

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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service) DA 98-2410
Second Recommended Decision)

REPLY COMMENTS

BellSouth Corporation, on behalf of itself and its subsidiaries ("BellSouth"), hereby submits its Reply Comments on the Federal-State Joint Board's *Second Recommended Decision*.¹

1. The task before the Commission is to establish a universal service fund that ensures consumers in high cost areas have access to telecommunications services that are affordable. In meeting its obligations, the Commission is required by the Communications Act to make universal service support explicit.

2. The Joint Board's *Second Recommended Decision* would be a starting point for creating an explicit federal support mechanism. The Joint Board recommends a high cost fund based on a cost benchmark coupled with a save harmless feature to assure that states do not receive less support under the new universal service fund. The *Second Recommended Decision* does not address, however, existing implicit support that is contained in interstate access charges.

¹ *In the Matter of Federal-State Joint Board on Universal Service, Second Recommended Decision*, CC Docket No. 96-45, FCC 98J-7 (rel. November 25, 1998) ("*Second Recommended Decision*").

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Instead, the Joint Board concludes that it is within the Commission’s jurisdiction and, thus, the Commission’s responsibility to take action and make such support explicit.²

3. It is not enough, then, for the Commission just to act on the Joint Board’s *Second Recommended Decision* because that decision does not resolve a critical, outstanding universal service issue—existing implicit support. Interstate access charges historically have supported universal service and enabled state commissions to keep local rates affordable. Since the Commission and the Joint Board began their review of universal service, this source of universal support has not been adequately addressed. BellSouth and others, in their comments on the *Second Recommended Decision*, have urged the Commission to take the steps necessary to remove the existing implicit support present in access charges.³ As BellSouth discussed in its Comments, quickly and correctly addressing the implicit support in interstate access charges would enable the Commission to effectuate a substantial reduction in interstate access charges and create a more rational, efficient and fair interstate cost recovery mechanism.⁴

4. While the reformation of existing implicit interstate universal service support to explicit support falls to the Commission to conclude, the state commissions have the responsibility of addressing implicit support embedded in intrastate rates. It is in this way, as the Joint Board points out, that the Commission shares responsibility for the preservation of universal service with the states.

² *Second Recommended Decision* ¶ 23.

³ See e.g., SBC at 3; USTA at 4; and US West at 10.

⁴ BellSouth at 3.

5. In a competitive environment, universal service cannot be sustained if it remains dependent upon implicit support. The competitive forces that require a change from implicit support to explicit support transcend jurisdictional boundaries. The impact of the steps the Commission takes to meet its responsibilities under the Communications Act could be dulled if similar steps are not taken to address the existing intrastate implicit support. For this reason, BellSouth urges the Commission to encourage the states to put into place explicit intrastate universal service funds.

6. The establishment of an explicit universal service fund necessitates a contribution mechanism that is nondiscriminatory and equitable. Several parties, including BellSouth, support the Joint Board's recommendation that interstate and intrastate retail revenues be used for the purpose of determining a carrier's contribution to the universal service fund.⁵ Using combined interstate and intrastate revenues for determining contributions to the universal service fund recognizes the fact that clear-cut distinctions between interstate and intrastate revenues are disappearing. Combined interstate and intrastate revenues, in these circumstances, avoid the need for determining and implementing methods for allocating revenues to jurisdictions.

7. The difficulties associated with tracking interstate revenues alone and the benefits to be gained by the use of combined revenues is illustrated by the Commission's ongoing rulemaking to establish guidelines for wireless and other carriers that do not have the capability

⁵ See *e.g.*, BellSouth at 9; GSA at 6; AT&T at 6; US West at 15; and USTA at 11.

to determine revenues by jurisdiction.⁶ If the Commission were to adopt a universal service contribution mechanism based on both interstate and intrastate revenues, such contribution factor would obviate the need for any further consideration of a substantial portion of the issues in the *FNPRM*, saving the Commission considerable time, effort and resources.

8. A contribution mechanism based on total retail revenues provides the most equitable and competitively neutral means available for determining a carrier's contribution to the universal service fund. It fulfills the statutory requirements without imposing unnecessary and burdensome requirements on some contributors. The evenhandedness of such a contribution mechanism represents a compelling reason for its adoption.

There is still much to be done to complete the initial work on universal service. Acting on the Joint Board recommendations, in a manner consistent with that suggested by BellSouth, represents an initial step that must be quickly followed by Commission action on implicit

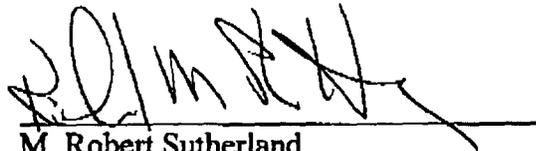
⁶ *In the matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Memorandum Opinion and Order and Further Notice of Proposed Rulemaking*, FCC 98-278 (rel. October 26, 1998) ("*FNPRM*").

subsidies. It is only in this way that the statutory goal of preserving universal service can be accomplished.

Respectfully submitted,

BELLSOUTH CORPORATION

By:

A handwritten signature in black ink, appearing to be "M. Robert Sutherland" and "Richard M. Sbaratta", written over a horizontal line.

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CERTIFICATE OF SERVICE

I do hereby certify that I have this 13th day of January 1999 served the following parties to this action with a copy of the foregoing **REPLY COMMENTS** by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.



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