

Sprint Proposal

biography of presenter: to be added
executive summary of proposal
written testimony

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SPRINT'S FEDERAL UNIVERSAL SERVICE FUND PROPOSAL

- I. **Existing**, implicit subsidies must be eliminated. To the extent that **subsidies** are required, they should be funded through an explicit, **competitively neutral USF**.
- The elimination of explicit subsidies is required by the Telecommunications Act of 1996
 - Existing, implicit access subsidies:
 - are not competitively neutral (only IXCs/toll users fund subsidies);
 - thwart facilities-based local competition; and
 - uneconomically and inequitably burden long distance users.
- II. Principles upon which the federal USF plan should be based:
- ***Support should be based on forward looking costs***
 - Using a forward-looking cost methodology as the starting point in calculating the support amount is appropriate since it enables the Commission to arrive at a rate that emulates competitive market conditions. Facilities-based competition will not develop unless the sum of revenues and subsidies is predictable and accurate. Using forward-looking costs is the only way the marketplace will send the correct signals to potential entrants.
 - If costs are under-estimated, that will artificially attract inefficient entry that should not occur.
 - If costs are over-estimated, that will discourage efficient entry that should occur.
 - ***Federal USF should be a national fund, based on both state and interstate retail revenues***
 - The Commission has stated, both in its May 8th Order and in its recent Report to Congress, that Section 254 grants it the authority to create a **national fund** made up of contributions from intrastate as well as interstate revenues.
 - **In order to ensure competitive neutrality, as well as sufficient support flow between states, a national fund is not only reasonable, but essential.**
 - To assess USF contributions on only interstate revenues would effectively exempt ILECs from contributing to universal service support.

- ***Where a cost-based rate might be considered prohibitive, the federal benchmark should be based on the maximum affordable local service rate***
 - Since the benchmark is intended to be a measure of "affordability" the appropriate standard is the basic local service rate, not average revenues.
 - Income considerations should be excluded, since low income households are addressed directly through the Lifeline/Link-up programs.
 - The federal benchmark rate should be set at a level representing the maximum affordable local service rate – a rate which is considerably higher than the below-cost local service rates that exist today

- ***Implementation of the plan should be revenue neutral at its inception***
 - Any new USF funding (i.e., funding in excess of current levels of high cost support) to a company should be offset, dollar-for-dollar, with reductions in access charges

- ***USF fund obligations should be recovered through a surcharge on end users' retail charges.***
 - The end user surcharge is the key to any workable USF plan. Without it, competitive neutrality, both in terms of contribution levels and recovery, is a virtual impossibility.
 - Because implicit subsidies exist today, end users are already supporting the universal service fund. Consequently, the removal of these implicit subsidies, replaced with the explicit surcharge, will not result in an overall increase in consumer charges.
 - In its recent order regarding Local Number Portability cost recovery, the Commission found that it was appropriate to allow LECs to recover their LNP costs through a monthly end user surcharge. The Commission should apply the same reasoning to USF cost recovery.

- ***States are free to adopt intrastate USF plans if they desire***
 - Employing a lower benchmark affordable rate, the state plan would act as a safety net for those areas where the federal benchmark rate may, in the state's opinion, prove burdensome.
 - Funding for state plans must come solely from intrastate retail revenues.