



May 24, 2006

The Honorable Ted Stevens
Chairman
Committee on Commerce, Science and Transportation
508 Dirksen Senate Office Building
Washington, DC 20510-6125

Dear Mr. Chairman:

As a trade association dedicated to representing midsize telecommunications carriers serving rural America, we write to express our support for the *Communications, Consumer's Choice and Broadband Deployment Act of 2006*. We applaud your desire to modernize the federal universal service fund and your vision to advance new communications laws that will provide all Americans access to affordable broadband capable networks no matter where they live.

At its core, the *Communications, Consumer's Choice and Broadband Deployment Act of 2006* seeks to update our nation's telecommunications laws to meet today's dynamic communications market. Most importantly, we support your effort to broaden the contributions base of the federal universal service fund to capture those providers that use and benefit from a ubiquitous network, including broadband and IP-enabled providers. We also share your concern about the growth in the fund used to support competitive carriers and welcome your efforts to guarantee that all providers use universal service support for the purposes for which it is intended. Broadening the current contribution mechanism and disciplining the competitive program are fundamental to any telecommunications reform proposal and we urge you to retain these important provisions as you move forward with the legislative process.

We also applaud your language that addresses the escalating problem of phantom traffic and are encouraged that your legislation incorporates traffic labeling requirements and enforceable penalties, fines and sanctions for offenders. Requiring all carriers to properly label all traffic sends an unmistakable signal that if you use the network of others you are obligated to pay your fair share.

One issue that you have consistently championed has been the lingering question of the applicability of the Antideficiency Act to the federal universal service fund. Along with

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52 of your colleagues, you have proven that this financial accounting requirement should not apply to the universal service fund. We continue to urge you to pass legislation this year, either as part of a comprehensive package or as a stand-alone bill, that permanently exempts the federal universal service fund from the Antideficiency Act.

We also share your goal of ensuring the integrity and accountability of the federal universal service program and applaud your effort to strengthen the current oversight of the fund. We are particularly encouraged the language extends the accountability requirement to all carriers who apply for and receive support.

We have identified several additional issues that would help achieve your goal of nationwide access to high-speed internet access. These additional items will provide us the necessary tools to develop and deploy broadband networks capable of delivering the many new and exciting services all Americans deserve.

We urge you to adopt the following as part of your legislation:

- Clarify that if the Federal Communications Commission mandates the reduction of intrastate and interstate access charges (e.g., 251(b)(5) and 251(g) traffic) that the revenue loss associated with the mandate is fully recoverable in a sustainable and sufficient cost recovery mechanism. The ability of carriers to evolve their networks to next generation broadband capable platforms depends on the ability to fully recover their costs. Without this significant safeguard there is no guarantee that intercarrier compensation reform efforts won't drain vital resources from rural and underserved areas.
- Require all providers that interconnect with incumbent local exchange carriers for the exchange of communications traffic have the same regulatory and social obligations as local exchange carriers. We urge you to extend the obligation of IP-enabled voice service providers (i.e., VoIP) to contribute to the federal universal service fund and pay appropriate intercarrier compensation payments that local exchange carriers do today.
- Recalibrate the current method used to calculate the universal service fund growth factor to account for access line loss. The current method fails to recognize that local exchange carriers are losing customers to competitive services -- VoIP, CMRS, cable and competitive local exchange carrier services -- and the mechanism used to calculate the inflationary adjustment penalizes carriers for each customer lost. We urge you to adopt language that does not penalize carriers due to customer loss even as we continue our carrier of last resort obligations.
- Rationalize the mandate that all carriers must deploy broadband to their customers at a rate of no less than 3 megabits per second within five years or lose their universal service support. Ample studies have shown that deploying a network to 100% of a service area is extremely costly and that the last couple percentages

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require a significant amount of investment. We urge you to rationalize the broadband build-out requirement with economic realities.

- Reengineer section 252 - Broadband Account within Universal Service Fund – to effectively target universal service support for unserved areas that is based on current universal service rules. We urge you to extend the current section 214 designation standards for eligible carriers that seek and obtain support from this new broadband fund. In doing so, you will ensure that all carriers remain accountable for every universal service dollar received.
- Reconfigure how universal service support is calculated and distributed to rural areas in order to align the current disconnect between the rural characteristics of purchased properties with the ridged regulatory classification of the acquired properties. In some instances, current rules serve as a significant impediment to the kind of network investment your bill is designed to encourage. By modifying these rules, consumers living in rural areas would be able to enjoy the benefits of a broadband capable network because carriers would be inclined to purchase and invest in rural areas that need and deserve rehabilitation. We urge you to modify this misaligned rule.
- Clarify the rights, duties and obligations of satellite providers under section 254A. If satellite transport is eligible for support under the new the Broadband for Unserved Areas Account, then the obligation of satellite transport providers to offer access to their transport bandwidth should be fair and equitable and available to all requesting providers on a non-discriminatory basis.

The Communications, Consumer's Choice and Broadband Deployment Act of 2006 is a significant step forward in re-shaping our current communications laws and has the potential to position the United States as the world-wide leader in broadband deployment. We applaud your efforts to modernize the federal universal service fund and look forward to working with you and your committee to move this legislation to meaningful conclusion.

Sincerely,

Lisa M. Zaina
Executive Director
Independent Telephone and Telecommunications Alliance

Cc: Ranking Member Daniel Inouye