



INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

The Honorable Daniel K. Inouye  
Chairman, Committee on Commerce, Science, and Transportation  
722 Hart Senate Office Building  
Washington, DC 20510

The Honorable Ted Stevens  
Vice Chairman, Committee on Commerce, Science, and Transportation  
522 Hart Senate Office Building  
Washington, DC 20501

December 18, 2007

Chairman Inouye and Vice Chairman Stevens:

As the members of the Independent Telephone & Telecommunications Alliance (ITTA) we write today in strong support of the recent recommendation of the Federal-State Joint Board on Universal Service to place an interim cap on support for competitive eligible telecommunications carriers (ETCs).

As you know, ITTA member companies serve 26 million customers in 45 states, providing local and long distance, wireless, video entertainment and broadband services. Our members serve countless rural areas of the Nation -- from Alaska to the Carolinas, and we collectively support the temporary cap on CETC support as a sensible, first step toward comprehensive Universal Service Fund (USF) reform.

The interim cap on support for competitive ETCs is a rational reform; it directly addresses the primary cause of recent rapid growth in the Fund. Simply put, concerns that the interim cap will harm deployment of mobile wireless services in rural areas are misplaced. Even with the proposed cap, more than \$1 billion will continue to flow to CETCs - none of which are based on actual investments.

Recent studies reveal that CETC support that flows to providers of mobile wireless services does not necessarily result in additional rural deployment. A study by Criterion Economics revealed that in 814 study areas served by both wireless CETCs and wireless carriers that do not receive USF, the *non-supported* carriers serve more than 97% of the population, while supported CETCs cover less than 70% of the population. Similarly, claims that wireless providers do not benefit in adequate proportion to contributions based upon their revenues ignore the fact that virtually all mobile calls rely upon the wireline network for call transmission.

The CETC cap is **technologically neutral**; it would apply to *all* CETCs, including wireline and wireless. In fact, while some segments of the wireless industry have endeavored to transform the interim cap into a "wireline vs. wireless" issue, the Rural Independent Competitive Alliance, an association of wireline CETCs offered support for a cap that would be temporary, rely on 2007 data, and provide an exemption for carriers that can demonstrate their actual costs.

The Honorable Daniel K. Inouye  
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December 18, 2007  
page 2

Caps on universal service support are not recent innovations: high-cost support for incumbent local exchange carriers (ILECs) has been capped since 1993. And, funds for the Schools and Libraries program and Rural Health Care program are also currently capped.

The USF program, while extremely successful over the course of time, deserves comprehensive review to address the role of wireless mobile voice and broadband services. In the interim, however, prudent financial steps to control harmful growth are appropriate to ensure that the Fund does not collapse under its own weight while more holistic and substantive reforms are considered. Additionally, the interim cap is a necessary first step that will lay the foundation for modernization of the universal service program and will pave the way for more ubiquitous broadband deployment in unserved areas.

ITTA member companies support the interim cap on CETCs as an appropriate and immediate financial and public policy reform that will ensure the vitality and viability of the networks that consumers and businesses rely upon for access to reliable and advanced services at affordable rates.

Sincerely,

CenturyTel  
Frontier Communications  
Comporium Communications  
Consolidated Communications  
Embarq

FairPoint Communications  
Iowa Telecom  
Matanuska Telephone Association  
Qwest Communications  
TDS Telecom