

**Before the  
Federal Communications Commission  
Washington, DC 20554**

In the Matter of )  
 ) WC Docket No. 05-337  
High-Cost Universal Service Support )

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**REPLY COMMENTS OF THE  
NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES  
ON THE USE OF AUCTIONS TO DETERMINE HIGH-COST UNIVERSAL  
SERVICE SUPPORT**

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**I. INTRODUCTION**

Pursuant to the Public Notice issued by the Federal-State Joint Board on Universal Service (“Joint Board”),<sup>1</sup> the National Association of State Utility Consumer Advocates (“NASUCA”)<sup>2</sup> offers these reply comments on the notion of determining universal service support in high-cost areas using “reverse auctions.” Few of the

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<sup>1</sup> FCC 06J-1 (rel. August 11, 2006). The Public Notice was published in the Federal Register on August 25, 2006.

<sup>2</sup> NASUCA is a voluntary national association of more than forty consumer advocates in 41 states and the District of Columbia, organized in 1979. NASUCA’s members are designated by the laws of their respective states to represent the interests of utility consumers before state and federal regulators and in the courts. *See, e.g.*, Ohio Rev. Code Chapter 4911; 71 Pa. Cons. Stat. Ann. § 309-4(a); Md. Pub. Util. Code Ann. § 2-205(b); Minn. Stat. Ann. Subdiv. 6; D.C. Code Ann. § 34-804(d). Members operate independently from state utility commissions, as advocates primarily for residential ratepayers. Some NASUCA member offices are separately established advocate organizations while others are divisions of larger state agencies (*e.g.*, the state Attorney General’s office). Associate and affiliate NASUCA members also serve utility consumers, but have not been created by state law or do not have statewide authority.

comments that were filed supported outright creation of an auction-based mechanism.<sup>3</sup> Others supported the development of a mechanism but would place significant -- sometimes conflicting -- restrictions on the mechanism.<sup>4</sup> The others either outright opposed, asked numerous questions, or looked at auctions as a step to be considered after other matters are decided.<sup>5</sup>

In a reverse auction, “the bidder is specifying the amount of money it must receive to provide universal service in a given area for a given period of time,”<sup>6</sup> in contrast to a standard auction, where the bidder is specifying the amount that it is willing to **pay** for a good or service. The supporters of auctions differ significantly on the

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<sup>3</sup> These include Alltel Communications, Inc. (“Alltel”); CTIA - The Wireless Association® (“CTIA”); General Communications, Inc. (“GCI”); National Cable & Telecommunications Association (“NCTA”); Satellite Industry Association (“SIA”); The Seniors Coalition (“TSC”); TracFone Wireless, Inc. (“TracFone”); and Verizon and Verizon Wireless (“Verizon”). NASUCA apologizes to any commenter that feels its comments have been miscategorized here.

<sup>4</sup> These include Alaska Communications Systems Group, Inc. (“ACS”); AT&T Inc. (AT&T”); Balhoff & Rowe LLC on behalf of the Independent Telephone and Telecommunications Alliance (“ITTA”); Corr Wireless Communications, LLC (“Corr”); Dobson Cellular Systems, Inc. (“Dobson”); Missouri Public Service Commission (“MoPSC”); New Jersey Board of Public Utilities (“NJBP”); and NTCH, Inc. (“NTCH”).

<sup>5</sup> These include a group of 46 rural companies (“Rural USF Coalition”); a group of five Oklahoma telephone companies (“Oklahoma Carriers”); Alaska Telephone Association (“ATA”); Alexicon Telecommunications Consulting (“Alexicon”); American Association of People with Disabilities (“AAPD”); CenturyTel, Inc. (“CenturyTel”); CoBank; Embarq Corporation (“Embarq”); FairPoint Communications, Inc. (“FairPoint”); Frontier Communications (“Frontier”); General Communications, Inc. (“GCI”); GVNW Consulting, Inc. (“GVNW”); ICORE Companies (“ICORE”); John Staurulakis, Inc. (“JSI”); National Exchange Carrier Association, Inc. (“NECA”); National Telecommunications Cooperative Association (“NTCA”); Oklahoma Corporation Commission (“OkCC”); Oregon-Idaho Utilities, Inc. and Humboldt Telephone Company (“OIU/HTC”); Organization for the Promotion and Advancement of Small Telecommunications Companies (“OPASTCO”); Qwest Communications International Inc. (“Qwest”); Rural Iowa Independent Telephone Association (“RIITA”); Rural Cellular Association (“RCA”); Rural Independent Competitive Alliance (“RICA”); Rural Telephone Finance Cooperative (“RTFC”); Small Company Committee of the Louisiana Telecommunications Association (“LTASCC”); TCA, Inc. - Telecom Consulting Associates (TCA”); TDS Telecommunications Corp. (“TDS”); Texas Statewide Telephone Cooperative, Inc. (“TSTCI”); United States Cellular Corporation (“USCC”); United States Telecom Association (“USTA”); and Western Telecommunications Alliance (“WTA”).

<sup>6</sup> Public Notice, ¶ 2, n. 1.

implications of these results. In addition, they differ on many other aspects of the issue.

As the paper by Dr. Dale Lehman shows,<sup>7</sup> the use of auctions in other areas, even reverse auctions, cannot be easily transferred to the goals of universal service, that is, to ensure that customers in rural areas have affordable rates and services that are reasonably comparable to those seen in urban areas.<sup>8</sup> As NASUCA posed the question, “[W]ithout the auction-determined amount of support, would rates and services in the area supported be reasonably comparable and affordable?”<sup>9</sup>

The bottom line is that the Joint Board has no more basis now to recommend the use of auctions to the Federal Communications Commission (“FCC” or “Commission”) than it had when last receiving comments on this issue three years ago.<sup>10</sup> These reply comments focus on the comments of the supporters of the auction concept, rather than on the critics of the concept. As reflected in the initial comments, however, NASUCA continues to oppose the use of auctions for universal service purposes.<sup>11</sup>

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<sup>7</sup> Dr. Lehman’s paper, “The Use of Reverse Auctions for Provision of Universal Service,” is an attachment to NTCA’s comments.

<sup>8</sup> 47 U.S.C. 254(b). This shows that Verizon’s discussion of spectrum auctions, Canadian timber auctions and Texas electric generation auctions (Verizon Comments at 13-16) and CTIA’s and Qwest’s discussion of spectrum auctions (CTIA Comments at 5-6; Qwest Comments at 2) miss the mark: It is a far different matter to determine what bidders are willing to pay to receive spectrum, timber or electricity than it is to determine how much a carrier must **receive** in order to supply universal service at affordable and reasonably comparable rates in a specific high-cost area for a given period of time.

<sup>9</sup> NASUCA Comments at 2.

<sup>10</sup> 96-45, Public Notice, 18 FCC Rcd 1941 (2003) (“2003 Public Notice”), ¶ 20.

<sup>11</sup> See also NASUCA Reply Comments (June 3, 2003) at 35-37.

## II. HOW MANY WINNERS?

Alltel proposes that the lowest competitive bid would determine the level of high-cost funding for all ETCs.<sup>12</sup> Alltel asserts that “[r]estricting USF support to auction winner(s) ... would distort the competitive marketplace.”<sup>13</sup> There are extreme practical problems with Alltel’s approach. If a carrier has submitted a bid that says it will be an eligible telecommunications carrier (“ETC”) for, say, \$10 a month per line in support, but the winner has bid \$5 a month, will the “loser” be required to accept the ETC obligations and the \$5 a month? If not, will the carrier be required to relinquish its ETC designation? And will that relinquishment be perpetual or just until the next auction round?

Alltel’s proposal is that the lowest bid would “win” the auction, and that all carriers would receive support based on that bid. But Alltel also says that the “existing per-line level of support should be the ‘reserve price’ for the auction” and that “[i]f no ETCs offer lower bids, then the existing per-line support levels should remain in place.”<sup>14</sup> Under those circumstances, why would any ETC bid, knowing that if the auction fails, the default would be the current amount of support? What’s the point of the auction then?<sup>15</sup>

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<sup>12</sup> Alltel Comments at 3; see also Corr Comments at 8, CTIA Comments at 16; GCI Comments at 3.

<sup>13</sup> Alltel Comments at 3; see also Dobson Comments at 5.

<sup>14</sup> Alltel Comments at 5.

<sup>15</sup> GCI says that the auction results should take the place of both federal and state support. GCI Comments at 14. GCI premises this on the Commission’s “broad authority to condition federal support on States’ adherence to federal policies.” *Id.* One doubts whether the Commission’s powers extend that far.

Verizon, on the other hand, insists that only the winner of the auction would receive support.<sup>16</sup> Verizon states that “[s]uch a system would subsidize only the most efficient ETC capable of providing supported services in a defined service area with the lowest amount of subsidy.”<sup>17</sup> Verizon does, however, apparently support having two “winners” during a transition period “in appropriate high cost areas -- an incumbent and the lowest bidder, which would likely be a wireless CETC.”<sup>18</sup> Verizon would decrease the ILECs’ support to the level of the low bid “during the transition.”<sup>19</sup> It is not clear whether the ILEC would receive the low-bid amount during the entire transition, or whether support would be phased-down from current support levels to the low-bid level during the transition period.

CTIA says that a carrier would have to have been approved as an ETC even in order to bid.<sup>20</sup> It is not exactly clear why, but it may be that CTIA’s real desire is for a seemingly incidental part of its proposal: streamlining the ETC designation process.<sup>21</sup>

CTIA also says that:

[i]nstead of a “winner takes all” system, that would deny support to all but the lowest bidder ... the Joint Board should consider

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<sup>16</sup> Verizon Comments at 13; see also Qwest Comments at 7-8, MoPSC Comments at [2], TracFone Comments at 14. The NJBPU looks to auctions to limit the number of supported networks in each area. NJBPU Comments at 4. NTCH would limit support to the two lowest bidders in each area. NTCH Comments at 5.

<sup>17</sup> Verizon Comments at 13; see also *id.* at 25.

<sup>18</sup> *Id.* at 24. A CETC is a competitive ETC, i.e., not the incumbent local exchange carrier (“ILEC”).

<sup>19</sup> *Id.*

<sup>20</sup> CTIA Comments at 6; by contrast, e.g., GCI would say that a “qualified bidder should ... be eligible for ETC status.” GCI Comments at 15. See also TracFone Comments at 12.

<sup>21</sup> *Id.* at 7; see also NTCH Comments at 2-3.

supporting a “winner gets more” reverse auction. A “winner takes all” bidding system would create an artificial competitive advantage to the winner. In contrast, under a “winner gets more” system, all active auction participants would be eligible for some amount of support, but the auction winner would be rewarded by receiving the largest portion of the universal service support funding for the auctioned region.<sup>22</sup>

CTIA does not, however, have a specific proposal about how the unequal amounts of support should be determined.<sup>23</sup>

### **III. WILL AUCTIONS REDUCE THE USF?**

Unlike Alltel’s proposal to have current support levels be the reserve price for the auction -- in other words, the floor price -- Verizon proposes that the current level of support should be the ceiling.<sup>24</sup> Verizon says that “[t]his will help ensure that the auction mechanism ultimately operates to support only the most efficient provider ... at a level that is sufficient but not greater than what is necessary to provide supported services.”<sup>25</sup> NASUCA does not agree with the substance of Verizon’s argument but does agree with the result: As mentioned above, if an auction cannot produce support for less than the current mechanism, why bother to change? CTIA says that an auction should be capped

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<sup>22</sup> CTIA Comments at 8.

<sup>23</sup> GCI and NCTA say that there should be interconnection requirements for ETCs participating in the auction. GCI Comments at 15-16; NCTA Comments at 6. It is not clear whether the requirements would apply before or after the auction.

<sup>24</sup> Verizon Comments at 27.

<sup>25</sup> Id.

at the forward-looking cost of service.<sup>26</sup>

On the other hand, Verizon also proposes that, “after an appropriate transition period,” the results from areas that are auctioned would be “transferred” to areas where there are few ETCs<sup>27</sup> -- in other words, to areas where there are so few ETCs that there is little or no bidding. Verizon’s proposal is nonsense, because it assumes that conditions and costs are also transferable. An example should suffice to show Verizon’s error: In an area with “moderately” high cost, there could be a number of bidders, and the bidding could be won for \$25 a month in support. Yet in a truly high-cost area, there might be one bidder (perhaps the incumbent), which would require \$100 a month in support. Applying the \$25 a month to the more costly area would be foolish and unreasonable.

NASUCA does agree with Verizon that any auction process should focus on areas that are currently receiving high-cost support.<sup>28</sup> As Verizon states, “Areas currently being served by carriers that do not receive high-cost support, by definition, do not require high cost subsidies in order to ensure affordable access.”<sup>29</sup> Yet Verizon would apparently classify areas that receive “CALLS support”<sup>30</sup> as low priority areas, allowing carriers -- like Verizon -- to continue to receive that support. Given that neither CALLS support nor

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<sup>26</sup> CTIA Comments at 8. That would be the same thing as Verizon’s proposal for non-rural companies’ service areas, where the auction process, if adopted, should start.

<sup>27</sup> Id. at 28.

<sup>28</sup> Id. at 29.

<sup>29</sup> Id.

<sup>30</sup> See *In the Matter of Access Charge Reform*, CC Docket No 96-262, *et al.*, Sixth Report and Order, 15 FCC Rcd 12962 (2000) (“CALLS Order”). “MAG Order” support is similar. See *In the Matter of Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, *et al.*, 16 FCC Rcd 19613, Second Report and Order, *et al.*, (2001) (“MAG Order”).

MAG support have anything substantial to do with carriers' costs, the better course would be to eliminate that support, as proposed by NASUCA.<sup>31</sup>

TSC supports the use of auctions because, according to TSC, the study by Thomas Hazlett performed for TSC “could immediately save the consuming public, including seniors and low income consumers \$1 billion or more -- and ultimately serve more consumers.”<sup>32</sup> The Hazlett study has been subject to fairly strong criticism on other grounds,<sup>33</sup> much of which NASUCA agrees with. But importantly for the immediate purpose, it does not appear that Professor Hazlett actually calculated a \$1 billion savings to the USF from auctions in his paper.

In the course of its comments that reverse auctions are “worth consideration”<sup>34</sup> Qwest notes that “auctions should be designed to reduce the size of the high-cost fund and to eliminate the existing separate mechanisms for distributing high-cost support.”<sup>35</sup> Based on the concerns expressed here and in NASUCA’s initial comments, NASUCA is less convinced that auctions are worth consideration, but agrees that if they are considered the purpose should be to reduce the size of the high-cost fund and to replace the existing high-cost mechanisms.<sup>36</sup>

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<sup>31</sup> See NASUCA Comments in 96-45 and 05-337 (March 27, 2006) at 65-90.

<sup>32</sup> TSC Comments at 4.

<sup>33</sup> Jeffrey H. Smith and Michael Fox, “The Federal Universal Service Policy Debate Should Use Facts, Professor, Not Fiction” (August 2006); see [http://www.wcai.com/pdf/2006/rural\\_smithfoxAug25.pdf](http://www.wcai.com/pdf/2006/rural_smithfoxAug25.pdf).

<sup>34</sup> Qwest Comments at 2.

<sup>35</sup> Id.

<sup>36</sup> This includes the CALLS- and MAG-based IAS and ICL funds.

#### IV. IS PRICE THE ONLY CRITERION?

Alltel says that the “lowest bid, based on price” should win the auction.<sup>37</sup> On the other hand, Qwest says that “minimum quality service standards and maximum rates for affordable services should be built into the auction structure.”<sup>38</sup> The MoPSC says that “winners cannot be selected on price alone.”<sup>39</sup> GCI states that “[t]he Commission must expressly define the supported service and the regulatory requirements (including service area, requirements to extend service to unserved areas, service parameters and quality.)”<sup>40</sup>

In what is a common practice in the industry, some commenters seek special concessions based on their business plan in order to make an auction competitively neutral. For example, SIA says that support should cover “the cost of the equipment that allows the customer to communicate with the satellite -- equipment that might be considered ‘consumer premises equipment’ but which nevertheless should be supported in order to provide a level playing field.”<sup>41</sup> One would expect, however, that a satellite provider that wanted to participate in an auction would have to include the “significant” cost of that equipment<sup>42</sup> as part of its bid.<sup>43</sup>

Dobson, on the other hand, wants protection for other carriers from bids that are

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<sup>37</sup> Alltel Comments at 6.

<sup>38</sup> Qwest Comments at 5; see also ACS Comments at 3; Dobson Comments at 4.

<sup>39</sup> MoPSC Comments at [6].

<sup>40</sup> GCI Comments at 3-4.

<sup>41</sup> SIA Comments at 6.

<sup>42</sup> Id.

<sup>43</sup> One also wonders why the satellite industry has not yet participated in the current high-cost USF program.

too low:

[A]n auction participant may place an artificially low bid in an effort to drive another carrier (or carriers) out of the market. Even if the bidder did not receive sufficient universal service support after the auction, it might be willing to gamble that, in a less competitive market, it would be able to increase prices enough to remain profitable.<sup>44</sup>

Unfortunately, although Dobson identifies this and other problems with low bids,<sup>45</sup> it does not make any suggestion about how the problems can be dealt with.

## V. WHAT TERM FOR THE AUCTION?

Alltel says that the term should be “long enough to ensure the stability of regulatory expectations and promote investment”<sup>46</sup> and pegs that at no less than five years.<sup>47</sup> NCTA says the term should be “no longer than ... three years.”<sup>48</sup> NASUCA submits that neither of these is long enough to encourage facilities investment.<sup>49</sup> Yet NTCH’s proposal for a ten-year term<sup>50</sup> may well be too long.

As noted in NASUCA’s initial comments, the term might have to be one of the conditions of the auction, especially where few bidders have been attracted to the auction. And Qwest notes that “the longer the term, the more there would need to be a mechanism

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<sup>44</sup> Dobson Comments at 4.

<sup>45</sup> Id. at 4-5.

<sup>46</sup> Alltel Comments at 5. See also CTIA Comments at 7-8. CTIA does not specify a period, however.

<sup>47</sup> Id.; see also MoPSC Comments at [3-4].

<sup>48</sup> NCTA Comments at 6.

<sup>49</sup> See id. at 5-6.

<sup>50</sup> NTCH Comments at 3.

to adjust the award if circumstances were significantly changed from what the bidder anticipated would occur.”<sup>51</sup> Depending on the significance of the change, it might be better to hold another auction rather than to simply give the winner of the previous auction more money.

## **VI. WHAT AREA FOR THE AUCTION?**

Alltel says that “[a]uctions should set support levels based on counties or some other competitively neutral geographic unit -- not based on network configurations of one category of carriers (e.g., ILEC wire centers or study areas).”<sup>52</sup> NCTA refines the concept somewhat, supporting the use of small service areas, such as Census Block Groups) (“CBGs”), which are “competitively and technologically neutral because they do not conform to the boundaries of any particular type of service provider, nor are they defined by the use of any particular technology.”<sup>53</sup>

Clearly, the use of any “competitively neutral geographic unit” would be problematic for any carrier whose service territory did not match that unit. This would be true for ILECs -- whose service territory, and hence whose facilities, seldom match any specific geographic units -- but would also apply to wireless carriers. The Commission has seen these issues already under the current system, with CETCs attempting to redefine the ILECs’ study areas so as to avoid serving the entirety of the study area. Under a CBG-based mechanism, all carriers would essentially be equally disadvantaged,

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<sup>51</sup> Qwest Comments at 7.

<sup>52</sup> Alltel Comments at 5.

<sup>53</sup> NCTA Comments at 5; see also Dobson Comments at 7.

except where their service areas and facilities encompassed the entirety of a CBG.

Such small units would, of course, increase the number and probably the complexity of auctions. And the question remains, would an ETC be eligible to bid in an area where it did not have facilities?

NTCH supports using Cellular Market Areas (“CMAs”), although ILECs would be expected to provide service in the areas in which they are certificated within a Basic Trading Area (“BTA”).<sup>54</sup> It appears, therefore, that the bidding territories would not match. NTCH does not explain how this would work. It also appears that neither the CMA nor the ILEC portion of a BTA would be competitively neutral.

Qwest states that “[i]t would seem that the bidding areas will need to be predetermined (as opposed to permitting bidders to determine the scope of the area to be bid on).”<sup>55</sup> Yet Qwest also notes that “[t]he higher administrative costs of developing reverse auctions for numerous targeted high cost/low density areas needs to be balanced against the inefficiencies of targeting high-cost support to more broadly defined areas that may include low-cost areas.”<sup>56</sup> These are just more examples of the problems and difficulties with implementing auctions.

## **VII. COMMENTS ON THE DISCUSSION PROPOSAL**

Even among the supporters of auctions, there does not appear to be much

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<sup>54</sup> NTCH Comments at 6.

<sup>55</sup> Qwest Comments at 6.

<sup>56</sup> *Id.* at 7.

enthusiasm for the Discussion Proposal. Alltel, Dobson and NTCH all oppose it.<sup>57</sup>

Corr also opposes, noting that the Discussion Proposal's condition that would ensure support for a broadband carrier is supporting a service that is not on "the basic menu of services laid out in Section 54.101 of the Commission's rules."<sup>58</sup> Of course, the Discussion Proposal also ensures support for a mobile service even though mobility is also not on the Commission's "basic menu."<sup>59</sup>

## VIII. SUPPLEMENTING THE RECORD

The only commenter to explicitly address and respond to the Joint Board's request to supplement the record was ITTA.<sup>60</sup> Despite its plethora of nifty diagrams,<sup>61</sup> however, most of ITTA's updates really add nothing new to its previously-entered views: the primary source of high cost fund growth is CETCs, especially wireless ETCs; and support to rural ILECs is flat or declining.<sup>62</sup>

ITTA also discusses a number of issues that really do not represent supplementing the record. This includes, as ITTA admits, issues like making payments to CETCs based on their own costs, where "[a]n ample record already exists in this and the previous

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<sup>57</sup> Alltel Comments at 6, Dobson Comments at 7-9; NTCH Comments at 1.

<sup>58</sup> Corr Comments at 4.

<sup>59</sup> Indeed, this latter limitation is even more unreasonable than the broadband one, because there are fewer technologies that support mobility than support broadband.

<sup>60</sup> Various other commenters addressed some of the same subjects as ITTA, but did not reference the request to update the record. Those comments are not addressed here.

<sup>61</sup> E.g., ITTA Comments at 11, 28, 45.

<sup>62</sup> See *id.* at 2, 10-26.

docket”<sup>63</sup> and making ETC certification guidelines mandatory, as to which a petition for reconsideration remains pending.<sup>64</sup> NASUCA agrees with these positions -- especially if basing ETCs’ support on ETCs’ costs is focused, at least for the larger ILECs and the CETCs, on forward-looking costs -- but will not reargue them here.

## **IX. CONCLUSION**

As shown above, there is a wide variety of views among those who support the auction concept. And none of the supporters has bothered to put forth a detailed plan that addresses the broad range of the issues.<sup>65</sup> This does not even touch on the various reasons why the many opponents -- ranged across a broad spectrum of the industry -- argue against such a plan.<sup>66</sup> The votes are clearly against the use of auctions, for many practical reasons.

Verizon says that “[a]ny competitive bidding process will require careful attention to important details and cooperation from many participants.”<sup>67</sup> But Verizon follows this realistic statement with the Panglossian remark that “reverse auctions need not be complex.”<sup>68</sup> In contrast, Qwest more realistically discusses the “many details” and the

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<sup>63</sup> Id. at 46. Many of the other commenters -- not surprisingly, the ILECs -- also argue this point.

<sup>64</sup> Id. at 47.

<sup>65</sup> That is, even comparable in scope to the Discussion Proposal, which is also lacking in detail. ITTA also has, as one of its many graphics, a table that lists the range of issues surrounding auctions. ITTA Comments at 36; see also id. at 37.

<sup>66</sup> The opponents’ comments are listed in footnote 5, *supra*.

<sup>67</sup> Verizon Comments at 2.

<sup>68</sup> Id.

“practical aspects of using reverse auctions to determine high-cost universal service support in areas where significant up-front capital investments have already been incurred to provide service to area customers.”<sup>69</sup>

As seen here, in the comments of the many stakeholders that oppose or question the auction concept, and even in the comments of those who support the concept (like Verizon) a reverse auction system would likely be as complex, if not more so, than the current system. And an auction system would be unlikely to save much money for the USF, especially if the costs of development, administration and transition are factored in. It may be that the best the Joint Board and the Commission can hope for would be the establishment of a limited pilot program in the territory of one of the non-rural carriers in a state with a cooperative commission.<sup>70</sup>

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<sup>69</sup> Qwest Comments at 6. Qwest also notes that “[i]f the ILEC in an existing high-cost area were not a winner of the auction, it would need the ability to absorb its lost universal service support through pricing.” Id. at 8. The implications of this generally (it assumes that the ILEC has an entitlement to a particular level of universal service support) and jurisdictionally (it assumes that the Commission can control intrastate pricing capabilities) are further signals of the problematic complexity of moving to a radically different support system. Qwest also says that the loser of the auction would have any unbundling obligations lifted. Id.

<sup>70</sup> Another alternative would be, as the Commission contemplated earlier, to trial auctions in an unserved area where the establishment of **any** service would be an improvement. See ITTA Comments at 35; SIA Comments at 7.

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