



December 18, 2008

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street SW, Room TW-A325
Washington, DC 20554

Written *Ex Parte* Presentation

**Re: WC Docket Nos. 05-337, 03-109, 06-122, 04-36
CC Docket Nos. 96-45, 99-200, 96-98, 01-92, 99-68**

Dear Ms. Dortch:

The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance (WTA) hereby submit this *ex parte* letter to express strong opposition to the “Narrow Universal Service Reform Proposal” attached as Appendix B to the November 5, 2008 Further Notice of Proposed Rulemaking in the above-referenced proceedings. This proposal would immediately adopt reverse auctions for determining high-cost support recipients and support amounts. The Commission should reject this proposal, as it would place at serious risk the continued deployment and upgrading of broadband services in rural service areas.

Policymakers at all levels of government have been calling for affordable access to broadband services for all Americans. Under the existing rural High-Cost support system, based on embedded costs, rural incumbent local exchange carriers (ILECs) have done a commendable job in making broadband Internet access service available to approximately 90 percent of the consumers in their service areas. However, the job is far from over. Making broadband available to the remaining highest-cost consumers and upgrading existing broadband-capable infrastructure to provide the increasingly higher speeds necessary to utilize bandwidth-intensive applications and services will require significant investment.

A reverse auction mechanism would thwart these investments in rural service areas, thereby jeopardizing the ability of rural consumers to have access to advanced services that are reasonably comparable to those available in urban areas. This is because reverse auctions would generate significant unpredictability for rural carriers, which is the enemy of network investment. Telecommunications networks require investment in long-lived infrastructure, yet without a reasonable expectation that these costs will be recovered, rural ILECs will be hesitant to make

significant broadband-capable network investments going forward. In addition, reverse auctions are a “race to the bottom” that will drive carriers to submit bids that are well below what they actually need to maintain and upgrade their networks to provide an evolving level of quality services in high-cost rural areas. Moreover, major lenders to rural ILECs have stated on the record that the uncertainty of rural carriers’ cost recovery under a reverse auction mechanism would cause them to restrain the amount of debt made available, thereby making it more difficult for rural ILECs to secure affordable financing for network improvements.

OPASTCO and WTA remind the Commission that in May 2008, it received two letters from 46 members of Congress requesting that it cease further consideration of reverse auctions.¹ Reflecting the views of so many industry participants, the letters advised that auctions “...leave too many unanswered questions about stranded network investment and the lack of incentive for a carrier to improve and expand their network...” Both letters concluded that reverse auctions “...would in all likelihood leave Americans living in rural and high-cost areas without adequate, affordable communications services.” The Commission should heed the advice of members of Congress, as well as a large and diverse group of commenters, and cease consideration of the “Narrow Universal Service Reform Proposal” and any other proposal that would subject rural ILECs to a reverse auction support mechanism.

Respectfully submitted,

**Organization for the
Promotion and Advancement of
Small Telecommunications Companies**

**Western Telecommunications
Alliance**

By: /s/ Stuart Polikoff
Stuart Polikoff
Director of Government Relations

By: /s/ Derrick B. Owens
Derrick B. Owens
Director of Government Affairs

cc: Chairman Kevin J. Martin
Commissioner Jonathan S. Adelstein
Commissioner Michael J. Copps
Commissioner Robert M. McDowell
Commissioner Deborah Taylor Tate
Daniel Gonzalez
Amy Bender
Scott Bergmann
Scott M. Deutchman
Nicholas G. Alexander
Greg Orlando

¹ Letter from Congresswoman Barbara Cubin, *et al.*, to Chairman Kevin Martin, Federal Communications Commission (May 5, 2008); Letter from Senator Byron Dorgan, *et al.*, to Chairman Kevin Martin, Federal Communications Commission (May 6, 2008).