BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In RE: *Universal Service Generic Contested Case*
Docket No. 97-00888

COMMENTS OF WORLDCOM

At the February 21, 2001, Agenda Conference, the Directors requested Comments on certain issues related to the provision of universal service in Tennessee. At the Pre-Hearing Conference held on April 3, 2001, the Pre-Hearing Officer asked interested parties to comment on whether the Authority may request revenue information from commercial mobile radio service providers (CMRS), or wireless carriers, and whether wireless carriers should be required to contribute the state universal service fund. MCI WorldCom Communications, Inc. ("WorldCom") hereby files its comments in response to that request.

It is WorldCom's position that any universal service fund should be targeted to end users as narrowly and as precisely as possible and that the financial contributions needed to support such a fund should be spread within the telecommunications industry as widely as possible. This position is based on economic, policy and market facts. First, from an economic perspective, the financial burden for social programs should be spread as widely as possible because the cost burden is ultimately borne by consumers that do not directly benefit from the program. The incidence of the cost burden will affect the prices of other services and thus the level of those services that are produced and consumed. As a means to minimize the economic dislocations associated with the support mechanism, the price effect on other services will be smaller the larger the effective assessment base is. For this reason, the support for the Tennessee state universal service program under development in this docket should assess wireless as well as wireline carriers. The assessment for all carriers should be based on end user intrastate revenues.[1]

Secondly, from a market perspective, it is undeniable that wireless services function as effective substitutes for both local and toll calls carried over wireline networks. In this market environment, to assess one class of carriers while exempting others is patently inequitable and unsustainable. From a policy perspective, the assessment mechanism must be competitively neutral. Competitive neutrality requires that the assessment mechanism neither benefit nor penalize any carrier or group of carriers. According to the FCC, competitive neutrality requires that "no entity receives an unfair competitive advantage that may skew the marketplace or inhibit competition by limiting the available quantity of services or restricting the entry of potential service providers."[2] FCC USF Order at ¶48. In addition, the FCC determined that any universal service funding mechanism should be technologically neutral—i.e. that "universal service support should not be biased toward any particular technologies." Id. at ¶49. These principles of competitive and technological neutrality require that wireless carriers should not only pay into any universal service fund, but should also be able to take out from such a fund. Indeed, wireless carriers should be able to gain eligible carrier status pursuant to §214 of the 1996 Act and should

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[1] There are more equitable assessment bases other than intrastate end user revenues that could be adopted. For example, the $50 million state USF in New York is supported by assessments on total intrastate revenue less deductions for payments made to other carriers for such inputs as UNEs and access services. As such, the mechanism used in New York assesses value added rather than billed revenue. In an effort to avoid added controversy and complications, WorldCom is not advocating the use of the New York assessment mechanism in this docket but stands ready to assist the TRA in understanding the benefits of that mechanism. Separately, WorldCom wishes to remind the TRA of the ongoing discussions regarding the federal assessment mechanism referred to in footnote 3.

[2] *Report and Order*, In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Adopted May 7, 1997. ("FCC USF Order").

receive support from the universal service fund for providing the supported services on the same terms and conditions that an ILEC or any other wireline carrier is eligible to receive support from the fund.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been forwarded via U.S. Mail, postage prepaid, to the following on this the 14th day of May, 2001.

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