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October 21, 2010

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**Filed Via ECFS**

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

**RE: WC Docket Nos. 10-90 and 05-337 and GN Docket No. 09-51**

Dear Ms. Dortch:

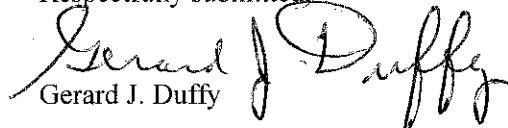
On October 21, 2010, Joshua Seidemann representing the Independent Telephone & Telecommunications Alliance ("ITTA"), Michael Romano representing the National Telecommunications Cooperative Association ("NTCA"), Stuart Polikoff representing the Organization for the Promotion and Advancement of Small Telecommunications Companies ("OPASTCO"), and Derrick Owens and Gerry Duffy representing the Western Telecommunications Alliance ("WTA") met with Sharon Gillett, Carol Matthey, Rebekah Goodheart, Elise Kohn, Al Lewis, Randy Clarke, Amy Bender and Patrick Halley of the Wireline Competition Bureau, as well as with Zachary Katz, Legal Advisor for Wireline Communications, International and Internet Issues to Chairman Julius Genachowski, and Michael Steffen of the Office of General Counsel, to present and discuss the principles for universal service and intercarrier compensation reform developed by the four associations that represent small and mid-sized incumbent local exchange carriers serving rural areas. In addition, Bob DeBroux of TDS Telecom, a member of all four associations, participated by telephone. Copies of the "Rural Associations' Recommendations for USF Reform" and the "Rural Associations' Recommendations for ICC Reform" are attached.

The four Rural Associations indicated that they are working together to try to develop effective solutions to rural universal service and intercarrier compensation issues. They are in agreement that universal service reform and intercarrier compensation reform should take place at the same time because they are so extensively interrelated. Having agreed upon basic principles, the Rural Associations are currently attempting to develop more detailed proposals to flesh out and implement those principles and associated matters.

Marlene H. Dortch, Secretary  
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Page 2 of 2

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

  
Gerard J. Duffy

cc: Zachary Katz  
Sharon Gillett  
Carol Matthey  
Rebekah Goodheart  
Elise Kohn  
Al Lewis  
Randy Clarke  
Amy Bender  
Patrick Halley  
Michael Steffen



## RURAL ASSOCIATIONS' RECOMMENDATIONS FOR USE REFORM

The Independent Telephone & Telecommunications Alliance (ITTA), National Telecommunications Cooperative Association (NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), and the Western Telecommunications Alliance (WTA) (collectively, the Associations) represent small and mid-sized carriers that serve primarily rural areas throughout the Nation. Together, the Associations' member companies serve approximately 25 percent of the Nation's end-user access lines.

The Associations support common fundamental principles for reform of the Universal Service Fund (USF) as the Federal Communications Commission (FCC) embarks upon implementation of the National Broadband Plan. An overriding commitment of the Associations is to lead the way toward greater broadband deployment throughout the Nation, and to ensure that regulatory actions fully support public policy mandates to lead the way toward greater broadband deployment and speeds.

### Principles of Universal Service and Support for High-Cost Broadband

1. The National Broadband Plan recognizes that supplemental support mechanisms will be necessary to achieve greater National broadband deployment than private investment alone would support. Policy-makers must establish clearly and affirmatively their commitment to provide the necessary resources.
2. The Act's Universal Service principle of "reasonably comparable" should apply to broadband.
3. An evolving definition of broadband should be reevaluated at intervals that are sufficiently frequent to ensure that outcomes based upon that definition do not become outdated or functionally insufficient.
4. The size of the USF is best controlled by rational collection and allocation policies, rather than an arbitrary cap that is not related to or precludes recovery of actual costs incurred in delivering supported services.
5. Contribution policies should compel those that rely on broadband networks for the provision of their services to support those networks. Regulatory parity, administrative ease, and equitable distribution of responsibility must attend vital and much needed reform of USF contribution mechanisms.
6. Eligibility for support should be based upon the cost of providing service, and the demonstrated ability to meet defined service standards, including, but not limited to, provider-of-last-resort obligations. The supported broadband provider must also provide voice service throughout the area.

7. Providers of last resort should be able to recover the costs associated with delivering affordable broadband services through federal USF mechanisms that are tailored for the rural markets in which those services are offered and which offer providers appropriate incentives for investment, *i.e.* rate-of-return or incentive regulation, as applicable.
8. Limitations on the number of supported providers should apply in any geographic region.
9. A reasonable transition must incorporate predictable and sufficient support for providers and acknowledge reasonable expectations associated with prior network investments.
10. The FCC should act now to address discrete intercarrier compensation reform issues, the resolution of which can serve as a prelude to comprehensive reform. Action on these items will provide momentum for further reform, increase provider stability by enabling cost recovery, and help in determining more precisely the amount of any additional cost support that may be required to support the public policy goal of universal broadband service.



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The Associations support common fundamental principles for reform of intercarrier compensation (ICC) as the Federal Communications Commission (FCC) embarks upon implementation of the National Broadband Plan. An overriding commitment of the Associations is to lead the way toward greater broadband deployment throughout the Nation, and to ensure that regulatory actions fully support public policy mandates to lead the way toward greater broadband deployment and speeds.

### Principles of Intercarrier Compensation Reform

The FCC's efforts to reform universal service are best served by taking simple steps to ensure that ICC is not a "moving target." Instead, the FCC should establish a solid foundation for ICC, and then determine how those ICC revenues might be incorporated within broader efforts at universal service reform.

1. Each carrier should be given the option to cap its interstate switched access rates and then unify its interstate and intrastate switched access rates during an appropriate transition period.
2. Those carriers opting for capped and unified rates would recover the resulting reductions in ICC through a combination of reasonable end-user rates and incremental federal universal service support.
3. Reasonable end-user rates would be determined via a federal benchmark that includes actual service rates, interstate and intrastate subscriber line charges, intrastate universal service support, and mandatory extended area charges.
4. The FCC should act now on discrete ICC issues, the resolution of which can serve as a prelude to comprehensive reform.

Action on these ICC framework items will provide momentum for further reform, increase provider stability by enabling appropriate cost recovery, and help in determining more precisely the amount of any additional cost support that may be required to support specific broadband availability objectives.

The FCC could revisit this reformed ICC regime once a new universal service system is developed and implemented to determine whether further ICC changes are needed to achieve longer-term universal service objectives.

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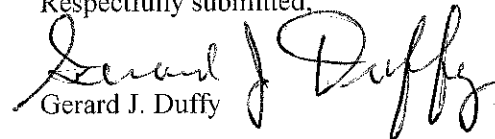
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cc: Bradley Gillen  
Henry Gola



INDEPENDENT TELEPHONE &  
TELECOMMUNICATIONS ALLIANCE



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