



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

*The Voice of Rural Telecommunications*

www.ntca.org

August 2, 2012

***Ex Parte Notice***

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

***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***

Dear Ms. Dortch:

On Wednesday, August 1, 2012, Shirley Bloomfield, Chief Executive Officer, and the undersigned, on behalf of the National Telecommunications Cooperative Association (“NTCA”) met with Michael Steffen, Wireline Legal Advisor to Chairman Julius Genachowski, to discuss certain matters in the above-referenced proceedings.

NTCA discussed ongoing concerns relating to the transparency, accuracy, and predictability of regression analysis-based caps on universal service fund (“USF”) support. NTCA raised the need to address statistical and data-related issues with respect to the caps as identified in the Application for Review filed by NTCA and other associations. *See* Application for Review of NTCA, *et al.*, WC Docket No. 10-90 (filed May 25, 2012). NTCA also noted that the Federal Communications Commission (the “Commission”) had yet to release the results of any testing that may have been conducted to assess the caps’ validity and volatility. NTCA further asserted that the Commission’s broadband policy objectives can only be achieved through clear and well-tested “business rules” that provide sufficient support and enable company managers to understand with a reasonable degree of certainty what investments and operations will be recoverable (or unrecoverable) through USF support prospectively. In the absence of such fixes to the new rules, NTCA noted that investment by small rural broadband providers is already stalling, and lenders are limiting, if not largely denying, access to capital for broadband investment in rural areas.

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Marlene H. Dortch

August 2, 2012

Page 2 of 2

NTCA also highlighted the need for a data-driven assessment of whether the Commission's November 2011 reform Order is meeting its own defined performance objectives and the broader policy objectives of promoting rural broadband network deployment and adoption. The Commission has described its own actions in that Order as "sweeping reforms" and an "overhaul [that] transforms the FCC's outdated universal service and intercarrier compensations systems into a new Connect America Fund, or CAF, representing the most significant policy step ever taken to connect all Americans to broadband." *FCC Releases 'Connect America Fund' Order to Help Expand Broadband, Create Jobs, Benefit Consumers*, Commission Press Release (rel. Nov. 18, 2011). NTCA noted that the "dust has not even started to settle" on these "sweeping reforms," and that, among other things, many rural end users face the prospect of significant rate increases. NTCA also observed that numerous questions and substantial confusion persist even nine months later with respect to implementation of the November 2011 Order. NTCA therefore urged the Commission to work with other stakeholders to gather data and evaluate the effects of reform on consumers and broadband deployment before deciding upon what next steps, if any, might be necessary.

Finally, NTCA raised concerns with respect to the continuing problems of calls failing to complete to consumers and businesses in rural America. NTCA and its rural association allies, along with many individual companies, have provided substantial information to the Commission over the past eighteen months to enable thorough investigation of this problem, and NTCA observed that clear and unmistakable public enforcement of the Commission's rules is essential to ensure that consumers and businesses in rural America do not suffer from these issues any longer.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President – Policy

cc: Michael Steffen