

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington DC 20554**

In the Matter of

High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109
)	
Universal Service Contribution Methodology)	WC Docket No. 06-122
)	
Numbering Resource Optimization)	CC Docket No. 99-200
)	
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996)	CC Docket No. 99-68
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Intercarrier Compensation for ISP-Bound Traffic)	CC Docket No. 99-68
)	
IP-Enabled Services)	WC Docket No. 04-36

COMMENTS OF THE

INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

**Independent Telephone &
Telecommunications Alliance
888 16th Street, NW, Suite 800
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November 26, 2008

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SUMMARY

The Commission commendably released various proposals for comprehensive intercarrier compensation (ICC) and Universal Service Fund (USF) reform. The Commission is at the cusp of opportunity to introduce meaningful measures that will speed the deployment of broadband across the Nation and secure the viability of networks serving rural America into the future.

ITTA presents herein a proposal for ICC reform that is premised upon rate unification that reflects the needs and dynamics of different types of carriers. ITTA proposes an equitable plan that minimizes the impact on consumers and reduces the total amount needed from an alternative recovery mechanism; the ITTA proposal blends reasonable increases in subscriber line charges with a reasonable cost recovery mechanism. Consequently, the ITTA proposal enables all carriers to maintain affordable rates while fostering conditions for further network deployment, including the increased provision of broadband and other advanced services to rural America.

ITTA also proposes a plan for USF reform that targets support to areas where it is needed most, and reiterates its commitment to a solution to phantom traffic. Moreover, ITTA addresses the need to ensure parity in the treatment of voice traffic, and sets forth network architecture guidelines.

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COMMENTS OF THE

INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

I. INTRODUCTION

The Independent Telephone & Telecommunications Alliance (ITTA) hereby submits comments in the above-captioned proceedings. ITTA welcomes the opportunity to provide comment on the recently-released *Order on Remand and Report and Order and Further Notice of Proposed Rulemaking* (FNPRM) in the above-captioned dockets.¹ The FNPRM and its

¹ *High-Cost Universal Service Support* (Docket No. 05-337); *Federal-State Joint Board on Universal Service* (Docket No. 96-45); *Lifeline and Link-Up* (Docket 03-109); *Universal Service Contribution Methodology* (Docket No. 06-122); *Number Resource Optimization* (Docket 99-200); *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996* (Docket 96-98); *Developing a Unified Intercarrier Compensation Regime* (Docket No. 01-92); *Intercarrier Compensation for IP-Enabled Services* (Docket No. 99-68); *IP-Enabled Services*

Appendices speak to numerous issues, some outstanding from prior Commission inquiries and others new and novel. To the extent ITTA has addressed certain issues in prior filings, including those related to Universal Service Fund (USF) reform, but also phantom traffic and intercarrier compensation (ICC), those comments are incorporated herein by reference unless noted otherwise.²

The Commission embarked more than seven years ago³ on an ambitious plan to overhaul a system of intercarrier compensation that was becoming outdated as market conditions eclipsed regulatory constructs; notably, the system was fraught with opportunities for arbitrage resulting

(Docket No. 04-36): Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, FCC 08-262 (rel. Nov. 5, 2008).

² See, i.e., *Federal-State Joint Board for Universal Service: Comments of Balhoff & Rowe, LLC, on Behalf of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Oct. 10, 2006) (reverse auctions); *Federal-State Joint Board for Universal Service: Comments the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed May 31, 2007) (Joint Board Recommendation); *Federal-State Joint Board for Universal Service: Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jun. 6, 2007) (CETC cap); *Federal-State Joint Board for Universal Service: Reply Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jun. 21, 2007) (CETC cap reply comments); *Federal-State Joint Board for Universal Service: Reply Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jul. 2, 2007) (Joint Board recommendation reply comments); *Federal-State Joint Board for Universal Service: Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Apr. 17, 2008) (comprehensive reform comments); *Federal-State Joint Board for Universal Service: Reply Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jun. 2, 2008) (comprehensive reform reply comments). See, also, *Developing a Unified Intercarrier Compensation Regime; Proper Routing and Compensation for Termination of Telecommunications Traffic: Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Curt Stamp, President, Independent Telephone & Telecommunications Alliance*, Docket 01-92 (Feb. 14, 2008) (supporting USTelecom proposal for call signaling rules); *Developing a Unified Intercarrier Compensation Regime; Proper Routing and Compensation for Termination of Telecommunications Traffic; IP-Enabled Services: Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Curt Stamp, President, Independent Telephone & Telecommunications Alliance*, Dockets 01-92, 04-36 (Aug. 14, 2008) (outlining principles for ICC reform); *Petition of AT&T for Interim Declaratory Ruling and Limited Waiver: Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 08-152 (Aug. 21, 2008); and, *Petition for Waiver of Embarq Local Operating Companies of Sections 61.3 and 61.44-61.48 of the Commission's Rules, and Any Associated Rules Necessary to Permit it to Unify Switched Access Charges Between Interstate and Intrastate Jurisdictions*, WC Docket No. 08-160 (Aug. 26, 2008).

³ *Developing a Unified Intercarrier Compensation Regime: Notice of Proposed Rulemaking*, CC Docket No. 01-92, FCC 01-132 (2001).

Comments of the Independent Telephone & Telecommunications Alliance	Docket Nos. 05-337, 96-45, et al November 26, 2008 <i>filed electronically</i>
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from disparate treatment of traffic; changes in technology have further facilitated those opportunities. While that proceeding progressed, the Commission also undertook a comprehensive investigation into how the USF could be re-formed in order to meet the changing needs of consumers and an emerging competitive marketplace. In the midst of these proceedings, a startling success story was revealed: in areas with low population densities and inherent high costs, mid-size and smaller telecommunications carriers had achieved remarkable broadband penetration rates;⁴ mid-size carriers alone have deployed broadband of increasing speeds in, on average, more than 85 percent of their service areas.⁵ This occurred despite declining minutes of use trends, introduction of VoIP, wireless substitution, and other competitive pressures on the industry. ITTA members have leveraged technology, innovation, efficiency, and ingenuity to provide the newest services across rural America. This successful progress, however, would be brought to a grinding halt if the proposals contained in the FNRPM were adopted without significant modification to ensure the financial stability of mid-size, price-cap carriers that service rural markets across the Nation. Reasonable ICC and USF reform, by contrast, will enable this success to continue.

A proposal to slash ICC and freeze USF support while imposing new comprehensive broadband build-out requirements on mid-size carriers would overturn the progress described above and visit devastating impacts not only on consumers' ability to obtain necessary services at affordable rates, but also the health of local economies that depend upon reliable, up-to-date

⁴ See, *i.e.*, *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service: Recommended Decision*, WC Docket No. 05-337, CC Docket No. 96-45, FCC 07J-4, at para. 39 (2007).

⁵ A survey of ITTA members drew sample data representing approximately 12 million access lines served by mid-size carriers.

communications services. The prospects are even grimmer for those mid-sized carriers that today receive little USF support, but which nonetheless would be obligated to substantial broadband deployment commitments. By contrast, ITTA offered in August and September 2008⁶ analyses and proposals that would support rational ICC reform for *all* categories of the Nation's telephone carriers. At the same time, ITTA urged the Commission to open for public review proposed rules that had theretofore not been released for public inspection.⁷

Commendably, the Commission released the variant proposals (in the forms of Appendices A, B, and C) for public comment, preserving the rulemaking process. Now revealed, it is clear the proposals warranted no less.

ITTA offers herein reasonable amendments to the FNPRM and its own previously-submitted proposal, built around the ideals characterized in the Joint Statement as positions around which there is a “growing measure of consensus.”⁸ ITTA is committed to working with the Commission and industry to achieve meaningful ICC reform that balances impacts among carriers, end-users, and restructuring mechanisms by a fair and measured approach. Overall, ITTA supports terminating access rate unification as a welcome approach to intercarrier

⁶ *Developing a Unified Intercarrier Compensation Regime; Proper Routing and Compensation for Termination of Telecommunications Traffic; IP-Enabled Services: Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Curt Stamp, President, Independent Telephone & Telecommunications Alliance*, CC Docket No. 01-92, WC Docket No. 04-36 (Aug. 14, 2008) (outlining principles for ICC reform); *Developing a Unified Intercarrier Compensation Regime: Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from Curt Stamp, President, Independent Telephone & Telecommunications Alliance*, CC Docket No. 01-92, (Sep. 19, 2008) (presenting ICC reform proposal).

⁷ *Developing a Unified Intercarrier Compensation Regime; Proper Routing and Compensation for Termination of Telecommunications Traffic; Federal-State Board for Universal Service; Universal Service Contribution Methodology; IP-Enabled Services: Motion to Defer and Set for Public Comment*, CC Docket Nos. 01-92, 96-45, WC Docket Nos. 05-337, 06-122, 04-36 (filed Oct. 24, 2008).

⁸ FNPRM, Joint Statement of Commissioners Michael J. Copps, Jonathan S. Adelstein, Deborah Taylor Tate, and Robert M. McDowell.

compensation reform, but that unification must reflect the needs, economic realities, and dynamics of different types of carriers. Moreover, end-user rate increases tied to reductions in access charges must not be unduly burdensome, and a fair opportunity to recover revenues from access reductions must be provided. In addition to specific recommendations for ICC reform, ITTA offers a comprehensive solution for USF reform that addresses both broadband deployment and the long-pending 10th Circuit.

As written, the FNPRM would order carriers to provide more broadband with less revenue. Such a proposal, however, would effectively shut the doors on meaningful broadband deployment in more than half of rural America. By contrast, the ITTA proposals consider an integrated view of ICC and USF and offer a framework that assures the continued successful deployment of broadband across the Nation.

II. PROPER INTERCARRIER COMPENSATION REFORM MUST BALANCE RESPONSIBILITIES AND IMPACTS

A. PROPER REFORM MUST INCLUDE A RECOVERY MECHANISM AND NOT UNDULY BURDEN CONSUMERS.

The termination of traffic upon a LEC network utilizes functions and facilities whose deployment and on-going use require resources to ensure reliable operability. Notions that only LECs, who are the carriers responsible to terminate traffic on the PSTN, and their end-users should be obligated to shoulder terminating costs without rational cost-recovery must be rejected. Moreover, in any network environment, the cost of social obligations, including Carrier of Last Resort (COLR) obligations, must be borne by all who benefit from and rely upon use of the underlying network facilities. In these respects, ITTA has tendered proposals that draw equitably upon the resources of carriers and consumers without unnecessary discrimination or

undue treatment of any particular entity or user. ITTA supports ICC reform that includes rate unification, but cautions that end-users must not solely be burdened with the costs of access reductions. Carriers that utilize the COLR network should pay their fair share for maintaining and expanding the COLR network. Reductions in terminating access rates must also recognize unique costs and economies associated with providing service in rural and high costs areas where low customer densities and significant use of remote switching and transport equate to a cost-structure unlike those experienced by carriers serving more densely populated urban areas. When the costs of these reductions exceed what end-users should reasonably bear, there is a need for universal service support. Accordingly, the ITTA proposal promotes equity, reduces arbitrage, and reinforces the ability of carriers serving rural America to build for the future.

ITTA members primarily serve rural areas and are particularly sensitive to the need to ensure adequate support for networks deployed in areas with low population densities. Stable and adequate revenues are necessary to provide certainty for carriers' underlying investment and expansion strategies. Since ITTA members have fewer customers over which to distribute local exchange costs, as compared to the Nation's largest carriers, ITTA members must rely upon access compensation as a mechanism for cost recovery. ICC accounts for approximately 12.26 percent of ITTA member revenues.⁹ As noted above, ITTA supports the proposition of a per-carrier, study area-oriented unified rate for terminating traffic,¹⁰ since such measures will reduce arbitrage and increase administrative efficiencies. A reform structure that includes a unified rate

⁹ Survey of ITTA members representing 13.26 million access lines.

¹⁰ As described below, ITTA supports a unified rate on per-carrier, study area basis; ITTA opposes a single, Nationally-applicable "uniform" rate.

for interstate and intrastate traffic, however, must provide reasonable recovery of the costs LECs incur when providing access services.

Absent an adequate recovery mechanism, carriers will be left in the unenviable position of determining how to drastically cut capital and operational costs and raise prices where possible to compensate for the substantial recurring revenue losses. Such action will retard broadband deployment, rather than promote it, and impose upon end-users higher rates, rather than cognizable benefits. Despite these consequences, the Commission proposes to place millions of end-users at risk when it states that carriers that pay shareholder dividends should not receive universal service support (or, presumably, access cost recovery mechanism support, however provided).¹¹ This position reflects, at best, a misunderstanding of the role of dividends in obtaining capital, but, no matter the source of this position, it must be rejected.

Corporations have several ways of raising capital – bonds, stock, and borrowing. In any scenario, the corporation is obliged to pay for the use of capital, either through interest or dividends. The FNRPM, however, fails to recognize this principle. The proposition that carriers that pay dividends should not receive support through an ARM is functionally equivalent to arguing that entities that pay interest on loans or bonds should likewise not be entitled to support. Dividends are paid to holders of stocks with steady prices; absent strong price appreciation, it is dividends that enable corporations to retain investor capital. The payment of dividends to shareholders compensates for generally lower gains in stock prices. The withholding of support from carriers that pay dividends is untenable not only for carriers, but also for consumers in rural

¹¹ See Appendix A at paras. 311-314.

America. The Commission must reject proposals that would slash carrier revenues without a compensatory mechanism. Accordingly, ITTA proposes a balanced approach.

B. ITTA PROPOSAL

1. Framework of Proposal

Successful ICC reform must balance the impacts among carriers, end-users, and restructuring mechanisms by a fair and measured approach. ICC reform should distribute equitably among all users, including those providing newer technologies such as VoIP, the cost of maintaining the public switched telephone network. Terminating access rate unification is a welcome approach to intercarrier compensation reform, but that unification must reflect the needs and dynamics of different types of carriers. Accordingly, ITTA proposes an equitable plan that minimizes the impact on consumers and, by moderating access rate reductions, reduces the total amount needed from an alternative recovery mechanism. Consequently, the ITTA proposal enables all carriers to maintain affordable rates while fostering conditions for further network deployment, including the increased provision of broadband and other advanced services to rural America. The ITTA proposal is set forth below:

(a) Terminating access rate transitions

- * Years 1-3: A price-cap carrier's intrastate terminating access rates shall be unified to its CALLS target rate in equal increments over three years by study area. If the local reciprocal compensation rate is above the CALLS rate it will be reduced to the CALLS level over the same transition.
- * Years 4-5: Beginning in year four and continuing through year five, the unified interstate/intrastate/local rate shall be reduced to lesser of the current rate for such service or the carrier's next lower interstate CALLS target by study area pursuant to 47 C.F.R. § 61.3(qq) (*i.e.*, \$0.0095, \$0.0065, or \$0.0055). By way of example, if a study area's current CALLS target is \$0.0095, then it would move to \$.0.0065 in years 4-5; if current CALLS target is \$0.0055 it would stay at this level.

- * The Commission shall issue a FNPRM after year 4 to determine whether additional measures are necessary. This FNPRM shall include a referral to the Federal-State Joint Board on Universal Service to address separations and other relevant matters.

(b) Alternative cost-recovery mechanism

- * An Alternative Recovery Mechanism (ARM) shall be established to enable revenue replacement opportunity for revenue losses due to mandated rate reductions.
- * The ARM shall be available to non-National price-cap carriers that lack a combination of National wireless and wireline local and long-distance coverage, *e.g.*, all price cap carriers to the exclusion of AT&T and Verizon, the latter of which have advocated specific terminating rates that are presumably sufficient for themselves.
- * For Years 1-3, the ARM shall equal annual revenue loss due to intrastate access rate reductions and reciprocal compensation reductions, adjusted annually to reflect access line counts on December 31 of the preceding year.
- * For Years 4-5, the ARM shall equal 50 percent of the total reduction attributed to the lowest CALLS-targeted reductions rates, plus 100 percent of the cumulative total from Years 1-3.
- * SLC increases shall be phased-in in equal increments during years 1-3 at \$0.50 per year for residential lines. SLC increases for MLB shall be phased-in at \$0.75 per year in years 1 and 2, and \$0.80 in year 3. Accordingly, the total SLC increase for residential lines shall be \$1.50; the total SLC increase for MLB shall be \$2.30.

(c) Treatment of VoIP traffic

- * Terminating access charges and reciprocal compensation shall be paid for all IP-to-PSTN traffic and originating access to all PSTN-to-IP traffic in accordance with the glide path described above.¹²

(d) Universal Service reform

- * Reform of the Universal Service Fund will be achieved through adoption of the modified Broadband and Carrier of Last Resort proposal, as described in ITTA's

¹² IP-to-PSTN traffic is discussed more fully in Section II.E, below.

ex parte filing of October 10, 2008 (Docket Nos. 96-45, 05-337), described below.

2. “Additional Cost” Standard

The Commission proposes a new "additional cost" standard, referred to as the "incremental cost" method.¹³ In doing so, the Commission dispenses with the TELRIC model and embarks on a course that eviscerates reasonable cost recovery from carriers' termination of traffic. The incremental cost methodology rejects inclusion of common, overhead and non-traffic sensitive costs; moreover, by supposing a full fiber network, the Commission's proposal intends to support the type of network that is not generally deployed by ITTA members. By doing so, the methodology, consistent with the general framework of the Commission's proposals, releases delivering carriers from obligations to tender compensation for the costs of networks upon which they rely, and instead shifts that responsibility principally to end-users if the carrier seeks to recover those costs.

The incremental cost standard is rooted in the statute's directive to include “additional costs.”¹⁴ Previously, the Commission relied upon TELRIC, which was developed in response to the need to create a pricing standard for UNEs.¹⁵ The Commission now proposes that as TELRIC represents the cost of the total element, it includes both the long-range incremental average cost of the switch, including common costs and overhead. And, the Commission posits, while this measures the *average cost* of a function, it does not measure the *incremental cost* of

¹³ See, generally, Appendix A at para. 262, *et seq.*

¹⁴ See 47 USC § 252(d)(2).

¹⁵ Appendix A at para. 265.

providing that function.¹⁶ Ironically, the Commission recognizes that “one common criticism of incremental cost pricing is that it may not permit a firm to recover its total costs, particularly if there are significant common costs.”¹⁷ The Commission counters that concern with an assertion that “multi-part pricing regimes can potentially lead to more efficient outcomes than uniform prices set equal to either marginal cost or average cost.”¹⁸ Comprehensive treatment of the underlying economic theories is beyond the scope of these comments in the time that has been allotted. Instead, ITTA will present the actual anticipated impacts that are based on current network construction and relevant data.

In the first instance, the net result of incremental pricing is to absolve originating carriers of cost obligations and to instead foist on the terminating carrier the totality of common costs. The emerging difficulty with this approach, however, is that reliance on only incremental costs is insufficient. The Commission's logic assumes, apparently, that carriers deploy switches primarily, if not predominantly, to terminate local calls originated from their customers and destined to their customers; those reasons, then, would purportedly underlie the decision to deploy the switch, purchase the associated building and land, and pay “right to use” fees. To these base costs would be added another carrier's switching minutes, resulting in the incremental differences the Commission supposes. The crafting of such a standard, however, teeters on incorrect sequencing assumptions: if the sequence was reversed and assumed that the switch is in place initially for use by *other* carriers, then the costs for the switch owner's customer

¹⁶ Appendix A at para. 266.

¹⁷ Appendix A at para. 252.

¹⁸ Appendix A at para. 252.

termination becomes very low. The Commission's approach is not logical for pricing; ITTA members do not operate in a manner the Commission outlines. The standard does not meld with the reality of how carriers operate.

Relying only on incremental cost removes the ability of the producing firm to recover efficiently the larger common costs which support the functions out of which the incremental cost causers arise. The second hazard of the Commission's new proposed standard is that it is based on the costs of networks that are not deployed. The Commission cites evidence submitted by AT&T that "attempts to estimate the incremental cost of a modern softswitch."¹⁹ ITTA and others rebutted certain of AT&T's general assertions, including AT&T's use of models that reflect neither networks that are actually nor those that are likely to be deployed.²⁰

The net result of the new cost standard proposed by the Commission does not enable adequate cost recovery. At the least, it must not be imposed absent careful consideration and testing and identification of how common costs are recovered more appropriately. The new "incremental cost" standard was released for public review barely three weeks before the deadline for commenting on it. Even at first blush, several compelling characteristics that argue in favor of further investigation, if not ultimate rejection, are apparent:

- (1) Overall, TELRIC has produced reasonable rates which allow carriers to recover their costs and the Commission has failed to explain why changes are needed.
- (2) The resultant rates from the proposed model do not represent adequately the costs actually incurred by carriers because the assumptions used setting a state-wide

¹⁹ Appendix A at para. 257.

²⁰ *Developing a Unified Intercarrier Compensation Regime; High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Intercarrier Compensation for ISP-Bound Traffic; Establishing Just and Reasonable Rates for Local Exchange Carriers: Letter to Marlene H. Dortch, FCC, from Joshua Seidemann, ITTA, CC Docket No. 01-92, WC Docket No. 05-337, CC Docket No. 96-45, WC Docket No. 99-68, WC Docket No. 07-135 (Oct. 28, 2008). See, also, Appendix A at paras. 258, 259.*

network deployment rate do not resemble those used in rural areas. Although some manner of hypothetical cost methodologies may be acceptable, models that bear no resemblance to actualities of individual carriers produce untenable results.

- (3) At bottom, insufficient time has been allocated for review of the model; existing methods should be used until such time as the new “incremental cost” proposal can be thoroughly vetted to ensure economic reasonableness and feasibility.

C. PHANTOM TRAFFIC

The consumer benefits of resolving phantom traffic must not be underestimated. Mid-sized carriers have been among the leaders in clarifying the phantom traffic problem, and developing and supporting solutions. In December 2005, a group of mid-sized carriers filed a comprehensive proposal to address phantom traffic.²¹ The filing included both specific rules and an explanation of the Commission’s jurisdiction to take action. Subsequently, the carriers engaged in extensive discussions with other industry stakeholders, subject matter experts, and trade associations, which resulted in several further modifications. A final modified proposal was filed in March 2006,²² and ITTA filed an *ex parte* in support of the approach.²³ The Missoula Plan, as well, endeavored to resolve phantom traffic,²⁴ and subsequently the National Exchange Carrier Association (NECA) filed a Petition for Interim Order urging the Commission

²¹ “Proposed Rules for Proper Identification and Routing of Telecommunications Traffic,” filed in CC Docket No. 01-92 (filed Dec. 5, 2005). The filing was made on behalf of CenturyTel, Inc., Consolidated Communications Holdings, Inc., FairPoint Communications, Inc., Iowa Telecommunications Services, Inc., TDS Telecommunications Corp., and Valor Telecommunications of Texas, L.P.

²² Letter of Karen Brinkmann to Marlene Dortch, CC Docket No. 01-92 (filed Mar. 2, 2006).

²³ Letter of David Zesiger to Marlene Dortch, CC Docket No. 01-92 (filed Mar. 13, 2006).

²⁴ See, *Comment Sought on Missoula Plan Phantom Traffic Interim Process and Call Detail Records Proposal*, CC Docket No. 01-92, Public Notice, 21 FCC Rcd 13179 (2006).

to issue an interim order on call signaling requirements based on existing regulations.²⁵

Nearly concurrently, USTelecom filed a proposal recommending the promulgation of new rules and is a reasonable step toward a phantom traffic solution.²⁶ Like prior efforts spearheaded by the mid-sized carriers, the USTelecom filing represents a consensus position achieved by multiple entities. ITTA supported (and continues to support) the USTelecom proposal and urges the Commission to address phantom traffic by adopting that proposal and affirm that carriers that use the network must pay for that use.²⁷

D. NETWORK EDGE/TRANSPORT

The general principle of interconnection is for the responsible carrier (the carrier with the retail relationship with the customer) to be responsible for delivering traffic to the terminating carrier's Edge. ITTA proposes the following specifications for regulations that rely upon network architecture definitions.

1. *Each terminating carrier must establish at least one Edge per LATA.* The Edge must be a building location on the terminating carrier's network with a carrier tandem, end office, MSC point of presence, or trunking media gateway.
2. *Direct and indirect interconnection shall be available to any carrier at the Edge, and a carrier may not establish an unreasonable number of Edges per LATA.* The general rule shall be that a LEC establish an Edge at every tandem switch in a LATA, which will be the Edge for all end offices subtending the tandem. There may be circumstances in which the maximum reasonable number of Edges is fewer than the number of incumbent LEC tandem switches in that LATA,

²⁵ *In the Matter of Developing a Unified Intercarrier Compensation Regime: Petition for Interim Order*, CC Docket No. 01-92 (filed Jan. 22, 2008).

²⁶ *Developing a Unified Intercarrier Compensation Regime: Ex Parte Presentation of USTelecom*, CC Docket No. 01-92 (Feb. 12, 2008).

²⁷ Of note is the Commission's proposal that a service provider delivering traffic that lacks any required signaling information and failing to otherwise provide required call information must pay the terminating provider's highest terminating rate. Appendix A at para. 337. This type of approach should be rejected as punitive to tandem operators who may be unable through no fault of their own to obtain proper signaling information from the originating carrier.

provided the LEC has its own interconnection facilities between the tandem switches.

3. A carrier's tandem location must be designated as the Edge for traffic terminating to its customers within the tandem serving area. However, a rural carrier may declare any eligible End Office to be an edge, even if the End Office subtends the carrier's own access tandem.²⁸

To avoid tandem exhaust, the terminating carrier may require, upon reasonable request consistent with standard industry network management principles, that the interconnecting carrier segregate traffic between its switch and particular terminating carrier end offices onto dedicated trunk groups. A volume of minutes to the end office, which exceeds a DS1 or 250,000 minutes of use in a month shall meet this threshold. When traffic is segregated onto dedicated trunk groups, the Edge remains at the terminating carrier's tandem location, and transport would apply from the tandem location to the end office.

4. A carrier shall designate an end office location as an Edge when the end office subtends another carrier's tandem. An end office location served by a remote switching system, however, cannot serve as an Edge. Instead, the host end office that serves the remote end office will serve as the Edge for traffic terminating to the remote end office.

Carriers shall be responsible for transport to a terminating carriers' point of presence (POP) edge when it is located within the terminating carrier's serving area. When the terminating carrier's edge is located outside of the terminating carrier's service area, the ILEC's transport and provisioning obligation stops at its meet point and the non-terminating carrier is responsible for the remaining transport to its POP edge.

E. TREATMENT OF VoIP TRAFFIC

A critical first step toward ICC reform must be the affirmation that entities choosing to use the PSTN must pay for that use in the same way without realizing regulatory-created advantages. As a threshold issue, ITTA supports the proposition that terminating access charges

²⁸ See, Missoula Plan, III.B.2(e)(i), Letter to Ray Baum from Missoula Plan Supporters (Jul. 18, 2006) (http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6518404368) (last viewed Nov. 26, 2008, 11:15).

apply to IP-originated traffic that terminates to the PSTN. There is no reason for interconnected-VoIP providers to be free of obligations that apply to others who use identical termination services provided by LECs. Certainly, the Commission has not hesitated to impose “social” obligations on VoIP providers, including CALEA, E-911, and USF contributions.²⁹ The imperative to affirm obligations attached to tangible benefits must compel the Commission to order unequivocally that interconnected-VoIP providers are obligated to pay access charges in accordance with the Commission’s rules when those providers use the PSTN. This position is not only consistent with principles of equity and regulatory parity, but also necessary to ensure that the PSTN is maintained by all who rely upon that network for provision of their services.

The Commission now proposes to treat VoIP traffic as an information service.³⁰

Regardless of how VoIP traffic is classified, however, the Commission should order that VoIP traffic originating on or terminating to the PSTN is subject to terminating access payment obligations. In addition, all PSTN originated traffic, regardless of whether it will terminate on a TDM or IP platform, should be subject to originating access charges. ITTA has taken this position previously, consistent with its overarching approach that users of the network must pay

²⁹ See, i.e., *Universal Service Fund Contribution Methodology*, WC Docket No. 06-122; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *1998 Biennial Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, CC Docket No. 98-171, *Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990*, CC Docket No. 90-571, *Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size*, CC Docket No. 92-237, *Number Resource Optimization*, CC Docket No. 99-200, *Telephone Number Portability*, CC Docket No. 95-116, *Truth in Billing Format*, CC Docket No. 98-170, *IP-Enabled Services*, WC Docket No. 04-36, Report and Order and Notice of Proposed Rulemaking, 21 FCC Rcd 7518 (2006) at para. 2, and *Communications Assistance for Law Enforcement Act and Broadband Access and Services*, ET Docket No. 04-295, RM-10865, First Report and Order and Further Notice of Proposed Rulemaking, 20 FCC Rcd 14989 (2005) at para. 8.

³⁰ Appendix A at para. 208.

for their use. In the instant situation, however, the need for Commission specificity in this regard is even more urgent. Absent specific treatment of VoIP/PSTN traffic, there arises the possibility that carriers sending traffic to or from the PSTN will self-declare *all* traffic as VoIP, thereby avoiding the payment of any access charges, including those at reduced rates as may be ordered by the Commission. This selective “self-help” would render meaningless any transitory process the Commission brings to ICC reform. Carriers would not face only decreased revenues but also debilitating losses as traffic providers could disclaim the actual source of their calls.

III. PROPER UNIVERSAL SERVICE REFORM MUST RESULT IN THE TARGETING OF SUPPORT TO AREAS WHERE IT IS NEEDED AND THE PROVISION OF MECHANISMS TO PROMOTE BROADBAND DEPLOYMENT

A. UNIVERSAL SERVICE SUPPORT MUST BE PROVIDED TO AREAS WHERE IT IS NEEDED AND SHOULD SUPPORT FURTHER BROADBAND DEPLOYMENT.

The FNPRM steps forward boldly to address the matter of efficient use of scarce resources to meet the growing National imperative of broadband deployment. Unfortunately, the FNPRM stumbles over a hurdle of inherent contradiction by proposing that carriers do more with less. Specifically, the Commission proposes to require all recipients of high-cost support to offer broadband access to all customers within five years as a condition to receiving high-cost support.³¹ At the same time, the Commission proposes to cap the overall high-cost support fund as of December 2008, and to furthermore freeze each ILEC’s individual annual high-cost support, also as of December 2008.³² The proposal is at best bewildering, and at worst a cynical commentary on the achievements of mid-sized and smaller carriers to date.

³¹ Appendix A at para. 4.

³² Appendix A para. 16.

In November 2007, the Federal-State Joint Board for Universal Service issued a Recommended Decision for comprehensive USF reform.³³ That Recommended Decision addressed an array of issues and generated comments from participants across the industry, including carriers, public utility advocates, state commissions, and financial institutions. The Commission, however, without a single citation to any of the filed comments in the record, “thank[ed] the Joint Board and its staff for their hard work in studying these difficult issues and in developing their recommendations,” and concluded, “[w]e choose not to implement these recommendations at this time . . .”³⁴ leaving little guidance for the rationale beneath the Commission’s new proposal which ignores the costs of broadband deployment.

In June 2000, NECA found that the estimated cost of upgrading 3.3 million rural study area lines to provide broadband via DSL amounted to \$10.9 billion dollars³⁵ (approximately \$13.9 billion in 2007 dollars);³⁶ lines in remote areas or in regions with difficult terrain accounted for half of the cost estimate. The data is particularly compelling in light of the fact that according to the FNPRM, the Commission would forbid, absent waiver, the use of satellite to meet broadband obligations.³⁷ Moreover, NECA completed in 2001 a “middle mile” study

³³ *High-Cost Universal Service Support, Federal-State Joint Board for Universal Service: Recommended Decision*, WC Docket No. 05-37, CC Docket 96-45, FCC 07J-4 (2007).

³⁴ FNPRM at para. 36.

³⁵ Glass, Victor, *NECA Rural Broadband Cost Study: Summary of Results*, National Exchange Carrier Association, Inc., at 4 (Whippany, NJ, 2000).

³⁶ This figure represents 2000 values against 2007 using an average of Consumer Price Index, GDP deflator, estimated values of consumer bundle and unskilled wages, nominal GDP per capita, and relative share of GDP. See <http://www.measuringworth.com> (last viewed Nov. 17, 2008, 17:42).

³⁷ Appendix A at para. 26.

that focused on the cost of transporting Internet traffic from an Internet Service Provider (ISP) operating in a rural telephone company's territory to an Internet Backbone Provider (IBP).³⁸ The study found that 55 percent of rural telephone company switches are more than 70 miles away from an IBP node; 10 percent are more than 200 miles away. The per line costs for transporting high-speed traffic to these nodes was found to range from \$17 to \$8,754 per line (\$21.03 to \$10,826.75 in 2007 dollars).³⁹ The NECA study further found that carriers are generally unable to even “break even” on these lines, and increased deployment causes greater losses as negative returns multiply. The result is that many carriers, absent sufficient support, would find it definitively uneconomical to deploy ubiquitous broadband. The notion that carriers can undertake 100 broadband percent deployments while support is capped and frozen groans beneath the weight of fact. Natural economic forces are simply insufficient to support ubiquitous broadband deployment in many ITTA service areas. The NECA findings are consistent with ITTA projections.⁴⁰

Although ITTA support for a broadband pilot program is discussed below, broadband costs are not limited to raw deployment. To capital costs must be added the cost of leasing backhaul across long distances. Transport facilities are leased from other carriers in bandwidth increments; associated costs do not grow in a linear fashion. If a carrier has a small customer base in a remote exchange, it may need to lease excess capacity in order to serve those

³⁸ http://www.neca.org/source/NECA_Publications_1154.asp (last viewed Nov. 24, 2008, 18:46).

³⁹ This figure represents 2000 values against 2007 using an average of Consumer Price Index, GDP deflator, estimated values of consumer bundle and unskilled wages, nominal GDP per capita, and relative share of GDP. *See* <http://www.measuringworth.com> (last viewed Nov. 17, 2008, 18:04).

customers. For carriers such as ITTA members that serve predominantly rural areas with low population density, this factor is of paramount concern when analyzing costs.⁴¹ Pilot programs are appropriate for initial deployment, but adequate resources must be made available to support on-going and recurring costs. And yet, against this backdrop, the Commission further proposes that carriers unable to meet the 100 percent requirement under a capped fund would face loss of support in a reverse auction setting. Most perplexing about this proposal is the notion that a third-party would enter to provide the type of service that the incumbent cannot under current levels of support. ITTA describes herein a proposal that would facilitate better targeting of USF support, rapid provision of broadband to unserved areas, and a resolution to the long-pending 10th Circuit remand. That proposal, submitted to the Commission previously, draws upon information already in the record, but with minor modifications.

As noted above, ITTA participated extensively in the docket via formal comments and numerous individual and joint *ex parte* presentations to the Commission. On October 10, 2008, ITTA recommended adoption of an approach that would blend elements of various proposals already in the record in a manner that would enhance National broadband deployment and meet the Commission's interest in ensuring that USF support reaches all areas where it is needed. In sum, ITTA urged the Commission to adopt the Broadband and Carrier-of-Last-Resort Support (BCS) Solution filed by Embarq on September 18, 2008, but with one modification, specifically, to replace the Embarq broadband component with the Broadband Pilot Program proposed by

⁴⁰ Surveyed ITTA members found that costs could range from \$1,800 to \$2,400 per line. Responding carriers reflected generally the types of service areas served by ITTA members. Collectively, ITTA members in the continental United States serve approximately 29 million access lines.

⁴¹ See, *i.e.*, *High-Cost Universal Service Support, Federal-State Board on Universal Service: Comments of Windstream*, WC Docket No. 05-337, CC Docket No. 96-45, at 12-15 (Apr. 12, 2008).

Qwest Communications on July 9, 2007. ITTA further proposed that the Qwest Broadband Pilot proposal (BPP) be modified to fund the BPP through normal USF operations, rather than using savings from imposing the restriction on funding multiple ETC handsets. ITTA also reiterated its support for the elimination of the identical support rule.

In brief, this ITTA proposal would involve the following:

From the BCS Solution-

- Combine all of the price cap study areas in a new mechanism (the BCS) that replaces the non-rural mechanism, and putting all rate-of-return study areas in the current Rural Loop mechanism, where high-cost support will operate as it does today. (A rate of return carrier that subsequently elects price cap regulation its Rural Loop funding shall transition to the BCS.)
- Fund the BCS with \$1 billion—the sum of current loop/model support to price cap areas plus wireless access replacement support, which would be available following the suspension of the identical support rule.⁴²
- Distribute the support in fixed sums to the lowest-density wire centers (using HCPM loop output as a proxy and re-evaluating every 5 years).
- Make each recipient commit to:
 - Maintain basic rates within the range bounded by the highest and lowest sampled rates on the FCC-published table of selected urban rates; and
 - Serve the entire wire center within 5 years using only its own facilities.
- Select a single CETC if it makes the same commitment, in which case the CETC and the ILEC would divide the support 50/50. If there is more than one CETC, then the CETC recipient would be chosen by the ETC designating body (state commission), perhaps using auctions or an RFP.

⁴² See Appendix A at para. 15. ITTA has consistently called upon the Commission to eliminate the identical support rule. Appendix B at para. 20 reaches the same conclusion, but *en route* to an “all auctions” regime, which ITTA opposes.

From the Broadband Pilot Program-

- Create a new \$500 million Broadband Pilot Program, funded without drawing support from another USF mechanism.
- Distribute support through the BPP to states based on relative percentage of unserved areas.
- Have states select the recipients for one-time payments through a competitive bidding process.
- Permit BPP support to be used only for infrastructure deployment in support of the designated level of broadband service.
- Permit BPP support to be distributed only to projects in areas that are unserved by terrestrial broadband, and the program would terminate when there are no more unserved areas.
- Allow states to petition to use a portion of the Broadband Pilot Program support for wireless broadband.

The combined proposals would address USF issues that are important to consumers in areas served by price cap local exchange carriers, and the BPP would benefit consumers in all unserved areas. Additionally, adoption of the proposals makes moot the debate on the use of auctions to allocate USF support (discussed more fully below), resolves the identical support issue, and effectively eliminates the “parent trap” rule.⁴³ Under the combined proposals, eligible carriers would also be required to provide supported local services at rates that meet statutory standards of comparability and affordability, thereby satisfying concerns raised by the United States Court of Appeals for the Tenth Circuit. Recipients would also be required to build-out and serve the entire wire center using only their own facilities within five years.

⁴³ 47 CFR § 54.305.

Importantly, the combined proposals would not have a major impact on overall USF funding. Rather, the proposals echo ITTA's previous call for more rational distribution of USF resources, including but not limited to funding no more than two carriers (which would often be one landline and one wireless carrier) in any single exchange service area and eliminating access-replacement support for wireless carriers. Cost savings achieved through these modifications would be used to assure support for high-cost exchange areas and to facilitate further broadband deployment.

ITTA requests the Commission to adopt the BCS Solution as soon as possible as it represents an important rationalizing facet to the price-cap regulatory regime of which access charges are part. To whatever extent the Commission requires any sort of broadband commitment to receive current or future high-cost USF funding, the Commission must first rationalize the immediate distribution issues that the BCS Solution would resolve. Otherwise, carriers receiving little or no funding today would have no means of meeting such obligations.⁴⁴

B. AUCTIONS FOR UNIVERSAL SERVICE SUPPORT ARE WARRANTED IN SOME CIRCUMSTANCES BUT SHOULD NOT BE IMPOSED ON A WIDE-SCALE BASIS.

As described above, the ITTA USF proposal moots overriding questions of reverse auctions by establishing USF distribution mechanisms that meet the goals of USF reform without resorting to broadly applied auctions; moreover, and consistent with previously-filed ITTA comments, it acknowledges that in some instances, an auction-type mechanism may be appropriate. Nevertheless, inasmuch as ITTA has and continues to oppose the use of auctions as

⁴⁴ Toward this end, at least until the BCS or similar solution is adopted, ITTA requests respectfully that rural price-cap carriers immediately be permitted to receive high-cost loop support under the current non-rural high-cost loop mechanism.

the single or otherwise broadly-applied mechanism of USF distribution, ITTA addresses the Commission's Appendix B and the tentative conclusion reached therein, specifically, to delegate all USF distribution to a reverse auction process.⁴⁵ The conclusion is puzzling in light of the numerous oppositions to auctions were filed in 2006 and 2007; ITTA finds troubling the Commission's apparent preference for auctions in the face of great opposition, as the FNPRM fails to justify the Commission's tentative conclusion in light of the rich and varied record established in opposition to reverse auctions.

For example, CenturyTel noted that ILEC loop and transport facilities are integral to USF, and that a reverse auction mechanism applied to all carriers in a specific market is unlikely to provide adequate support.⁴⁶ FairPoint Communications highlighted the risks to consumers when it cautioned that a carrier could underbid the needed support and construct an inferior network that would not deliver the intended services; reverse auctions invite the risk that a carrier could lower its cost by not serving the most remote and costly areas, leaving rural consumers without any viable provider.⁴⁷ Frontier Communications warned that auctions would also reduce rural investment because if a carrier cannot expect a return on its investment, it will not make the investment in the first place.⁴⁸

⁴⁵ See Appendix B at para. 20.

⁴⁶ *Federal-State Joint Board on Universal Service: Comments of CenturyTel*, WC Docket No. 05-337, CC Docket No. 96-45, at 4 (filed Oct. 10, 2006).

⁴⁷ *Federal-State Joint Board on Universal Service: Comments of Fairpoint*, WC Docket No. 05-337, CC Docket No. 96-45 at 2, 8, 9, (filed Oct. 10, 2006).

⁴⁸ *Federal-State Joint Board on Universal Service: Comments of Frontier*, WC Docket No. 05-337, CC Docket No. 96-45, at 4, (filed Oct. 10, 2006).

Public agency interests agreed: the Oklahoma Corporation Commission (OCC) agreed, stating “reverse auctions would likely not be viable mechanisms to lower USF support in high cost markets where there is little or no competition,” and would further not be the best solution to tempering the growth and size of the Universal Service Fund.⁴⁹ NASUCA predicted that an auction process would be as complex if not more so than the current system.⁵⁰ Speaking to concerns of auctions among rural telephone companies, the National Telecommunications Cooperative Association characterized reverse auctions as “a serious mistake . . . the track record of reverse auctions utilized in new service areas is of limited relevance to the U.S., theoretical evidence of reverse auctions in areas with existing infrastructure has not been studied, and scant empirical evidence of their usefulness exists”⁵¹ And, OPASTCO stated that auctions would place at significant risk the continued availability of “reasonably comparable” services and rates to rural consumers.”⁵²

Finally, representatives of financial markets recognized the hazards wrought by auctions: CoBank, as an independent financial institution, declared that “[r]everse auctions present more uncertainty because they are a risky approach to high cost support, which will cause the cost of debt to increase;” CoBank “urge[d] the FCC to pursue a path of determining high-cost universal

⁴⁹ *Federal-State Joint Board on Universal Service: Comments of Oklahoma Corporation Commission*, WC Docket No. 05-337, CC Docket No. 96-45 at 4, (filed Oct. 10, 2006).

⁵⁰ *Federal-State Joint Board on Universal Service: Comments of NASUCA*, WC Docket No. 05-337, CC Docket No. 96-45 at 2, (filed Oct. 10, 2006).

⁵¹ *Federal-State Joint Board on Universal Service: Comments of NTCA*, WC Docket No. 05-337, CC Docket No. 96-45 at 2, 7, 8, (filed Oct. 10, 2006).

⁵² *Federal-State Joint Board on Universal Service: Comments of OPASTCO*, WC Docket No. 05-337, CC Docket No. 96-45 at 4, (filed Oct. 10, 2006).

service support without undermining the viability of the incumbent.”⁵³ The Consumers Union, Consumer Federation of America, and Free Press described auctions as “appealing in theory but implementation may not achieve the desired result of stabilizing the Fund while maintaining the principles of universal service.”⁵⁴ And, the Rural Telephone Finance Cooperative explained, “[a]s a lender that is closely engaged with the rural local exchange carrier (RLEC) industry, we can say unequivocally that imposition of reverse auctions on RLECs would significantly impair their ability to borrow funds for capital improvements.”⁵⁵ The Commission must not encourage this type of risk.

In previously-filed comments, ITTA explored in depth the “puts and takes” of reverse auctions,⁵⁶ and incorporates those pleadings here reference, modified only by the discussion in Section III.A, above which specifies the type of limited situation in which a competitive bidding process might be employed.

⁵³ *Federal-State Joint Board on Universal Service: Comments of CoBank*, WC Docket No. 05-337, CC Docket No. 96-45 at 2, (filed Oct. 10, 2006).

⁵⁴ *Federal-State Joint Board on Universal Service: Comments of Consumers Union, et al*, WC Docket No. 05-337, CC Docket No. 96-45, at 51 (filed Oct. 10, 2006).

⁵⁵ *See, i.e.*, Comments of the Rural Telephone Finance Cooperative, WC Docket No. 05-337, CC Docket No. 96-45, at 1 (filed Apr. 15, 2008).

⁵⁶ *See, generally, Federal-State Joint Board for Universal Service: Comments of Balhoff & Rowe, LLC, on Behalf of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Oct. 10, 2006) (reverse auctions); *Federal-State Joint Board for Universal Service: Comments the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed May 31, 2007) (Joint Board Recommendation); *Federal-State Joint Board for Universal Service: Reply Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jul. 2, 2007) (Joint Board recommendation reply comments); *Federal-State Joint Board for Universal Service: Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Apr. 17, 2008) (comprehensive reform comments); *Federal-State Joint Board for Universal Service: Reply Comments of the Independent Telephone & Telecommunications Alliance*, WC Docket No. 05-337, CC Docket No. 96-45 (filed Jun. 2, 2008) (comprehensive reform reply comments).

C. COMPREHENSIVE UNIVERSAL SERVICE FUND REFORM MUST ADDRESS CONTRIBUTION METHODOLOGIES.

ITTA supports the Commission proposal to base USF contributions on assessable numbers.⁵⁷ The Commission proposes, however, that on an interim basis, it would continue to require providers to contribute to the USF using the current revenue-based methodology for their business services.⁵⁸ ITTA supports the Commission's interest in ensuring that providers of business services continue to "bear their portion of the universal service contribution obligation to ensure the sufficiency of the fund while the connections-based contribution mechanism is being implemented." However, ITTA is concerned that unanticipated difficulties may arise as carriers endeavor to implement a split record-keeping solution that tracks assessable residential numbers while segregating business revenues for USF assessment purposes; ITTA members at the present time do not maintain their internal records in this manner. Therefore, ITTA requests that the Commission permit reasonable opportunity for the industry to create and test adequately the internal record-keeping processes prior to the effective date of any new rules.

⁵⁷ Appendix A at para. 92, *et seq.*

⁵⁸ Appendix A at para. 133.

IV. CONCLUSION

WHEREFORE the reasons stated herein and above, ITTA urges the Commission adopt meaningful ICC and USF reform consistent with the proposal presented above, which will ensure proper and adequate cost recovery for mid-size carriers, reduce opportunities for arbitrage, and facilitate further broadband deployment across the Nation.

Respectfully submitted,

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