Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:

Allband Communications Cooperative	)	
Petition For Waiver	)	WC Docket No. 10-90
Of Certain High-Cost Universal Service Rules	)	WT Docket No. 10-208

REPLY COMMENTS OF
ALLBAND COMMUNICATIONS COOPERATIVE

In its comments in this proceeding, the National Cable & Telecommunications Association (NCTA) stated that it "…does not have a position – positive or negative – on the Allband and Big Bend requests at this time."[1] However, NCTA offers a number of assertions and observations that deserve brief comments by Allband.

1. NCTA assertions: "The *CAF Order* laid the groundwork for transitioning an inefficient telecommunications subsidy regime into a more efficient…"[2] "…there necessarily is a risk that the rules might overcompensate or undercompensate individual providers."[3]

Allband Comment – There is absolutely no factual basis for the notion that (a) Allband's operations are or have been inefficient, (b) that Allband has or is inefficiently using its Federal Universal Service Funding, or (c) that Allband has been overcompensated by the Federal Universal Service Fund (USF). These statements may well apply to other carriers such as Cellular or Cable competitive eligible telecommunications carriers that received USF support

[1] In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, Allband Communications Cooperative Request for Waiver, Big Bend Telephone Company Request for Waiver, Comments of the National Cable & Telecommunications Association, dated March 14, 2012 (NCTA comments), page 3.
[2] Id, page 2.
[3] Id.

based on the identical support rule and did not have to show a need for support based on their costs. However, Allband, which operates an efficient and well run network did and currently does demonstrate a need for federal support based on costs it prudently deployed to provide universal services for the consumers in this previously unserved area. The waiver filed by Allband was necessary for its continued operation and provision of universal services because the Order[4] would substantially undercompensate Allband and render it incapable of continuing to provide these services.

2. NCTA observation: "…the primary purpose of the waiver process is to ensure that the Commission's reform will not have a significant negative effect on consumers."[5]

Allband Comment: Allband agrees that the Commission's reform should not have a negative impact on consumers in the rural area where it provides service. However, as Allband demonstrated in its Waiver Petition, local rates would have to be increased to an unaffordable level of $484 per-month to compensate for the funding loss due the $3000 per-line annual Federal USF cap and $204 per-month to compensate for the funding loss due to the Framework to Limit Reimbursable Capital and Operating Costs.[6]

[4] *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up and Universal Service Reform – Mobility Fund* in Dockets WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109 and WT Docket No. 10-208, Report and Order adopted October 27, 2011 and released on November 18, 2011 (Order).
[5] In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, Allband Communications Cooperative Request for Waiver, Big Bend Telephone Company Request for Waiver, Comments of the National Cable & Telecommunications Association, dated March 14, 2012 (NCTA comments), page 2.
[6] Petition of Allband Communications Cooperative for Waiver of Part 54.302 and the Framework to Limit Reimbursable Capital and Operating Costs, filed on February 3, 2012 (Allband Waiver Petition), page 14.

These increases would be at odds with the Communications Act's Section 254 requirement that rates in rural and high cost to serve areas be affordable and comparable to similar rates in urban areas. Allband also demonstrated in its Waiver Petition that without the requested funding, it will have insufficient revenues to:

- Continue to provide voice service to any of its customers and,
- Pay the principal and interest on its RUS loan and,
- Continue operations as a telecommunications carrier.

These consequences of the Order for Allband clearly have negative consequences for the customers in Allband's service area, necessitating the Petition for Waiver filed by Allband.

3. NCTA observation: "The Commission should make clear that the overall $4.5 billion budget, and the automatic steps that are triggered if demand for support exceeds the budget, will continue to apply even if it grants one or more waivers of the new high-cost support rules."[7]

Allband Comment: The Federal USF funding Allband seeks to preserve so that it can continue operations and continue to provide service to customers in its service area is:

- $907,728 annually in Federal USF funding that would be eliminated by the $3000/line annual cap.[8] This amount of funding is 0.02% of the $4.5 billion budget target.
- $398,435 annually in Federal USF funding that would be eliminated by the Framework to Limit Reimbursable Capital and Operating costs.[9] This amount of funding is 0.009% of the $4.5 billion budget target.

[7] In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, Allband Communications Cooperative Request for Waiver, Big Bend Telephone Company Request for Waiver, Comments of the National Cable & Telecommunications Association, dated March 14, 2012 (NCTA comments), pages 3 and 4.
[8] Allband Waiver Petition, page 14.
[9] Id.

These amounts are clearly significant to the continued operation of Allband and its continued provision of services to its rural customers, but the grant of Allband's Waiver Petition will have an insignificant impact on the ability of the Commission to meet its budget target.

4. NCTA observation: "…the Commission should not assume that all other costs and revenues will remain as is and that the only way to address a carrier's concerns is by increasing high-cost support levels."[10]

- "…before the Commission grants additional support, it must ensure that the carrier is recovering a reasonable portion of its costs from its voice and broadband customers."[11]
- "The Commission also should consider whether there are any cost savings or efficiency gains that might be possible based on the evidence presented."[12]

As discussed in Allband's Waiver Petition, pages 8 to 10, there is no revenue source that Allband can rely on to recover a significant portion or all of the revenue loss that it will incur if the requested Waiver Petition is not granted by the Commission. Similarly, in a business that is dominated by capital and related costs, Allband, which currently operates in a cost efficient manner, will be unable to achieve cost savings that will offset the loss of the Federal USF support ordered by the Commission.

5. NCTA assertion: "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,

[10] In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, Allband Communications Cooperative Request for Waiver, Big Bend Telephone Company Request for Waiver, Comments of the National Cable & Telecommunications Association, dated March 14, 2012 (NCTA comments), page 4.
[11] Id.
[12] Id, page 5.

receive higher USF payments in return, and use the higher USF payments to justify still more loans for still more inefficient investments.'"[13]

Allband Comment: This assertion is incorrect. Both the Federal USF mechanisms and the RUS loan program work in concert to achieve the goals of Section 254 of the Act which are to insure that consumers in all areas of the nation, including rural areas have access to quality services and just, reasonable and affordable rates for those services that are reasonably comparable to those offered in urban areas. Without RUS loans that allow up front funding for the large capital costs necessary to provide a telecommunications network and sufficient and predictable annual Federal USF cost based funding that allows a company serving a rural area, like Allband, to pay back the RUS loan and operate the network, the Universal Service goals of the Act could not be realized.

6. NCTA observation: "…the two agencies [the Commission and RUS] will need to determine whether it makes sense to increase subsidies, rework loan terms, or some combination of the two."[14]

Allband Comment: If it is feasible and possible, Allband is willing to work both with the Commission and RUS to rework loan terms. However, as Allband discussed in its Waiver Petition, even if RUS were willing to modify its loan terms, no reasonable modification of the loan terms will allow Allband to meet its loan commitment to RUS. With the full realization of the 54.302 USF support cap impact, Allband wouldn't be able to repay the loan principal. Loss of Federal USF revenue associated with the Framework to Limit Reimbursable Capital and Operating Costs wouldn't allow Allband to repay its RUS loan

[13] Id, pages 5 and 6. NCTA quote from 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] Id, page 6. Information in brackets added for clarity.

pursuant to the RUS loan requirements.[15] In view of the effect that the loss of the Federal USF support will have on Allband and its customers and the implementation date of these ordered changes (July 1, 2012), it is essential for the survival of Allband that Allband's Waiver Petition be granted even if the Commission initiates discussions with RUS regarding RUS' loan provisions.

7. NCTA observation: "…the Commission must consider the competitive situation in the relevant area."[16]

Allband comment: Among the other extensive Waiver filing requirements required by the Commission (see pages 11 to 13 of Allband's Waiver Petition), Allband provided information regarding the lack of alternative providers of voice or broadband services in Allband's service area.

Respectfully submitted,

ALLBAND COMMUNICATIONS COOPERATIVE
Ronald K Siegel Jr.
General Manager of Allband Communications Cooperative
7251 Cemetery Rd
Curran, MI 48728
(989) 369-9870
ron.siegel@allband.org

[15] Petition of Allband Communications Cooperative for Waiver of Part 54.302 and the Framework to Limit Reimbursable Capital and Operating Costs, filed on February 3, 2012 (Allband Waiver Petition), page 14.
[16] In the Matter of Connect America Fund, Universal Service Reform – Mobility Fund, Allband Communications Cooperative Request for Waiver, Big Bend Telephone Company Request for Waiver, Comments of the National Cable & Telecommunications Association, dated March 14, 2012 (NCTA comments), page 6.