

**SEPARATE STATEMENT OF  
COMMISSIONER KEVIN J. MARTIN**

*Re: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Second Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 00-256*

I write separately to explain my reservations with this Order and why I nevertheless join in approving it. I am sympathetic to the calls of many rural carriers to seek more comment before moving forward on this item. Having seen the Commission fail to reach these issues for years despite the pleas of the carriers, it seems somewhat ironic that the Commission feels it necessary to do so now, when the carriers would like the Commission to wait.

Nevertheless, after careful consideration, I am convinced that growing disparities between the access rates of rural, rate-of-return and other, price-cap carriers should be addressed sooner rather than later. These disparities can create problems in conjunction with our rate averaging and rate integration policies, which require IXCs to charge rates in rural and high cost areas that are no higher than rates they charge in urban areas and to charge comparable rates in each State. *See* 47 U.S.C. § 254(g); *Policy and Rules Concerning the Interstate, Interexchange Marketplace*, Report and Order, 11 FCC Rcd 9564, ¶¶ 9, 20, 52. As a result, IXCs that serve rural and high cost areas must charge higher rates to all of their customers than IXCs that do not serve such areas. As rate disparities grow, the pressure for IXCs to stop serving rural and high cost areas also grows; IXCs will either lose money serving these rural areas or will be forced to charge higher rates in low cost areas than their competitors. Without Commission action, I fear that these rate disparities may lead IXCs to exit rural and high cost markets altogether, causing great harm to rural America. This Order, in reforming the access rate structure of largely rural rate-of-return carriers, reduces these growing disparities and begins to address this problem.

I also note that I have some concerns with the Commission's policy – adopted long before this Order – of using universal support as a means of creating “competition” in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning universal service fund. It is thus with real pause that I sign on to an Order that may further this policy.

I will continue to examine these issues as well as the other concerns raised regarding the impact that our policies may have on rural America. And, in that vein, I am committed to evaluating these issues and remain receptive to making significant changes as we move forward.