Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Coalition for Equity in Switching Support Petition for Clarification	)	

REPLY COMMENTS OF JOHN STAURULAKIS, INC.

John Staurulakis, Inc. ("JSI")[1] hereby files these reply comments responding to comments filed earlier in this proceeding. As we mentioned in our initial comments, JSI supports the tentative conclusion made by the Federal Communications Commission ("FCC" or "Commission") to modify its Local Switching Support ("LSS") rules to allow incumbent local exchange carriers ("LECs") that are designated as Eligible Telecommunications Carriers ("ETCs") that lose access lines to increase their LSS.[2] With the exception of two commenters, those filing comments in this proceeding wholeheartedly support the Commission's tentative conclusion. We encourage the Commission to adopt its proposed rules expeditiously.

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1 JSI is a consulting firm offering regulatory, financial and business development services to more than two hundred rate-of-return rural incumbent local exchange carriers ("LECs") throughout the United States. JSI assists hundreds of LECs in the preparation and submission of jurisdictional cost studies and Universal Service Fund data to the National Exchange Carrier Association ("NECA").

2 *High-Cost Universal Service Support; Coalition for Equity in Switching Support Petition for Clarification*; WC Docket No. 05-337, Order and Further Notice of Proposed Rulemaking, FCC 09-89 (rel. Oct. 9, 2009) ("NPRM").

I. Minor Change to Existing Rule is Appropriate

The Commission recognizes that its proposed rule is "a relatively minor change to an existing rule, and nothing herein is intended to reflect or prejudge our consideration of LSS as part of any comprehensive universal service reform."[3] Nonetheless, it appears that a certain commenter is eager to press the Commission for comprehensive universal service reform and ignore all other issues—regardless of how minor.[4] We encourage the Commission to adopt its proposed rule and confirm its tentative conclusion. It is clearly appropriate for the Commission to dismiss the claim that it is incapable of making this relatively minor revision while at the same time pursuing more comprehensive universal service reform. There is no indication that the adoption of this rule will forestall or decelerate efforts to achieve comprehensive universal service reform in a timely manner.

II. Wireline Business Models are Neither Failed nor Backward

In attempting to offer support against the Commission's tentative conclusion adopting the rule change, CTIA argues that the Commission should not reward backward-looking technologies or failing business models.[5] Evidently, CTIA wishes for the Commission to reach the conclusion that wireline voice technology and the networks that provide wireline voice service are somehow flawed and unworthy of federal universal service support. Rather than in the wireline networks, JSI avers that the flaws lie in CTIA's logic. This Commission is aware of

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3 *Id*. para13.
4 Comments of CTIA-The Wireless Association®, page 8.
5 *Id*., page 2.

the tremendous benefits to consumers and businesses that wireline networks provide. In CTIA's worldview, it appears that its members do not believe there is any use for wireline networks that provide not only voice service, but also an expanding array of advanced services—including broadband Internet access—and significant transport facilities that even wireless carriers use to complete their networks in rural areas of the nation. Without the backbone transport from wireless towers in rural parts of the nation, the widespread availability of wireless services would be severely hampered.

Furthermore, the technology used by rural carriers eligible for LSS is state-of-the-art switching equipment. The total amount of LSS distributed annually to rural wireline LECs is trending downward. One reason for this decline is the use of modern switching equipment that costs less than larger digital switches of a past era. Collectively, rural carriers are adopting new least-cost switching technology apace with other service providers. Notwithstanding, the value and use of LSS continue to be important to rural LECs that cannot take advantage of the massive economies of scale that national or regional carriers enjoy. Both the need for LSS and the need for adopting the proposed rule change are in the public interest.

III. Flawed Comparison to CETC Cap

CTIA argues ineffectively that since the Commission has "deemed it necessary to take the extraordinary step of capping all support to competitive eligible telecommunications carriers, the petitioners' proposal flies in the face of Commission efforts to control the size of the universal service fund."[6] We respectfully disagree with this conclusion. The Commission did take a necessary step in capping CETC support at March 2008 state-specific levels; however, the comparison to the CETC support cap—with support distributed to CETCs without any cost showing or demonstrable need—is a far cry from the relatively minor adjustment to the LSS rule. Comparing the $1 billion CETC equal-support problem to the modest $20 million-$27 million increase in LSS funding is inapposite. We encourage the Commission to reject the conclusion CTIA posits in its comments.

IV. Customer Hardship is Shown in Comments

CTIA claims that the record of this proceeding does not have "any concrete showing of hardship to customers."[7] In the many comments of individual rural carriers affected by the current LSS rule, there are numerous specific examples of hardship to customers. Thus, CTIA's claim is factually incorrect. We encourage the Commission to review the comments filed in this proceeding to find specific examples of customer hardship and the benefits the proposed rule change will likely have.[8]

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6 *Id*. page 6.

7 *Id*., page 7.

8 *See, e.g.*, Dunkirk and Fredonia Telephone Company Comments, page 6 ("Specifically, the imbalance in the rules has caused the Company to forgo $162,376 in 2008 LSS…Accordingly, the Commission's DEM rules must be changed as proposed in the NPRM to advance the public interest by ensuring that the Company is not penalized in its receipt of LSS and is thus not encumbered in its ability to improve and expand the quality telecommunications and advanced services that it provides to the rural communities in its service area."); Farmers Telephone Cooperative, Inc., page 2 ("Without the commitment of this Company to make these services available to these rural communities, along with the committed assistance of universal service funding to provide the financial resources, these rural communities might never have received these advanced services, or worse yet, could possibly lose them without the continued necessary universal service funding.")

V. Rewarding Line Losses

In its comments, Sprint Nextel Corporation argues the Commission should not be in the business to reward line losses.[9] The comments of rural LECs show that providing second lines to their customers in the past to accommodate dial-up access to the Internet caused carriers' line counts to dramatically increase and led to the crossing of a DEM weighting threshold, which in turn caused a decrease in its DEM weight. Thereafter, when these dial-up customers opt to access the Internet via a broadband connection, they drop those second lines, and the access line count reverts back to a level below the threshold.

JSI respectfully counters that the Commission's LSS rules should not penalize rural carriers that over time have attempted to meet customers' telecommunications needs. If anything, the Commission's LSS rules should be accommodating to the migration of second lines to broadband service connections. The Commission's proposed rule and tentative conclusion makes more equitable the distribution of LSS by using the reported current line count to determine the DEM weight for LSS distribution.

VI. Conclusion

JSI wholly endorses this proposed change to the LSS rules. Currently, rules 47 CFR § 36.125(j) and § 54.301 (a)(2)(ii) provide for changes in the calculation of LSS only when a study area's access lines increase. Nothing in the comments from CTIA or Sprint Nextel—the only

9 Comments of Sprint Nextel Corporation, page 2.

two opposing commenters—should dissuade the Commission from adopting its tentative conclusion and revising its LSS rules.

Respectfully submitted,

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