

STATEMENT OF COMMISSIONER KEVIN J. MARTIN

Today's public notice seeks comment on issues referred to the Federal-State Joint Board on Universal Service relating to the high-cost universal service support mechanisms for rural carriers and the appropriate rural mechanism to succeed the five-year plan adopted in the *Rural Task Force Order*. The Commission specifically asked the Joint Board to "consider whether the current forward-looking economic cost model, used in calculating high-cost support for non-rural telephone companies, is appropriate for some or all rural telephone companies, or if some other method for estimating forward-looking economic costs would be better suited for some or all rural telephone companies."¹ I am increasingly concerned by the decision to revisit whether the Commission should adopt a universal service support mechanism for rural carriers based on hypothetical forward-looking economic costs.²

In establishing a universal service support mechanism based on actual costs, the Commission recognized that the forward-looking economic cost model support mechanism adopted for non-rural companies may not be appropriate for rural companies. The Rural Task Force made clear that the one of the cornerstone concepts of their recommendation "was the decision to recommend the continued use of embedded cost methods rather than the Commission's forward-looking cost model for sizing universal service support for rural carriers."³ I questioned the Commission's use of forward-looking costs as the basis for distributing universal service support for non-rural telephone companies and would have even greater concerns if such an approach would be used to distribute support to rural companies.⁴ I continue to believe 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.

¹ *Federal-State Joint Board on Universal Service, Order*, CC Docket No. 96-45, FCC 04-125 (rel. June 28, 2004), at para. 9.

² 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)

³ Reply Comments of the Rural Task Force on the Rural Task Force Recommendation, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 01-08 (March 12, 2001).

⁴ See, Statement of Commissioner Kevin J. Martin, *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Joint Board Recommendation (adopted, Oct. 16, 2003)