

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

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

WORLDCOM, INC. COMMENTS

1. SUMMARY

On June 30, 2000 the Federal-State Joint Board on Universal Service issued a recommended decision regarding the status of Long Term Support (LTS) and interim hold-harmless support excluding LTS for non-rural carriers.¹ Specifically, the Joint Board recommended: 1) that LTS for non-rural carriers be maintained until the Commission considers LTS for rural and rate-of-return regulated carriers; and 2) that the Commission phase down average monthly per line interim hold harmless support by \$1.00 every year beginning January 1, 2001.

¹Federal-State Joint Board on Universal Service, Recommended Decision, (“Joint Board Recommended Decision”), CC Docket No. 96-45, Released June 30, 2000.

WorldCom, Inc. ("WorldCom") takes this opportunity to comment on these Joint Boards recommendations. In evaluating the Joint Board's recommendations, the Commission should recognize that the need for LTS and interim hold-harmless support will be greatly diminished as a result of GTE's purchase of Puerto Rico Telephone Company (PRTC) and the merger of GTE with Bell Atlantic to form Verizon. The economies of scope trumpeted by the merger partners belies the need for special treatment for PRTC.

As a price cap carrier, the merged company will no longer be able to participate in the NECA pool. GTE has failed to offer a reason for PRTC to remain in the NECA pool. Provided the Commission rejects PRTC's waiver request from its commitment to convert to price cap regulation, WorldCom does not oppose the Joint Board's recommendation to maintain LTS for the remaining non-rural carriers until the Commission considers LTS for rural and rate-of-return regulated carriers.

The Joint Board's recommendation to phase down average monthly per line hold-harmless support by \$1 per year will phase out interim support within three years for all companies except PRTC. On the Joint Board's

recommendation, PRTC will receive interim support for 13 years! This is not a prompt phase down as suggested by the Joint Board, and is out of line with other regulatory transition programs. Given that PRTC should become more efficient as a result of its purchase by GTE and the merger of GTE with Bell Atlantic, PRTC should not require any special subsidies once those economies are implemented, a process that should take no longer than 2-3 years. A more reasonable treatment of interim hold harmless support would phase it down by \$1 per year for the first two years, and then phase the remaining amount out equally over the subsequent three years.

II. PRTC IS NOT ENTITLED TO RECEIVE INTERIM LTS

The Joint Board recommends maintaining LTS for Roseville Telephone Company, North State Telephone Company and Puerto Rico Telephone Company, until the Commission reforms LTS in conjunction with high cost reform for rural and rate of return regulated companies.² The primary justification the Joint Board gives for this recommendation

²Id., at ¶ 7.

is that the Commission's new high cost mechanism does not replace LTS for the few non-rural carriers that currently receive LTS. WorldCom has no objection to allowing carriers that remain in the NECA pool to continue to receive LTS, for this reason.

The Joint Board's second rationale for continuing LTS for non-rural carriers is that if LTS revenues were phased out, without simultaneously removing carrier common line (CCL) costs, the CCL rate for these carriers would increase.³ This rationale is valid only for those carriers that legitimately remain in the NECA pool. Such carriers do not have incentives to achieve efficiencies that will reduce their CCL costs. Now that PRTC will become more efficient, in part because it is required to become a price cap carrier and in part because its merger with GTE and now Bell Atlantic, it will not need subsidies to reduce its CCL costs. The Commission has already concluded that "privatization and the implementation of price cap regulation for PRTC after the acquisition are the best means to achieve lower rates."⁴ If the Commission adopts

³Id., at ¶ 9.

⁴GTE/PRTC Order, 14 FCC Rcd at 3133.

the Joint Board's recommendation to continue LTS for non-rural carriers, it should make clear that this decision does nothing to diminish the application of its "all-or-nothing rule," which requires PRTC to convert to price cap regulation no later than March 2, 2000.⁵

III. THE COMMISSION SHOULD ADOPT A PROMPT PHASE DOWN

The Joint Board recommends phasing down interim hold-harmless high cost support for non-rural carriers by an annual \$1.00 per-line/per-month reduction.⁶ The Joint Board claims that this approach would ensure a prompt, equitable phase-down of high cost support for non-rural carriers.⁷ Unfortunately, the Joint Board's approach is neither prompt nor equitable. It will take 13 years to eliminate the discrepancy between forward looking cost estimates of high cost subsidy and the previous methods of calculating high cost subsidies, and discriminates in favor of a single carrier.

⁵47 U.S.C. § 61.41(c)(2).

⁶Joint Board Recommended Decision at ¶ 13.

⁷Id., at ¶ 1.

Thirteen years is an unprecedented amount of time to allow for a transition between two methods of regulation. The usual amount of time the Commission has allowed for a transition between two regulatory regimes is five years. This was the amount of time the Commission allowed for eliminating CCL costs other than universal service, customer premises equipment (CPE) and inside wiring from pooled CCL charges.⁸ This was also the amount of time the Commission established to remove CPE revenues from regulated revenue accounts.⁹ The Commission did grant an eight year period to transition from the frozen subscriber plant factor to a 25 percent basic allocation factor. Initially, the Commission had set a four year transition, but extended it to eight years.¹⁰

The Joint Board does not offer a rationale for a transition period of 13 years. This lengthy transition

⁸In the Matter of MTS and WATS Market Structure, Phase I, CC Docket No. 78-72, FCC 82-579, Released December 22, 1982.

⁹In the Matter of Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, Decision and Order, CC Docket No. 80-286, Released February 24, 1982.

¹⁰In the Matter of MTS and WATS Market Structure; Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, Recommended Decision and Order, Docket No. 80-286, Released November 23, 1984 CC Docket No. 78-72.

period benefits only one company – PRTC. After the four years it takes to transition all other companies to forward looking subsidy estimates, the remaining nine years of hold harmless support to PRTC amounts to \$69 million in transitional support. The unprecedented transition period is neither prompt nor equitable. The Joint Board does not offer any rationale for favoring a single company so extensively. With the merger of PRTC and GTE, and now with Bell Atlantic, PRTC is in a position to enjoy substantial economies, as attested to by Bell Atlantic and GTE in their merger public interest statement.¹¹

¹¹In the Matter of GTE Transferer, Bell Atlantic Transferee, for Consent to Transfer Control, Application for Transfer of Control, Public Interest Statement, October 2, 1998, at 21.

A more prompt and equitable approach would be to limit the transition to five years, the typical amount of time allowed for regulatory transitions. Under this plan, all non-rural carriers would be receiving high cost subsidies on the basis of forward looking estimates by 2005.

WorldCom recommends the Commission phase down interim hold-harmless high cost support for non-rural carriers by an annual \$1.00 per-line/per-month for the first two years, as proposed by the Joint Board. Beginning the third year, the annual reduction would increase to \$3.50 per-line per month. This plan will transition to a forward looking mechanism in a reasonable time frame. It will also be equitable. No company except GTE would be affected by this transition plan.¹² As discussed above, GTE and Bell Atlantic testify that their local companies will benefit from significant overhead efficiencies and investments resulting from their merger. It would be inequitable to permit PRTC to receive special transition treatment more than two years longer than other non-rural carriers.

IV. Conclusion

¹²Attachment 1 below details the impact of WorldCom's proposed plan.

For the reason stated herein, the Commission should
adopt WorldCom's
recommendations.

Respectfully submitted,
WORLD.COM, INC.

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Attachment 1
Transitioning to Forward Looking Subsidy Estimates by 2005

Carrier	Monthly Support / Line		Subsidy Amount				
	USF Loops	Hold Forward Line	2000	2001	2002	2003	2004
P R T C - Central	157,150	12.06 \$-	22,742,748	20,856,948	18,971,148	11,427,948	3,884,748
Gte North Inc - Missouri	128,032	3.26 \$-	5,008,612	3,472,228	1,935,844		
Mountain Bell-Wyoming	240,854	1.95 1.63	5,635,984	2,745,736			
Puerto Rico Tel Co	1,104,583	1.86 \$-	24,654,293	11,399,297			
Contel Of North Carolina Db a Gte No Carolina	128,838	1.5 \$-	2,319,084	773,028			
Contel Missouri Db a Gte Missouri	254,092	1.33 \$-	4,055,308	1,006,204			
Roseville Telephone Company	117,860	1.19 \$-	1,683,041	268,721			
Contel Of Texas Inc Db a Gte Texas	223,738	0.48 \$-	1,288,731				
Mountain Bell-New Mexico	786,574	0.4 \$-	3,775,555				
Gte South Inc - North Carolina	213,319	0.34 \$-	870,342				
Gte Southwest Inc - Oklahoma	118,118	0.3 \$-	425,225				
Southern Bell-Sc	1,467,777	0.28 \$-	4,931,731				
Central Tel Co Of Va	296,809	0.27 \$-	961,661				
Southwestern Bell- Arkansas	979,814	0.27 \$-	3,174,597				
Central Telephone Company Of Texas	210,372	0.24 \$-	605,871				
Gte South Inc - Kentucky	447,238	0.19 0.08	1,019,703				
Gte North Inc-Mi	701,599	0.17 \$-	1,431,262				
Cincinnati Bell-Ky	199,419	0.12 0.04	287,163				
Mountain Bell-Colorado	2,633,542	0.08 \$-	2,528,200				
Contel Of The South Db a Gte South	118,660	\$- 7.79					
Gte And Contel Of Alabama	162,410	\$- 4.02					
South Central Bell-Al	1,965,770	\$- 1.28					
South Central Bell-Ky	1,208,974	\$- 0.07					
New England Tel-Maine	688,700	\$- 1.24					

South Central Bell- Mississippi	1,280,362	\$-	6.42					
Mountain Bell-Montana	358,852	\$-	0.36					
North State Tel Co-Nc	126,149	\$-	\$-					
New England Tel-Vt	339,570	\$-	3.41					
C And P Tel Co Of W Va	824,403	\$-	3.12					
Total	17,483,578			87,399,110	40,522,161	20,906,992	11,427,948	3,884,748
								3,884,7
								48

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on August 14, 2000

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