

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)
Universal Service)
)
)
Forward-Looking Mechanism)
For High Cost Support for)
Non-Rural LECs)

CC Docket No. 96-45

CC Docket No. 97-160

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby submits its replies to the comments on the Petitions for Reconsideration of the Commission's *Tenth Report and Order*¹ in the above-captioned matter.

The flawed arguments and pervasive inconsistencies which together comprise AT&T's petition for reconsideration of the *Tenth Report and Order* have been thoroughly exposed by the oppositions filed on February 7, 2000.² Sprint will not, therefore, spend time here repeating arguments adequately put forth by those comments. Sprint must, however, address the argument proffered by MCI/WorldCom, Inc. ("MCI/W") suggesting that nationwide inputs would better reflect economic costs than do individual company inputs.

¹ *In the Matter of Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45, 97-160, Tenth Report and Order rel. November 2, 1999. ("*Tenth Report and Order*".)

² See, for example, the opposition comments submitted on behalf of GTE Service Corporation, US WEST Communications, Inc., BellSouth Corporation, and Bell Atlantic.

MCI/W's argument in support of one set of national inputs is summarized on page 8 of its February 7, 2000 pleading. There, MCI/W professes its belief that "[A] rightly sized universal service support fund should support only economically *efficient* costs... Nation-wide input values provide a better estimate of an efficient carrier's practice than do individual company values." (Emphasis added). MCI/W mistakenly associates nationwide average values with efficiency, suggesting that somehow company-specific inputs reflect inefficiencies. Sprint disagrees.³ Specifically, Sprint has provided evidence to the Commission demonstrating that bargaining power, volume purchase discounts, and other scale-related factors will determine the prices for inputs paid by *any* efficient provider.⁴ The Commission clearly agrees with this observation since it has explicitly acknowledged the "superior bargaining power"⁵ of the RBOCs, and adjusted input prices accordingly to reflect this large-scale phenomenon.

A close reading of the Commission's rationale for choosing to employ nationwide inputs reveals that its decision was not primarily driven by concerns that company-specific inputs would provide less than accurate estimates of the costs of an efficient provider. Rather, in the *Tenth Report and Order*, the Commission made clear that its judgment was based on a belief that company-specific inputs would be unwieldy to administer. Specifically, the

³ Along these same lines, Sprint also notes that, in its continued support of company-specific (or region-specific) inputs, it has consistently supported the use of forward-looking economic costs and has never advocated the use of historic or embedded costs as inputs to the model. Consequently, any suggestion that company-specific inputs are nothing but a substitute for historical costs is clearly erroneous.

⁴ See, Sprint's comments filed July 23, 1999 in this same docket.

⁵ See, *Further Notice of Proposed Rulemaking* issued in this docket on May 28, 1999, at paragraph 78.

Commission found that: "... it would be administratively unworkable to use company-specific values in the nationwide model... We note that for most inputs we have no means of adopting company-specific input values..."⁶. In summing up its decision, the Commission stated that "[W]hile reliance on company-specific data may be appropriate in other contexts, we find that for federal universal service support purposes, it would be administratively unmanageable and inappropriate."⁷ Clearly, the Commission's primary concern is ease of administration, not some general apprehension regarding the concept of multiple input sets. This point is evidenced by the Commission's later conclusion that, for certain inputs such as plant mix, it believes that "... varying plant mix by state, study area, or region of the country may more accurately reflect variations in forward-looking costs and [we] intend to seek further comments on this issue in the future of the model proceeding."⁸

Sprint has consistently maintained that, in addition to reflecting legitimate differences in the scale of an efficient provider, company-specific inputs are the best representative of regional cost variations. In its July 23, 1999 comments in this matter, Sprint noted that inputs will vary simply because of regional differences (climate, topographical features, etc.). As a consequence, it is necessary to turn to the actual experiences of local exchange companies operating in a given region, which reflect the conditions under which any efficient provider will operate. MCI/W has ignored this fact.

Finally, Sprint wishes to stress again that the Commission's opinion regarding the use of company-specific inputs was obviously influenced by an anticipated administrative burden. The Commission did not dismiss the use of company-specific inputs as inappropriate for all purposes, nor did it make the connection between company-specific

⁶ See, *Tenth Report and Order*, at paragraph 32

⁷ *Id.*, at paragraph 92.

⁸ *Id.*, at paragraph 93.

inputs and inefficiency that MCI/W attempts to make. Instead, in crafting its decision on this issue, the Commission was careful to state that "... it may not be appropriate to use nationwide values for other purposes, such as determining prices for unbundled network elements."⁹ Sprint agrees.

Consequently, Sprint continues to advocate the use of company-specific inputs. It encourages the Commission to continue to investigate the possibility of using multiple input sets rather than relying solely on a single set of nationwide, RBOC-biased inputs; inputs that do not reflect legitimate regional differences nor accurately produce the costs of an efficient provider of Sprint's scale, volume and scope.

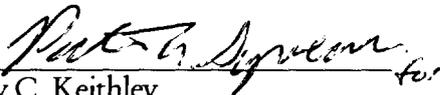
CONCLUSION

The single overriding principle behind universal service support is this – rural areas are more costly to serve than urban areas. It is antithetical to this very basic principle to suggest, therefore, that a single set of national input values can adequately predict the cost of service in all areas of the country. As AT&T has done in the past, MCI/W attempts to dismiss the unavoidable cost differences that result from the extreme differences in company size and serving territories as nothing but inefficiencies. As Sprint has demonstrated time and again, these cost differences are real; they will be experienced by efficient providers of all

⁹ *Id.*, at paragraph 32.

sizes in all regions. The administrative ease associated with the use of national inputs does not obscure these very real and dramatic variations in market conditions. For all of these reasons, the Commission should reject MCI/W's arguments.

Respectfully submitted,
SPRINT CORPORATION

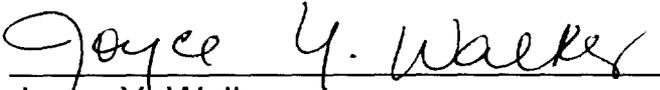
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February 17, 2000

CERTIFICATE OF SERVICE

I, Joyce Y. Walker, hereby certify that I have on this 17th day of February, 2000, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing letter, "In the Matter of Federal-State Joint Board on Universal Service, Forward-Looking Mechanism For High Cost Support for Non-Rural LECs", CC Docket Nos. 96-45 and 97-160, filed this date with the Secretary, Federal Communications Commission, to the persons listed below.


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