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

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	

COMMENTS OF THE UNITED STATES TELECOM ASSOCIATION

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SUMMARY

Preserving the federal universal service fund so that ETCs can invest in critical infrastructure capable of providing widely affordable services is of utmost importance. To ensure preservation of the universal service fund, support must be for all lines and must be based on the embedded costs[1] of ILECs' networks.[2] In addition, a strengthening of the ETC-designation process is essential. Using universal service to foster competition in high-cost areas to the detriment of supporting investment in critical telecommunications infrastructure in those areas and recovering the embedded costs of networks providing services is not in keeping with the principles of section 254 of the Telecommunications Act of 1996 and jeopardizes the future of the universal service fund. States continue to grant multiple carriers competitive ETC status without determining whether the benefits of multiple ETCs outweigh the costs, and competitive ETCs claim universal service support in leaps and bounds, putting undue burden on universal service support mechanisms. To alleviate the growing burden on universal service support mechanisms, states must be guided in their public-interest determinations. They must perform cost-benefit analyses to determine whether the public interest benefits from supporting multiple carriers exceed the cost of supporting multiple networks. To the extent that they want to designate multiple ETCs, states should be required to help fund them. It is difficult to see how the principles of section 254 can endure without shifting some of the burden of universal service support onto states. Increased competition

[1] *See infra* p. 7 and note 15.
[2] *See infra* p. 7 and note 16.

cannot come at the expense of preservation and advancement of universal service support mechanisms.

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Through the undersigned and pursuant to Section Rules 1.415 and 1.419,[3] of the rules of the Federal Communications Commission (FCC), the United States Telecom Association (USTA)[4] hereby submits comments in the docket referenced above regarding the FCC's rules relating to high-cost universal service support and the eligible telecommunications carrier (ETC) designation process.

I. INTRODUCTION

A. Preserving and Advancing Federal Universal Service Fund Support to Telecommunications Carriers is of Paramount Importance.

USTA reminds the FCC that in Section 254(b) of the Telecommunications Act of 1996 (the Act), Congress directed the FCC to establish "specific, predictable and sufficient State and Federal mechanisms to preserve and advance universal service"[5] that neither unfairly advantage or disadvantage particular service providers or technologies[6]

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[3] 47 C.F.R. §§ 1.415 and 1.419.
[4] USTA is the nation's oldest trade organization for the local exchange carrier industry. USTA's carrier members provide a full array of voice, data, and video services over wireline and wireless networks.
[5] 47 U.S.C. § 254(b)(5).
[6] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd. 8776, 8801, ¶¶ 46-48. Section 254(b)(7) of the Act allows the FCC

so that consumers in all regions of the nation could have access to telecommunications services "reasonably comparable" to services provided in urban areas available at rates "reasonably comparable" to rates charged for similar services in urban areas.[7] Any review of the FCC's rules regarding high-cost universal service support must be guided by these principles.

USTA believes that preserving and advancing federal universal service fund (USF) support to telecommunications carriers is of paramount importance. USF support is a cost-recovery mechanism that is necessary to keep telephone rates in high-cost areas comparable to rates in other parts of the country and, thus, widely affordable. To that end, all ETCs must be able to provide critical infrastructure capable of providing qualifying services that are reasonably comparable to those services provided in non-high-cost areas at reasonably comparable rates.

B. ETC Designations that do not Serve the Public Interest Threaten the Future of USF Support.

Telecommunications carriers must be designated as ETCs in order to receive high-cost USF support. Section 214(e) of the Act requires that before designating additional ETCs for an area served by a rural telephone company, states and the FCC, as applicable, must find that the designation is in the public interest. Increasingly, however, state public utility commissions are granting ETC designations regardless of whether these designations serve the public interest. The increasing number of ETC designations

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to add to the list of universal service principles such other principles as it determines necessary and appropriate for the protection of the public interest. *See* 47 U.S.C. § 254(b)(7).

[7] *Id*. at § 254(b)(3).

has raised concerns about excessive growth of the USF,[8] which threatens the sustainability of universal service and increases the cost of telephone service for contributing consumers, and has prompted the FCC to review its rules regarding high-cost support to competitive ETCs.

The certification of competitive ETCs by state commissions and the FCC, and the subsequent diversion of USF support to competitive ETCs, in areas served by rural telephone companies appears to have become a public interest goal unto itself. In recent state commission and FCC certification decisions, the goal of facilitating competition in rural telephone company service areas has eclipsed all other public interest considerations.[9] Section 254(b) of the Act identifies six specific universal service principles that are to guide the Federal-State Joint Board on Universal Service (Joint Board) and the FCC in setting universal service policies. Nowhere among these principles is there the goal of facilitating competitive entry in rural telephone company service areas through the dispensing of USF support to competitive ETCs. Section 254(b) of the Act states that the Joint Board and the FCC shall base policies for the preservation and advancement of universal service on the following principles: (1) quality and rates, (2) access to advanced services, (3) access in rural high cost areas, (4) equitable and nondiscriminatory contributions, (5) specific and predictable support

[8] *See* Kathleen Q. Abernathy, Written Statement of Kathleen Q. Abernathy, Commissioner, Federal Communications Commission, on Preserving and Advancing Universal Service Before the United States Senate Committee on Commerce, Science and Transportation Subcommittee on Communications (April 2, 2003) at 3. Commissioner Abernathy states that competitive ETCs received approximately $14,000,000 in high-cost support in the fourth quarter of 2002, which was seven times higher than the support they received in the first quarter of 2001.
[9] *See infra* pp. 12-13and note 30.

mechanisms, (6) and access to advanced telecommunications services for schools, health care and libraries.[10] Section 254(b) does not list facilitating competition as a principle. A seventh principle allows for "[s]uch other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act."[11] USTA submits that the facilitation of competition in areas served by rural telephone companies is not necessary for the protection of the public interest in ensuring that those rural, insular, high-cost areas 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.[12]

USF support should not be offered as an inducement to competitive ETCs to compete in rural telephone company service areas. This is not to say that competition and customer choice in rural telephone company service areas are inappropriate public interest goals. Nonetheless, state commissions and the FCC should not use USF support as leverage for competitive entry of multiple ETCs into rural telephone company service areas. If state commissions want to encourage competitive ETCs to enter rural areas, they should support such entry through state-funded universal service programs. Unnecessarily increasing the costs to the USF to spur rural competition runs counter to the Act's mandate to adopt policies that preserve universal service.

[10] 47 U.S.C. §§ 254(b)(1) - 254(b)(5).
[11] *Id*. at § 254(b)(7).

C. USTA has Three Recommendations for Preserving and Advancing USF Support.

In order to preserve and advance USF support, the FCC's rules should ensure (1) that USF support is used to support all lines, not just primary lines, (2) that qualifying ETCs in high-cost areas served by a rural incumbent local exchange carrier (ILEC) receive support based on the total embedded costs[13] of the ILEC network providing USF-eligible services,[14] and (3) that state public utility commissions show that the public interest benefits from supporting multiple carriers exceed the cost of supporting multiple networks before granting multiple ETC designations and are required to help fund USF support to competitive ETCs.

II. DISCUSSION

A. Universal Service Support Should Continue to be Provided for all Lines in High-Cost Areas.

The FCC seeks comment on whether the goals of section 254 of the Act would be better served if USF support were limited to a single connection to the residential or single-line business end-user – whether provided by the incumbent or a competitive ETC. USTA believes that support should not be limited to the primary line.

Current FCC rules provide support for all lines in high-cost areas served by rural carriers. Elimination of this support would have many ill effects on residential and business customers in high-cost areas, just a few of which are as follows. First, limiting USF support to single lines would violate the principles of section 254(b) of the Act by denying business and residential consumers in high-cost areas access to services and rates

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[12] *Id*. at § 254(b)(3).
[13] *See infra* p. 7 and note 15.

that are reasonably comparable to those of their urban counterparts. Urban consumers would have access to as many affordable lines as needed, but consumers in high-cost areas would have access to only one affordable line. (If non-primary lines were not eligible for USF support, the price of those lines would increase to a level in many high-cost areas that would not be comparable to rates in urban areas.) This would be especially burdensome for small businesses in high-cost areas because few businesses can function using only a single telephone line. Most businesses in rural areas are not big businesses. They are smaller businesses that have generally fewer than five telephone lines. If these small businesses are forced to pay higher rates for their telecommunications services in rural areas than they would pay in urban areas, these businesses, which are important to their communities, will be tempted to move to urban, lower-cost areas where they can better manage their operating costs. In other words, the higher the costs of doing business are in rural areas, the greater the disincentive will be for businesses to invest in those areas. This will stifle economic development in high-cost rural areas. Second, limiting support to a single connection would mean ILECs would have to try to determine whether residences have multiple connections (which may be from multiple providers), which would increase their administrative burdens considerably and may not be operationally feasible. Third, if their support were eliminated, ILECs would have little incentive to install sufficient facilities to accommodate second lines.

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[14] *See infra* p. 7 and note 16.

B. Support in High-Cost Areas Served by Rural ILECs Should Continue to be Determined Based on ILECs' Costs.

Currently, support for all ETCs in high-cost areas served by rural ILECs is determined based on rural ILECs' costs.[15] USTA believes that USF support should continue to be used to recover the embedded costs[16] of rural ILEC networks (not lines or services) providing USF-eligible services.[17] Using ILEC costs as the basis of support is the most viable method at this time. Because the regulatory reporting requirements vary significantly between ILECs and competitive ETCs, it may be difficult for competitive ETCs to report their own cost data in a manner similar to the method used by ILECs, and it may be impractical to base the level of USF service support on each carrier's individual costs. Using ILECs' existing costs is a time-tested method proven to ensure ubiquitous service in rural areas whereas alternative methods are untested and have unknown results. Furthermore, as the carrier of last resort, an ILEC must provide service on demand. For this reason alone, it is appropriate to base the level of USF support on ILEC costs.

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[15] USTA believes that high-cost areas served by both rural and non-rural ILECs should be based on the cost of ILEC networks. While recognizing that there might be a number of hurdles to changing the non-rural fund as it operates today, USTA sees no basis under section 254 of the Act for distinguishing between rural and non-rural areas.
[16] In some states, carriers use the word "actual," in others, "embedded" to describe network costs. For purposes of this filing, the words "embedded" and "actual" are interchangeable.
[17] If an ETC loses a line but is still expected to maintain the lost line as readily available to provide service because of a carrier of last resort obligation, then USF support must continue to the entire support of the ETC's network.

C. Standards for ETC Designations must be Strengthened.

1. Competition and line growth

Increasingly, wireless carriers are receiving ETC designation and drawing USF support. According to the Federal-State Joint Board on Universal Service, "during 2002 new wireless carriers have qualified as ETCs and high-cost support for wireless carriers has more than quadrupled to $64.4 million on an annual basis."[18] In addition to new wireless carriers qualifying for support, a number of established wireless carriers are reporting more and more USF loops. For example, Western Wireless Corporation (Western Wireless) recently reported an increase in USF-eligible loops from 1,377 to 54,345 between the fourth quarter of 2002 and the first quarter of 2003.[19] Despite these large increases in the number of wireless loops receiving USF support, ILECs, rather than wireless carriers, are the carriers providing carrier-of-last-resort service to rural areas. In order to gain USF support, ILECs must thoroughly document the costs of their telecommunications infrastructure, promise to deliver a specified list of services, and, most importantly, continue to fulfill regulatory, public safety, and national security obligations and expectations. So while ILECs receive USF support as a cost-recovery mechanism, others are receiving USF support regardless of whether they fulfill the obligation of being a critical infrastructure provider in a particular area.

[18] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 03J-2, Recommended Decision (rel. Apr. 2, 2003) at ¶ 84. The data does not distinguish between high-cost USF support received by rural and non-rural wireless carriers in high-cost areas, but there is no reason to believe that increases in support to rural carriers is any less than increases in support to non-rural carriers.

The FCC has raised the concern that excessive growth in the universal service fund will result if incumbent rural carriers lose a significant number of lines to competitive ETCs and asks whether it should freeze per-line support amounts available to rural ILECs and competitive ETCs. This question arises from the concern that competitive ETCs will capture more and more lines from ILECs, which would reduce the number of lines in a study area, thereby increasing the cost and USF support per line. This problem has not occurred to a degree that would warrant a freeze on per-line support. While Universal Service Administrative Company (USAC)[20] data shows a precipitous increase in wireless loops qualifying for high-cost USF support between 2001 and 2002,[21] it also shows a stable, small percentage increase in local exchange carrier (LEC) loops during the same period. USAC's 2001 annual report shows disbursements to cellular/pcs providers qualifying for high-cost support at $13,927,000.[22] This amount increased to $44,808,000 in high-cost areas according to the 2002 annual report.[23] The disbursements to LECs qualifying for high-cost support were $2,585,316,000 in 2001[24] and $2,930,209,000 in 2002.[25] This increase in wireless loops may be attributable to substitution in some areas – especially for toll calls for which wireless carriers offer buckets of minutes for any distance at flat-rates, but the steady growth of wireline service

[19] Western Wireless Corporation Form 10-Q For the Quarterly Period Ended September 30, 2002, SEC File No. 000-28160 (Nov 14, 2002).
[20] USAC administers the federal universal service fund.
[21] The data does not distinguish between high-cost USF support received by rural and non-rural wireless carriers in high-cost areas, but there is no reason to believe that increases in support to rural carriers is any less than increases in support to non-rural carriers.
[22] USAC 2001 Ann. Rep. app. B.
[23] USAC 2002 Ann. Rep. app. B.
[24] USAC 2001 Ann. Rep. app. B.

indicates that wireless service is purchased largely in addition to, rather than as a substitute for, wireline service in many areas.[26] Therefore, a freeze is not warranted.

2. ETC designations for purposes of competition

States focused on increasing competition in high-cost areas are conferring ETC status regardless of the detrimental effect their decisions ultimately might have on universal service, and wireless carriers are increasingly seeking USF support, as is their right once they are qualified as ETCs. Although increasing competition may be a worthy goal, increasing competition in high-cost areas is not a goal to be achieved at the expense of investment in critical telecommunications infrastructure capable of providing service at affordable rates. Furthermore, as discussed above, competition is not a goal found in section 254(b) of the Act. While the FCC has adopted competition as a goal, it must nonetheless follow the requirements of the Act. Clearly, Congress anticipated that in some high-cost areas, support of multiple ETCs would not be in the public interest. This can be seen in the way Congress treated the designation of multiple ETCs for rural and non-rural service areas in section 214(e)(2) of the Act.[27] Section 214(e) provides that state public utility commissions "may" designate more than one ETC for receipt of USF support in areas served by a rural telephone company. It does not say, as it does for areas served by a non-rural telephone company that state commissions "shall" designate more

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[25] USAC 2002 Ann. Rep. app. B.

[26] The FCC has requested data regarding the extent to which wireless service is used in addition to wireline service in high-cost areas. The extent to which this has occurred is difficult to assess because only aggregated data is available to USTA members. More and more customers are purchasing wireless service, but it is impossible for USTA to say what percentage of these customers have only wireless service due to the difficulty of separating statistical data regarding wireless and wireline service.

[27] 47 U.S.C. § 214(e)(2).

than one ETC.[28] If Congress had intended for there to be multiple ETCs in all high-cost areas served by rural ILECs, it would have mandated it as it did for high-cost areas served by non-rural ILECs.

In furtherance of the goal of ensuring reasonable comparability of services and rates, ETC eligibility requirements should be strengthened to keep the overall size of the universal service fund reasonable by limiting the number of carriers eligible to receive funding in rural areas. ETC status should not be granted on the basis that it will promote competition, unless the increased competition can be shown to promote universal service. Commissioner Adelstein explained the importance of doing such a cost-benefit analysis in his February speech to the National Association of Regulatory Utility Commissioners:

> We also must remember the public interest in the ETC process. At the very least, we must ask whether granting ETC status to a competitive carrier will bring benefits to a community that it does not already have and what effect it will have on the overall size of the fund, and thus on the consumers' bills. So, a threshold question is, does the benefit to the consumer outweigh the ultimate burden on the consumer? Although our decisions regarding access to funding must be competitively and thus technologically neutral, we cannot be neutral when it comes to the protection of the public interest. And I'm concerned that we haven't been careful enough in ensuring that end users are not ultimately paying extra for forced or artificial competition.
>
> I view the Act as ensuring that all Americans, both urban and rural, receive access to the best network in the world at reasonable and affordable rates. There are two ways to get there: universal service and the competitive marketplace. We should not advance one to the detriment of the other.[29]

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[28] *Id*.
[29] Jonathan S. Adelstein, Remarks of Jonathan S. Adelstein, Commissioner, Federal Communications Commission, Before the National Association of Regulatory Utility Commissioners (Feb. 25, 2003) at 3.

The Act does not set forth criteria state commissions must consider in deciding whether the public interest is met by the designation of an additional ETC, and the result is poor public-interest determinations by states. A recent order by the Washington Utilities and Transportation Commission (the Washington Commission) illustrates the need for specific guidelines regarding what serves the public interest.[30] The order was the result of a petition by United States Cellular Corporation (U.S. Cellular) to amend its designation as an ETC to add 72 additional exchanges. Several rural telephone companies objected to U.S. Cellular's petition, stating that U.S. Cellular failed to show it had coverage throughout the 72 exchanges, that it failed to show how a customer would benefit if U.S. Cellular were to draw USF support, that it failed to provide information about its services and rate packages, and that it failed to show how it would preserve and advance universal service as required by sections 214(e) and 254 of the Act. U.S. Cellular opined that competition alone is sufficient to find that its petition is in the public interest. The Washington Commission granted U.S. Cellular's petition, agreeing that increased competition may be sufficient to meet the public interest standard.[31] In a dissenting opinion, Commissioner William R. Gillis suggested that there must be an appropriate public interest standard for multiple ETC designations in areas served by rural telephone companies and that the standard should at least in part include an

[30] *In the Matter of the Petition of USOC of Washington RSA-4, Inc.; Western Sub-RSA Ltd. Partnership; McDaniel Cellular Telephone Company; Oregon RSA No. 2 Limited Partnership; United States Cellular Operating Co. of Richland; Yakima, Washington MSA Limited Partnership for Designation as Eligible Telecommunications Carriers*, Third Supplemental Order Granting Petition for Designation as Eligible Telecommunications Carrier, Docket No. UT-970345 (Jan. 2000) (Washington Order).
[31] Washington Order at ¶ 30. The Supreme Court of Washington upheld this decision in an opinion released on March 20, 2003, in docket no. 72428-8.

assessment of how the award of multiple ETC status in a given rural telephone company exchange would impact the preservation and advancement of universal service.[32] Congress gave state commissions the specific responsibility to evaluate the public interest, he said, because states are in the best position to evaluate unique local circumstances that may have implications for universal service.[33]

3. Guiding principles

To help improve the decision-making process of state public utility commissions, the FCC should establish public interest principles to guide state commissions in determining whether to designate additional ETCs in the same service area. Primarily, state public utility commissions granting ETC status must be guided by the over-arching principle that the public interest is served only when benefits to the public from supporting multiple ETCs outweigh the costs of supporting multiple networks, and states must be required to enumerate the benefits. Specifically, a cost-benefit analysis should weigh such factors as impact on the size of the universal service fund and whether a second ETC could serve the entire service area were the original ETC to relinquish its universal service obligations. Second, a carrier should be required to demonstrate that it is financially stable before it can be certified as an ETC. States should review a carrier's financial statements and access to lines of credit and such other information necessary to determine whether a carrier has the wherewithal to build out its network and provide service over the long term. It will not serve the public interest if a financially-unsound carrier receives USF support and is unable to achieve long-term profitability sufficient to

[32] *Id*.
[33] *Id*. at ¶ 71.

sustain its operations. Third, an additional factor that ought to be considered when determining whether to confer ETC-designation, is whether a carrier can provide all elements of the current definition of universal and lifeline service, including toll-blocking capabilities, established by the FCC.[34] Fourth, a qualifying carrier must have a published tariff with terms and conditions under which services will be offered and a plan for building out its network once it receives ETC designation and must make demonstrative progress toward achieving its build-out plan in order to retain ETC designation. Fifth, a carrier applying for ETC designation must be ready and able to serve the customers in an area who already have service so that it can serve customers without relying on the ILEC as a carrier of last resort. Sixth, any service quality standards and reporting, rate-notification, and billing requirements established by a state public utility commission for ILECs within a service area should be applied equally to all competitive ETCs in that service area. Finally, ETC designations in rural telephone company service areas should be made at the study areas level (an ILEC's entire service territory in one state). In addition to providing these guidelines, the FCC must remind state utility commissions that they have the authority to de-certify an ETC that fails to meet its continued obligation to serve the public interest, and they must exercise this authority.

4. State support for additional ETCs

If states designate additional ETCs, then they must fund additional support obligations arising from multiple ETCs. This is especially important because states are increasingly designating ETCs as a means of promoting competition in high-cost areas.

[34] Any waivers of carriers' obligations to provide any elements of universal and lifeline service granted by state public utility commissions should be of limited duration.

Under the current system, states have every incentive to designate additional ETCs because they have no responsibility for raising the USF support that they distribute. The only way to incentivize states to make reasoned public interest findings before designating additional ETCs, is to require them to bear some of the costs of their decisions.

D. The FCC Requested Comment on Other Issues not Addressed Above.

1. Capping support

The FCC has asked whether support available to competitive ETCs in high-cost areas should be capped. USTA currently does not support a cap or limit on the overall federal universal service fund. Section 254 of the Act does not countenance a cap. Section 254 provides that USF mechanisms should be specific, predictable, and sufficient.[35] If a cap were implemented, the pool of funding would be divided up between competitive ETCs so that the fund might no longer be sufficient.

2. Determining the location of lines served by wireless providers

The FCC has asked for comments regarding the best method for determining the location of lines served by wireless providers. This is an important issue because if a carrier using wireless mobile technologies is designated as an ETC in an area served by a rural ILEC, the wireless customer's location can be misused to obtain USF support. The Rural Task Force recognized this in the Rural Task Force Order, saying, "the use of any location address could allow arbitrage of the universal service support system."[36] Currently, competitive ETCs using wireless service are supposed to use the customer's

[35] 47 U.S.C. § 254(b)(5).

billing address to identify the service location of the wireless customer. USTA maintains that the location of a wireless ETC customer should be based on the rate center of the NXX of a customer's telephone number, unless the service area of the NXX has been disaggregated, in which case, the customer's billing address should be used. This is consistent with the recommendation of the Rural Task Force.[37]

The issue of how loops are reported by wireless carriers merits scrutiny and clarification. As noted above, Western Wireless recently reported an increase in the number of USF loops from 1,377 to 54,345 during one quarter. There appear to be only three possible explanations for such a precipitous increase in loops: either (1) Western Wireless has experienced a sudden ballooning in new customer subscriptions in a high-cost area, (2) it has changed the way it reports loops, or (3) it reported its loops incorrectly. Similarly, a close look at U.S. Cellular's reported lines in the Toledo, Ohio exchange show that at one point, U.S. Cellular was drawing more USF support in the Toledo exchange than was the incumbent Toledo Telephone Company.[38] U.S. Cellular's

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[36] *Federal-State Joint Board on Universal Service*, CC docket No. 96-45, FCC 00J-4, Recommended Decision (rel. Dec. 22, 2000) (Rural Task Force Order) at 39.

[37] Rural Task Force Order at 38. The Rural Task force recommends that wireless carriers use the customer's residential or business location as the basis for determining in which disaggregation zone the customer resides for purposes of universal support implementation.

[38] *Compare USAC Washington State 2001 1st Quarter Rural Carrier Targeted Universal Service High Cost Support*, app. HC03 at 6, *USAC Washington State 2001 2nd Quarter Rural Carrier Targeted Universal Service High Cost Support,* app. HC03 at 13, *USAC Washington State 2001 3rd Quarter Rural Carrier Targeted Universal Service High Cost Support,* app. HC03 at 20, and *USAC Washington State 2001 4th Quarter Rural Carrier Targeted Universal Service High Cost Support,* app. HC03 at 7 for U.S. Cellular with *USAC High Cost Fund Support by Study Area First Quarter 2001*, app. HC01 at 30, *USAC High Cost Fund Support by Study Area Second Quarter 2001*, app. HC01 at 30, *USAC High Cost Fund Support by Study Area Third Quarter 2001*, app.HC01 at 29, and *USAC High Cost Fund Support by Study Area Fourth Quarter 2001*, app. HC01 at 29 for

reported lines are now down significantly from previous quarters. For example, the number of lines it reported for the second quarter of 2003 was down almost 40 percent from the number of lines reported in the third quarter of 2001,[39] which suggests that U.S. Cellular has changed the way it reports lines. Given the increasing pressure on the USF, dramatic changes in the reported number of loops for a carrier bear further scrutiny whenever they occur.

3. Number of connections

The FCC asked commenters to provide data on the number of telephone connections in high-cost areas and to indicate the type of technological platform providing telephone connections. As shown above, USF support for wireless loops has increased dramatically. We know that broadband is quickly penetrating the consumer market. We are seeing the emergence of Internet Protocol telephony as an alternative to circuit switched voice telephony and increased use of Wi-Fi, also known as 802.11(b) service, which some see capable of replacing wireline voice and data networks. It is difficult for ILECs to provide data regarding the penetration of these technological platforms providing telephone connections. ILECs face substantial difficulties in collecting data on the number of connections in high-cost areas. The FCC is probably

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Toledo Telephone Company (Toledo Telephone) in the Toledo, Washington Exchange. In 2001, U.S. Cellular, received USF support totaling $1,876,500 while Toledo Telephone received a total of $1,573,509 in the Toledo, Washington Exchange. In the third and fourth quarters of 2001, U.S. Cellular reported 2,245 lines while Toledo Telephone reported 2085 in the Toledo, Washington Exchange.

[39] *Compare USAC Washington State 2001 3rd Quarter Rural Carrier Targeted Universal Service High Cost Report*, app. HC03 at 20 with USAC Washington State 2003 1st Quarter *Rural Carrier Targeted Universal Service High Cost Report,* app. HC03 at 6. In the Third Quarter of 2001, U.S. Cellular reported 1,685 lines for in the Toledo,

better positioned to obtain this information since it would largely come from ILECs' competitors.

III. CONCLUSION

For the foregoing reasons, USTA urges the FCC to require that universal service funds are used to support all lines, that USF support is based on the embedded costs of the ILEC network, that state public utility commissions perform cost-benefit analyses before designating multiple ETCs, and that states help fund USF support obligations arising from multiple ETCs.

Respectfully submitted,

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May 5, 2003

Washington Exchange. In the First Quarter of 2003, U.S. Cellular reported the number of lines for the same exchange as 1,046.

CERTIFICATE OF SERVICE

I hereby certify that a copy of Comments of the United States Telecom Association was served on this 5th day of May 2003 by electronic delivery or first class, postage prepaid mail to the persons listed below.

By: ________________________
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