

**STATEMENT OF**  
**COMMISSIONER KEVIN J. MARTIN**  
**Approving in Part, Concurring in Part, Dissenting in Part**

*Re:* *Federal-State Joint Board on Universal Service, CC Docket No. 96-45*

Today's decision addresses various pending petitions for reconsideration filed in response to the Commission's 1997 Universal Service decision and certain subsequent orders.

As I have stated previously, I am increasingly concerned by the recent decision to revisit whether the Commission should adopt a universal service support mechanism for rural carriers based on hypothetical forward-looking economic costs.<sup>1</sup> Today's decision raises similar concerns regarding the Commission's characterization of how to address universal service high cost support in rural areas. I continue to have concerns with this approach and believe that we could better achieve sufficient universal service support and comparability of rates if we base our universal service support system on actual rather than forward looking costs. Accordingly, I concur in the result of this part of the Order.

The Commission also rejects the Puerto Rico Telephone Company's ("PRTC") proposal to treat non-rural carriers serving Alaska or insular areas as rural carriers for purposes of calculating and distributing high-cost support. The decision also fails to address the PRTC's separate request—which has been pending for more than one year--that the Commission create a separate category of "non-rural insular" carriers for purposes of intrastate high-cost support.<sup>2</sup> As a result of the Commission's modification of its universal service program, the PRTC lost all of its high-cost loop support within in a four year period. The record demonstrates the unique challenges facing insular areas, such as Puerto Rico, that have exceedingly low subscriberhip rates and unusually high costs to deploy and maintain affordable service to underserved rural areas. Based on this evidence, I believe that the Commission could have moved forward to grant the PRTC's proposal. Accordingly, I dissent to this part of the Order.

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<sup>1</sup> See Statement of Commissioner Kevin J. Martin, *Federal-State Joint Board on Universal Service*, Order, CC Docket No. 96-45, FCC 04-125 (rel. June 28, 2004).

<sup>2</sup> Ex Parte of Puerto Rico Telephone Company, Inc., from Greg J. Vogt, Counsel for Puerto Rico Telephone Company, Inc., CC Docket Nos. 00-256, 96-45, 98-77, 98-166 (February 28, 2003).