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**RURAL TELECOM ASSOCIATIONS WEIGH IN ON UNIVERSAL SERVICE REFORM
IN RESPONSE TO FURTHER NOTICE OF PROPOSED RULEMAKING**

**Urge FCC to turn focus from cutting and reducing Universal Service Fund
support for small carrier networks to adoption of a plan that will enable
comparable and sustainable broadband access nationwide**

WASHINGTON (January 18, 2012) – The National Exchange Carrier Association (NECA), the National Telecommunications Cooperative Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance (WTA) today filed comments with the Federal Communications Commission (FCC) in response to the agency’s Further Notice of Proposed Rulemaking (FNPRM) regarding Universal Service Fund (USF) and intercarrier compensation (ICC) reform.

The associations highlighted the success to date of small rural local exchange carriers (RLECs) in deploying broadband in high-cost areas, and advocated for sensible reforms that will enable these basic broadband networks to be sustained and upgraded over time. The associations noted that “reforms” adopted thus far for RLEC USF and ICC mechanisms have consisted entirely of caps, cuts and phase-outs to cost recovery components, despite the National Broadband Plan itself and other record evidence demonstrating that additional support is needed to realize the FCC’s broadband goals. The associations urged the FCC to focus on developing sufficient, predictable, and meaningful USF and ICC mechanisms to support broadband services in RLEC areas.

In their joint comments, the associations reiterated the benefits of their previously filed reform plan as a new broadband-focused “Connect America Fund” for RLECs. The associations also urged the FCC, at a minimum, to provide USF support for

standalone broadband offerings, middle mile costs, and conversions to IP-enabled switching.

“The FCC took significant steps late last year to reform universal service and intercarrier compensation mechanisms, but its decision left open as many questions as it resolved,” stated NTCA CEO Shirley Bloomfield. “In these comments, we call upon the FCC to eliminate lingering regulatory uncertainty, fulfill the core statutory objectives of universal service, provide a robust, sufficient and predictable Connect America Fund for consumers served by rural carriers, and ultimately allow those carriers to get back to the business of investing in networks and delivering affordable, high-quality services to consumers.”

The rural associations further argued that the FCC should:

- Refrain from applying broadband-specific service performance requirements and other burdensome obligations to RLECs until it has also identified the corresponding incremental broadband-specific support mechanisms for RLECs.
- Defer any changes to the authorized interstate rate of return until the FCC’s USF and ICC reforms are implemented and until the FCC establishes clear procedures for any such re prescription. Available evidence shows the current prescription remains reasonable.
- Avoid phasing out support in areas with unsubsidized competition and otherwise modifying service area boundaries before clear procedures are in place and until the consequences of doing so – particularly consumer impacts – are fully examined and understood. Continuing down this path threatens rural carriers’ ability to provide service throughout expensive and difficult-to-serve areas.
- Decline to employ quantile regression methods to limit reimbursements of capital and operating expenses. Technical analyses show that numerous errors in the proposed regression models will lead to serious arbitrary distortions in USF payments.

Replies to these comments are due on February 17. The FNPRM also addresses intercarrier compensation reform, with comments on those issues due February 24.

“The Rural Associations look forward to working with the FCC in coming months to develop positive and realistic ways in which CAF and ICC mechanisms can support broadband services in RLEC areas,” said Jeff Dupree, NECA vice president of Government Relations. “As RLECs strive to provide their customers the best possible broadband service, the FCC should refrain from implementing restrictive policies that could hinder these efforts.”

“It is critical that the actions the FCC takes in response to the Further Notice enable rural consumers served by RLECs to gain access to affordable broadband services that keep pace with those offered in urban areas. The support cutting ‘reforms’ adopted in the November Order do not make this possible and threaten the future of fragile rural economies. However, this can be rectified by the adoption of a sufficient and predictable RLEC CAF mechanism -- such as the one proposed in the RLEC Plan - - that will help RLEC-served rural communities to survive and prosper,” added Stuart Polikoff, vice president -- Regulatory Policy and Business Development.

“The FCC should adopt policies that promote the continued deployment of broadband service in rural high-cost areas. Unfortunately, the proposed rules undervalue the investments in the broadband networks that have already been made by our member companies and underestimate the demands of the future,” said Kelly Worthington, WTA’s executive vice president. “We encourage the FCC to look to the RLEC plan as a model for future reform.”

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The National Exchange Carrier Association (NECA) is a membership association of U.S. local telephone companies, dedicated to keeping customers connected on state-of-the-art communications networks. Our services help more than 1,000 members across rural America deliver high-speed multi-use broadband services. Visit us at www.neca.org.

The National Telecommunications Cooperative Association (NTCA) is the premier association representing more than 570 locally owned and controlled telecommunications cooperatives and commercial companies throughout rural and small-town America. NTCA provides its members with legislative, regulatory and industry representation; meetings; publications; and educational programs; and an array of employee benefit programs. Visit us at www.ntca.org.

The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) is the leading voice for rural telecommunications, representing approximately 460 small incumbent local exchange carriers serving rural areas of the United States. Its members include both commercial companies and cooperatives, which collectively serve more than 3 million customers. OPASTCO represents rural telecommunications interests before federal regulatory bodies and Congress, provides publications, and holds two conventions annually in January and July of each year, addressing the needs of the small telecommunications industry. The association has an affiliate 501(c)(3) nonprofit the foundation for Rural Education and Development (FRED). Visit us at www.opastco.org.

Western Telecommunications Alliance (WTA) is a trade association whose membership is comprised of approximately 250 rural telecommunications carriers providing high-quality voice, video and data services throughout rural areas in the 24

states west of the Mississippi River. On average, WTA member companies serve fewer than 3,000 access lines with fewer than 500 customers in each exchange. WTA's members serve some of the most rural and hard-to-serve communities in the country and are on the forefront of bringing 21st Century telecommunications services to rural America. Visit us at www.w-t-a.org.