

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of )  
 ) GN Docket Nos. 09-47, 09-51, 09-137  
Reply Comments - NBP Public )  
Notice #30 )

**Reply Comments of John Staurulakis, Inc. Concerning NBP Public Notice #19**

John Staurulakis, Inc (“JSI”) responds to the Public Notice released by the Federal Communications Commission (“FCC” or “Commission”) in which the Commission is permitting reply comments on the manifold issues that have been raised in the development of the National Broadband Plan.<sup>1</sup> 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, most of who currently offer broadband service to their customers.

JSI files these reply comments in response to NBP Public Notice #19 in which the Commission sought guidance on the role of the federal universal service fund and intercarrier compensation as these items relate to the National Broadband Plan. JSI supports the comments filed by the National Exchange Carrier Association, Inc. (“NECA”) in which it addressed *inter alia* the size of the universal service fund, the contribution methodology, the transition of the

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<sup>1</sup> Public Notice, *Reply Comments Sought in Support of National Broadband Plan*, NBP Public Notice #30, Federal Communications Commission, January 13, 2010. These reply comments are treated as a “permit-but-disclose” proceeding in accordance with the Commission’s *ex parte* rules (47 CFR §§ 1.1200, 1.1206).

current universal service high-cost support mechanism to support advanced broadband deployment and the impact of changes in current revenue flows. NECA's comments were crafted to respond to the Commission's effort to determine how the current federal universal service and intercarrier compensation policies might be altered to further the goal of making broadband universally available to all Americans. NECA is uniquely situated to address these matters because of its role of facilitating interstate access charge tariffs for approximately 1,200 rural rate-of-return local exchange carriers ("RLECs"). NECA and JSI have seen dramatic shifts in the rural telecommunications landscape and traditional circuit-based switched services decline and broadband-oriented services expand. JSI recommends the Commission incorporate the comments of NECA in its attempts to advance universal broadband service by transforming its universal service and intercarrier compensation policies.

## **I. Universal Service**

JSI believes the Commission should pay particular attention to the fact that the current federal universal service programs support a multi-use broadband-capable network that, according to NECA, reaches 92 percent of RLEC customers. JSI agrees with NECA that the cost of upgrading facilities to serve the remaining unserved areas, and improving broadband capability for existing customers, will require substantial additional funding. We suggest there is no "quick-fix" to deploy broadband in the RLECs rural unserved areas and encourage the Commission to reform universal service in a manner that will permit continued deployment of infrastructure necessary to reach these remote areas.

NECA has proposed the definition of a Rural Broadband Network that includes broadband transmission capability from the end-user to the Internet backbone. This “complete connection” concept is very instructive because it includes the essential middle-mile connection that becomes increasingly costly for RLECs whose distance to the Internet backbone is significantly greater than distances experienced by the larger local exchange carriers. Any transformation of federal universal service support programs should include funding support for this “complete connection.”

NECA also speaks wisely concerning the need for a transition adequate to assure that voice-only customers are not subject to undue rate shocks. JSI recommends that as the Commission addresses federal universal service reform - hopefully as proposed by NECA’s proposed complete connection benchmark funding program - it carefully consider how to avoid risking harm to voice-only customers.<sup>2</sup>

Lastly, JSI strongly encourages the Commission to change the current revenue-based contribution mechanism to a combination telephone numbers (or their equivalent) and connections-based system as proposed by NECA. As the Commission reforms the current support mechanisms, it is clearly necessary to expand the contribution base and include broadband connections of all types. The benefits of universal broadband service are realized by all persons connected to the network. Similar to the voice system of the past, the benefit of

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<sup>2</sup> JSI recognizes the Commission is fully aware of the need to encourage adoption of broadband services for customers; however, this adoption will likely take a long time for certain customers whose perceived needs are met by voice-only services.

having as many connect to the network is spread across all - accordingly, all connections should contribute to the program.

## **II. Intercarrier Compensation**

The topic of intercarrier compensation reform has also been addressed in NECA's comments. Revenues received by the RLECs for their provision of interstate and intrastate access services remains an important component of their overall financial health. Some proposals to set switched access rates at zero or near-zero levels would be below the cost of providing these services. This in turn would appear to send a price signal to customers that free or near-free switched circuits are available for use. JSI agrees with NECA that this may in fact force RLECs to shift their focus from broadband deployment to meet increased demand in circuit switched services and slow the natural migration toward broadband services. Care should be taken when addressing intercarrier compensation reform due to possible unintended consequences. We urge the Commission to adopt the NECA universal service blueprint and heed its recommendations when addressing intercarrier compensation.

Respectfully Submitted,

John Staurulakis, Inc.

**January 26, 2010**

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