

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

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support		WC Docket No. 05-337
Developing an Unified Intercarrier Compensation Regime		CC Docket No. 01-92
Federal-State Joint Board on Universal Service		CC Docket 96-45
Life Line and Linked-Up		WC Docket No. 03-109

COMMENTS of COBANK, ACB

CoBank, ACB (“CoBank”) hereby submits these comments in anticipation of a proposed rule in response to the Notice of Proposed Rulemaking (NPRM), released February 9, 2011.¹

CoBank² is a cooperative bank with more than \$3.5 billion in loan commitments to more than 200 rural communication companies nationwide. These commitments by sector are comprised of local exchange carriers (59%), wireless (19%), cable (15%), and competitive wired telecommunications (7%). In addition, CoBank has syndicated \$750 million in communication loans to the Farm Credit System, a unique network of cooperative, borrower-owned lending institutions that are exclusively dedicated to serving as a critical source of debt capital to rural America and the vital industries that support rural America.

COMPREHENSIVE REFORM NEEDED

We urge the Federal Communications Commission (“the Commission”) to act on a comprehensive reform package that addresses Universal Service Fund (USF) and Intercarrier Compensation (ICC) simultaneously. Both USF and ICC are critical components of the cash flow for rural carriers serving rural high cost areas. USF and ICC are intertwined and the

¹ Connect America Fund, WC Docket No. 10-90, A National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011) (*NPRM*).

² CoBank is a \$66 billion cooperative bank serving vital industries across rural America. We provide loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states.

CoBank is a member of the [Farm Credit System](#), a \$214 billion nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. In addition to serving its direct borrowers, the bank also provides wholesale loans and other financial services to affiliated Farm Credit associations and other partners across the country.

Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore. For more information about CoBank, visit the bank’s web site at www.cobank.com.

Commission cannot reform one without impacting the other. The Commission must position USF affirmatively for the future and must avoid the temptation to bandage existing programs, leaving true reform for an undetermined future time. That approach would simply extend market overhang and threaten debilitating market uncertainty for rural broadband, rural telecommunications, rural America, and interdependent economic communities.

Anything less than simultaneous comprehensive reform for both USF and ICC will disrupt the ability of rural carriers to obtain financing to further deploy broadband. This restraint in financing rural broadband contradicts the main goal of the National Broadband Plan – universal broadband.

CoBank urges the Commission to understand that unless there is a sufficient and sustainable cost recovery mechanism, no financing method (e.g. loan, loan guarantee, revolving loan, or a one-time grant) will sustain a rural broadband network in the long term. The broadband network is a dynamic infrastructure, it is not static, and needs ongoing upgrades and maintenance. While the existing cost recovery mechanisms need revision to support broadband, do not discount the success of these tried and true mechanisms that have enabled many of our rural communications customers to successfully deploy broadband to rural areas via a variety of technologies and business plans.

CoBank's mission is to serve rural America. CoBank's customers include local, regional and national agricultural cooperatives, rural communications, energy, water and waste disposal systems, Farm Credit associations and other businesses serving rural America. Our rural customers' ability to thrive and compete in a world market depend on reliable and affordable basic, essential services – water, electric, telephone and now broadband.

For rural residents, farmers, and businesses that need broadband capacity to support the current and future demands of commerce, health care, education, energy and public safety, the cost of supporting a stable rural communications backbone to enable the use of wireless, voice and data applications should be shared by all those who benefit from America's rural, agricultural economy. Americans have prospered from the principle that universally available and affordable telephone service benefits rural, urban and suburban residents. It is now time to transition from universal telephone to universal broadband. The cost of not supporting universal service for broadband will far exceed the cost of providing it.

The key challenge of ensuring that all people of the United State have access to affordable broadband is to recognize that the building and maintaining of networks to provide broadband to rural America is capital intensive. Rural broadband deployment can cost more than 10 times than urban local connections and more than 20 times transit and transport costs in urban areas. In high-cost rural areas, subscriber densities are rarely high enough to ensure the level of cash flow needed for a return on capital from the equity and debt associated with deployment and maintenance of broadband. Therefore, a sufficient and sustainable cost recovery mechanism is imperative to support the financing of ubiquitous broadband. CoBank urges the Commission not to leave America's rural consumers behind while transitioning the telephone support programs to broadband support programs.

CONCLUSION

The time for comprehensive, simultaneous USF/ICC reform has come. If the Commission proposes a piecemeal approach to USF/ICC, investment to deploy broadband will lag even further behind due to regulatory uncertainty. CoBank urges to the Commission to develop a Connect America Fund that ensures that all people of the United States have access to

affordable broadband capability and recognizes the need for a long term, sufficient, stable cost recovery mechanism for high-cost rural areas. In high-cost rural areas, subscriber densities are rarely high enough to ensure the level of cash flow needed to provide a return on capital (equity and debt) associated with deployment and maintenance of broadband; therefore, a sufficient and sustainable cost recovery mechanism is imperative to support the financing of ubiquitous broadband. CoBank would immediately be able to increase our rural carrier's access to capital by 30-40% if the Connect America Fund is structured in a similar fashion to the USF model to support broadband.

Respectfully submitted,

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