WESTERN TELECOMMUNICATIONS ALLIANCE

OPASTCO

December 19, 2007

The Honorable Daniel K. Inouye
Chairman, Senate Committee on Commerce Science and Transportation
722 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Ted Stevens
Vice Chairman, Senate Committee on Commerce Science and Transportation
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Inouye and Vice Chairman Stevens:

The Universal Service Fund (USF) has been instrumental in connecting Americans across the country, and particularly those in rural areas, to the communications network on which both urban and rural consumers rely. In the interest of ensuring USF remains sustainable for the future, we write to you today in support of the Federal-State Joint Board on Universal Service's proposed interim cap on USF support for competitive eligible telecommunications carriers (CETCs) and to provide some comments on the more recent Recommended Decision on long-term USF reform.

As you both are aware, the sustainability of USF is threatened by rapid growth. On December 13, 2007, in his opening remarks at the hearing held by your Committee, FCC Chairman Kevin Martin once again clearly explained the problem facing the fund:

> "Changes in technology and increases in the number of carriers that receive universal service support have placed significant pressure on the stability of the Fund. A large and rapidly growing portion of the high cost support program is now devoted to supporting multiple carriers to serve areas in which costs are prohibitively expensive for even one carrier. These additional networks in high cost areas don't receive support based on their own costs, but rather on the costs of the incumbent provider, even if their costs of providing service are lower. In 2000, such providers received $1 million dollars in support. Last year, they received almost $1 billion dollars in support."

These comments echo statements made by other federal and state regulators on the Joint Board. The carriers to which the Chairman and the other regulators refer are CETCs, primarily wireless carriers. It is estimated that USF support for CETCs, if unchecked, will rise to $2.5 billion by 2009. For the past several years, overall USF support to incumbent wireline communications companies has remained stable or slightly declined. This is primarily a result of the fact that CETCs receive support based on other carriers' support per line and are the only group of carriers that have never been subject to a cap with respect to any portion of their USF support.

Contrary to what some have said, a temporary cap will not mean a reduction in USF support to CETCs, but merely a temporary freeze at current levels until the FCC and Congress can address long-term reform of USF. Statements that a temporary cap would be disastrous for wireless service in rural America are suspect as several wireless carriers have voluntarily accepted caps on the amount USF support they receive as part of recent merger deals.[1] In addition, a Criterion Economics study released in June 2007, found that in the more than 800 service areas where wireless carriers receive USF support, wireless carriers that receive no USF support provide substantially more coverage.[2] The fact is that a temporary cap will give Congress and the FCC time to craft a solution to the problem that was identified by Chairman Martin at the hearing and which has been pointed-out by countless other policy makers in the industry.

According to the Telecommunications Act of 1996, one of the primary goals of the USF was to ensure Americans in rural America have "access to telecommunications and information services…that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." It was not meant to fund multiple wireless carriers providing the same services in the same geographical rural areas.

Rural America deserves high quality wireline, wireless, and broadband services. This is why our associations are encouraged by the underlying philosophy of the Joint Board's Recommended Decision of November 20, 2007, in which it proposed separate programs within USF for wireline, wireless, and broadband services. The Joint Board recognized it is inefficient for scarce USF dollars to be spent on supporting duplicative wireless networks. While there are other aspects of the Recommended Decisions that are sources of concern for our associations, the idea of one USF recipient per high-cost service area providing each service is laudable.

Our associations and the hundreds of communications companies they represent believe that a temporary cap will *hasten* long-term reform because it forces CETCs to the negotiating table. For this reason, as well as the others mentioned, we support the Joint Board's proposed temporary cap on CETCs.

We look forward to working with you on long-term USF reform.

Sincerely,

Kelly Worthington
Executive Vice President
Western Telecommunications Alliance

John Rose
President
Organization for the Promotion and Advancement of Small Telecommunications Companies

[1] See (*In the Matter of Applications of ALLTEL Corporation, Transferor, and Atlantis Holdings LLC, Transferee For Consent To Transfer Control of Licenses, Leases and Authorizations*), WT Docket No. 07-128, and (*In the Matter of Applications of AT&T Inc. and Dobson Communications Corporation For Consent to Transfer Control of Licenses and Authorizations*), WT Docket No. 07-153.

[2] Nicholas Vantzelfde, "The Availability of Unsubsidized Wireless and Wireline Competition in Areas Receiving Universal Service Funds", (Criterion Economics), June 13, 2007.