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

In the Matter of	)	
	)	
Federal-State Joint Board on Universal	)	WC Docket No. 05-337
Service Seeks Comment on the Merits of	)	
Using Auctions to Determine High-Cost	)	CC Docket No. 96-45
Universal Service Support	)	

COMMENTS OF JOHN STAURULAKIS, INC.

John Staurulakis, Inc. ("JSI") hereby responds to a Public Notice released by the Federal Communications Commission ("FCC" or "Commission") in which the Federal-State Joint Board on Universal Service ("Joint Board") seeks comment on the use of reverse auctions to determine high-cost universal service support.[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, all of which receive high-cost universal service support ("USF"). JSI also provides consulting services to small, rural wireless carriers that have been designated as eligible telecommunications carriers ("ETCs") and receive USF. Accordingly, JSI is intimately aware of both the strengths and weaknesses of the existing universal support mechanisms and ways that these mechanisms can be improved.[2] Based upon this experience, JSI is convinced that the goals of universal

[1] *See Federal-State Joint Board on Universal Service Seeks Comment on the Merits of Using Auctions to Determine High-Cost Universal Service Support*, WC Docket No. 05-337, CC Docket No. 96-45, Public Notice, FCC 06J-1 (rel. Aug. 11, 2006) ("Public Notice").

[2] Over the years, JSI has actively participated in Joint Board and FCC proceedings to see reform efforts come to fruition. For example, in response to the FCC's recent request for comment on issues

service are being fulfilled under the existing mechanisms and that efforts to reform the system must be given time before they are abandoned in favor of a mechanism that involves reverse auctions.

I. Because the Goals of Universal Service are Being Met, the Current Structure of USF Should Not be Abandoned

Certainly, no justification exists for abandoning the current USF mechanisms if the goals of universal service are being met. According to the FCC, the recommendations by the Joint Board relating to USF for rural carriers should be consistent with the goal of "ensuring that customers in rural, insular, and high-cost areas have access to telecommunications and information services at rates that are affordable and reasonably comparable to rates charged for similar services in urban areas."[3] This goal is being achieved under the current mechanisms and is being done so most efficiently and effectively by rural incumbent LECs. For example, as described in an industry white paper, rural incumbent LECs are the "only providers of ubiquitous, high-quality, facilities-based service throughout their respective service areas."[4] The ability of rural incumbent LECs to continue to provide ubiquitous, high-quality telecommunications service is being threatened, however, due to the significant stress being placed upon the

---

related to reform of the jurisdictional separations process, JSI recommended an approach that addressed the primary concerns of the Joint Board as they were set forth in the Glide Path papers and recommended a few minor adjustments to the rules to eliminate instances in which carriers have been unnecessarily penalized due to the application of a particular separations rule. *See* Comments of JSI in CC Docket No. 80-286 (fil. Aug. 22, 2006).

3 *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Order, 19 FCC Rcd 11538 (2004) at para. 1.

4 OPASTCO's *Universal Service in Rural America: A Congressional Mandate at Risk,* January 2003, page viii.

universal service fund by competitive ETCs ("CETCs") that may be unable to provide such "critical infrastructure."[5]

II. Adequate Time Must be Given for Reform Measures to Work

Because of the mounting stress being placed upon the fund, modifications to the current USF structure must occur in order to ensure the long-term sustainability of USF. This was recognized by the FCC in its Referral Order when it requested the Joint Board to make recommendations regarding whether rules relating to USF in study areas in which a CETC is providing service should be modified.[6] In response to the Referral Order, the Joint Board recommended that the FCC adopt permissive federal guidelines for states in ETC designation proceedings and mandatory requirements for FCC ETC designation proceedings "to ensur[e] that only qualified carriers that are capable of and committed to providing universal service be able to receive support."[7]

The FCC agreed with the Joint Board's recommendations in its ETC Order and adopted the guidelines and requirements.[8] The FCC found that "because these requirements create a more rigorous ETC designation process, their application by the Commission and

---

5 *Id.* at ix.

6 *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Order, 17 FCC Rcd 22642 (2002) ("Referral Order") at para. 1. In the Referral Order, the FCC noted that competitive ETCs received "approximately $14 million out of $803 million high-cost support disbursed in the third quarter of 2002, or 1.8% of total high-cost support" which it stated was "up from approximately $638 million high-cost support disbursed in the first quarter of 2001, or 0.4% of total high-cost support." More recent data shows that in recent years, support projections for rural incumbent LECs actually declined, making CETCs "the sole cause of growth in the rural High-Cost program." Comments of OPASTCO in CC Docket No. 96-45 (fil. Sept. 30, 2005), pp. 15-16.

7 *See Federal-State Board on Universal Service*, CC Docket No. 96-45, Report and Order, 20 FCC Rcd 6371 (2005) ("ETC Order") at paras 9-10.

8 *Id.* at para. 1.

state commissions will improve the long-term sustainability of the universal service fund."[9] The FCC further explained that it believed the requirements "will ensure that only ETCs that can adequately provide universal service will receive ETC designation, thereby lessening fund growth attributable to the designation and supporting the long-term sustainability of the universal service fund."

Central to these "rigorous" CETC requirements is submission of a five-year plan demonstrating how USF will be used to improve coverage, service quality or capacity in every wire center for which it seeks designation and expects to receive USF.[10] Additionally, CETCs must demonstrate how they are able to function in emergency situations, satisfy customer service standards, offer local usage plans comparable to those of the incumbent LEC and willingness to provide equal access if all other CETCs in the area relinquish their ETC designation.[11] Annual progress reports are also required which include detailed information regarding outages in the CETC's network, the number of requests from potential customers for service that went unfulfilled and the number of complaints per 1,000 handsets or lines.[12]

Carriers that were designated as CETCs by the FCC prior to the issuance of the ETC Order were required to file their five-year plan by October 1, 2006 - less than two weeks

---

9 *Id.* at para. 2. Some states have adopted some or all of the requirements in the FCC's ETC Order. In instances where states require all ETCs to submit plans and progress reports, the plans and reports of rate-of-return incumbent LECs are based upon the fact that these carriers already adhere to certain requirements, procedures, and processes with respect to the receipt and utilization of federal universal service support.

10 *Id.*

11 *Id.*

12 *Id.* at para. 4.

ago. The first progress report regarding these plans will not be due until a year from now. Accordingly, passage of a significant amount of time must be allowed to determine whether the actions that the FCC and Joint Board have already taken are sufficient to ensure the sustainability of the fund and if not, whether other actions can be taken before abandoning the existing structure. For example, proposals to link USF support received by CETCs to their costs, if adopted, could further reduce the growth of the fund and thus ensure the sustainability of the fund.

III. Conclusion

The FCC and Joint Board have invested significant resources over the past several years in determining ways to ensure the sustainability of USF support under the existing structure and for good reason – the existing structure is meeting universal service goals. These efforts have yielded modifications to the rules that are only now being implemented. Replacing the existing structure with an unproven and untested reverse auction structure before the fruits of these efforts can be evaluated would be imprudent and wasteful.

Respectfully submitted,

October 10, 2006

John Staurulakis, Inc.

/s/ Manny Staurulakis

Manny Staurulakis
President
John Staurulakis, Inc.
7852 Walker Drive, Suite 200
Greenbelt, Maryland 20770
(301) 459-7590