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

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

REPLY COMMENTS

Sprint Corporation hereby respectfully submits its reply to comments filed in the above-captioned proceeding on November 30, 2000.

With the exception of the RBOCs, there is general agreement among commenting parties that the current system of determining USF contributions on the basis of prior year revenues results in serious competitive inequities.[1] Parties supporting a change to the current system explain that this system confers a significant competitive advantage on new and growing entrants – particularly the RBOCs as regards the long distance market – since their federal USF contributions are based on lower, prior year revenue figures, and their USF obligation is spread out over a higher base (current revenues). Parties supporting a change to the current system of determining USF contributions further point out that the relative cost advantage enjoyed by new and growing entrants is the result of regulatory decisions,[2] not more efficient operations or superior management. This regulation-induced cost advantage has obvious implications for competition in virtually

[1] *See, e.g.*, Sprint, p.1; AT&T, p. 1; Network Operator Services, p. 1; Oncor, p. 2; WorldCom, p. 1.
[2] *See, e.g.*, Sprint, p. 4; WorldCom, p. 1.

all market segments -- long distance, local, and bundled service offerings. As such, the current system fails to comply with the competitive neutrality standard set forth in Section 254 of the Act.

The RBOCs, in contrast, oppose proposals to base federal USF contributions on the basis of current revenues.[3] They assert that "...the entry of RBOCs into the long distance service market [does not] constitute[] a valid reason to change the contribution mechanism" (USTA, p. 2). However, what has changed is the relative importance of the USF contribution factor on service providers' operating margins. The long distance market has changed significantly in the past 3 years, and margins are by now so thin that a one or two percentage point differential can mean all the difference to an individual carrier's success. Further, as AT&T points out (p. 4), the Fifth Circuit's ruling in *Texas Office of Public Utility Counsel v. FCC*[4] required that intrastate revenues be excluded from the USF assessment base. Because the USF assessment base does not reflect RBOCs' loss of local retail customers to IXCs, the contribution mechanism "is skewed to favor solely carriers entering the interstate long distance market" (AT&T, p. 5). These factors tip the scale sufficiently to render a USF contribution mechanism based on prior year revenues competitively problematic.

The RBOCs and other parties who oppose use of current revenues to determine USF contributions also cite the administrative burdens associated with monthly or

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[3] *See, e.g.*, Verizon, p. 1; USTA, p. 2; Qwest, p. 2. Qwest, however, in apparent recognition that a lengthy lag period does confer competitive advantages, supports a reduction in the lag time between "the collection of revenue data and the use of that data in computing and applying the contribution factor" (p. 9).

[4] 183 F.3d 393 (5th Cr. 1999), *cert. denied sub nom AT&T Corp. and MCI WorldCom Corp. v. Cincinnati Bell Telephone Co.*, 120 S.Ct. 2237 (June 5, 2000).

quarterly Form 499-type filings.[5] Sprint agrees that it would be extremely burdensome and costly to require carriers and USAC to make monthly or quarterly filings. Indeed, given the complexities associated with determining which revenues are subject to inclusion in the USF calculations, monthly filings (especially if the filing must be made within 45 days from the end of the month) are wholly impractical. However, there is no need to require more than semi-annual revenue reports from carriers. Under the plan proposed by Sprint, carriers would continue to file their revenue data twice a year; USAC would use this information to project current industry-wide interstate, international end user telecommunications revenues and derive a contribution factor. Such a process necessarily involves a true-up, but there is no reason why this true-up cannot be incorporated into the normal computations USAC performs to derive the quarterly contribution factor under the current system. As an added cushion, Sprint does not object to USAC's maintaining a one-month contingency reserve fund (USAC, p. 9) to help offset potential funding shortfalls pending the true-up computations.

For the reasons set forth above, Sprint reiterates its support for amending the USF contribution mechanism to use current revenues as the contribution base.

Respectfully submitted,

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[5] *See, e.g.*, Qwest, p. 2; USAC, p. 9; USTA, p. 3; Verizon, p. 1; Worldcom, p. 2; CTIA, p. 3.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was sent by United States first-class mail, postage prepaid, or Hand Delivery on this 14th day of December, 2000 to the parties on the attached list.

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