

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Federal-State Joint Board on)
Universal Service)
)
Petition for Forbearance from)
Enforcement of Sections 54.709 and 54.711)
of the Commission's Rules by)
Operator Communications Inc.)
d/b/a Oncor Communications, Inc.)
)

CC Docket No. 96-45

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

WORLDCOM COMMENTS

WorldCom, Inc. (WorldCom) hereby submits its comments on the Further Notice of Proposed Rulemaking (Further Notice) in the above-captioned proceeding, released October 12, 2000. In the Further Notice, the Commission seeks comment on proposals to modify the Commission's rules relating to contributions to the federal universal service support mechanism.

The Further Notice correctly points out that the existing universal service assessment methodology provides an unfair competitive advantage to new entrants in the long distance market. Because new entrants are not required to make universal service contributions for the first twelve months of operation, new entrants can charge prices that

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are six percent or more below those charged by established carriers¹ -- a price advantage that is purely a regulatory artifact, not a reflection of superior efficiency.

While the reduction or elimination of the twelve month lag between the reporting of revenues and the assessment of contributions would contribute to a more competitively-neutral universal service regime, the Commission should ensure that any new methodology does not increase unduly the reporting requirements or administrative burdens that are placed on carriers. An increase in reporting requirements or administrative burdens would necessarily increase the costs that carriers would recover from their customers.

Given these considerations, WorldCom does not support the Commission's proposal to assess contributions based on current revenues. While the "current revenue" approach is conceptually straightforward, the Further Notice's discussion shows that the actual implementation of the current revenue approach could be administratively complex. Not only would this approach add to carriers' reporting requirements, but it could require "true-ups," mid-quarter contribution factor adjustments, expanded USAC auditing of carrier revenue reports, and the need to reconcile "current revenue" reports with data later reported on Form 499s.²

In contrast, the Commission's alternate proposal to reduce the "lag" between reporting of revenues and assessment of contributions from 12 months to 6 months

¹The current contribution factor is 5.6688 percent of interstate end user revenues. See Public Notice, Proposed Fourth Quarter 2000 Universal Service Contribution Factor, DA 00-2065, released September 8, 2000.

²Further Notice at ¶¶ 15-18.

appears to strike a better balance between the need for a more competitively-neutral assessment mechanism and the need to minimize the burdens on carriers. This approach is, in most respects, identical to the existing methodology. It would, however, require carriers to report revenues five times a year, rather than twice, and would provide only 30 days for carriers to prepare their revenue reports, rather than 60 days.

The Commission also invites commenters to suggest other alternative assessment methodologies, such as the use of a methodology that requires carriers to recover their contributions through a federally-prescribed fixed-percentage end-user surcharge.³ The Commission has already rejected this approach, concluding correctly in the Universal Service Order that “mandating recovery through [a federally-prescribed] end-user surcharge would eliminate carriers’ pricing flexibility to the detriment of consumers.”⁴

If the Commission adopts either of the proposals outlined in the Further Notice, the Commission should provide carriers with a reasonable period to prepare for the more-frequent reporting of revenue data. At a minimum, the Commission should allow 6 months from the date it issues an order modifying the universal service assessment methodology to the date on which the first report must be filed under the new system.

³Further Notice at ¶ 29.

⁴Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd at 9210-11, ¶ 853 (1997) (Universal Service Order).

For the reasons stated above, the Commission should adopt a more competitively-neutral universal service assessment methodology — but avoid increasing unduly the reporting requirements and administrative burdens that it places on carriers.

Respectfully submitted,
WORLD.COM, INC.

A handwritten signature in black ink, appearing to read "Alan Buzacott". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Alan Buzacott
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November 30, 2000

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 November 30, 2000.



Alan Buzacott
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CERTIFICATE OF SERVICE

I, Vivian I. Lee, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 30th Day of November, 2000.

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Vivian I. Lee