

**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)	

COMMENTS OF VERIZON¹

The Commission should adopt the recommendation of the Joint Board not to expand the list of “core” services within the definition of universal service. In particular, the Commission should adopt the Joint Board’s recommendation that advanced or high speed services and modified voice grade access bandwidth not be added to the definition of universal service. The Commission also should not add equal access to the definition of universal service.

I. The Commission Should Adopt the Joint Board’s Recommended Decision Not To Expand the Existing Definition of Universal Service.

As discussed below, adding equal access to the services supported by the universal service mechanisms is not appropriate. Otherwise, with respect to each service addressed, the Joint Board’s Recommended Decision reflects careful consideration of the statutory requirements and criteria for inclusion of services in the definition of universal service.² In addition, in each case, the Joint Board’s Recommended Decision reflects a consensus among a wide spectrum of commenters, including end users, state utility commissions, local

¹ The Verizon telephone companies (“Verizon”) are the affiliated local telephone companies of Verizon Communications Inc. These companies are listed in Attachment A.

² These are that services be “essential to education, public health, or public safety;” “subscribed to by a substantial majority of residential customers;” “deployed in public telecommunications networks by telecommunications carriers;” and “consistent with the public interest, convenience, and necessity.” 47 U.S.C. § 254(c)(1).

exchange carriers, interexchange carriers, wireless carriers, and competitive local exchange carriers. *See Federal-State Joint Board on Universal Service, Recommended Decision 17 FCC Rcd 14095, ¶ 7(2002) (“Recommended Decision”).*

The Joint Board appropriately recognized that the size of the universal service fund is an important factor when considering the definition of universal service. *See Recommended Decision ¶ 1.* The fund is already about \$6.3 billion and it is projected to grow substantially over the next few years even if no new services are added to the universal service definition. *See Letter from W. Scott Randolph, Verizon, to Magalie R. Salas, Secretary, FCC, CC Docket No. 96-45 (filed Oct. 26, 2001).* The latest assessment factor is 9.1 percent, which creates a significant amount that must be recovered by providers of interstate telecommunications services in their bills to end users. *See Revised Second Quarter 2003 Universal Service Contribution Factor, Public Notice, CC Docket No. 96-45, DA 03-851, (rel. Mar. 21, 2003).* Adding more services to the universal service definition would increase the funding burden and drive up the cost for all telecommunication customers, making basic telephone service less affordable and undermining the goal of universal service.

In particular, the Commission should adopt the Joint Board’s recommendation that advanced or high speed services and modified voice grade access bandwidth not be added to the definition of universal service. Neither meets the statutory requirement for adding services to the universal service definition, and both would substantially increase the size of the fund, ultimately making telephone service less affordable for consumers.

Voice Grade Access: As the Joint Board recognized, broadening the frequency range for voice grade access would do nothing to increase the quality of voice grade service; indeed some steps that might be taken to achieve the new frequency range could degrade

voice quality over long loops. *See Recommended Decision* ¶ 23. Moreover, an increased frequency range does not meet the statutory criteria of being “essential to education, public health, or public safety,” or being subscribed to by a substantial majority of residential consumers. 47 U.S.C. § 254(c)(1)(A). (This is true even if the service used to determine “subscription” is assumed to be Internet access.) *Recommended Decision* ¶ 25. Finally, although the stated purpose of increasing the frequency range would be to improve dial-up speeds for obtaining access to the Internet, any increase in modem speeds would be modest at best, and could well be nonexistent. *Recommended Decision* ¶¶ 22-23. Yet the investment required to meet such a new requirement would be substantial. It is not in the public interest to make basic telephone services, as well as dial-up Internet access, more costly and less accessible to low income customers and customers in high cost areas. *Recommended Decision* ¶ 23.

Advanced or High-Speed Services: The Commission should not add advanced or high-speed services to the definition of universal service. These services are not “essential to education, public health, or public safety.” *Recommended Decision* ¶ 12. In addition, they are far from meeting the statutory criterion of being “subscribed to by a substantial majority of residential customers.” *Recommended Decision* ¶ 13. Moreover, the cost of upgrading the telephone network to provide advanced and high-speed access services would nearly triple the size of the universal service fund. *See Recommended Decision* ¶ 15. Passing these costs along to subscribers in the form of a substantially larger universal service fund assessment would make telephone service less affordable and would jeopardize the Act’s universal service goals. *Id.* Finally, adding advanced or high-speed services to the universal service definition could jeopardize the support currently provided to some carriers. This could have

the effect of reducing competition between various types of eligible telecommunications carriers, and would not be in the public interest. *Recommended Decision* ¶ 17.

II. The Commission Should Not Add Equal Access to the Universal Service Program.

The Commission should reject proposals to add equal access to the definition of universal service.³ As used by the Joint Board, “equal access” means the ability for “consumers to access the presubscribed long distance carrier of the consumer’s choice by dialing 1+ the phone number and is sometimes referred to as dialing parity.” *Recommended Decision* ¶ 67. The universal service definition already includes *access* to interexchange services. *See Federal-State Joint Board on Universal Service*, First Report and Order, 12 FCC Rcd 8776, ¶ 76 (1997). The Commission correctly rejected the inclusion of *equal access*, however. *Id.* ¶ 78. The Commission noted that it did not require commercial mobile radio service (“CMRS”) carriers to provide equal access, and including this as a condition of receiving universal service support would contradict the intent of Section 332(c)(8) of the Act, which prohibits a requirement that CMRS carriers offer equal access. *Id.*

Presubscription, or 1+ dialing does not enhance customers’ access to basic telephone service, which is the goal of the universal service fund. Nor is it “essential to education, public health, or public safety,” 47 U.S.C. § 254(c)(1)(A), since the requirement to provide access to interexchange services is already part of the definition.

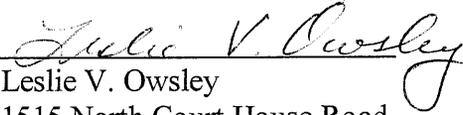
³ This is a different question than whether a carrier should be required to provide equal access in order to obtain eligible telecommunications carrier (ETC) status. The issue of requirements for designation as an ETC should be addressed in the Joint Board’s pending comment proceeding on the Commission’s Rules Relating to High-Cost Universal Service Support and the ETC Designation Process, *see* Public Notice, CC Docket No. 96-45, FCC 03J-1 (rel. Feb. 7, 2003).

Conclusion

For the foregoing reasons, the Commission should adopt the recommendation of the Joint Board not to expand the existing definition of universal service, and should not add equal access to the definition of universal service.

Respectfully submitted,

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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.