Sprint

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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200 and 95-116

Dear Ms. Dortch:

Sprint Corporation is hereby responding to questions posed by the staff of the Wireline Competition Bureau concerning Sprint's position on two USF reform issues. Specifically, the staff requested that Sprint address (1) a phase-in of the per-connection charge for special access lines and (2) problems associated with having interexchange carriers apply a per line charge to their residential customers. These issues are discussed in the attachment to this letter.

If you have any questions, please contact me.

Sincerely,

Richard Juhnke

cc: Christopher Libertelli
Jordan Goldstein
Matthew Brill
Dan Gonzales
William Maher
Carol Mattey
Jessica Rosenworcel
Eric Einhorn
Diane Law Hsu
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ATTACHMENT

Question 1: Would Sprint be opposed to a phase-in of the per-connection methodology for special access lines? Would there be reporting problems associated with a phase-in?

In its Comments, Sprint advocated that the current USF methodology based on billed revenues be revised to a per-connection methodology and that this change be accomplished for all customers as soon as possible in light of the rapidly increasing USF contribution factor. But because the per-connection charge would require IXCs, and perhaps LECs as well, to modify their billing systems, and given the need to implement changes in the contribution methodology by April 1, 2003 to avoid a precipitous increase in the assessment rate, Sprint now supports the implementation of a per-connection charge for residential consumers and business customers with switched access lines -- but only if the charge is assessed by the provider of the connection -- in advance of its implementation for special access business customers in order to alleviate the significant and growing burden on these customers of the USF assessment based on billed revenues.

Sprint believes the per-connection charge for switched lines could be implemented by the local exchange carriers in a very short time frame. Sprint estimates that its incumbent LECs could apply the per-connection charge to primary residential, non-primary residential, single-line business and multi-line business lines with 30 days' notice. Billing program changes required to apply a per-connection charge to special access customers are considerably more complicated because no comparable charge is being levied on these customers today. Sprint estimates that it will require a minimum of 9 months to 1 year for both its local telephone and long distance subsidiaries to develop the software to bill special access customers on a per-connection basis.

During the interim period in which carriers will continue to recover USF costs through percentage surcharges applied to the bills of customers using special access, the carriers should be required to file the quarterly Form 499. However, the carriers should exclude revenues associated with services provided over switched access lines and report only the billed revenues associated with the services provided to customers over special access lines. Such revenues include those for the special access lines themselves, as well as all interstate and international long distance services provided over those lines. The Commission can calculate an appropriate USF contribution factor for special access billed revenues based on USAC's projected administrative expenses less the estimated revenue from the switched per-connection charges.

The annual Form 499 will be required to determine the contribution factors for TRS, the cost recovery for numbering administration and the cost recovery for the shared costs of local number portability, unless, as Sprint advocates, those costs are assessed on a per-connection basis as well.

Question 2: What are the issues with interexchange carriers ("IXCs") contributing on a per-connection basis for switched lines?

Having IXCs contribute a per-connection charge for switched lines has numerous fatal flaws.

(1) <u>Line Information Must Be Obtained From Local Exchange Carriers</u>. Unlike local exchange carriers (LECs), which have complete information about their customers' lines, IXCs do not. IXCs do not know the number of lines the customer has or the type of lines the customer uses. Therefore, if the Commission were to require IXCs to apply a per-connection charge to each customer line, they would have to obtain information from

the LEC identifying each customer's line count and type of line(s). The transmission of this information to the IXCs would require modification to the local exchange companies' CARE systems and mandatory participation in CARE[1]. Initially, the LECs and IXCs would have to agree on a uniform format of the data so that the IXCs would be provided useable and timely data. Then the IXCs would have to develop software to receive and use the data, as well as the software to prepare and send the data to bill customers. Sprint estimates that it would take at least one year to implement the required changes to the CARE systems and to develop its own software to bill its customers using this information. The LECs should not be permitted to charge the IXCs for the CARE information, because this would place the IXCs at a competitive disadvantage vis-à-vis the LECs which would not have to purchase this information when they provide both local and long distance service to their customers.

(2) Problems with LEC Line Data. Based on Sprint's experience, IXCs will undoubtedly encounter problems with the line data provided by the LECs. Sprint, for example, currently has problems with the information transmitted to it from the LECs concerning multiline business lines which IXCs require to bill PICC charges.[2] Some LECs have DID (Direct Inward Dialing) lines which theoretically should not be capable of outbound calling, and therefore should not have the PICC applied to them. However, some LECs have services which are called "DID" but which permit outbound calling, and

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[1] CARE, an acronym for Customer Account Record Exchange, is a system of conveying customer account information electronically between LECs and IXCs. Participation in CARE is voluntary today, and there is also a lack of uniformity among LECs' implementation of CARE.

[2] The PICC data would not adequately substitute for the CARE data discussed in the previous paragraph for two reasons: (1) LECs whose PICCs are now zero no longer transmit the data, and (2) the data from the remaining LECs are submitted after-the-fact

the LECs include such lines in the data sent to the IXCs. When billed the PICC charge by the IXC, customers complain because they do not know the lines have outbound calling capability and refuse to pay the PICC charge billed by Sprint.

(3) For "Zero Billers" the Cost to Recover the Per-connection Charge Equates to About 400% of the Charge. For residential customers, a fundamental problem identified by Sprint in its comments is that there are many customers each month who are "zero billers" – owing Sprint $0. If IXCs were required to bill such customers a per-connection charge, there would be significant costs which ultimately must be borne by the customer. For IXC-billed customers, the carrier would have the costs associated with sending a bill to a customer for this one item and with the lock box functions of recording and posting receipt of the money. The customer would also have costs: a check, envelope and a $0.37 stamp. The customer's direct costs alone would probably be very close to the amount being collected. These IXC and customers costs, which combined are about 400% of the cost of the IXC's share of the per-connection charge, would be avoided by collection of a single per-connection charge by the LEC which is already sending a bill to the customer and which the customer is paying. For an IXC's LEC-billed customers, the IXC would incur additional charges from the LEC. For either the IXC- or LEC-billed customer, these substantial transaction costs – which would be avoided entirely by having the LEC bill the entire charge – are grossly inefficient and would result in increases in long distance rates, particularly to low-volume customers.

(4) An IXC Per-connection Charge Would Encourage Consumers to Un-PIC Their Lines. In order to avoid the per-connection charge, customers are likely to

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in conjunction with access bills, and thus would not enable IXCs to bill the connection charges on a timely basis.

eliminate a presubscribed carrier on their switched lines and place long distance calls using either a dial-around service or a prepaid card. By so doing, these customers can continue to benefit from universal service without contributing their full share. In addition, the avoidance of the per-connection charge by a significant number of customers will result in the need to increase the per-connection charge to other customers.

(5) Resources Must Be Diverted From Revenue-Enhancing Projects. Requiring IXCs to make costly modifications to their billing systems to apply a per-connection charge on switched lines comes at a time of scarce resources. IXCs with limited resources available for software development will be required to defer creating new products and enhancing existing ones if they are required to spend their information technology resources on developing a means to collect a per-connection USF charge.

Given that the LECs have the information to bill the per-connection charge for all switched customers, that consumers will be required to fund the development costs of new IXC systems to bill per-connection charges for switched lines, and that customers who would not otherwise remit monies to their long distance carriers must incur significant additional costs to send money, Sprint believes that any proposal to have IXCs bill a per-connection charge should be viewed as a needlessly costly, wasteful use of resources.