Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Additional Connect America Fund	)	WC Docket No. 10-90
Phase II Issues	)	

COMMENTS OF THE
UNITED STATES TELECOM ASSOCIATION

The United States Telecom Association (USTelecom)[1] is pleased to submit this response to the Public Notice (Notice)[2] of the Wireline Competition Bureau (Bureau) seeking comment on additional Connect America Fund Phase II (CAF II) issues. The Notice focuses on the proper timing of Phase II disbursements and the structure of the phase-down in states with support reductions.

I. The Proposed Second Option is the Most Logical Interpretation of Paragraph 180 of the USF/ICC Transformation Order

With regard to the timing of Phase II support disbursements, the second option proposed in the Notice best meets the policy objectives of the *USF/ICC Transformation Order*[3] and is the most logical interpretation of Paragraph 180 of that Order. Paragraph 180 specifies that in cases

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[1] USTelecom is the premier trade association representing service providers and suppliers for the telecommunications industry. USTelecom members provide a full array of services, including broadband, voice, data and video over wireline and wireless networks.

[2] *See* Public Notice, *Wireline Competition Bureau Seeks Comment on Additional Connect America Fund Phase II Issues*, WC Docket No. 10-90, DA 13-2317 (rel. Dec. 3, 2013).

[3] *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 a Unified intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC 17663, 17729 (2011) (*USF/ICC Transformation Order*).

where CAF Phase II funding available to a price cap carrier within a state exceeds the amount of frozen legacy support available to that company, in year one, the company would receive 50 percent of the CAF Phase II support amount and 50percent of the legacy support amount.[4] Option 2 proposes that "the remaining half could be distributed pro-rata on a monthly basis over the third through fifth years."

The interpretation of Paragraph 180 as expressed in Option 2 ensures that a fundamental principle of the *USF/ICC Transformation Order* is preserved – the congruity of the attachment of the CAF Phase II obligations with the time period in which CAF Phase II funding is made available to providers. In addition to adhering to the connection between the provision of funding and the acceptance of obligations, it also is logistically sensible from the perspective of both the Commission and the providers electing the model-based support to be provided under CAF Phase II. It avoids spikes and allows for a smooth disbursement of CAF Phase II funds, which will assist the Commission in remaining within the budget targets established in the *USF/ICC Transformation Order*.[5] Moreover, it promotes planning by CAF Phase II recipients for the required buildout by establishing a predictable schedule of funding. This will enhance providers' ability to meet the buildout requirements in a timely fashion and thus will benefit consumers in high-cost areas.

II. A Five-Year Transition is Appropriate for Carriers Facing Support Reductions

Regarding the phase-down in states with support reductions, the proposal in the Notice to specify a five-year transition for carriers that receive less funding from CAF Phase II than from

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[4] *Id*.

[5] *See USF/ICC Transformation Order* at ¶¶ 123-125.

frozen high-cost support[6] is a sensible approach that, as referenced in the Notice, is consistent with the Commission's approach to a similar phasedown for competitive eligible telecommunications carriers.[7] The Commission traditionally has recognized the need to provide transitions to carriers undergoing significant reductions in payments, whether those payments are derived from the intercarrier compensation regime or the high-cost universal service mechanism.[8] In the instant case, funding is available from the CAF broadband reserve.[9] Moreover, adoption of the reasonable five-year transition would encourage incumbent local exchange carriers to make the statewide election to receive CAF II support. An inadequate transition could tip the balance away from the statewide election, thereby potentially delaying deployment of broadband service to rural Americans residing in high-cost areas.

III. Conclusion

As the Commission completes the work needed to promptly implement the Connect America Fund Phase II for price cap carriers, establishment of sensible timelines and transitions will permit carriers to make thoughtful decisions as to whether to elect CAF Phase II support, and if they so elect, to plan deployment of additional facilities required to meet the CAF Phase II

[6] *See* Notice at 2.

[7] *Id.*

[8] *See* Sixth Report and Order, *Access Charge Reform et al*, FCC 00-193, **(**Rel. May 31, 2000) ("CALLS Order").

[9] *Id.*

obligations. The Bureau should adopt the second option it proposed to interpret Paragraph 180 regarding the timing of CAF Phase II support disbursements, and should establish a five-year transition for carriers receiving less funding from CAF Phase II than from frozen high-cost support.

Respectfully submitted,

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