

**SEPARATE STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN**

Re: Federal-State Joint Board on Universal Service (CC Docket 96-45).

With the passage of the Telecommunications Act, Congress affirmed the broad principle that “consumers in all regions of the nation ... should have access to telecommunications and information services that are reasonably comparable to those available in urban areas and at rates that are reasonably comparable to rates charged for similar services in urban areas.” This simple, elegantly-stated principle is at the heart of our universal service policy and is the focus of our attention today.

Through this Order, we modify our universal service funding mechanisms for non-rural telephone companies. By “non-rural telephone companies,” we refer to some of the largest local exchange carriers in the nation. These companies serve rural areas in numerous states, but also serve non-rural areas including most of the urban, low-cost areas in any given state. I emphasize that this order applies only to the non-rural universal service funding mechanisms and I am pleased that this Order continues to recognize the fundamental geographic, economic, and demographic differences between rural and non-rural carriers.¹

This Order responds to a decision of the United States Court of Appeals for the Tenth Circuit, which had remanded our prior rules to us for further consideration and explanation. I believe that this Order speaks to the concerns raised by the Tenth Circuit Court of Appeals by providing meaningful definitions for key terms in the Act and by adopting a two part mechanism for federal universal service funding to non-rural carriers. The Order is based largely on the helpful recommendations of the Federal-State Board for Universal Service. When this Recommended Decision was adopted, I had not yet had the pleasure of joining this Commission or the Joint Board, so I would like to take this opportunity to thank my colleagues on the Joint Board, both present and past, for their hard work on this proceeding.

The Order affirms our practice of comparing statewide average costs to a nationwide cost benchmark to determine federal non-rural high cost support. In addition, we take an important step toward ensuring the reasonable comparability of rates by adopting a supplementary rate review that can form the basis for additional federal support. Some have found fault with our reliance on cost as the primary basis for non-rural support, while others have criticized our two part approach – looking both at cost and at rates. In the end, I believe that ensuring that consumers in rural areas have access to comparable service at comparable rates is one of our top priorities and I believe that we take a reasonable approach in this item.

¹ Rural carriers continue to be governed by the Rural Task Force Order, which runs through 2006. See *Federal - State Joint Board on Universal Service, Multi - Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, Report and Order in CC Docket No. 00-256, 16 FCC Rcd 11244, 11249, para. 11 (2001) (Rural Task Force Order).

We leave for tomorrow several key details of the supplemental rate review, including judgments about what specific showings will be required for additional federal support. I am pleased the item permits states to consider the calling scopes available in rural areas served by non-rural carriers when reviewing whether rates in those areas are comparable to urban rates nationwide and that the item seeks comment on whether and how consideration of calling scopes might be incorporated into the basic template. I look forward to working on these issues with my colleagues and hope that we can provide necessary clarification as soon as possible.

Finally, I note that this Order relies on recent data from the General Accounting Office showing that most rural and urban rates are currently reasonably comparable; this finding supports our conclusion that federal universal service support is set at a reasonable level. That said, it is important that we continue to monitor the effectiveness of the actions we take here. I believe that the new rate data that we will obtain through the expanded certification process will be essential for that purpose and can only help us in our efforts to “preserve and advance” universal service. We can all take pride in the success of our universal service programs and I am pleased to support this item.