

WESTERN ASSOCIATIONS

Washington Independent Telecommunications Association
California Independent Telephone Companies
Colorado Telecommunications Association
Idaho Telecom Alliance

Montana Telecommunications Association
Nevada Telecommunications Association
Oregon Telecommunications Association

October 19, 2011

Marlene H. Dortch
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket Nos. 10-90, 07-135, 05-337 and 03-109, GN Docket No. 09-51 and CC Docket Nos. 01-92 and 96-45; Connect America Fund, a National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-up

Dear Ms. Dortch:

The Western Associations,¹ joined by the following groups representing rural carriers in their respective states - Illinois Independent Telephone Association, Indiana Exchange Carrier Association, Minnesota Telecom Alliance, Oklahoma Telephone Association, Wisconsin State Telecommunications Association and the Rural Arkansas Telephone Systems (together with the Western Associations referred to in this letter as the "Associations") are writing to you to support the Industry

¹ The Western Associations are an ad hoc group consisting of state trade associations and other coalitions that represent rural incumbent local exchange carriers operating in the western portion of the United States. For purposes of these comments, the Western Associations includes the Washington Independent Telecommunications Association, the California Independent Telephone Companies, the Colorado Telecommunications Association, the Idaho Telecom Alliance, the Montana Telecommunications Association, the Nevada Telecommunications Association and the Oregon Telecommunications Association. While CenturyLink is a member of some of these organizations, it has filed its own comments in these dockets.

Consensus Framework² for universal service fund and intercarrier compensation reform and to provide supplemental information on the economic benefits of the proposal. It is of importance that the Rural Plan portion of the Industry Consensus Framework not only proactively addresses universal service reform and intercarrier compensation reform, it maintains the strong benefit to the economy provided by rural incumbent local exchange carriers.

The Rural Plan contains mechanisms that will provide the basis to continue the deployment and maintenance of broadband and broadband networks in rural areas. The Associations urge the Commission to refrain from modifying elements of the Industry Consensus Framework.

The goal of the Rural Plan is to encourage regulatory certainty and promote and preserve the availability of long-term investments for development of a broadband communications infrastructure. Adjustments to the Industry Consensus Framework may undermine the effectiveness of the Industry Consensus Framework. If the effectiveness of the Industry Consensus Framework is undermined, that may substantially disrupt investor confidence that promotes the provision of private capital to support networks in rural areas. Especially at a time when the nation's economy is fragile, the Commission should not take steps which can further undermine the economy by adversely affecting the economic viability of rural telecommunications infrastructure investment across the nation.

The economic benefits of a stable rural telecommunications regulatory environment, which encourages investment to maintain and improve advanced telecommunications infrastructure, has recently been underscored by a new study. That study, "The Economic Impact of Rural Telecommunications: The Greater Gains" was published by the Hudson Institute on October 11, 2011 (the "Hudson Study"). The Hudson Study found that rural telecommunications providers directly added 10.4 billion dollars to the U.S. economy in 2009. The overall or total economic effect, called the "annual final demand" in the Hudson Study, was 14.5 billion dollars in the states where the rural companies are located. As noted by the Hudson Study, this multiplier effect takes into

² The Industry Consensus Framework is comprised of two separate, but interrelated plans: The American Broadband Connections (ABC) Plan recommended by price cap carriers and the RLEC or Rural Plan proffered by rural local exchange carrier associations, including the National Telecommunications Cooperative Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), and the Western Telecommunications Alliance (WTA) (collectively the "Rural Associations") in a filing made on April 18, 2011, and modified by a subsequent filing on July 29, 2011.

account the secondary and subsequent spending.³ Overall, the rural telecommunications industry employed over 70,000 persons throughout the United States.⁴

The rural incumbent local exchange companies operating in Colorado produced a direct economic impact in that state of 117.5 million dollars. The total economic impact in Colorado was 179.8 million dollars. The Colorado rural local exchange companies employed 853 people in 2009.⁵

In the state of Idaho, the rural incumbent local exchange companies had a direct economic impact of 139.4 million dollars and a total economic impact of 177 million dollars. These companies employed 917 people.⁶

In Oregon and Washington, the impact is even higher. Oregon rural incumbent local exchange companies had a direct economic impact in Oregon of 155.5 million dollars. The total economic impact was 211.3 million dollars. These rural local exchange companies employed over 1,000 employees.⁷

In Washington, the direct economic impact from rural incumbent local exchange companies was 185.8 million dollars in 2009. The total economic impact was 267.3 million dollars. Collectively, these companies employed 1,148 people.⁸

The Hudson Study estimates that in Oklahoma, rural incumbent local exchange companies provided 252.3 million dollars in direct economic benefit and 358.6 million dollars in total economic benefit. The Oklahoma companies employ, directly or indirectly, over 2,000 people.⁹

The Hudson Study demonstrates similar results in Arkansas, Illinois, Indiana, Minnesota, Montana, Nevada and Wisconsin. Table 3 from the Hudson Study, which depicts the economic benefits by state, is attached as Exhibit 1.

³ Hudson Study at p. 4.

⁴ Hudson Study at p. 5. Employment figures include those employed in enterprises that provide services to the rural telecommunications industry.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

What is very interesting about the Hudson Study is that it found that there was substantial impact in urban areas from the economic activity of the rural local exchange companies, as well as rural areas. As set out at page 17 in the Hudson Study, the urban economic impact in Colorado was 139 million dollars. In Idaho it was 97.5 million dollars. In Oklahoma, the urban economic impact was 224.4 million dollars. In Oregon it was 169.9 million dollars. In Washington, the urban economic impact was 205.1 million dollars. The point made by these facts is that the rural local exchange companies do not operate in isolation. Their economic activity has a substantial spill-over effect into the urban areas.

Perhaps a concrete example can illustrate this effect. In Washington, one of the rural incumbent local exchange carriers serves a large agricultural operation.¹⁰ Because the rural company was able to provide a substantial broadband connection for the business, it was able to successfully market its products to the big box stores like Wal-Mart and Costco. This enabled a high quality product to move from a rural community out to the more urban communities, while resulting in greater employment in the rural community. Thus, not only did the communications services provided by the rural company have a benefit in the rural community it served, it had an economic benefit throughout the state of Washington.

Examples for economic benefit to urban areas in Colorado include such things as rural local exchange companies serving wind farms that generate electricity for urban areas, where advanced communications capability help manage the distribution of the electricity. Another example is the use of advanced communications abilities in rural incumbent local exchange company areas to facilitate oil and gas exploration and production for the benefit of urban areas.

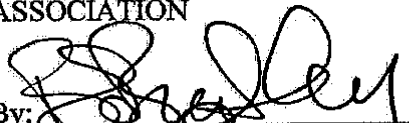
The flip side of the Hudson Study is a study from the state of Oklahoma, which looks at what would happen in that state under the National Broadband Plan. The study was conducted by the Economic Research & Policy Institute at Oklahoma City University. Entitled "Estimating the Impact of the National Broadband Plan on Local Rural Exchange Carriers in Oklahoma," this study found that implementation of the National Broadband Plan, as originally proposed, would result "in the loss of 29,000 direct and indirect jobs leading to the loss of over \$118 million in wages." Local and state governments in

¹⁰ Actually, WITA's members serve many large agricultural operations. This example is illustrative, not limiting.

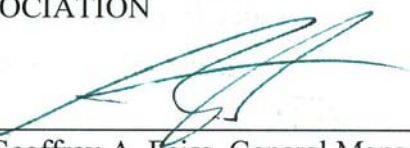
Oklahoma would lose 10 million dollars in tax revenue. See page two of the Study.¹¹ Studies done by other university-based research organizations in Kansas, Colorado¹² and Missouri¹³ have reached similar results. At least some of these adverse consequences can be avoided by adopting the carefully balanced Rural Plan.

The Associations ask that the Commission keep in mind that the members of the associations that comprise the Associations serve primarily in the rural areas where no other provider offers service as a carrier of last resort. That carrier of last resort service provides a substantial economic benefit to both the rural and urban areas of each state. It is the Rural Plan, as contained within the Consensus Framework, that facilitates the future role for these rural incumbent companies to provide broadband and other communications services and the economic benefits that flow with these services. The Associations urge the Commission to adopt and implement the Industry Consensus Framework.

**WASHINGTON INDEPENDENT
TELECOMMUNICATIONS
ASSOCIATION**

By: 
Betty S. Buckley, Executive Director

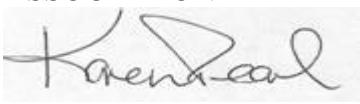
**MONTANA TELECOMMUNICATIONS
ASSOCIATION**

By: 
Geoffrey A. Feiss, General Manager

**CALIFORNIA INDEPENDENT
TELEPHONE COMPANIES**

By: 
Dan Douglas, Chairman

**NEVADA TELECOMMUNICATIONS
ASSOCIATION**


By: 
Karen Pearl, Executive Director

¹¹ See, the study in Kansas called the Kansas Rural Local Exchange Carriers - Assessing the Impact of the National Broadband Plan conducted by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University (2011).

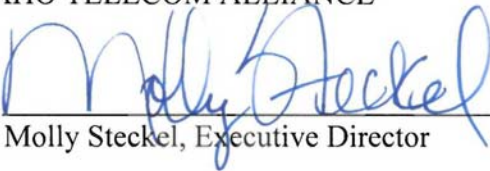
¹² The Impacts of Colorado Telecommunications Association Members on the Colorado Economy proposed by the Regional Economics Institute, Colorado State University (2011).

¹³ Economic Impact of Removal of the Universal Service Fund in Missouri conducted by the Bureau of Economic Research, Missouri State University (2011).

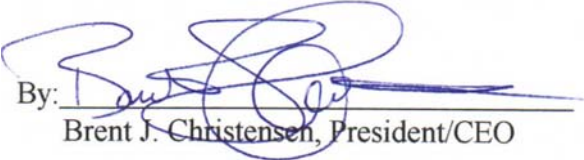
COLORADO TELECOMMUNICATIONS
ASSOCIATION

By: 
Pete Kirchhof, Executive Vice President

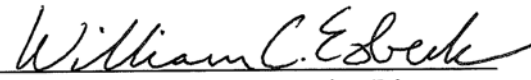
IDAHO TELECOM ALLIANCE

By: 
Molly Steckel, Executive Director

MINNESOTA TELECOM ALLIANCE

By: 
Brent J. Christensen, President/CEO

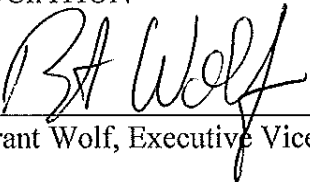
WISCONSIN STATE
TELECOMMUNICATIONS
ASSOCIATION

By: 
William C. Esbeck, Executive Director

INDIANA EXCHANGE CARRIER
ASSOCIATION

By: /s/ Bruce A. Hazelett
Bruce A. Hazelett, President

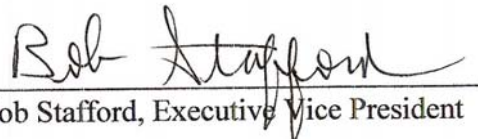
OREGON TELECOMMUNICATIONS
ASSOCIATION

By: 
Brant Wolf, Executive Vice President

ILLINOIS INDEPENDENT
TELEPHONE ASSOCIATION

By: 
Lee H. Witcher, Chairman

OKLAHOMA TELEPHONE
ASSOCIATION

By: 
Bob Stafford, Executive Vice President

RURAL ARKANSAS TELEPHONE
SYSTEMS

By: 
Larry Frazier, Manager, Rural
Telcom Solutions

EXHIBIT 1

Table 3. Jobs Supported by Rural Telecommunications Providers, by State and Rural/Urban Status

	<u>Rural</u>	<u>Urban</u>	<u>Total Employment</u>
Alabama	545	486	1,031
Alaska	728	306	1,034
Arizona	458	618	1,076
Arkansas	1,214	321	1,535
California	648	995	1,643
Colorado	397	456	853
Connecticut	-	-	-
Delaware	-	-	-
District of Columbia	-	-	-
Florida	2,303	3,748	6,051
Georgia	1,597	1,667	3,264
Hawaii	100	77	177
Idaho	582	336	918
Illinois	603	736	1,339
Indiana	845	426	1,271
Iowa	1,072	382	1,454
Kansas	1,131	173	1,304
Kentucky	970	288	1,258
Louisiana	626	668	1,294
Maine	282	178	460
Maryland	14	15	29
Massachusetts	4	4	8
Michigan	481	495	976
Minnesota	1,414	1,154	2,568
Mississippi	370	130	500
Missouri	1,265	683	1,948
Montana	821	253	1,074
Nebraska	461	228	689
Nevada	171	161	332
New Hampshire	124	28	152
New Jersey	187	195	382
New Mexico	486	373	859
New York	790	652	1,442
North Carolina	2,720	2,604	5,324
North Dakota	593	33	626
Ohio	938	955	1,893
Oklahoma	1,075	926	2,001
Oregon	485	561	1,046
Pennsylvania	1,696	1,588	3,284
Rhode Island	-	-	-
South Carolina	1,524	1,244	2,768
South Dakota	567	179	746
Tennessee	1,346	1,301	2,647
Texas	2,631	3,859	6,490
Utah	238	363	601
Vermont	190	53	243
Virginia	856	621	1,477
Washington	605	542	1,147
West Virginia	442	85	527
Wisconsin	1,571	1,096	2,667
Wyoming	223	43	266
Total	38,427	32,285	70,712

Source: Hudson Institute modeling using data from Federal-State Joint Board on Universal Service, *Universal Service Monitoring Report: CC Docket No. 98-202 (Data Received Through October 2010)*, Washington, DC: Federal-State Board on Universal Service, 2010; and an unpublished Bureau of Economic Analysis table containing Regional Input-Output Modeling System (RIMS II) data from 2008.