

modifications are warranted, and if so, how the rules should be modified.

DATES: Comments are due on or before May 5, 2003. Reply comments are due on or before June 3, 2003.

ADDRESSES: Send comments to 445 12th Street, SW., Washington DC 20554. See **SUPPLEMENTARY INFORMATION** section for more information on where and how to file comments.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION: On November 8, 2002, the Federal Communications Commission (Commission) requested that the Federal-State Joint Board on Universal Service (Joint Board) "review certain of the Commission's rules relating to the high-cost universal service support mechanisms to ensure that the dual goals of preserving universal service and fostering competition continue to be fulfilled." In particular, the Commission asked the Joint Board to review the Commission's rules relating to high-cost universal service support in study areas in which a competitive eligible telecommunications carrier (ETC) is providing services, as well as the Commission's rules regarding support for second lines. The Commission also asked the Joint Board to examine the process for designating ETCs. By this Public Notice, the Joint Board initiates its review. As set forth below, we invite public comment on whether these rules continue to fulfill their intended purposes, whether modifications are warranted, and if so, how the rules should be modified.

Issues for Comment

1. We seek comment on whether changes to the Commission's rules relating to high-cost universal service support in study areas in which a competitive ETC is providing services and the Commission's rules regarding support for second lines are warranted, and if so, how those rules should be modified. We also seek comment regarding the process for designating ETCs. With respect to each of these issues, we ask that commenters specifically address how any proposed modifications will further, or impede, the Act's goals of maintaining universal service and fostering competition. We also ask commenters to address the effect of any rule changes on incentives to invest in and upgrade the network

and on incentives to provide supported services in high-cost areas. In addition, commenters should address how any proposed modifications to the high-cost loop support mechanism for rural carriers would affect the specific conclusions adopted in the *Rural Task Force Order*, 66 FR 34603 (June 29, 2001), as well as its five-year time frame.

A. State of the Marketplace and Universal Service Fund

2. We seek to establish a complete record on the development of competition in high-cost areas, the effect of the Commission's current policies on such development, and how line growth in high-cost areas may impact the universal service fund. To the extent possible, we request that commenters provide detailed data on competition and line growth in high-cost areas. The more specific data that we receive, the better able we will be to tailor our recommendations to meet the Act's goals of maintaining universal service and fostering competition.

3. Based on Universal Service Administrative Company (USAC) data, a total of approximately 1,400 ETCs received approximately \$803 million in high-cost support disbursed in the third quarter of 2002 for service to approximately 31 million lines. Of these ETCs, 45 were competitive ETCs, of which 15 were mobile wireless providers, and 30 were competitive LECs. The competitive ETCs received approximately \$14 million for service to 1.2 million lines for the same time period, representing approximately 1.8 percent of the total amount of high-cost support provided to ETCs. In contrast, in the first quarter of 2001, competitive ETCs received approximately \$2 million out of approximately \$638 million in high-cost support, or approximately 0.4 percent of total high-cost support.

4. To what extent will support for competitive ETCs likely grow over time? Is the growth rate of support for competitive ETCs over the last eighteen months indicative of what one would expect to see in the future? How does the growth in support for competitive ETCs compare to the growth in support for other ETCs (i.e., incumbent LECs)?

5. According to the Commission's most recent *Local Telephone Competition* report, 93 percent of United States households are located in zip codes where there is at least one competitive local exchange carrier. In some states, however, entry is occurring in only a limited number of zip codes. According to the Commission's most recent *CMRS Competition* report, 94 percent of the total United States

population lives in counties with access to three or more different mobile telephone service operators (including cellular, broadband Personal Communications Services, and/or digital Specialized Mobile Radio providers). What percentage of consumers in rural and high-cost areas have access to competitive alternatives for services provided by incumbent LECs? What economic and business factors affect competitive entry in rural and high-cost areas? To what extent, if any, is there a relationship between competitive entry and receipt of high-cost support by competitive ETCs?

6. In addition, we encourage commenters to provide the Joint Board with data on the number of telephone connections in high-cost areas, and to also indicate the type of technological platform providing the telephone connections. Is there line growth in high cost areas, and if so, how much of the line growth is due to services being provided by wireline, wireless, and other technology platforms? To what extent does such growth represent secondary lines, and to what extent does it represent new end users? Where are such lines located? To what extent are such lines eligible for high-cost support, i.e., provided by ETCs? How many currently receive support?

7. To what extent does wireless or other technology represent the addition of complementary service rather than substitution for traditional wireline in rural and high-cost areas? We note that, according to the Commission's most recent *Telephone Subscribership in the United States* report, as of November 2001, 1.2 percent of households in the United States indicated that they had only wireless phones. Is it reasonable to assume that this statistic on household wireless substitution nationwide is indicative of the degree of substitution occurring in high-cost areas? To what extent have customers of mobile wireless competitive ETCs substituted wireless for wireline service?

B. Methodology for Calculating Support in Competitive Study Areas

8. We seek comment regarding the methodology for calculating support for ETCs in competitive study areas. Under the Commission's current rules, per-line support for all ETCs is based on the support that the incumbent LEC would receive for the same line. This means that support to the competitive ETC is based on a variety of factors directly related to the incumbent's operations.

9. We seek comment on the policy goals of portable support. Does providing universal service support for multiple ETCs in high-cost areas result