

**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)

REPLY COMMENTS

BellSouth Corporation, on behalf of itself and its wholly-owned subsidiaries, (“BellSouth”), submits this reply to comments filed in response to the *Public Notice* released by the Wireline Competition Bureau (“Bureau”) on July 24, 2003. In the *Notice*, the Bureau seeks additional comment on updating line counts in the Commission’s forward-looking cost model for purposes of determining support for non-rural carriers following a Commission decision in the *Ninth Report and Order* remand proceeding.

BellSouth concurs in and generally supports the comments of Verizon in that the FCC has not made sufficient information available to allow parties to assess the impact of the proposed changes in dealing with special access line counts.¹ It is impossible for any party to assess impacts of alternatives because the information on the FCC website is insufficient to run the model with or without special access lines. The Commission cannot expect parties to provide comments regarding alternatives to the model without the ability to test alternatives and see the results.

If the Commission insists on moving forward with line updates rather than adopting Verizon’s proposal to stop updates until the results of the impact of alternatives are

¹ Comments of Communications International, Inc. (“Verizon”) at 4-5.

provided, BellSouth would support the Qwest proposal to zero out special access lines on an interim basis.² A comprehensive solution to the existing problem with special access lines in the model will require further analysis by the Commission. As BellSouth and other parties have stated in previous pleadings, the Commission should adopt a mechanism for converting special access channel equivalents to physical facilities even though such an undertaking would require a considerable time commitment before resolution.

Moreover, the Commission should not continue to update line counts without updating road and customer location data since such actions broaden the timing gap between data sets. Unless this other information is updated simultaneously, that process “places” all “additional” lines at previous year’s customer locations. As the Rural State Commissions noted in their Petition for Reconsideration of the *2002 Line Counts Update Order*, that 2002 Order inappropriately combined the use of (a) 2000 ARMIS data of special access line DS0 equivalents; (b) distribution of those special access lines to wire centers based on 1998 data; and (c) 1996 customer location data from PRN Associates (now TNS Telecom).³ Such inconsistencies in timing of data will only be exacerbated by another update in line counts to 2001. Lines serve residence or business customer locations and those locations are placed along roads. Updating of these inputs to a later time frame without updating the others can only produce inaccurate results.

Clearly, BellSouth’s number of switched access lines are declining. Also, it is clear that new housing starts in BellSouth’s territory, as in much of the nation, have risen tremendously

² Comments of Qwest at 3-4.

³ *In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45*, Petition for Reconsideration of the Maine Public Utilities Commission and the Vermont Public Service Board (filed Feb. 22, 2002).

since 1996. This is particularly evident in the past year or so as a result of record low mortgage rates. The combination of drops in switched access lines and increases in new housing is contradictory to the Commission's assumption that most new lines are either placed at existing customer locations or along cable routes used in the model to reach previously reported locations. In BellSouth's area, few new homes are built between existing homes. Instead, customer sprawl continues to grow as people locate farther and farther from downtown areas. If all of this data is not synchronized, the results from the model using this data could only be correct by accident. The result of only updating line counts while holding road data and customer location data constant is false economies of scale and blatant disregard of the reality that many new lines are placed at new customer locations that require new facilities.

The FCC appears to recognize the problem of using voice grade equivalent channels for special access lines in determining the count of "lines" used by the Synthesis Model to calculate a cost per line. In the FCC's August 29, 2003 Memorandum Opinion and Order in CC Docket Nos. 00-218 and 00-251, the Commission finds:

"Verizon proposes to address the total cost problem, as well as its allegation that the use of DS-0 equivalents to account for special access lines creates unachievable economies of scale, by zeroing out the DS-0 equivalent special access line counts and associated costs in the MSM. We find that this approach, although not ideal, offers a solution consistent with the Commission's arbitration rules. Therefore, we adopt the Verizon proposed solution."⁴

Just as with the determination of Universal Service costs via the Synthesis Model, the Commission had a choice in the above referenced UNE Arbitration docket of counting special

⁴ *In the Matter of Petition of Worldcom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, et al.* CC Docket Nos. 00-218, 00-251 Memorandum Opinion and Order, DA 03-2738, ¶210 (rel. Aug. 29, 2003), ¶ 210.

access lines as voice grade equivalents or zeroing out special access lines from the model's line counts. Given those choices, the Commission chose to zero out special access lines as the more correct approach. If the Commission chooses to proceed with an update of line counts, it should reach the same conclusions here and zero out special access lines.

The comments of AT&T further muddy already murky water by introducing recognition of "non-traditional non-switched lines" (i.e., OC3, OC12 and OC48 fiber-based non-switched lines) into the debate. AT&T suggests that the Commission not only include DS1 and DS3 voice equivalent channels, but also include non-traditional non-switched lines.⁵ Inclusion of these high-capacity lines further exacerbates the problem with counting special access lines as voice grade equivalents. For example, an OC48 line is equivalent to over 32,000 voice grade channels. However, the Synthesis Model cannot accurately model an OC48 since it only works on a SONET-based fiber system, which the model does not handle. If these high-capacity line counts were included by the Commission, the result would be a gross overestimation of efficiencies in the network resulting in a gross understatement of costs per line. Such a recommendation does not address the relevant issues as outlined in the *Public Notice* by the Bureau and only further complicates resolution of the existing problems.

⁵ Comments of AT&T at 3-4.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that I have this 10th day of September 2003 served the following parties to this action with a copy of the foregoing **REPLY COMMENTS OF BELLSOUTH** by electronic filing and/or by placing a copy of the same in the United States Mail, addressed to the parties listed on the attached service list.

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