

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
High-Cost Universal Service Support) WC Docket No. 05-337
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

TO: The Commission

**REPLY COMMENTS SUPPORTING
INTERIM CAP ON PORTABLE CETC SUPPORT**

The Western Telecommunications Alliance (“WTA”) submits its reply comments in support of the Joint Board’s Recommended Decision¹ for an interim, emergency cap on the amount of portable high-cost support distributed to competitive eligible telecommunications carriers (“CETCs”). In its initial June 6, 2007 comments, WTA urged the Commission to adopt and implement the interim cap expeditiously because portable CETC support is the particular USF program that is growing so explosively that it threatens the future of the entire Fund, and because CETCs are the only entities receiving USF support that have not previously been subject to a cap. Nothing in the initial set of comments has rebutted these critical facts, or changed WTA’s view.

WTA agrees with Verizon and Verizon Wireless (“Verizon”) and with AT&T, Inc. (which constitute two of the nation’s largest wireless carriers as well as two of the largest USF contributors) that an interim cap on portable CETC support is necessary to control the sharp and unchecked growth in duplicative USF support to multiple CETCs that threatens the sustainability of the USF. WTA particularly agrees with Verizon: (a)

¹ Recommended Decision (*High-Cost Universal Service Support and Federal-State Joint Board on Universal Service*), WC Docket No. 05-337 and CC Docket No. 96-45, FCC 071-1, released May 1, 2007.

that the interim cap is a critical first step to preserve the USF so that comprehensive reforms can be considered and implemented; (b) that universal service caps are lawful and are currently used in the rural high-cost, non-rural high cost, schools and libraries, and rural health care programs; and (c) that imposition of a cap on portable CETC support would not violate the Commission's principle of competitive neutrality.

In contrast, the positions taken by CTIA – The Wireless Association (“CTIA”) and Alltel Corp. (“Alltel”) leave WTA in doubt that a rational and reasonable USF dialogue can be held with this faction of the wireless industry. Among other things, CTIA/Alltel deny that portable CETC support is growing explosively and threatening the viability of the USF, and employ an interpretation of “competitive neutrality” designed to preserve portable USF windfalls but devoid of any element of “competition” or “neutrality.”

WTA has no general objection to the distribution of USF support in a reasonable and equitable manner to qualified wireless and other CETCs. However, there will be no USF at all if CTIA, Alltel and their allies succeed in their attempts to deny or disregard the adverse impact upon USF sustainability of the ongoing wireless CETC gold rush for portable USF dollars. As demonstrated by Chairman Martin's charts (Recommended Decision, Appendix A), the portable high-cost support received by CETCs increased from virtually nothing in 2000 to approximately \$1.0 billion in 2006, and (if left uncontrolled) is projected to increase by roughly \$500 million a year to approximately \$2.5 billion by 2009 (while support for incumbent local exchange carriers (“ILECs”) has remained stable, and even declined since 2005). Alltel incredibly claims that Chairman Martin's charts have “fuzzy lines at very low levels of resolution,” and neither provide a

basis for the numbers nor disclose what the numbers are (Alltel Comments, p. 5). CTIA takes a different tack, making the equally specious assertion that the recent explosive growth of CETC support “reflects consumers’ preference for more wireless service, including in high-cost areas” (CTIA Comments, p. 3).

Neither short-term nor long-term USF reform will proceed smoothly if parties like CTIA and Alltel deny the obvious facts that wireless CETC support has been growing in an exponential and uncontrolled manner since 2000, and that most of this growth is due to the workings of the “identical support rule” rather than changes in wireless demand or costs. As indicated by WTA (WTA Comments, p. 4) and Verizon (Verizon Comments, p. 11) in their initial comments, a great deal of CTIA’s alleged “demand” shift is explained by the fact that digital subscriber line (“DSL”) and fiber connections allow an increasing portion of urban and rural households to be served by a single landline (thereby eliminating demand for many second landlines), whereas the multiple residents of such households increasingly have their own wireless phones. The “identical support rule” is resulting in more and more instances where a rural ILEC receives a certain amount of high-cost support (based upon its actual costs) for serving a particular rural residence, while a wireless CETC receives 2, 3, 4 or 5 times that amount of support (an amount wholly unrelated to, but normally far exceeding its own costs) for providing separate wireless phones to the separate individuals living at the same rural address.

Likewise, CTIA, Alltel and their allies need to recognize that their demands for “competitive neutrality” require that there be substantial competition for customers between ILECs and wireless CETCs. WTA believes that wireline ILECs and wireless CETCs do not compete significantly for local exchange customers at the present time,

and are not likely to do so within the foreseeable future. Rather, virtually all urban and rural businesses subscribe to single-line or multi-line wireline service, while many of their employees carry business or personal wireless phones. Likewise, most stable and established urban and rural households subscribe to one or two landlines (increasingly, to a single DSL line), while urban and rural (where wireless service is available) households increasingly subscribe to separate wireless phones for most or all adult and adolescent residents. Whereas the media have published stories about people “cutting the cord,” the majority of such individuals appear to be students and young professionals who are likely to subscribe to wireline services when they become more settled in their careers and family situations. In sum, wireline and wireless services are predominately complementary or supplementary services, rather than competitive services. Consequently, wireless CETCs have no right under the Commission’s principle² of “competitive neutrality” to be treated the same as ILECs for USF purposes.

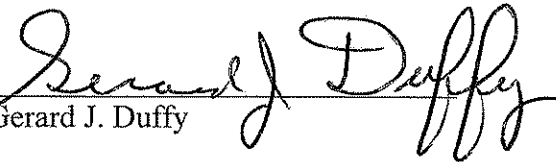
Should ILECs and wireless CETCs ever begin to compete significantly for local exchange customers, the principle of “competitive neutrality” will require the leveling of the playing field rather than the establishment and maintenance of special privileges for wireless CETCs. Wireless CETCs should not receive the same USF support as ILECs unless and until they have the same costs, and particularly the same regulatory obligations and costs (such as Carrier of Last Resort, equal access, tariffed rate, accounting, cost allocation and reporting obligations).

At the present time, the recommended interim cap on portable CETC support is reasonable and equitable because portable CETC support is the only USF program that is

² Contrary to Alltel’s assertion (Alltel Comments, p. 15), the principle of competitive neutrality is not a statutory mandate. Rather, it was adopted by the Commission as a discretionary and additional universal service principle pursuant to Section 254(b)(7) of the Communications Act.

growing in such a rapid and uncontrolled manner that it threatens the viability of the entire USF. Rather than remaining the last carriers subject to no USF cap, CETCs should have their portable high-cost support capped immediately on an interim basis to stop the hemorrhaging. WTA urges the Commission to adopt and implement the interim emergency CETC cap recommended by the Joint Board, so that USF distributions will be stabilized while the Joint Board and Commission consider options for long-term reform.

Respectfully submitted,
**WESTERN TELECOMMUNICATIONS
ALLIANCE**

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