Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	
Reply Comments on the Rural Task Force Recommendation	)	FCC 01-8

REPLY COMMENTS OF THE RURAL TASK FORCE
IN RESPONSE TO FURTHER NOTICE OF PROPOSED RULEMAKING

The Rural Task Force (RTF) respectfully submits these reply comments in response to the Commission's Further Notice of Proposed Rulemaking (FNPRM) cited above, released on January 12, 2001, and published in the Federal Register on January 26, 2001. The purpose of the FNPRM is to obtain comments and replies on the Recommended Decision of the Federal-State Joint Board on Universal Service (Joint Board) with respect to a plan for reforming the universal service support mechanism for customers in rural and insular areas of the nation, its territories, and protectorates.[1] This Joint Board adopted, and recommended to the Commission, the Rural Task Force Recommendation. In these reply comments, a parenthetical notation to a party and page

[1] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 00J-4 (released December 22, 2000) (Recommended Decision).

number indicates a reference to a comment filing in this proceeding. Footnotes are used when referring to citations from prior Commission matters.

The comment round has drawn out a number of parties that wish to "tweak" the RTF recommendation. Such modification threatens the delicate balance of the compromise package. The RTF continues to support the adoption of the entire package, and offers specific comments on the following issues.

THE RECORD INDICATES SUPPORT FOR IMMEDIATE IMPLEMENTATION OF THE JOINT BOARD RECOMMENDED DECISION

A broad spectrum of industry participants has filed comments supporting the timely implementation of the RTF Recommendation.

In AT&T's filing, the company states:

> "AT&T supports the RTF plan as a carefully-crafted compromise that represents a reasonable balance of interests as between the need for increased Universal Service Fund ("USF") support and containment of USF growth and urges the FCC to implement the entire plan as soon as possible." (AT&T, 1-2)

A group of Alaskan exchange carriers filed comments targeted to the urgency of timely implementation. They state in part:

> "The Alaska Rural Coalition does, however, encourage the Commission to adopt the Rural Task Force's Recommendation quickly. Particularly where population bases are very small, as they are in rural Alaska, stability is undermined and rural infrastructure investment is discouraged when universal service support rules are undergoing change with no certainty in sight. As a result, the Alaska Rural Coalition encourages the Commission to not only adopt the Rural Task Force's Recommendation but to do so quickly in order to maximize stability and to advance universal service through infrastructure investment." (Alaska Rural Coalition, 4)

In its comments, the Wyoming PSC offers its support for timely implementation with the following excerpt found on page 1:

> "We applaud both the Commission and the Joint Board for their expeditious review of the RTF Recommendation and in seeking comments on the issue of universal service for rural carriers. Review and reform of the universal service support for rural carriers is long overdue, and action to adopt the RTF Recommendation should move forward as quickly as the public process allows. We also applaud the Joint Board for recognizing that the RTF Recommendation is a delicately crafted package containing important and valuable compromises, and that it should be put forward and adopted as a package. We urge adoption of the RTF Recommendation without further delay."

The Virgin Islands PSC concluded that the RTF recommendation and the Joint Board Recommended Decision propose a universal service mechanism that is "specific, predictable and sufficient" (VI PSC, 1) with respect to rural and insular areas.

EACH ELEMENT OF THE RTF RECOMMENDATION WORKS IN CONCERT TO MEET THE NEEDS OF RURAL AND INSULAR CUSTOMERS

In carefully crafting the RTF package, the Task Force worked for over two years to meet the wide range of needs of rural and insular customers. It is erroneous for parties to assert that there are portions of the package that are "wild cards". In its filing, Sprint refers to the safety valve, safety net, and catastrophic portions of the package as "non-core, wild cards" (Sprint, 2). This is simply not the case.

Safety Valve Issues

The RTF recommended that the Commission establish an appropriate "safety valve" mechanism to enable rural carriers acquiring lines eligible for high-cost loop support to recover additional support reflecting "meaningful investment" in the acquired access lines. The RTF remains convinced that the Commission should adopt the RTF proposed safety valve provision without change as a part of the entire RTF package.

While several parties questioned the need for additional support to assist in deploying the needed infrastructure to these rural customers, others support the RTF provisions.

In its comments, the Rural Independent Competitive Alliance (RICA) concurs in the RTF recommendation recognition of the public interest benefits of encouraging rural telephone companies to improve service by acquiring and improving territory from non-rural carriers.

In its comments supporting the safety valve concept, Century Tel submits that the safety valve mechanism is necessary to bring services to customers of exchanges where the selling carrier has invested the least and recommends "meaningful investment" be defined broadly.

Safety Net Issues

In its recommendation, the RTF proposed a "safety net additive". The safety net additive would be in effect in years in which the RTF recommended new indexed cap on the high-cost loop support fund is triggered and growth in telecommunications plant in service (TPIS) per line in a rural study area is at least 14 percent greater than the study area's TPIS per line in the prior year. This proposed safety net additive would enable a carrier to recover 50 percent of the difference between capped and uncapped support.

Parties criticized the recommendation for a safety net additive as being unnecessary. The RTF urges the Commission to adopt the RTF proposed safety net provision without change as a part of the entire RTF package.

The Ad Hoc Telecommunications Users Committee advocates the establishment of "above-the-cap" safety net support.

The Universal Service Joint Board agreed with the RTF recommendation: "that additional support in the form of a safety net additive should be available to rural carriers that make significant investment in rural infrastructure…"[2]

Some parties proposed an even more aggressive recovery schedule for safety net support. Telecom Consulting Associates proposed a modification to the safety net recovery based on the amount of the overall increase in the TPIS: 10% to 15% = 60% allowance; 16% to 20% = 80%; and over 21% = 100 % recovery.

Catastrophic Relief Issues

The RTF proposed that once the per-line universal service support is frozen when a competitor enters a market, an exception be made when catastrophe strikes the rural telephone company's service area. The Commission asked in its Notice whether there are other mechanisms that make catastrophic protection unnecessary.[3]

Several parties continue to question the need for catastrophic protection. In its initial comments, the RTF fully responded to these concerns. (RTF, 9-11) The ability of a rural telephone company to recover from natural disasters is one of the most vital mechanisms to ensure the continuation of universal service for rural Americans. Disaster recovery can take months of effort and millions in new investment. To the extent that insurance or other disaster relief does not cover such investment,[4] it is crucial that money be available to fully restore service to pre-disaster quality, a situation that might not happen if universal service relief was frozen after competitive entry.

[2] Recommended Decision, paragraph 20.
[3] Further Notice at ¶ 6.
[4] Contrary to the assertions of some, no double recovery was ever contemplated by the RTF plan.

None of the parties raise anything new that would undermine the clear need for such a narrow exception to freezing post-competition per-line support.[5] The Commission should adopt this provision without change as a part of the entire RTF package.

High Cost Fund III (HCF III) Issues

The RTF recommendations also address, at a principles level, the issue of preserving any current universal service support that may be implicit within interstate access charges. In this regard, the RTF identified the potential need for an additional universal service support fund, High Cost Fund III, to replace support implicit within current interstate access charges collected by rural carriers.

The RTF offered the HCF III proposal for several reasons, including the need to respond to a disparity of access rates between rural carriers and non-rural carriers. The RTF identified two of the different phenomena that create this disparity: cost differences between rural and non-rural companies, and differences in implicit support inherent in their current access rates. Cost differences may result from a host of factors including customer density, distance, average switch size, average trunk usage, and company size as detailed in RTF White Paper 2.

As we have noted earlier on page 2 of these replies, the parties that desire to tweak the RTF recommendation threaten the delicate balance of the compromise. The parties that have attacked these RTF HCF III principles serve to upset this carefully crafted compromise.

The RTF continues to support the nine High Cost Fund III principles that it submitted to the Joint Board in its September 29, 2000 Recommendations.

[5] The Commission should refuse to require state-approval as a prerequisite to obtaining catastrophic relief. This would be unnecessary red tape in a program that already has many enforcement mechanisms.

THE CAREFULLY CRAFTED RTF PACKAGE BALANCES THE NEEDS OF INCUMBENT PROVIDERS AND COMPETITIVE ENTRANTS

While not recommending the adoption of the entire RTF package, the CUSC[6] recognized the balance present in the RTF recommendation in the following excerpt from its filing:

> "CUSC commends the RTF's efforts to craft a compromise among divergent interest groups, and generally supports the RTF's recommendations. CUSC believes that **the RTF plan largely advances the objectives of making universal service funding competitively neutral, while avoiding excessive growth in the size of the fund.** In reply comments filed in the Joint Board proceeding on the RTF plan, CUSC generally supported the RTF's proposals, but suggested a few minor modifications to the plan." (CUSC, 1-2) (**emphasis added**)

THE RTF RECOMMENDATION WITH RESPECT TO COSTING METHODOLOGY IS APPROPRIATE FOR THE DIVERSE UNIVERSE OF RURAL CARRIERS

One of the cornerstone concepts of the RTF Recommendation was the decision to recommend the continued use of embedded cost methods rather than the Commission's forward-looking cost model for sizing universal service support for rural carriers. This analysis and resulting recommendation was focused solely on the needs of rural carriers with respect to the forward-looking cost model that existed after the release of the *Ninth Report and Order* and *Eighteenth Order on Reconsideration* in CC Docket No. 96-45 (October, 1999). As we stated on page 10 of RTF White Paper 4, *A Review of the FCC's Non-rural Universal Service Fund Method and the Synthesis Model for Rural Telephone Companies* (September, 2000), the Task Force recognized that policy makers, after the development of and rigorous analysis of the Synthesis Model, have determined that it

[6] As noted in their filing, the CUSC is comprised of the following organizations: Association for Local Telecommunications Services; AT&T Wireless Services; Competitive Telecommunications Association; Nucentrix Broadband Networks, Inc.; Personal Communications Industry Association; Smith Bagley, Inc.;

should be applied in developing universal service support for non-rural carriers. While the RTF arrived at a different conclusion in regard to use of the model for rural carriers, the RTF did not intend to imply in White Paper 4, nor does it at this time imply in any way, that revisions are needed to support mechanisms for non-rural carriers.[7]

The recommendation offered, a modified embedded cost system, was made after careful review and study. As stated in Rural Task Force White Paper Number 4, at page 10:

> "The aggregate results of this study suggest that, when viewed on an individual rural wire center or individual Rural Carrier basis, the costs generated by the Synthesis Model are likely to vary widely from reasonable estimates of forward-looking costs. In fact, much of the data analysis suggests that the model tends to be in the high and low extremes, rather than near the expected results for the area being analyzed."

A number of parties criticized this portion of the recommendation (e.g., Ad Hoc Telecommunications Users Committee, California PUC, Worldcom). However, the objections of these parties lack any empirical evidence. No numbers are offered to support their allegations and these parties offer no results of any quantitative analysis. Further, not a single empirical conclusion that the RTF offered in its White Paper 4 is refuted in any logical or systematic fashion.

A number of parties offer support for the RTF recommendation regarding a modified embedded cost support mechanism.

The Wisconsin PSC supports the RTF recommendation conclusion that the federal mechanism should be based on embedded cost and not the Synthesis Model.

U.S. Cellular Corporation; Verizon Wireless; VoiceStream Wireless Corporation; Western Wireless Corporation; and Wireless Communications Association.

[7] Further, the RTF takes no position with respect to the comments offered by Verizon that the Commission should freeze the national average cost per loop at the current level so that (non-rural) carriers would no longer report loop cost data to the fund administrator.

The Wyoming PSC concluded:

> "Thus, the RTF took seriously its challenge to "right-size" the fund, not just to grow it or shrink it to some predetermined level. The RTF produced a **significant record** showing why it is appropriate to size the fund correctly, given the differences in cost drivers for rural and urban areas." (emphasis added)

This significant record referred to in the Wyoming PSC comments is summarized in the RTF Recommendation, and is documented in the exhaustive analysis that includes six White Papers, including White Paper 2 and White Paper 4 referenced above.

CONCLUSION

We are pleased that the Commission has adhered to the expedited schedule used for this FNPRM. We believe that the additional information gathered in these two rounds of filings will assist the Commission in its timely completion of rural universal service reform.

Comments of many parties that propose modifications to the RTF recommendation too often emphasize the concerns of that particular party. In so doing, they highlight the underlying process of compromise that occurred over the two plus year process and draw attention to the careful balancing that is a hallmark of the RTF recommendation. The RTF continues to support adoption of its entire recommendation as quickly as possible.

Respectfully submitted,

electronically filed

RURAL TASK FORCE