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Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of)
)
Federal-State Joint Board)
on Universal Service)

CC Docket No. 96-45

COMMENTS

Farmers Telephone Cooperative submits its comments in response to FCC Docket No. 96-45. The NPRM seeks comment on many significant issues affecting universal service and various present and future support mechanisms for such service. Farmers Telephone Cooperative is a small local exchange carrier (LEC) serving approximately 17,500 members in predominantly rural areas of Alabama. As discussed in our comments in FCC Docket 80-286 current universal support mechanisms allows our Company to provide our members with the latest technology and quality service that would be afforded them in an urban area at affordable and reasonable rates. These comments should be considered in concert with our previous comments in FCC Docket 80-286, as this proceeding is critical to our Company being able to provide affordable, reliable telephone service to our members.

As reflected in the NPRM, the Telecommunications Act of 1996 (the "Act") changes the concept of universal service, especially as applied in rural areas. For example, subsection 254(b) of the Act sets forth certain principles on which the FCC and the Joint Board must base their decisions in this docket, including that: (1) quality services should be made available at just, reasonable, and affordable rates; and (2) consumers in rural and high-cost areas should have access to interexchange services and advanced telecommunications and information services, "that are reasonably comparable to those services provided in urban areas and that are provided at rates that are reasonably comparable to rates charged for similar services in urban areas." By adopting this language, Congress extended the definition of universal service well beyond simple dial tone. For the immediate future, Farmers Telephone Cooperative will be responsible for bringing these services to rural areas.

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In the short time period prescribed for comment, we will briefly address the following issues:

- (1) “Core” and Advanced Services
 - Description of Services
 - Evolving definition of universal service concept
- (2) Universal Service Support
 - How to implement
 - Who is eligible
- (3) Support for Low Income Consumers
 - Lifeline support
- (4) Administration of Support Mechanisms
 - Who should contribute
 - How should contributions be assessed
 - Who should administer

Discussion

1. “Core” and Advanced Services

The following definition of “core” services should be included in the provisioning of universal service:

- Voice-grade access to the network
- Touch-tone
- Single-party service
- Access to emergency service
- Access to operator service
- White Page Directory Listing
- Equal Access
- Access to averaged long distance
- Directory Assistance

In addition to the above items Farmers Telephone Cooperative currently provides its members with enhanced services, SS7 features and blocking and is considering Internet access. As the universal service concept evolves these advanced telecommunications/information services should be considered as part of the "core" services. This would comply with section 254 (b)(3) of the "Act" regarding the availability of these services that are comparable in quality and price to those provided in urban areas.

We would respectfully request that the Joint Board give careful consideration to the "benchmark" used for comparative purposes to determine the adequacy of rural service offerings. The services offered by our Company should be compared to urban areas in our state like Birmingham and Huntsville as opposed to New York or Chicago. Perhaps this can best be accomplished through joint efforts with our State Commission.

2. Universal Service Support

- **How to Implement**

Support for rural, insular, and high-cost areas should be available to all of our members, both residential and business. As to the method of determining the level of support we agree with paragraph 27 of the NPRM that the method should be as simple to administer as possible, technologically-neutral, and designed to minimize the subsidy required to achieve the goal of affordable and reasonably comparable rates throughout the country. The current Commission's jurisdictional separations rules to subsidize LECs in high cost areas is the most accurate and defensible method to compute support levels. This would also maintain consistency with current support results. As to new entrants, their support could be based on the incumbent LEC's current support until comparable cost-based studies could be prepared to determine the new entrant's specific support needs.

The other methods for determining support levels discussed in paragraphs 31-36 of the NPRM (proxy models and competitive bidding system) do not appear to achieve the goals discussed in paragraph 27 of the NPRM. For instance, the current proxy model proposals need more work, are inaccurate, unworkable and appear in some instances to result in an increase in the

current support levels. As for the competitive bidding system, we feel that this is not a feasible way to protect the objectives for universal service as provided for in the “Act”. For example, the most expeditious way to be the lowest bidder is to provide lower quality service which results in a degradation of service to rural high-cost America.

See our previous comments in FCC Docket 80-286 related to the continued use of the USF and DEM support mechanisms. We feel that these are consistent with Congress’s intent “to provide for a pro-competitive, de-regulatory national policy framework... opening all telecommunications markets to competition”

- **Who is Eligible for Support**

Support should be available only to those “eligible telecommunications carriers” as designated by the appropriate State Commission as provided for in section 214(e) of the “Act”. The incumbent LEC has historically been and will continue for the foreseeable future to be the carrier of last resort in rural areas. Consequently, the incumbent LEC should be the proper recipient for universal service support.

Please see our comments in FCC Docket 80-286 related to the voucher system as proposed in past proceedings. We feel that the support should stay with the facility not the customer. As stated in section 254(e) of the “Act” support must be used only for the provision, maintenance, upgrading, and service of the facility. Giving support to the customer will not accomplish this mandate.

3. Support for Low-Income Consumers

- **Lifeline support**

The NPRM has requested comments on whether there should be changes to the level of support or structure of the federal Lifeline program. Even prior to passage of the “Act”, the FCC’s Lifeline program was gaining increasing importance as a means of mitigating the impact of rate increases resulting from rate rebalancing and other requirements factors driving up rates in rural areas. As an example, the Alabama Public Service Commission is considering a staff proposal that would require all rural LECs to implement a \$7.00 federal and state lifeline rate in

conjunction with a rate rebalancing plan. There are many service areas in Alabama where almost one-half of the citizens live below the poverty line, which underscores the importance of maintaining the Lifeline program as a means of ensuring that the disadvantaged receive basic telephone service.

4. Administration of Support Mechanisms

- **Who should Contribute**

All providers of interstate telecommunications services should contribute to universal service supports. Contributions should be expanded eventually to include private network and enhanced service providers

- **How should contributions be assessed**

Assessments should be based on gross revenues, net of payments to carriers, using retail revenues of both interstate and intrastate services. The assessment should be similar to the current TRS fund mechanism.

- **Who should administer**

It is our Company's belief that the National Exchange Carrier Association (NECA) should administer the universal service support fund. NECA has handled this function in the past, has the large-scale information processing and data base capabilities, industry expertise, and has a representative Board structure which could provide the necessary oversight to handle this function in a fair, consistent, efficient, and competitively neutral manner.

Due to time constraints we were not able to address all of the issues outlined in the NPRM, consequently, we respectfully reserve the right to address additional issues in reply comments, if any, and to participate in any further proceedings in this docket. We appreciate the opportunity to present these comments to you.

Respectfully submitted,

Farmers Telephone Cooperative

