

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

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
1998 Biennial Regulatory Review -)	CC Docket No. 98-171
Streamlined Contributor Reporting)	
Requirements Associated with Administration)	
Of Telecommunications Relay Service, North)	
American Numbering Plan, Local Number)	
Portability, and Universal Service Support)	
Mechanisms)	
)	
Telecommunications Services for Individuals)	CC Docket No. 90-571
With Hearing and Speech Disabilities, and the)	
Americans with Disabilities Act of 1990)	
)	
Administration of the North American)	CC Docket No. 92-237
Numbering Plan and North American)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution)	
Factor and Fund Size)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

REPLY COMMENTS OF SPRINT CORPORATION

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REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), on behalf of its local, long distance and wireless divisions, submits its Reply Comments on the Further Notice of Proposed Rulemaking, released February 26, 2002 (FCC 02-43) in the above referenced dockets ("FNPRM").

I. INTRODUCTION AND SUMMARY

In its FNPRM, the Commission requested comments on alternative per-connection assessment methodologies to reform the Universal Service Fund (“USF”) recovery mechanism. Interested parties from all segments of the telecommunications industry filed comments.

Sprint remains convinced that its per-connection proposal, which retains the current ratio of contribution between the wireline and mobile wireless market segments, is the most balanced and equitable alternative of those set forth either in the FNPRM or in comments filed on April 22, 2002. Sprint’s proposal will provide a stable basis for the fund because the number of end user connections on which it is based is relatively stable and predictable. Recovery by carriers that have a direct relationship with the customer, are billing customers every month and already have similar line item charges will reduce administrative costs, and a fixed charge across all carriers for the same service will reduce customer confusion. Finally, Sprint’s proposed recovery methodology eliminates the reporting lag and treats carriers providing comparable services in a competitively neutral manner. Opponents of Sprint’s proposal allege that it would afford wireless carriers an unfair advantage. However, as noted by a number of wireless carriers, the current safe harbor remains reasonable and its retention is appropriate. Faced with a methodology that is forcing existing interexchange carriers to surcharge their customers roughly 10 percent of their interstate and international charges to support the fund, Sprint urges the Commission to adopt its proposal and implement it immediately before the percentage increases further.

In these reply comments, Sprint will review its collect and remit system and the general support this type of system received. In addition, Sprint will discuss the appropriateness of the wireless safe harbor and the efficiency of the per-connection methodology for assessing USF contributions. Contrary to what its opponents argue, the per-connection methodology will provide an equitable basis for USF support, and it is competitively neutral. Equivalency ratios for higher capacity access must be adopted as part of the new methodology to fairly allocate costs among the various capacities of dedicated access. Finally, Sprint will address the SBC/BellSouth Joint Proposal and other proposals, which are unworkable and administratively complex.

II. COMMENTERS EXPRESS WIDESPREAD SUPPORT FOR A COLLECT AND REMIT SYSTEM

Many of the commenting parties recognize the benefits of a collect and remit system that would eliminate many of the problems associated with the use of historical or forecast data and that is administratively simple.¹ In its Comments, Sprint (at 15-17) proposed using the collect and remit methodology implemented by several states for their universal service funds and currently used by many states for taxes and other fees.² Specifically, under Sprint's proposal, each carrier identifies the total amount of the fee that is billed each month, and each carrier determines on a quarterly basis the amount of uncollectibles it is experiencing. Based on these amounts, each carrier develops a percentage of uncollectibles to total billed revenue, which is then applied to the total fee

¹ See, e.g., Comments of AT&T at 7; the California Public Utility Commission and the People of the State of California ("California") at 9; Nextel at 27-29; Verizon at 2; and WorldCom at 7.

² Nextel (at 27-29) proposes to use the Federal Excise Tax as a model.

amount. Each carrier deducts the uncollectible amount from the total billed fees when remitting the revenue.

Verizon (at 4-7) suggests that all of the problems with the current revenue-based system can be remedied by a collect and remit system. Sprint disagrees. The fundamental problem of decreasing interstate revenues would continue to threaten the upward spiral of the contribution factor absent other changes to the USF assessment methodology. While the historical lag problem would be mitigated, the difficulties associated with identifying the interstate portion of bundled offerings are not addressed, let alone resolved, leading to gaming the system by minimizing the interstate portion of the bundle. Verizon (at 7) suggests that “[t]he Commission can easily set a default rate, based on an allocator formula, for such blended services.” Given the diversity of bundled services being offered by a large number of providers, it is unlikely that the Commission could establish a “default rate” that would apply to bundles, and it certainly could not do it quickly or easily with its limited resources.. The ability of USAC or the FCC to detect and verify gamesmanship would be very low.³

Verizon (at 5) believes that the problem of carriers marking up their USF line item charges for uncollectibles would be solved by a collect and remit system because the carriers would submit only the revenue received and would not have to make up the shortfall. Sprint has suggested that carriers be permitted to reduce their billed per-connection revenue by an uncollectible factor because carriers do not generally track

³ Similarly, California’s suggestion that carrier contributions should be based on “collected” rather than gross-billed revenues does not solve the bundling and decreasing revenue problems inherent in the revenue-based assessment methodology.

payments by the line item on the bill. Thus, the only way to remit the collected portion is to reduce the billed amount (which is tracked on a line-by-line basis) by the carrier's overall uncollectible amount. Sprint would also point out that the percentage of uncollectibles is generally much lower for local exchange carriers than for IXC's. Therefore, the Commission should not mandate a uniform uncollectible rate. Rather, USAC should evaluate the reasonableness of a carrier's uncollectible rate vis-à-vis the rates of other carriers providing the same type of connections.

Verizon (at 9-10) also suggests developing a recommended percentage for administrative costs related to regulatory fees and allowing carriers which have been detariffed the option of tariffing their USF charges. Sprint supports both proposals. Sprint agrees that carriers should be allowed to recover administrative costs associated with collecting and remitting the USF charge. The percentage, however, should be fixed for all carriers and added to the per-connection USF assessment to produce a uniform charge across all carriers. In addition, when the Commission adjusts the contribution rate and carriers make comparable adjustments to their charges, notification to all customers is very costly. Tariffing the rates would reduce the administrative costs, which are ultimately borne by the consumer.⁴

In order to minimize customer confusion, Sprint believes that all customers for a particular type of connection should be charged the same amount. To accomplish this, the Commission should establish a schedule of USF fees. Carriers should be allowed to

⁴ In addition to tariffing the charge, the Commission could require nondominant carriers, that have been detariffed for interstate and international services and that now post their rates, terms and conditions on their web sites, post their per-connection charges there also.

deduct a percentage for uncollectibles from their remissions to USAC. To permit the carriers' recovery of their administrative costs, the Commission should establish a fixed allowance for administrative costs which carriers should add to the USF fee. Since the fee and the allowance for administrative costs will be applied uniformly by all carriers, customers will be charged the same amount irrespective of the carrier billing the charge, thereby avoiding customer confusion. If each carrier is permitted to add varying amounts for uncollectibles and administrative fees to the fee, the simplicity of a uniform charge for customers is lost. Inevitably, every carrier would charge a different amount, and all would vary from the Commission's required contribution. Thus, Sprint opposes any markup, such as that proposed by AT&T (at 7), to charge a rate other than that mandated by the Commission.

Opposition to collect and remit comes from those who believe that revenue shortfalls, which would threaten the sustainability of the fund, would occur. For example, NRTA and OPATSCO (at 22) believe that "[i]f carriers were relieved of that ultimate responsibility [for its assigned contribution], then shortfalls in the fund would be inevitable, as there would be little incentive to recover the contribution from customers." The collect and remit system does not relieve carriers of their duty or incentive to collect the per-connection fee. Under Sprint's proposal, carriers are responsible for submitting to USAC their billed fees less an amount for uncollectibles that is based on the carrier's overall uncollectible rate, rather than an uncollectible rate based on this one-line item charge.⁵ A carrier with an unusually high uncollectible rate will certainly be noticed by

⁵ Usually, short-paying or non-paying customers will not single out a particular line item on a bill to not pay.

USAC and could be audited as a result. Thus, carriers retain their natural incentive to recover as much of their billed revenue as possible.

USCC (at 13-14) predicts that a collect and remit system would make contributions voluntary and would remove the ability of carriers to cut off service for non-payment. This would not be the case. Carriers would be required to bill for the per-connection fee and submit their revenue to USAC, and carriers would have the same right to cut off service for non-payment as they currently have. Thus, USCC's concerns are unfounded.

Some commenting parties suggest that the charges should not exceed the assessment.⁶ If the Commission adopts a collect and remit per-connection recovery methodology, it should, as discussed above, establish the rate which carriers must charge their end users, including a uniform, FCC-established allowance for administrative costs. In this way, the end user will be protected from any mark-ups that are not related to its contributions to the USF. However, if the Commission retains the current revenue-based methodology, the Commission should not mandate a fixed assessment amount, because, as has been clearly shown in this proceeding, carriers will not be able to recover all their costs associated with contributing to the USF unless they are allowed to increase the rate to account for any historical lag, bad debt, administrative costs, and other factors.

III. RETENTION OF THE WIRELESS SAFE HARBOR IS APPROPRIATE

Some commenting parties claim that Sprint's proposal gives an advantage to wireless carriers and perpetuates some of the problems with the current assessment

⁶ See, e.g., Comments of General Services Administration at 8-9 and National Association of State Utility Consumer Advocates ("NASUCA") at 17.

methodology.⁷ The Coalition for Sustainable Universal Service (“CoSUS” at 78, fn. omitted) argues that Sprint’s proposal “is both inequitable and discriminatory” because it is based on the safe harbor adopted by the Commission which “was never intended to be permanent.”⁸ Such arguments are unfounded.

In its comments, Sprint noted that wireless subscribers are now more likely to use their mobile phones for all types of calls, not just interstate, and that some wireless carriers are now focusing on local service to compete with local exchange carriers.⁹ Accordingly, even if the percentage of interstate calling is increasing for some carriers, the percentage for other carriers may be well below 15%. As noted by Verizon Wireless (at 17, fn. omitted), “wireless usage overall has increased significantly, including intrastate usage, while revenues per minute for interstate wireless calls have declined.”

An analysis conducted by AT&T Wireless also supports this view. Relying on its traffic records for the past six months, AT&T Wireless (at 6) found that the “all distance” calling plans “have not radically changed calling patterns. In fact, the large buckets of minutes contained in these plans appear to have increased overall wireless usage, with the rate of interstate calls rising only slightly faster than the rate of intrastate calls.” AT&T Wireless and Verizon Wireless point out that the 15 percent safe harbor was higher than

⁷ See, e.g., Comments of Bell South at 6.

⁸ *But see*, AT&T Wireless Services, Inc. at 5 (“If the Commission nevertheless adopts a connection-based mechanism, the most legally sustainable plan under *TOPUC* is that proposed by Sprint”).

⁹ See, Comment of Sprint at 13.

the actual percentage of interstate revenues of most mobile wireless carriers when it was adopted. *Id.*; Verizon at 17.

Thus, absent record evidence that the percentage of interstate traffic carried by mobile wireless carriers has significantly increased, the current safe harbor percentage should be retained. When utilized in combination with Sprint's per-connection methodology, the safe harbor will ensure that mobile wireless providers contribute an equitable amount to the USF.

IV. THE PER-CONNECTION METHODOLOGY WILL PROVIDE AN EQUITABLE BASIS FOR SUPPORT OF THE USF

Opponents of the per-connection methodology allege that it either completely exempts or largely exempts interexchange carriers ("IXCs"), which have the greatest amount of interstate revenue, from contributing to the USF.¹⁰ Their arguments improperly presume that interstate revenue is the only proper measure of an equitable contribution methodology. Indeed, the word "revenue" does not appear in Section 254(d). Rather, Congress left it up to the Commission to determine a "specific, predictable, and sufficient mechanism" for USF support.

Those who oppose the per-connection methodology ignore its underlying premise: it is the connection that affords end users access to the public switched network for the placement of local, intrastate, interstate and international calls, and the per-connection charge is assessed based on each end user's ability to originate or terminate

¹⁰ See, e.g., Comments of AT&T Wireless at 3-4; BellSouth at 5-6; California at 7; Consumers Union et al. at 12-13; NASUCA at 11-12; National Rural Telecom Association (NRTA) and The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPATSCO) at 8-12; SBC Communications at 18; and Verizon Wireless at 3-5.

interstate and international calls.¹¹ Section 254(d) does not require that all carriers providing interstate services contribute to the USF; and under the current methodology, carriers are exempt from contributing to the USF for various reasons. As noted more fully below, the requirements of Section 254(d) are fully satisfied by a methodology which requires all carriers providing connections which can be used for interstate and international telecommunications services to contribute on an “equitable and nondiscriminatory” per-connection basis.

Commenters also argue that the per-connection methodology impermissibly will impose a charge on local and intrastate usage. For example, AT&T Wireless (at 3, footnote omitted) argues that “In *Texas Office of Publ. Util. Counsel v. FCC*, the U.S. Court of Appeals for the Fifth Circuit held that the Commission may not include intrastate revenues in the calculation of universal service contributions because it would violate Section 2(b) of the Communications Act and is not otherwise authorized by Section 254(d).” A per-connection methodology does not apply the assessment on intrastate revenues. Rather, the assessment is based on the end user’s ability to access the network to place and receive interstate calls. The per-connection methodology simply puts the carrier directly connected to the end user in charge of collecting federal universal service fees. The Commission would not be regulating intrastate services or assessing intrastate revenues, and all telecommunications carriers providing interstate connections would be contributing.

RICA argues (at 3) that the FCC cannot find that large IXCs “will contribute to USF support *on an equitable and nondiscriminatory basis* if their contribution is based

¹¹ See, Sprint Comments at 17-20.

on a tiny fraction of their interstate business, while all other carriers contribute based on their total business.” Sprint disagrees. Under a per-connection methodology, every carrier will be assessed based on its end user connections, which allow end users to place and receive all types of calls. Every carrier will be assessed the same amount for each type of end user connection. The methodology is therefore equitable to all carriers and does not discriminate among them.

Opponents also suggest that a per-connection methodology would be unfair to low volume and low income end users who can least afford it.¹² There is no necessary correlation between call volume and the benefits of universal service. Some low volume customers may make more calls to USF-supported persons and entities – and hence derive more benefit from universal service – than other high volume customers who may never have occasion to call a USF-supported person or institution. Low income customers who subscribe to Lifeline service will not be disadvantaged by the new end user charge because they will be excluded from it. As CoSUS (at 70) points out, Lifeline customers will be better off under the proposed methodology than they are under the current regime because most interexchange carriers, unless they have their own lifeline product, now apply the contribution assessment to them. CoSUS (at 74) also describes an AT&T analysis which found that the average monthly long-distance bill for these low volume customers over the six-month study period was \$3.48. CoSUS concludes that its proposed assessment is “only pennies” different from the combination of an assessment by the IXC on the average \$3.48 bill and a local exchange company’s USF recovery fees.

¹² See, e.g., Comments of NECA at 5; NTCA at 2-4; and TracFone Wireless at 2.

The issue of the treatment under a per-connection methodology of prepaid wireless services is raised by various commenting parties.¹³ Frequently these prepaid services, which are attractive to low income customers, include a card of varying denominations which must be used within a certain number of days. Sprint agrees with CoSUS (at 54-55) that for wireless prepaid card services, the Commission will need to develop a fixed amount that can be recovered from each card, which should be based on the length of time the customer has to use it.

V. PER-CONNECTION PROPOSALS ARE COMPETITIVELY NEUTRAL

Sprint believes that the per-connection proposals are competitively neutral because no carrier or technology is favored over others. Since all carriers that provide network connections are required to contribute to the USF and will be treated comparably, a fixed, per-end-user connection charge applied equally to all carriers that provide network connections cannot be found to be arbitrary; nor will it impose disproportionate regulatory burdens on different carriers or their products and services; nor will it affect consumers' choices of services or products.

The per-connection methodology removes the bias inherent in the revenue-based assessment method against carriers with declining revenues and in favor of those with increasing revenues. It also avoids any competitive advantage carriers might attempt to claim by minimizing the portion of their bundled offerings that they allocate to interstate revenues. Thus, the per-connection methodology is entirely consistent with the FCC's goal of competitive neutrality.

¹³ See, e.g., CoSUS at 54-55; TracFone at 4-5; and VoiceStream at 19-20.

Verizon Wireless claims that the per-connection methodology undermines the Commission's goal of facilitating a competitive market for Internet access.¹⁴ Wireless carriers will not be disadvantaged vis-à-vis other providers of Internet access facilities that are also used for placing voice calls and that will also be required to apply the per-connection fee.

Wireless carriers further argue that the per-connection methodology places a disproportionate burden on them. Under Sprint's proposal, the burden on wireless carriers will be the same as it is today. Although wireless carriers would be required to pay on a per-connection basis rather than a percentage of revenue basis, the burden would be equivalent to the burden faced by wireless carriers and their customers today because it is calculated by dividing the total wireless payment by the total number of wireless connections.

If the Commission elects to adopt the USF Reform Coalition proposal, Sprint has proposed a three-year transition to mitigate the impact of the Coalition plan. A transition will allow mobile wireless companies to make a gradual adjustment to a higher assessment and will cushion the increase for their customers.

VI. PER-CONNECTION PROPOSALS WILL NOT RESULT IN INEFFICIENCIES OR SIGNIFICANT ADDITIONAL ADMINISTRATIVE COSTS.

Various commenting parties oppose monthly reporting as proposed by the Commission (§ 78) because it would add administrative costs to the carriers. Sprint does not believe that monthly reporting is required. In order to minimize administrative costs, Sprint suggests that payments be made monthly with a quarterly summary report. An

¹⁴ See, e.g., Verizon Wireless at 12.

annual report would be a summary of the previous four quarters, with any adjustment for errors.

Commenting parties also oppose the per-connection methodology because of the cost associated with developing the billing systems for a new assessment methodology. As Sprint stated in its comments (at 8), for those carriers that already apply per-connection charges to their residential, single-line business and multi-line business customers on their bills, the cost of applying a per-connection USF fee to the bill should be relatively modest. The only modification that would be required would be that needed for higher capacity. Since local telephone companies have proposed capacity-based assessments,¹⁵ it is reasonable to assume that they believe changes to the billing systems can be made to properly assess high capacity access facilities. Because such modifications will be more complex than those for other customers, sufficient lead time should be provided to make them.

Sprint opposes the CoSUS's proposed two-step transition plan (at 12-13) under which special access and private line services would be converted to the per-connection methodology after twelve months. Sprint believes that this delay will result in a duplication of effort during the transition. Carriers will be required to continue the current billed revenue process while starting the new connection based methodology, and they will be required to produce two sets of reports, one based on connections and another based on billed revenues. To avoid this duplication of effort, Sprint urges the

¹⁵ See, e.g., SBC at Appendix A and Sprint at 11.

Commission to convert to a per-connection methodology for all end user connections simultaneously and to issue its decision as soon as possible to afford carriers adequate lead time to implement billing system changes so that the new per-connection methodology can become effective on January 1, 2003.

VII. EQUIVALENCY RATIOS FOR HIGHER CAPACITY ACCESS FACILITIES ARE REQUIRED

Verizon (at 13) claims that the use of equivalency ratios for high-capacity connections will cause “serious administrative problems and raises major questions about parity and competitive neutrality between competing products and services.” Sprint believes that the proposed tiers will represent fairly an allocation of costs among the various capacities of dedicated access used by business customers. Indeed, the SBC/BellSouth Joint Proposal (Appendix A at 2) includes a capacity-based proposal for multiline business similar to that in the USF Coalition proposal. Thus, there is significant industry support for a tiered approach for high capacity connections.

An alternative to the equivalency ratios, proposed by Home Telephone Company, et al. (at 12-13), is the use of the number of voice-grade equivalent circuits in high capacity facilities. This method is unacceptable because it would place an extremely high burden on the highest capacity facilities, and the burden will grow as technology advances and even higher capacity circuits become available. The significant USF burden will make such high capacity circuits uneconomic and will bias customers’ selection of facilities.

Certain carriers also suggest that the tiered system will result in gaming and customers switching from one type of capacity to another in order to minimize USF

costs.¹⁶ Sprint does not believe this will be the case for most customers for a number of reasons. First, USF charges will be just one of the costs incurred by the customer. For example, the customer must purchase CPE in order to establish service. Such equipment will be the most efficient equipment to meet the customer's usage requirements. In addition, the customer will consider the costs of the dedicated access service, including the channel termination charges and the channel mileage charges, and well as the any long distance charges. Thus, the USF charge is just one of many costs that the customer must consider. Given that the proposed tiers relate to the average use of capacity in those tiers, most customers' costs should not be skewed perceptibly by the USF charges.

Sprint would also point out that the LECs would not be assessed for high capacity access that is being resold by IXCs and would therefore not be required to determine the capacity of those facilities. Rather, the IXC, which is providing service to the end user, would be responsible for that customer's end user assessment.

VIII. THE SBC/BELLSOUTH PROPOSAL AND PROPOSALS TO BIFURCATE THE FUND ARE UNWORKABLE AND INEFFICIENT

To remedy their perception that a per-connection methodology is inconsistent with §254(d), SBC and BellSouth¹⁷ offer a new "Joint Proposal" under which:

[a]ll providers of interstate telecommunications, including common and private service providers, Internet Service Providers (ISPs) and other content providers, regardless of technology platform or facilities ownership, should contribute to the federal universal service funding mechanism based on their *interstate telecommunications activities*.

¹⁶ See, e.g., NRTA and OPATSCO at 17-20.

¹⁷ The proposal is presented in Comments of SBC Communications Inc. at 5-18 and Appendix A.

Id., Appendix A, p. 1, fn. omitted. Specifically, they propose to assess a universal service contribution based on the number and capacity of Qualifying Service Connections (“QSCs) for access and interstate transport services. The Joint Proposal contributors would include common carriers, ISPs and other content providers, and private carriers.

Id., p. 5. A line item charge in an amount to be prescribed by the Commission would be assessed for each QSC provided by a contributor. For “occasional use” services, such as prepaid cards and dial-around service, a percentage contribution would be applied to the revenue. SBC/BellSouth recommend that a safe harbor for uncollectibles and billing and administrative costs should be established by the FCC.

SBC (at 8) seeks to broaden the base of contributors beyond that currently permitted by the FCC by including all broadband Internet access services, such as cable modem, wireless and satellite services, as well as ISPs and other content providers “to the extent they provide interstate telecommunications to end users.” SBC states (*id.*) that it will address its rationale for including all broadband Internet access services in the *Broadband NPRM*.¹⁸ However, as Sprint pointed out in its Comments (at 10), the Commission made clear in its April 10, 1998 Report to Congress in this docket, 13 FCC Rcd 11501 (1998), at ¶¶ 66 ff, that “[i]n those cases where an Internet service provider owns transmission facilities, and engages in data transport over those facilities in order to provide an information service, we do not currently require it to contribute to universal service mechanisms.” Thus, it would not be appropriate at this time to include

¹⁸ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, Notice of Proposed Rulemaking, FCC 02-42 (rel. February 15, 2002)(“*Broadband NPRM*”).

connections used to provide dedicated Internet access services. Also, the Commission has not addressed the inclusion of content providers that may provide interstate transport in the universal service contribution base, and therefore they must be excluded unless the Commission affirmatively determines in a proceeding devoted to that issue that they should contribute to universal service. Any plan to reform the USF assessment methodology should not be delayed awaiting a Commission decision in that or in any other proceeding. If the Commission ultimately decides to include new contributors, the per-connection methodology is sufficiently robust to incorporate such additional contributors.

Another troubling aspect of the Joint Proposal is the application of an assessment, based on presubscribed lines, to “interstate transport” because the “interstate transport” providers, primarily the IXCs, do not have an accurate count of the lines presubscribed to them.¹⁹ Customers move locations without informing their IXCs, while other customers presubscribe through their local exchange company that does not immediately inform the IXC of the newly presubscribed customer. Others cancel service with the IXC but neglect to presubscribe to another carrier. Thus, it would be extremely difficult for the IXC to identify and assess all customers on a monthly basis for “interstate transport.”

In addition, IXCs do not know which customers are “Lifeline” customers. Sprint agrees with those who support the exclusion of “Lifeline” customers from the USF

¹⁹ NECA (at 9) also suggests contributing to the USF based on presubscribed lines. It notes that, based on its experience administering the presubscribed line system in effect prior to January 1, 1998, the IXCs and LECs had ongoing disputes over the presubscribed line count. NECA therefore suggests “a self-reporting approach for determining line count.” *Id.* NECA’s experience clearly demonstrates the problem with this approach.

charge. However, because IXCs lack information identifying these customers, they would not be able to exclude them from a USF assessment.

The Joint Proposal creates additional administrative costs by requiring the assessment by multiple entities of charges that are collected from the same customers. Any “interstate transport” facility must, by definition, be connected to an access facility in order to connect to public and private networks. Therefore, it is more reasonable and clearly more efficient to make one assessment instead of multiple assessments for the same connection. A single entity collecting the assessment would lead to far less customer confusion than multiple “interstate transport” providers collecting fees in addition to the interstate connection provider. Further, it would be extremely inefficient for “interstate transport” providers to collect from customers who have no usage or no other “interstate transport” costs. The cost of sending a bill to “zero-billers” exceeds the revenue which would be collected.

In a proposal similar to the Joint Proposal, RICA (at 3) suggests that IXCs contribute based on “a reasonable proxy for a wireline connection, such as the number of presubscribed lines.” It also suggests that “it may be necessary to also establish a basis for assessing dial-around service and pre-paid ‘phone cards.’” *Id.* As discussed above, there are many problems with the presubscribed line assessment, and adding a fee on dial-around and prepaid phone cards which will necessarily be on a non-connection basis will be confusing and administratively complex.

Home Telephone et al. (at 4-8) and NRTA and OPATSCO (at 20-22) propose to bifurcate the fund, with the high cost support in one fund and all other support in a second fund. Sprint believes that any bifurcation of the fund which will require carriers

to contribute to two funds on different bases would be extremely inefficient. Such bifurcation would require duplication of line items on bills. In addition, USAC would be required to maintain the two funds, track payments to both, audit the reports for both, etc.

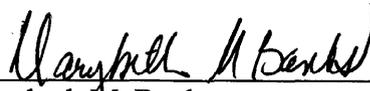
IX. CONCLUSION

Significant reform is critically important to ensure the sustainability of the fund. Although the USF assessment is applied to carriers, it ultimately must be recovered their customers. A per-connection methodology, which is competitively neutral and which applies a consistent amount across the board, will not bias customers' selection of carriers and is the most fair to customers and the most efficient to administer.

The current USF assessment system must be fixed immediately. Therefore, Sprint urges the Commission to adopt a per-connection USF recovery mechanism to be implemented no later than January 1, 2003.

Respectfully submitted,

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May 13, 2002

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **REPLY COMMENTS OF SPRINT CORPORATION** was sent by electronic mail, by hand, or by United States first-class mail, postage prepaid on this the 13th day of May, 2002 to the parties on the attached page.

A handwritten signature in cursive script that reads "Christine Jackson". The signature is written in black ink and is positioned above a horizontal line.

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May 13, 2002

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