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

In the Matter of:	)	
	)	
High-cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

COMMENTS OF
ALEXICON TELECOMMUNICATIONS CONSULTING

Alexicon Telecommunications Consulting ("ALEXICON") hereby submits its Comments in response to the Federal Communications Commission's ("FCC") Notice of Proposed Rulemaking ("NPRM")[1] related to the merits of using reverse auctions (a form of competitive bidding) to determine the amount of high-cost universal service fund ("USF") support provided to eligible telecommunications carriers ("ETCs") serving rural, insular, and high-cost areas.[2] These Comments are issued in conjunction with related Comments provided by Alexicon in FCC 08-22[3] and in FCC 08-4[4], which the FCC has indicated will be incorporated in the above listed Dockets.

INTRODUCTION

Alexicon provides management, financial and regulatory services to a variety of small,[5] independent, and tribal telecommunications providers serving rural, insular and high-cost areas in twelve (12) states. Alexicon's clients range in size from very small single wire-centers to larger multi-wire-center companies. All of Alexicon's clients, as do most other

[1] FCC 08-5; Adopted: January 9, 2008 and Released: January 29, 2008
[2] Notice, para.1
[3] FCC NPRM regarding USF Reform
[4] FCC NPRM regarding CETC Support
[5] Under the Regulatory Flexibility Act of 1980, as amended, all have fewer than 1,500 employees and are not dominant in their field of operations, 15 U.S.C. 632; and further are Incumbent Local Exchange Carriers ("ILECs") as defined in the 1996 Telecommunications Act ("ACT" or "1996 ACT"), each providing less than 50,000 access lines.

similar small rural ILECs, depend upon high-cost universal service funds to assist in serving their customers and in maintaining reasonable local service rates. It is through the continued availability of these high-cost USF monies that small rural ILECs have been able to provide their customers with a variety of quality, modern diverse telecommunications services at rates lower than they would be without these USF monies.

All of these ILECs have devoted considerable investments in infrastructure to: 1) provide their customers local exchange service, including Internet access and broadband access; 2) to have the ability to be the Provider of Last Resort ("POLR") within their certificated service areas; 3) to be able to respond to future customers' service requests; and 4) to provide connections to the Public Switched Telephone Network ("PSTN") to local exchange and interexchange customers.

Alexicon asserts that since federal USF funding has been available, ILECs have been incented to continually add to their common carrier investment with monies consisting of internally generated, equity, and borrowed funds.[6] Furthermore, ILECs have relied upon Section 254 of the 1996 Act, which mandates that federal USF is to be "specific, predictable and sustainable." Alexicon is highly concerned that these principles could be contravened and jeopardized if the FCC were to suddenly shift from the current methodologies of determining receivers of high-cost USF support to a competitive bidding process.

Alexicon views the competitive bidding process as a proposal designed to potentially reduce, or eliminate, current USF support funds to ILECs, especially small rural ILECs. Alexicon has consistently opposed reverse auctions[7] and has seen no new evidence that causes us to change our position. We have reviewed a variety of academic and industry-sponsored studies and papers that indicate no apparent benefits (in the short or long-term)

[6] Obtained from a variety of private and public sources; including United States government -backed Rural Utility Services ("RUS") and Rural Telephone Bank ("RTB") funds

[7] Including its Comments filed in WC Docket No. 05-337, filed October 10, 2006 and supporting various other parties ongoing opposition to reverse auctions

to universal service funding in utilizing competitive bidding to allocate high-cost service support. Alexicon further asserts that the February 20, 2007 Joint Board presentation panel discussion presented no new compelling evidence supporting reverse auctions.

Alexicon believes that both rate-of-return ILECs and their customers will be irrevocably damaged in their ability to continue providing, or receiving, high quality service(s) under competitive bidding if it replaces current high-cost fund allocations. Alexicon asserts that better methods of controlling unfettered high-cost universal service fund growth and continuing a stable USF exist, and that they are more equitable than a competitive bidding scenario. Some of these potential stabilization alternatives include:

- CETC identical support reform
- Expansion of the USF contributor base
- Resolution of phantom traffic issues
- Inclusion of all VoIP traffic in the access charge regime
- Removal of wireless Interstate Common Line Support ("ICLS"), Local Switching Support ("LSS"), and Interstate Access Support ("IAS")
- and resolving Broadband & Mobility inclusion in USF

SPECIFIC COMMENTS

A. Single Winner Versus Multiple Winners[8]- Alexicon believes that more empirical data needs to be developed and alternative scenarios reviewed before we can express preferences for any of the alternatives contained in the proposal. Alexicon believes that a single winner format would appear to create an artificial barrier to competition, prohibited by the 1996 Act. We purport that the "sufficient" principle contained in Section 254 of the Act can easily be violated by competitive bidding if the auction results in a significant increase in eligible high-cost entities. This principle would also be significantly jeopardized and very likely result in a significant decrease in the amount of sufficient funding necessary to carry out goals addressed in the 1996 Act

[8] Notice, para. 13-17

should funding levels decrease. Since federal high-cost support requires the ETC to be able to provide services to both existing customers and to new service requests, support needs to continue on both a per-line and on an overall investment basis.

B. Universal Service Obligations[9]- Alexicon believes that universal service obligations of competitive bidding procedures must include POLR obligations and compliance with all requirements of the Act, including Section 214 (e)(6) and Section 214 (e)(4). States must also be allowed to continue their mandates under the Act, including Section 214 (e)(1) and 214 (e)(2). Since Alexicon supports the requirement that only ETCs be allowed to partake of any competitive high-cost support bidding, all existing ETC service provisions and regulatory reporting requirements should remain in effect.

LOCAL RATE CONSIDERATIONS

During 1982, the Joint Board recommended that the Commission freeze carriers' interstate subscriber plant factor ("SPF") at 1981 levels while the Joint Board reviewed why this jurisdictional traffic factor was growing to very high levels. The purpose of the SPF was (and still is) to allocate a given carrier's loop plant between the interstate and intrastate jurisdictions. As a result and after this timeframe, carriers were required to "phase down" their interstate SPF to a flat 25%. NECA accurately summarizes this event, as follows: "In 1984, concerned about the effects that this phase down might have on local rates in high-cost areas, the Commission adopted rules permitting ILECs with loop costs exceeding 115% of the national average to recover a higher portion of their costs from the interstate jurisdiction, *thus reducing state (local) costs*. These "expense adjustment" provisions incorporated in Part 36 of the Commission's rules formed the basis of universal service funding for high-cost companies."[10] NECA goes on to say, "To establish reasonable rates for all citizens, the *USF support mechanism permitted LECs serving higher cost areas to reduce local rates* by recovering certain expenses from the

[9] Notice, para. 23-35
[10] NECA Guide to Telephone Regulation, Revised as of May 9, 2007, pg. 2

interstate jurisdiction."[11] It is clear the original intent of universal service funding was to control significant growth of the jurisdictional allocation of loop plant while allowing those carriers that served high cost areas to keep local rates reasonable and affordable. This same reasoning is contained in Section 254(b) and continues to be a goal of the Telecommunications Act of 1996. Should reverse auctions be implemented, not only could the results be devastating to small, rural, and high cost areas but also the rationalization goes directly against the Telecommunications Act of 1996 and Congressional intent to keep local rates affordable. Indeed, the Commission itself agreed to this same logic and reasoning to keep local rates affordable."[12]

SUMMARY

Alexicon reiterates its opposition to any competitive bidding (reverse auctions) for determining the amount of high-cost support to ETCs. Absent the presentation of any new or updated empirical data which supports this concept, we continue to reject or support reverse auctions as a long term viable solution for rate of return carriers.

Alexicon respectfully suggests that other, more conventional, changes and reforms will have greater, more positive, less controversial effects to the federal high-cost USF. We believe that our previously stated recommendations will support long term universal service fund reform. Alexicon contends that the record on competitive bidding or reverse auctions is replete with sufficient information that clearly demonstrates the non-viability of this method and that it lacks merit. Alexicon therefore asserts that this discredited concept should be removed from consideration by the Joint Board and the FCC.

Respectfully submitted,

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[11] Ibid, pg. 2
[12] CC Docket No. 80-286, Decision and Order, 96 FCC 2d 781, para 29 (1984)