

concept during the 1980s and Congress deemed it an unacceptable position. Interexchange carriers are users of a LEC's local loops when providing service to their customers, to reach both their presubscribed customers and those who dial their carrier codes. There is no justification to give another carrier a free ride on facilities it would otherwise have to construct for itself. The real question is not whether IXCs should pay, but how much they should pay. To the extent that the current division of the interstate portion of LEC non-traffic sensitive costs between CCL and SLC is not properly set to comparable market realities, adjustment may be required in either the capped level of the SLC charge, the manner in which the CCL cost is recovered, or both. The ultimate impact on the subscriber, however, must be evaluated in terms of the Act's directives regarding reasonableness, affordability, and comparability. Similarly, any revisions to the Long Term Support mechanism can and should be accommodated at the time these adjustments are made.

III. SCHOOLS, LIBRARIES, AND HEALTH CARE PROVIDERS

The rural telephone industry strongly supports the Act's objectives to ensure the provision of advanced telecommunications to schools, libraries, and health care providers in rural areas. The ability of these important segments of the community to operate in the most cost effective manner permitted by communications technology is vital to the continuation of rural communities and their economic development. Indeed, rural telephone companies have been at the forefront in areas of distance learning and telemedicine precisely because of their concerns that their communities will disappear without such technologies. It is therefore vital that these segments be incorporated into universal service support in a meaningful way. The RTC recommends that a separate or segregated fund be established in order that the very difficult job

of determining proper funding levels can best be managed.

IV. ADMINISTRATION OF THE UNIVERSAL SERVICE SUPPORT MECHANISM

The Commission recognizes that administration of the new fund will require “large scale information processing and database capabilities” (para. 128). Once the state determines eligibility, the administrator will be required to apply the federal support mechanisms consistently and without favoritism to both eligible incumbents and eligible new entrants. To perform these duties, an entity will require a mixture of expertise in the minutiae of communications industry structure, cost characteristics, accounting practices, and an understanding and commitment to the universal service goals of the Act.

The RTC believes that states are not the appropriate entity to fulfill the role of a neutral administrator, and suggests that administration should remain in the hands of a private entity. As administrator of the current USF, NECA is uniquely positioned in the industry to broaden its capabilities to meet the requirements of the new USF effectively, efficiently, and with minimal uncertainty. Developing a new system would be costly, time consuming, and could delay implementation of the Act. It is also critically important that NECA’s vital fiduciary function as tariff agent and defender of the NECA tariffs and administrator of the non-traffic sensitive and traffic sensitive pools not be compromised as the 1996 Act is implemented.

V. CONCLUSION

In view of the short time available before a Joint Board recommendation is required, the Commission should move quickly to develop specific proposals which will allow the parties to focus their comments. Such specific proposals, along with suggested rules, are necessary for the Commission, the states, and the public to examine intelligently whether the revised mechanisms to

be adopted can reasonably be expected to function and to accomplish the goals of the Act.

The Rural Telephone Coalition recommends that the rules build upon the success of the existing system, with such revisions as are necessary to accommodate the expanded national goals, additional contributors and recipients, and the special provision for schools, libraries, and health care facilities. The Commission should reject as being inconsistent with the Act any proposal set forth to restrict support for rural areas. At least the proposed core set of services required to be provided as universal service should be adopted, along with the commitment to reexamine the technology and the markets at regular and frequent intervals. These services should be supported at their current levels.

The Act provides state commissions with considerable discretion to allow or condition competitive entry in rural areas and to determine which entities are eligible for support. Because these restrictions do not apply in non-rural areas, and because entrants may qualify in rural areas, the Commission's revised rules must accommodate the complex situation of multiple "eligible" carriers. Support should be made available only for the facilities owned and maintained by such carriers and only to the extent the facilities are demonstrated to have high actual costs qualifying for support. The revised plan must recognize that the underlying incumbent carrier cannot remain in business by reselling its facilities at a discount from the residual of its total cost, particularly if it loses the access revenues or their equivalent in support.

The Commission should accept the principle that IXCs should continue to pay for use of local loops to complete their calls. However, the FCC could reexamine both the proportion of the interstate allocated costs charged to IXCs and the method of cost recovery.

The RTC strongly supports the Act's initiative to improve service to schools, libraries and

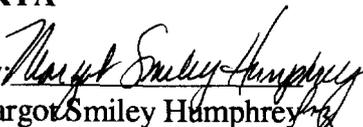
health care facilities, as these are vital to the continued viability of rural areas. A separate fund should be established for this purpose in order that it may be more carefully estimated and monitored.

Administration of the new fund should be maintained under private control. Mixing regulatory and administrative duties would create insurmountable conflict of interest which would diminish the ability of the Commission, the Joint Board, and the states to objectively evaluate the program. NECA is the logical entity to be the designated administrator, assuming NECA will continue to perform its vital duties of effectively developing and defending access tariffs and administering the pools. Given its capabilities and experience with the industry, the Commission can be assured that the system NECA designs to administer universal service will be able to function.

Respectfully submitted,

THE RURAL TELEPHONE COALITION

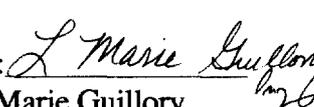
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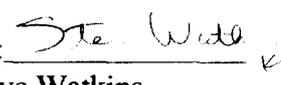
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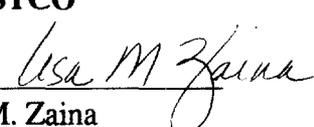
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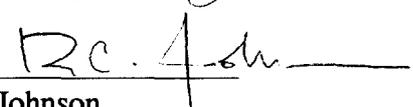
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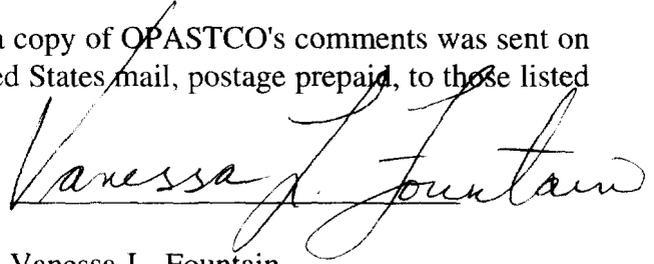
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CERTIFICATE OF SERVICE

I, Vanessa L. Fountain, hereby certify that a copy of OPASTCO's comments was sent on this, the 12th day of April, 1996 by first class United States mail, postage prepaid, to those listed on the attached sheet.

A handwritten signature in cursive script that reads "Vanessa L. Fountain". The signature is written in black ink and is positioned above a horizontal line.

Vanessa L. Fountain

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