductions in funding attributable to the regression analysis will have damaging consequences for the company and its ability to continue deploying broadband services.[16] While RTS attempts to paint a story of a small rural company that is being stymied by the misguided decisions of the Commission, the reality is much more complex. RTS is one of the leading beneficiaries of the legacy high-cost support regime, receiving more than $50 a month in subsidy for every wireline and wireless customer it serves.[17] As documented in the chart below, RTS and its affiliates have received an astounding amount of state and federal high-cost support, roughly $150 million in support over the last three years:

---

[15] Rural Telephone Service Company Comments at 2.

[16] *Id.* at 5. Both RTS and its affiliate, Nextech Wireless, have appealed the *CAF Order*.

[17] RTS ranked 14th in total federal high-cost support in 2010. *See* Universal Service Monitoring Report, CC Docket No. 98-202 at 2-18 (Table 2.14) (2011) at http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db1229/DOC-311775A1.pdf. RTS received significantly more high-cost support per line, $629.23, than any of the 13 companies that received more total high-cost support in 2010. In comparison, the range of per-line support for the top 13 companies in 2010 was $4.64 to $207.25 per line.

High Cost Support (in millions)

	RTS	Nextech Wireless	Total[18]
2009 Federal	$24.6	15.6	40.2
2010 Federal	$24.9	15.8	40.7
2011 Federal	$24.9	19.9	44.8
Total Federal[19]			**125.7**
2009 State	$3.8	3.8	7.6
2010 State	$3.8	4.9	8.7
2011 State	$3.4	5.2	8.6
Total State[20]			**24.9**
Total Support 2009-2011			**150.6**

In addition to receiving these federal and state subsidies, RTS also was the recipient of an ARRA grant/loan package from RUS of more than $100 million.[21] As NCTA has documented, much of that RUS funding was used to build a fiber-to-the-home network in Hays, Kansas, an area that already is well-served with broadband from NCTA member Eagle Communications, the local cable operator, as well as a number of wireless providers.[22]

If the Commission were to adopt the arguments advanced by the Rural Associations, no significant change in high-cost support would be implemented until RTS's loans to RUS are paid off in 15 years. The company would continue to receive ever-increasing amounts of support on

---

18 Another RTS affiliate, Nextech, also receives relatively minimal levels of federal and state support.

19 Federal data from Universal Service Monitoring Report, Supplementary Report Materials, CC Docket No. 98-202 (2011), at http://transition.fcc.gov/wcb/iatd/monitor.html.

20 State data from the Kansas Corporation Commission, at http://www.kcc.state.ks.us/telecom/kusfsupport.pdf.

21 We believe this was the latest in a long series of loans from RUS. In its comments, RTS refers to a pre-stimulus loan maturing in 2020 with annual debt payments of $6.7 million and press reports reference other RUS loans received by the company. It is impossible, however, to determine the total number and size of loans RTS has received because RUS provides virtually no information to the public about its lending activity.

22 Jeffrey A. Eisenach and Kevin W. Caves, Navigant Consulting, EVALUATING THE COST EFFECTIVENESS OF RUS BROADBAND SUBSIDIES: THREE CASE STUDIES (April 13, 2011), at http://www.ncta.com/PublicationType/ExpertStudy/Evaluating-the-Cost-Effectiveness-of-RUS-Broadband-Subsidies--Three-Case-Studies-by-Navigant-Economi.aspx.

top of the hundreds of millions of dollars already received. Given all the other demands on the high-cost support program, refusing to reconsider existing support levels for over a decade (even in areas that are served by unsubsidized competitors) is simply not a tenable policy.

The reforms adopted in the *CAF Order*, and the further reforms identified in the *CAF Further Notice*, are intended to bring greater fiscal responsibility and accountability to the high-cost support regime, primarily by placing greater controls on how much support is distributed and where that support is directed. These are significant reforms and they will, without question, have consequences for companies like RTS that have come to depend on excessive levels of high-cost support.[23] But just because these reforms may upset some providers does not make them less necessary. The Commission has laid the groundwork for creating what will eventually be a modern, efficient, competitively neutral support regime that will better serve consumers and it should continue full speed ahead with the transition to that new regime.[24]

II. THE COMMISSION SHOULD MOVE FORWARD WITH TARGETING OF SUPPORT IN RATE OF RETURN AREAS

Perhaps nowhere is the resistance of the incumbent LECs to new ideas more apparent than in their vehement opposition to the Commission's efforts to reduce support to those areas where competitors provide service without government subsidies. As the Commission explained in the *CAF Order*, "[p]roviding universal service support in areas of the country where another voice and broadband provider is offering high-quality service without government assistance is an inefficient use of limited universal service funds."[25] The Commission found that support

[23] In recognition of this possibility, the Commission established a waiver process that incumbent LECs can pursue if the proposed reductions in support would jeopardize the ability of consumers to continue receiving service. *CAF Order* at ¶ 539-42.

[24] The Commission also should reach out to RUS and attempt to work collaboratively with that agency to ensure that any future loans to rural telephone companies are premised on a better understanding of the limits of universal service support.

[25] *CAF Order* at ¶ 281.

should be phased out in areas where there is a 100 percent competitive overlap and it sought comment on whether, and how, to reassess support levels in areas with significant, but not ubiquitous, competitive coverage.[26]

The incumbent LECs offer countless objections to the policy adopted by the Commission and propose numerous obstacles to implementation of that policy. Reviewing these comments, it is apparent that there is no real world scenario in which these carriers would ever concede that a reduction in support is appropriate – there will always be another hoop that competitors should jump through or another issue that requires further consideration by the Commission. The Commission should view these arguments as the delay tactics that they are, rather than a serious attempt at implementing the Commission's policy. Below we address some of the arguments advanced by the Rural Associations and explain why the Commission should reject these arguments and move forward with targeting support in areas served by ROR carriers.[27]

A. The Incumbent LECs Misunderstand the Purpose of the Targeting Exercise

The incumbent LECs fundamentally misunderstand the purpose of the Commission's proposal to target support to areas with no unsubsidized competitor. From their perspective, legacy support guarantees the delivery of a service that is highly regulated with respect to price, quality, and accountability, and therefore they argue that support cannot be altered unless a competitive provider can demonstrate that its services will be subject to all of these same

---

[26] *Id.* at ¶ 1061.

[27] The *CAF Order* primarily addresses the issue of targeting support in the context of reassessing legacy support levels. But as NCTA explained in its initial comments, it is equally important that any new CAF mechanism for ROR LECs incorporate this principle as well. Comments of the National Cable & Telecommunications Association at 5-7 (filed Jan. 18, 2012). For example, if the Commission creates a mechanism that reimburses middle mile transport costs incurred by ROR LECs, such funding should be available only for the portion of those costs attributable to customers in non-competitive areas. Because competitive providers in rural areas must incur the same middle mile costs, it would be unfair and inefficient to reimburse incumbents for costs that competitors must bear without any offsetting subsidy.

regulatory requirements.[28] The Rural Associations also argue that support should not be reduced in any area until the Commission addresses issues regarding carrier of last resort (COLR) obligations imposed at the state level on some incumbent LECs.[29] Similarly, USTelecom argues that federal support cannot be reduced, regardless of the level of competition, until all state obligations are eliminated in the relevant area.[30]

These proposals ignore both the purpose and the fiscal reality of the high-cost support regime. The policy embodied in Section 254 is that rates should be comparable in urban and rural areas and that subsidies may be warranted where the marketplace would not produce that result. But areas that needed such subsidies in 1996 do not necessarily need them today. If a rural area now has the same competitive situation as most urban areas (e.g., two or more wireline networks, multiple wireless providers, satellite options), then there is no market failure and no need to subsidize any provider. In light of the marketplace changes that have occurred in many rural areas since the high-cost support program was created, and the excessive support that some companies receive under the current regime, the Commission's policy of targeting support is an entirely sensible way to prioritize where it spends limited funds, with less money going to areas where there is no longer any marketplace failure and more funding directed to those areas that are still not capable of attracting investment without subsidies.

There is no doubt that targeting support in this way has consequences for recipients and could result in incumbent carriers changing the manner in which their services are offered or

---

28 Rural Association Comments at 81-82. For example, a competitive provider would be required to demonstrate that it can satisfy any public interest obligation imposed on the incumbent, that it will offer all services at rates that are comparable to the incumbent, and that it will comply with all the same reporting and monitoring requirements as the incumbent.

29 *Id*. at 75 ("The decision to pursue this course of action without full consideration of its impacts threatens the very fabric of COLR obligations . . . .").

30 USTelecom Comments at 7-9.

even raising the rates for some of their services. As a general matter, however, such changes are not inconsistent with the policy goals underlying Section 254.[31] The Commission should only be concerned if reducing support creates a situation in which there is no provider that is capable of offering services at rates that are *comparable* to urban rates. Thus, as long as a competitor offers service at rates that are similar to what is available in urban areas, then it is entirely appropriate and reasonable for the Commission to reduce the level of high-cost support in that area.[32]

The fact that an incumbent LEC may be subject to a COLR obligation is not a reason to delay targeting of support in areas where there is significant competition. The incumbent LECs have submitted no evidence suggesting that COLR obligations impose any meaningful cost burden, particularly in geographic areas served by competitors. Nor have they demonstrated that any such costs are not offset by state high-cost support mechanisms or by line extension tariffs and special construction charges. Even if an incumbent LEC came forward with such evidence, the appropriate response is for the state to adjust the COLR obligation and/or compensate the carrier, not to provide excessive federal subsidies that otherwise are unwarranted.[33]

B. The Process for Reducing Support Should Not Be More Burdensome Than the Process for Receiving Support

In petitions for reconsideration, incumbent LECs have strenuously argued that the reporting obligations and waiver process adopted in the *CAF Order* are unduly burdensome and

---

[31] *CAF Order* at ¶ 235("We do not believe that Congress intended to create a regime in which universal service subsidizes artificially low local rates in rural areas when it adopted the reasonably comparable principle in section 254(b); rather, it is clear from the overall context and structure of the statute that its purpose is to ensure that rates in rural areas will not be significantly *higher* than in urban areas.") (emphasis in original).

[32] The phase-out of federal subsidies to a carrier in a particular area would be an appropriate opportunity for states to reassess whether the obligations that are imposed on incumbents continue to be necessary and, if they are, whether it also would be appropriate for the state to subsidize the cost of complying with those obligations.

[33] *CAF Order* at ¶ 542. Many states have already found that COLR obligations can be relaxed in areas served by competitive providers. *See, e.g.*, Section 364.025, Fla. Stat.; Nevada Administrative Code, Section 704.711, *et seq*.

should be relaxed or eliminated.[34] Perhaps not surprisingly, the incumbent LECs' concern about administrative burdens in connection with their own receipt of funding somehow vanishes in the context of any effort by competitors to reduce support levels. Indeed, the process suggested by the Rural Associations for reducing support is quite similar to the *CAF Order* waiver process for preserving support that they have challenged as overly burdensome in their petition for reconsideration.[35]

As just one example, consider the treatment of revenue from non-regulated services. In arguing against the waiver process, the Rural Associations object to the use of a "total company earnings review" in determining whether additional support is needed.[36] Yet these very same associations propose that the Commission require a competitive provider to document that it can "support a *stand-alone* business plan" for each supported service as a prerequisite for reducing the incumbent's support in a competitive area.[37] In other words, the Rural Associations are essentially asking the Commission to ignore the efficiencies associated with providing multiple regulated and non-regulated services on a single network and pretend that all the costs of the network should be recovered from customers of supported services.

Like so much of the Rural Associations' advocacy, the net result of their proposals is that the Commission would be providing incumbents with substantially more support than is necessary. The ability to offer multiple services over a single network is one of the defining characteristics of today's communications marketplace for providers of all sizes and serving all

---

[34] Rural Associations Petition for Reconsideration at 21(arguing that waiver process should be "much less burdensome" and "more equitable and attainable"); USTelecom Petition for Reconsideration at 15-21 (advocating relaxation of reporting obligations).

[35] *Compare* Rural Association Comments at 81-82 with *CAF Order* at ¶ 542.

[36] Rural Association Petition at 21.

[37] Rural Association Comments at 81-82 (emphasis in original).

locations. To suggest that the Commission ignore the *actual* presence of a cable operator that offers a triple play of cable, broadband and voice and instead consider only whether there is a *hypothetical* business case for stand-alone broadband and voice service is nonsensical; the construction and operation of the competing network should be considered conclusive evidence that there is no marketplace failure.[38]

NCTA also has concerns regarding the Rural Associations' proposal that this process be administered by state commissions, which appears to be another ploy to delay any future decision to reduce federal support levels in areas experiencing competition. The Commission can, and should, solicit input from states with respect to the operation of that program, but it should not delegate its authority to determine how much federal support is warranted in any given location. The Commission has made a policy decision that federal high-cost support should be directed to areas where there are no unsubsidized competitors and reduced in areas where such competitors offer service. Because state commissions may have a different view on this fundamental policy (e.g., because they do not want to lose federal dollars flowing into the state), there is the potential that some states might not implement the federal policy effectively if they were delegated responsibility for carrying it out. While states should be free to provide data that can be used in determining support levels and to express opinions about the consequences of reducing support, responsibility for deciding support levels under the federal high-cost support regime ultimately should rest with the Commission.

---

[38] It is equally nonsensical for the incumbent LECs to suggest that the Commission should make determinations about an incumbent's need for additional high-cost support in the waiver context without even considering whether that carrier does, or could, generate additional revenue from non-regulated services.

C. The Use of Rebuttable Presumptions Regarding Competitive Overlap and Cost Is the Only Feasible Way to Proceed

A consistent theme in the Rural Associations' comments is that the Commission does not possess sufficiently precise data to make any decisions regarding the level of competition in a particular study area and therefore there is no way to accurately identify the competitive overlap or the costs attributable to the customers in the non-competitive portion of the study area.[39] This argument appears to be yet another attempt to delay implementation of the Commission's policy of targeting support. There are two main flaws in this argument.

First, implicit in the Rural Associations argument is the notion that support levels under the current regime are based on precise data regarding costs and revenues and that the use of anything less precise would be a dramatic and unwarranted change of course. That is not the case. The legacy high-cost support regime includes a variety of assumptions and formulas that are used to estimate carriers' costs and revenues and calculate the appropriate support level. Introducing new data points (e.g., the extent of competition in the area) or new assumptions and formulas (e.g., through use of a cost model) need not produce estimates that are any less reliable or accurate.

Second, any concern about imprecise data sources, e.g., the National Broadband Map, can be addressed by giving all interested parties an opportunity to rebut the Commission's default data source. There is wide support for this approach in the record.[40] Presumably an incumbent LEC that genuinely needs a particular level of support to continue serving customers in a given area has every incentive to find a way to demonstrate to the Commission that the facts on the ground support its request for continued funding.

---

[39] Rural Associations Comments at 77-78.

[40] Comments of the National Cable & Telecommunications Association at 8 (filed Jan. 18, 2012); USTelecom Comments at 8-9; ITTA Petition for Reconsideration at 5-6.

CONCLUSION

The *CAF Order* laid the groundwork for transitioning an inefficient telecommunications subsidy regime into a more efficient, more equitable broadband support mechanism. While these changes will be disconcerting for some carriers, the reforms are needed and the overall direction of the transition is sound. In particular, targeting support to those areas where there is no unsubsidized competitor is a crucial element of this transition for all areas of the country, including those areas served by ROR LECs, and the Commission should implement this policy expeditiously.

Respectfully submitted,

/s/ Rick Chessen

Rick Chessen
Steven F. Morris
Jennifer K. McKee
National Cable &
Telecommunications Association
25 Massachusetts Avenue, NW – Suite 100
Washington, D.C. 20001-1431

February 17, 2012