Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Missoula Intercarrier Compensation Reform Plan Federal Benchmark Mechanism Amendments	)	

COMMENTS
OF
SPRINT NEXTEL CORPORATION

Sprint Nextel Corporation, pursuant to the Public Notice released February 16, 2007 (DA 07-738), respectfully submits its comments in the above-captioned proceeding on amendments to the Missoula Plan that incorporate a Federal Benchmark Mechanism (FBM).[1] As discussed below, the FBM proposal comes at a steep cost that far outweighs any purported benefit, and is still woefully lacking in detail. The Federal Communications Commission (FCC or Commission) should accordingly decline to accept this proposal, and should eliminate consideration of an Early Adopter Fund (EAF) as part of the Missoula Plan.

As an initial matter, Sprint Nextel applauds those states that have already taken action to rationalize their local and intrastate rates to better reflect the economic cost of providing these services. While increasing local service rates (and concomitantly

[1] The FBM amendments are set forth in an *ex parte* letter filed in CC Docket No. 01-92 on January 30, 2007 ("January 30 Letter"), by the Missoula Plan Supporters and five state commissions (Indiana Utility Regulatory Commission; Maine Public Utilities Commission; Nebraska Public Service Commission; Vermont Dept. of Public Service and Vermont Public Service Board; and Wyoming Public Service Commission).

reducing intrastate access rates) can be politically risky and painful, this type of rate rebalancing is critical to the development of competition in the telecommunications market. In the long run, the availability of vigorous, effective competitive alternatives will generate benefits to consumers and to the economy far in excess of the short-term costs of rate rebalancing. Those state commissions that have rationalized their rates – especially those that took such steps without expectation of future federal recompense or subsidies – should be commended for their foresight and leadership. Indeed, in order to reap the benefits of re-balancing, Sprint Nextel encourages all states to begin or to continue efforts to re-balance their local and intrastate rates, rather than waiting for comprehensive reform in the FCC's long-pending intercarrier compensation proceeding.

Sprint Nextel also recognizes the hard work of the state commissions and other parties involved in developing the FBM proposal. Although we do not question the good faith that went into developing this version of the EAF proposal, the resulting FBM proposal is, unfortunately, far too costly to warrant adoption as part of an already hugely complex intercarrier compensation reform package. Moreover, the continuing lack of detail about the implementation and administration of the EAF, and its apparent ineffectiveness at cementing widespread state support for the Missoula Plan, are grounds for rejecting the entire EAF aspect of the Missoula Plan.

The proposed FBM comes with a steep preliminary price tag -- $806 million thus far – and currently is endorsed by only 5 states (Indiana, Maine, Nebraska, Vermont and Wyoming). As discussed below, it is a virtual certainty that the price tag will rise in order to garner the support and to address the professed needs of other states, and as more complete benchmark and USF information is obtained.

Various state commissions have advised that they did not have sufficient opportunity to review the FBM proposal prior to its submission on January 30, 2007.[2] It is very likely that upon review, various commissions will propose changes to the FBM that will maximize their receipt of funds or minimize any downward adjustments to their take. Pennsylvania has stated that it alone is entitled to over $1 billion in EAF support[3] -- a far cry from the $19.3 million in FBM support it would receive under the current proposal. And, changes to any of the FBM assumptions, such as a lower federal high benchmark target,[4] revision to or elimination of the "low rate adjustment" factor,[5] or higher subsidies to be applied towards intrastate universal service funds, will dramatically increase the FBM price tag.

Moreover, the FBM analysis is incomplete. The results set forth in the January 30 Letter are based on data from only 31 states, and it is unclear how accurate or consistent that information was, precisely how that information was manipulated in the FBM

---

[2] *See, e.g.,* Reply Comments filed February 1, 2007 in this docket by the Mid-Atlantic Conference of Regulatory Utility Commissioners ("MACRUC") and State Commissioners of the MACRUC States (Delaware, the District of Columbia, New Jersey, New York, Pennsylvania and Virginia), p. 3; Michigan, p. 3; Pennsylvania, p. 27.

[3] Pennsylvania Comments, p. 8 and Reply Comments, p. 27. Pennsylvania's $1+ billion estimate of access rate decreases, local rate increases, and state USF implemented since 1996 "does not include ancillary local rate rebalancing" (Reply Comments, p. 27).

[4] The supporters of the FBM did not explain how or why they selected a $25.00 high benchmark target or a $20.00 low benchmark target. Even minor changes to these arbitrary benchmarks have the potential to change the FBM support amounts significantly.

[5] Sprint Nextel does support the concept of the low rate adjustment, which reduces Restructure Mechanism funding in states that have not had significant "early adopter" activity. However, we would note that the FBM proposal includes a significant loophole: "[w]here a state has taken significant action to implement Access Parity by reducing intrastate switched access charges to interstate levels, the Low Rate Adjustment will not apply" (January 30 Letter, p. 6). The January 30 Letter provides no detail on what constitutes "significant action," or whether exact rate parity is required for the Low Rate Adjustment to be waived.

econometric model, and how much the FBM price tag will increase once data from the other 21 jurisdictions (19 states, DC and PR) are factored in. Oddly enough, the FBM proposal generates a subsidy amount for some, but not all, of the 21 jurisdictions that did not provide the underlying benchmark information – a questionable result that casts doubt over the validity of the model as a whole.

The FBM price tag, even at "only" $806 million, is simply too high. The cumulative impact of the FBM, the existing federal universal service programs ($7+ billion), and other aspects of the Missoula Plan (approximately $2 billion), constitutes a crushing and unsustainable burden. Collection of USF subsidies of this magnitude, particularly using the existing contribution methodology, will result in support mechanisms that are neither predictable nor sufficient, in violation of the statutory mandate.

The huge and rising cost of implementing the FBM proposal is reason enough to reject this proposal. In addition to the excessive price tag, however, there are at least two other dispositive reasons to reject the entire Early Adopter Fund concept. First, it is becoming increasingly evident that the EAF is just not attractive enough bait to reel in widespread state support for the Missoula Plan. Second, key details on how the EAF will be implemented remain unaddressed, months after the Missoula Plan was initially filed with the FCC.

The EAF was designed, at least in part, to secure the support of state regulators for the Missoula Plan. Ironically, it is becoming increasingly evident that the FBM – even with the allure of a billion-plus dollars in subsidy payments – is insufficient to overcome other deficiencies (perceived or actual) in the Missoula Plan identified by the states. For example, many parties have expressed deep concern about the FCC's jurisdictional authority to adopt and implement an intercarrier compensation reform plan that mandates changes to local and intrastate rates.[6] It appears that for some (perhaps most) states, this jurisdictional concern outweighs the benefits to be gained through receipt of FBM subsidies. Even Wyoming, one of the signatories to the January 30 Letter, offers only lukewarm support, stating that while adoption of the FBM amendment would be "a positive step," Wyoming continues to oppose the Missoula Plan, whether or not the FBM amendment is adopted, because of its other flaws.[7]

Second, key details relating to the funding and administration of the EAF remain shrouded in darkness. Beyond the cost issue addressed above, it remains unclear to Sprint Nextel who will receive the FBM/EAF funds: will these dollars be given directly to eligible carriers (and if so, using what eligibility criteria), or to the states (for distribution to carriers, or to end users, or for inclusion in general tax revenues accounts)? Are there use requirements associated with these funds, such as a mandate that they be used for network maintenance or improvement? Since EAF support is for rate reforms previously implemented and paid for, should carriers that receive EAF monies have their current high cost USF support payments decreased by a corresponding amount? Who will administer the EAF? How will the EAF be funded and what contribution mechanism will be used? Does the fund have a sunset date? Given the lack of answers to basic questions such as these, the EAF concept simply cannot be adopted.

---

[6] Of course, the FCC has undisputed authority over interstate switched and special access rates, and it can and should take immediate action to address any such rates that are excessive or otherwise unreasonable.

[7] *See* Reply Comments of Wyoming PSC, p. 8.

* * * * *

The current iteration of the Missoula Plan involves a subsidy leap for the Early Adopter Fund from $200 to $806 million, and additional exponential increases to the price tag are a virtual certainty. The cost of the EAF exceeds any purported benefits, and the lack of details about EAF implementation remains severely problematic. Given the fatal deficiencies identified above, the EAF aspect of the Missoula Plan must be rejected.

Respectfully submitted,

SPRINT NEXTEL CORPORATION

Norina T. Moy

Laura H. Carter
Norina T. Moy
2001 Edmund Halley Drive
Reston, VA 20191
(703) 433-4503

March 28, 2007

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Comments of Sprint Nextel Corporation were delivered by electronic mail on this 28th day of March, 2007, to the parties listed below.

Norina T. Moy

Norina T. Moy

VIA ECFS

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

VIA E-MAIL

Tom Navin
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554
Thomas.Navin@fcc.gov

Randy Clarke
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554
Randy.Clarke@fcc.gov

Best Copy and Printing, Inc
Portals II
445 12th Street, SW.
Rm CY-B402
Washington, DC 20554
fcc@bcpiweb.com