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**NYNEX Proposal For Assistance To
Schools, Libraries and Health Care Providers**

**The Commission Should Rely Upon Input From Schools, Libraries,
And Health Care Providers To Determine Which Services To These
Entities Should Be Funded.**

The success of the Act will be measured, in large part, by how effectively the Commission uses Section 254 to bring the benefits of the information superhighway to schools, libraries, and health care providers in all areas of the country. The critical questions are (1) what services should be supported; and (2) what discounts and other mechanisms are necessary to ensure that these entities have affordable access to such services. In contrast to the large amount of data in the record about high cost areas and subscribership, the Commission has relatively little information about the needs of these entities. Therefore, the Commission needs to gather additional information from the educational, library, and health care communities before moving forward on these issues.

With regard to the first issue, the Commission should not attempt to pre-determine what telecommunications services should be funded through the universal service fund for schools, libraries, or health care providers. Telecommunications services are only one component of the packages of services, hardware, software, and professional training and support that are needed to bring benefits of the information age to these entities. The controlling issue is the application to which these technologies will be applied. For instance, if a school needs interactive video conferencing to allow students in rural schools

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to attend classes in urban areas, the school might need video monitors, microphones, computer controllers, cable inside wiring to each classroom, and high capacity dedicated facilities linking the various schools. Internet access could be accomplished with quite different computer hardware and software, and with ISDN or even voice grade lines. Simply making telecommunications services available, without the associated equipment and software and professional training and support, and without an understanding of whether those services will meet the user's needs, would not accomplish the goals of the Act. Moreover, the needs of each entity will vary in the years ahead as new technologies and applications are developed.

In addition, it is not obvious that the goals of the Telecommunications Act of 1996 are not currently being met with regard to health care providers. Section 254(h)(1)(A) requires telecommunications carriers to provide service to rural health care providers at rates that are reasonably comparable to the rates charged for similar services in urban areas. Since the LECs generally offer rates that are averaged throughout their study areas, they may already be in compliance with this requirement.

The Commission should develop a plan that allows the schools, libraries, and health care providers to define the services for which they need support by the universal service fund. For instance, the Commission should establish an Education Telecommunications Council with representatives from public and private schools, the telecommunications industry, State and Federal government

agencies that deal with education, and providers of educational computer software and hardware, professional training and educational research and evaluation, to develop proposals to enable schools to obtain access to information technologies. Such a council, modeled on the Commission's experience with the Network Reliability Council, was called for in a recent Aspen Institute Report.¹

The Commission should avoid adopting an inflexible universal service support mechanism that would dictate a standard set of services to be provided to every school or library, or that would specify a particular discount on each telecommunications service. Such a "one size fits all" approach would probably not meet the needs of these entities, and the prescribed discounts might not be sufficient to allow them to obtain the services they need. In addition, it might be difficult to administer a prescribed discount in the future where some or all providers no longer file tariffs that can be referenced for the "undiscounted" rate. Also, the Commission should adopt a mechanism that would allow these entities to solicit bids for telecommunications services by aggregating the demand for all similar entities in the state, or in multiple states. If the carriers could seek compensation from the universal service fund for the discounts that they would have offered for such aggregated demand even in the absence of a universal service fund, it would do nothing to expand the availability and

¹ See also letter from American Telemedicine Association to Honorable Reed Hundt, dated March 5, 1996, proposing a telemedicine advisory council to review and advise the Commission on the needs of health care providers.

affordability of telecommunications services. For these reasons, the Commission should adopt a flexible plan, such as the plan outlined below, that would apply Section 254 in a manner that would enhance the ability of state authorities to obtain services at the most affordable price.

The Commission Should Adopt The NYNEX Education Plan For Support To Schools.

With regard to assistance to schools, NYNEX proposes that the Commission adopt the NYNEX Education Plan ("NEP"), which would give state education administrators the greatest flexibility to use universal service funding to obtain access to telecommunications and information services.² The NEP has the following elements;

- With the assistance of the Education Telecommunications Council, the Commission would develop an "educational vision" of the services that would be made available to every school and classroom in the nation.³

- The Commission would then estimate the total nationwide costs of providing telecommunications services, including inside wiring, to achieve the educational vision. The Commission would divide this amount by the number of students to develop a Benchmark Price per student. The Benchmark Price would be applied to a Benchmark Discount to develop the amount per-student that would be supported by the universal service fund.⁴

² Exhibit D describes the NEP in detail. A similar plan could be developed to fund telecommunications services to libraries. The Commission would determine the amount to be funded per-library, with an adjustment for the size of the community served by each library.

³ For example, the Commission could use data such as the estimates by the United States Advisory Council on the National Information Infrastructure, regarding the costs of wiring all of the nation's classrooms and libraries with advanced telecommunications. See United States Advisory Council on the National Information Infrastructure, "KickStart Initiative, Connecting America's Communities to the Information Superhighway," January 1996.

⁴ See Section 254(h)(1)(B).

- The Commission would then estimate the total nationwide costs of providing telecommunications services, including inside wiring, to achieve the educational vision. The Commission would divide this amount by the number of students to develop a Benchmark Price per student. The Benchmark Price would be applied to a Benchmark Discount to develop the amount per-student that would be supported by the universal service fund.⁴

- Each school would develop a proposal for bringing information technology into a classroom. The school would submit the proposal to a State Authority for certification that the proposal was consistent with the educational vision. The State Authority would have the ability to vary the level of the discount applicable to each school if that were necessary to achieve the educational vision. However, the average discount for all schools in the state would have to equal the Benchmark Discount, and the discounts would have to be within a range set by the Commission.

- After a school's proposal was certified by the State Authority, the school could solicit the best market price for the telecommunications services it desired to purchase. The school would inform the telecommunications carrier or carriers of the Benchmark Discount that would be applied to the purchase price in the form of Telecommunications Credits, along with an account number assigned by the universal service fund administrator. Bidding carriers would incorporate that amount as a discount on the total charges for the services in question.

- The telecommunications carrier that was selected by the school to provide the telecommunications services would seek reimbursement from the universal service fund administrator for the amount of Telecommunications Credits, and bill the school for the remainder.⁵

- The state could supplement this discount with additional credits for intrastate services that would be funded by a state universal service fund, or with other alternative support mechanisms, as permitted by Section 254(f).

This plan would have several benefits. It would delegate decision-making to those who know the most about the types of telecommunications services that are desired, and the amount of support that each school needs -- the state

⁴ See Section 254(h)(1)(B).

⁵ The school could provide a certified letter specifying the amount of Telecommunications Credits that applied to the services purchased from that carrier. The carrier would submit the letter to the fund administrator for reimbursement.

since the customers, rather than designated carriers, would determine the amount of assistance that would be applied. It would allow the schools to negotiate the best deals they could with telecommunications carriers, since the Telecommunications Credits would be applied against the total amount bid by a carrier, which presumably would reflect the amount that the carrier would charge to a similar customer for a similar volume and/or term purchase. It would not tie funding to any particular technology, and it would allow the schools to decide from year to year how to apply the funds in the most cost-effective manner.

NYNEX EDUCATION PLAN

Under the NYNEX Education Plan (“NEP”), the Commission and Joint Board would refrain from attempting to identify the specific services required by a school in order to bring information technology into the classroom. Rather, the Commission, working with both the Joint Board and the Education Telecommunications Council recommended by the Aspen Institute Report, would establish an “educational vision” that would describe the nationwide goal for connecting schools to the information superhighway. Using this vision, the Commission would then establish a Benchmark Price to implement it, and both the Commission and The Joint Board would define a Benchmark Discount that would form the basis of the educational funding required of the Federal Universal Service Fund (“USF”) as mandated by the Act.

Schools would be provided with the flexibility to determine how best to accomplish the educational vision given the unique characteristics of their students, their infrastructure, their personnel and the other sources of funding for information technology. A State Authority would be given the responsibility to certify the proposals put forward by individual schools or school districts as being consistent with the educational vision. This State Authority would be given the flexibility to vary the Benchmark Discount within Commission prescribed ranges in order to meet the funding needs of individual schools.

The NEP proposes that the Commission adopt as its educational vision the “partial classroom model” contained in the Kickstart Initiative. This model would connect half the classrooms in America over the next five years at a reasonable cost. The costs of accomplishing this objective were identified by McKinsey and Company to be:

<u>Element</u>	<u>\$ Millions</u> <u>Initial</u>	<u>Ongoing</u>
Connection to School	\$ 1,715	\$ 1,030
Connection within School	\$ 5,025	\$ 410
Hardware	\$13,740	\$ 1,130
Content	\$ 3,505	\$ 1,715
Professional Development	\$ 3,665	\$ 2,435
System Operation	\$ 1,220	\$ 810
TOTAL	\$28,870	\$ 7,530

The telecommunications related cost (connection to and within the school) are \$6.74 billion for the initial deployment and \$1.44 billion for ongoing maintenance and usage. These values would have to be verified for reasonableness and, if found accurate, would be used to establish a Benchmark Price per student to achieve this educational goal. The Benchmark Price would be applied to a Benchmark Discount to determine the total level of Universal Service funding.

To evaluate the reasonableness of this plan, the USF was calculated assuming that the Benchmark Discount for initial costs would be set at 75% for initial costs and at 50% for ongoing costs. This would result in the following USF requirements, assuming the NEP was introduced in 1997 and phased in at a rate of 25%, 25%, 20%, 15% and 15%.

\$ Millions

<u>Year</u>	<u>Initial Costs</u>	<u>Ongoing Costs</u>	<u>Total</u>
1997	\$1,265	\$180	\$1,445
1998	\$1,265	\$360	\$1,625
1999	\$1,010	\$505	\$1,515
2000	\$ 760	\$610	\$1,370
2001	\$ 760	\$720	\$1,480

After the initial five year period, ongoing funding would be at a level of \$720 million, assuming no other changes were recommended in the NEP.

This level of funding would be converted to a per-pupil dollar amount. This would represent the Benchmark level of funding at the Benchmark Discount level within each state. A State Authority would be designated to certify the individual proposals prepared by schools or school districts. These proposals would describe the schools' plans to bring telecommunications technology into their classrooms. The State Authority would certify that the school had a proposal that would implement the educational vision as outlined by the Commission.

The intention of the NEP is to provide both the individual schools and the State Authority the maximum flexibility in accomplishing their respective tasks. The State Authority would have the ability to vary the individual discount provided to a school if that were required to implement the educational vision. However the average discount would still have to equal the Benchmark Discount established by the Commission and Joint Board. The Commission would establish ranges within which the State Authority could operate. These ranges could be 25% - 100% for initial costs and 20% - 90% for ongoing costs.

After the school's proposals were certified and the discounts were established, the school would submit the certification form to the USF Administrator. The USF Administrator would establish an account for the school and credit the account with a number of Telecommunication Credits reflective of the authorized discount and the number of pupils enrolled in the school.

After notification by the USF Administrator, the school could seek to establish the best market price it could for the telecommunications services that it needed to purchase. This could be accomplished in any manner the school wishes to pursue and by dealing with any telecommunications carrier or carriers. When purchasing services, the school would inform the carrier of the number of telecommunications credits that could be applied, along with the school's account number. The carrier would seek reimbursement from the USF Administrator for the Telecommunications Credits, and bill the school for the remainder.

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COUNCIL OF CHIEF STATE SCHOOL OFFICERS

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Resource Center on Educational Equity State Education Assessment Center

Testimony
of

Gordon M. Ambach
Executive Director, Council of Chief State School Officers

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FEDERAL COMMUNICATIONS COMMISSION

before the

Joint State/Federal Board
Federal Communications Commission

on

CC Docket No. 96-45
Universal Services for Elementary and Secondary Education and Libraries

April 12, 1996

No. _____
List _____

Universal Telecommunications Services for Elementary and Secondary Education and Libraries

Ladies and Gentlemen of the Board: You have decisions to make on implementation of the Telecommunications Act which are pivotal to the quality of American education in the next century. I am pleased to represent the chief state education leaders to offer advice on your decisions.

At long last we have the provision of universal services in telecommunications for schools and libraries. Public schools and libraries are now the universal providers of educational opportunities in the United States. They are at the core of preparing children and adults for civic responsibility, for economic productivity, and for participation in our society. They must prepare students with and for use of current technologies and those of the next century. It is, therefore, essential that the concept of "universal service" becomes integral with the concept of universal education. Access to telecommunications capacity in all schools and libraries is essential for the development of full individual potential and for each individual to contribute to the well-being of our nation.

Learning to use telecommunications capacity today is now a basic, or foundation, skill. In earlier times the technologies were slates, chalk boards, pens and pencils, books, slides, films, ditto machines. Today the basics are computers, software, data bases, and telecommunications systems for all students. But, match that description of "basics" with the facts. Less than 10% of our students have access to the Internet. Moving the percent of access to 100%, that is what universal service is all about.

Since 1984 the world has stored more information in digital formats than in traditional books. At the press release for our Council's report, "*United States Education and Instruction through Telecommunications*" in June of 1995, three high school students from Prince William County, Virginia discussed their world wide search on Internet for their science project. They started in a traditional library but could not find the resources needed until they began their

electronic search on the Internet that took them around the world. They discussed their project with scientists in San Diego, London, South Africa, and Australia. They collected their data and sent it electronically to a super computer that analyzed it and created 3-D graphical presentations for their report. These students are part of the 10%. They demonstrate what can be accomplished when the resources are available. All their colleagues must have the same access.

Books and libraries have been the foundation resources of schools since the 1700s. Such systems served the world and especially the United States well until recently. The creation of electronic libraries and the availability of Internet services is changing the way students learn and teachers teach. Access to information technologies is no longer an add on to education, but fundamental for all learners and teachers. A student or teacher without access to online services and distance learning is at a significant disadvantage; in short, they have an unequal education opportunity.

How can the provisions of the Telecommunications Act, recommendations of this Board and Commission rules, help bring universal telecommunications access to students and users of libraries?

1. Commission rules for “special services”: In addition to requiring that core residential services are available to schools and libraries, at “just, reasonable, and affordable rates,” the new Telecommunications Act requires that “special services” be provided to schools and libraries at affordable rates. All learners should have online services from their classrooms to access voice, data and interactive video. “Special services” should include, at a minimum, local and long distance transmission services to provide two-way voice and data communication throughout the world, access to information services throughout the world, and additional services covered by Section 254(h). Such “covered services” include (i) unbundled broadband switching and transmission capacity capable of delivering high quality video; and (ii) classroom and library access, including high-speed, broadband circuits to the building “demarcation” point, and inside wiring to all classrooms, offices, libraries, and computer workstations.

We urge the Board to recommend that broadband communications capability to the classroom be established as the standard for “special services” because that is the standard being adopted today in the most technologically advanced schools across the country.

If we settle for anything less, our schools will be technologically behind before the Commission completes its work. Iowa, North Carolina, New York, Texas, Utah and Ohio are already moving to platforms that can use such technologies today. Advanced efforts must be supported and others encouraged to follow the same path.

2. Commission rules for services to schools and libraries should be flexible enough to allow for school districts to take advantage of services at varying levels of capacity. Schools and libraries do not need particular technologies or technical solutions, but the ability to perform certain functions. The best approach will depend on what is practical and cost effective in a given situation. For this reason, the Commission should include a full range of service options up to and including the highest level described above. The rules must assist a district commensurate with the district's currently installed technology programs and plans for the use of advanced technologies.
3. Commission rules should provide that individual school district services be consistent with state educational telecommunications plans and services.
4. The Commission and the states should establish subsidized "lifeline" rates for those school districts which cannot afford the needed telecommunications even at discounted rates.
5. The Commission has flexibility in calculating discounts for the special services for schools and libraries. We recommend a method that will ensure affordability for the large majority of schools and libraries. The method is based on using the competitive market price or a surrogate for the market price for each service (if no such market price is readily ascertainable), and then provides for a discount from the competitive market price. We further propose to allow the carrier, at such time as sufficient data is available, to establish a floor for the rate for a particular special service at the Total Service Long Run Incremental Cost of providing that service.

These summary points are amplified in the Coalition filing CCSSO has made before the FCC and this Board with other education and library associations. This filing provides details of how the FCC and the Joint Board can ensure the full potential of the Act serves all students.

The Council's review of state technology plans under the Goals 2000 program clearly indicates that states are moving to make learning through telecommunications basic to their educational programs. In 1989 Peter Drucker discussed the need for American workers to have the skills that enabled them to find information, analyze that information and to work with teams to make decisions about that information. He described these skills as very different from our traditional education model of knowing facts. Lester Thurow in his latest book, "The Future of Capitalism" describes the shift in worldwide economic power to brainpower technologies as opposed to raw materials and manufacturing. Both Drucker and Thurow emphasize that the future economic well being of the nation is dependent upon more of our people mastering brainpower technologies associated with computing and telecommunications. Both indicate that the economic strength in the 21st Century depends upon the uses of technology to increase the brainpower of their citizens.

The decisions you make on this board concerning affordable rates for elementary and secondary schools and libraries must ensure that all American students have access to telecommunications and computing resources the students from Prince William County, referred to earlier, used. As exciting as is progress at some schools, school districts, and states in developing technology applications for learning, we must still remember that less than 10% of our classrooms have access to Internet. Telecommunications costs are a major barrier to realizing access by all students. We urge you to help remove that barrier.

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PROFESSION

FEDERAL/STATE JOINT BOARD - UNIVERSAL SERVICE

INITIAL MEETING - APRIL 12, 1996

LOW INCOME PANEL PRESENTATION

BY DAVID E. FREET - VICE PRESIDENT
PENNSYLVANIA TELEPHONE ASSOCIATION

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DISCUSSION OUTLINE

I. *REGULATIONS PROMULGATED BY PENNSYLVANIA PUBLIC UTILITY COMMISSION*

: Regulation passed in early 1980's (Title 52 PA Code, Chapter 64 Standards and Billing Practices for Residential Telephone Service) addressing Payment and Billing Standards, Credit and Deposit Standards Policy, Interruption and Discontinuation of Service, Suspension of Service, Termination of Service, Disputes; Informal & Formal Complaints, Restoration of Service, Public Information; Record Maintenance, Annual Reporting Requirements

: Provides for multiple balance format on residential customer bills to break out:
- basic service (includes installation, providing/restoring access lines, dial tone, touch tone, handling of unpaid checks) Does not include premise visits for installation of new service.

- toll service (all toll billing regardless of carrier)

- non-basic services (includes all other services on bill)

: Primary purpose to establish and enforce uniform, fair and equitable residential telephone service standards governing administration of customer account, leading to retention of basic dial tone service for payment troubled customers

II. *PENNSYLVANIA HISTORICALLY RANKED AMONG STATES WITH LOW DIAL TONE RATES*

: Pennsylvania Local Exchange Telephone Companies charge among lowest flat rate dial tone monthly rates in the U.S.

: Optional Measured Service provided by numerous companies helps provide low cost dial tone access

: Lifeline Service recently available (offered by Bell Atlantic-PA only)

III. *HISTORICALLY HIGH MARKET PENETRATION LEVEL FOR LOCAL DIAL TONE SERVICE*

: Pennsylvania, prior to Chapter 64, had and continues to retain, one of the higher dial tone penetration levels (approximately 95% at inception of Chapter 64 & today about 97%)

IV. *REGULATION/POLICY HAS GENERATED UNSEEN IMPLICATIONS*

: Local Exchange Telephone Industry has experienced approximately 300% increase in uncollectibles since inception of Chapter 64 regulations, versus states where services are permitted to be terminated for any unpaid balances

: Percentage of uncollectibles increased on average from less than 1% to over 3% (a range from 2-plus % to over 4% with industry average exceeding 3%) for the Industry in Pennsylvania since Chapter 64 (under \$1 million to over \$75 million)

: Complexity of billing system requirements generates customer confusion from multi-balances and extensive time required for explanation to customers

: Delays in suspending customers who are not paying & large number of repeat customers having problems paying

V. *SUMMARY*

: Need for objective, critical analysis of perceived social benefits verses legitimate social costs

: Pennsylvania regulation/policy has no doubt facilitated achieving a higher dial tone penetration level, helping ensure individuals remain on the network

: Pennsylvania has the largest "rural" population of any state

: Pennsylvania ranks second (behind Florida) in having a very large, older population base

: Pennsylvania has historically reflected a high penetration level of customers with dial tone service. Under Chapter 64 procedures, however, a substantial increase in

uncollectible/written off accounts has occurred, losses from which are subsequently shared by an entire customer base

: Administrative/implementation costs not recognized when initializing compliance with Chapter 64-like regulations (significant data processing/billing system expense typically experienced in setting up detailed billing system), day-to-day training expense for customer contact persons, and administration for service office personnel to handle accounts, along with complexity for customers/company alike to minimize human errors

: In today's competitive market place, those able to avoid incurring costs experienced by their competitors, costs attributable to Chapter 64-like regulations, have distinct cost/market advantage to pass along to customers (requirement for regulatory parity for all suppliers of competing services). The Chapter 64 requirements have caused companies to substantially increase their office work force, some double that of comparable operations in states not requiring multiple balances on customer bills

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COMMUNICATIONS DIVISION

**Prepared Statement of Adam M. Golodner
Deputy Administrator, Rural Utilities Service
April 12, 1996 Meeting of the Federal-State Joint Board**

Mr. Chairman and other Members of the Joint Board, thank you for the opportunity to be here today and to address issues so important to the future of rural America. It is fitting that this discussion is taking place in the context of a Federal-State Joint Board. This nation's telecommunications system has been, and will continue to be, a system comprised of the best ideas of both Federal and State policymakers. I am happy to say that for the past year or so I have been a non-voting member of the Communications Committee of the National Association of Regulatory Utility Commissioners (NARUC) and I know first hand the experience, dedication and expertise that the State Commissioners and their staffs bring to this discussion. I am honored to have been asked to share some ideas with you here today.

Background RUS

I am the Deputy Administrator of the Rural Utilities Service (RUS), a policy, planning and credit agency of the United States Department of Agriculture. The Rural Utilities Service has been promoting universal service in rural America for almost 50 years -- through targeted lending, technical advice and policy guidance. Rural Utilities Service borrowers serve approximately 40 percent of the landmass of the country, which is roughly one-half of the rural landmass. My statement here today, and our filed comments, concern all of rural America, not just the portion served by Rural Utilities Service borrowers and is technologically neutral -- applying to wireline, wireless and satellite service.

The Context of Rural America

Rural America is part of our national consciousness, part of who we are, where we came from and represents how much of the world views us.

It is important to put rural America in context. Here are some facts about rural America:

- Rural America comprises 80% of the landmass but only 20% of the population of our nation.
- Rural America supplies 18% of the jobs and 14% of the earnings of the country.
- Over the years, rural communities have experienced significant population out-migration. People have moved to urban and suburban areas seeking better jobs and education. For the first 140 years of our nation's history, most people lived in rural areas. But by 1990, only 20% lived in rural America.

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- While some rural areas, such as recreation, retirement and those near urban centers have grown in the last five years, the population of many rural areas continues to decline.
- The number of farm-based jobs is declining. Over the past 20 years, the percentage of the rural workforce employed in farming has decreased from 14% to 8%. At least 80% of rural residents are supported by non-farm employment.
- The largest and growing share of rural jobs comes from the services sector, which employs about 50% of rural workers. Manufacturing jobs employ another 17% of the rural workforce.
- Real earnings per job remain lower in rural areas than in urban areas.
- Rural America contains 535 counties suffering from persistent poverty. In these counties, 20% or more of the population has been below the poverty level over the past 45 years.

In sum, rural America is immense, sparsely populated, diverse, complex and changing. These challenges will be effected by the decisions of the Joint Board and the FCC in this Docket.

I would like to share a story with you. About a year ago I sat down with some 20 young rural Americans. They were high school students from around the country, handpicked leaders -- representing rural America's best and brightest. They wanted to know about my job as Deputy Administrator of the RUS. But their story was far more interesting to me. I asked them what they wanted to do when they grew-up - most all wanted to go to college, and they wanted to be doctors, teachers, accountants, nurses, farmers and yes -- like most of you, lawyers. I asked for a show of hands about how many planned to go back home for their careers -- three raised their hands. The students who were not going home said that there was no real opportunity for them at home. When I asked if they would go home if they had the same type of opportunity as elsewhere -- almost all said they would go home to their communities. This is part of our challenge, and telecommunications can address some of these issues. When the world can come to your kitchen table in the middle of the Great Plains -- you are a member of the national and global marketplace of commerce and ideas, as well as a member of your local community.

Our Commitment to Universal Service

This country has been committed to the concept of universal service for almost a century. Not only was this the right thing to do, but a universally served system was more valuable than a system which did not reach us all. This principle of enlightened self-interest also applies in today's world of international e-mail and information flow. One of the founding principles of the Administration's National Information Infrastructure (NII) initiative was to "extend the 'universal service' concept to assure that information resources are available to all at affordable prices." Last April, at President Clinton's National Rural Conference, Vice President Gore

elegantly explained why it is so important to ensure that all rural Americans had the opportunity to benefit from the information age. He said the real test is whether, after all is said and done, small rural hometowns, like his own of Carthage, Tennessee were connected. And just last week, while signing the new Farm Bill giving the Rural Utilities Service an expanded Distance Learning and Telemedicine Loan and Grant program, President Clinton stated that expanded investments in information infrastructure "will ensure that all Americans, regardless of how remote an area they live in, will have the opportunity to better their lives and share in the economic growth spurred by the revolution in information technology."

Mr. Chairman, and other members, all these universal service concepts have been embodied in the Telecommunications Act of 1996.

The Telecommunications Act of 1996

Through the Telecommunications Act of 1996 (Act), the President and the Congress codified a strong commitment to universal service. The Act recognizes that competition in the telecommunications industry is good, can bring choices, lower prices and improve customer service. The Act also recognizes that competition will not come to all areas of the nation at the same time and may never come to some. Great distances and small populations mean that rural areas may receive the benefits of competition later rather than sooner. Therefore the Act provides a strong, evolving, universal service base to help ensure that all have the opportunity to contribute to the future of our nation.

Response to the Notice

The President and Congress have charged you, the Joint Board, and the FCC, with developing the nation's new universal service system. This is no small task. You must balance existing universal service mechanisms with the new Act. You must balance competition with universal service. You must balance good rural infrastructure with not so good -- and even nonexistent -- rural infrastructure. And you must balance cost with the long-term principle of providing advanced telecommunications services. These balancing acts are overlaid by our economy which draws investment to areas of greatest return.

As the Notice of Proposed Rulemaking (Notice) shows -- there is no easy answer, but there are lots of good questions. The Rural Utilities Service believes that one of the best ways it can help rural Americans is to comment on who gets paid -- and for what. In my former life, I practiced law. Lawyers love tests. So, in thinking of how to respond to the Notice, the Rural Utilities Service devised a five-pronged test (RUS-Test) for universal service. The Rural Utilities Service believes that in order to meet the universal service provisions of the Act, any system devised to provide universal service must:

1. Provide incentives for competition. The system must provide incentives for competition and new entrants. The system should not, however, artificially support competition

in markets that cannot sustain multiple universal service providers.

2. Provide an adequate safety net. The system must ensure that rural residents can receive services of like quality, type and performance as the typical urban or suburban resident.

3. Provide for a changing infrastructure. The system must be flexible enough to maintain good, improve inadequate and serve the unserved with universal service infrastructure -- whether wireline, wireless or satellite. The facilities built or maintained must be cost effective and must be capable of evolving - migrating - to the changing definition of core services and must not inhibit the evolution to the inclusion of advanced services.

4. Provide affordable service. The system must ensure that core services are affordable in both monthly charge and initial service connection cost, anticipating possible revenue loss to new entrants.

5. Do no harm. The best parts of the rural infrastructure are a national treasure - the new system should not dismantle the good parts of what has taken so long to build.

Applying the Test

If a system meets this five-pronged test, the Rural Utilities Service believes it will comply with the Act and the concept of universal service.

In our filed comments, we applied the RUS-Test to the three universal service systems referenced in the Notice. We found that it is a useful tool. None of the referenced systems, the current universal service system, a bidding system or the Benchmark Cost Model system, met the test. However, we found that by applying the test, we could suggest a modified cost model system which would pass the test. We urge you to consider this approach. We also believe that once the Joint Board adopts a test, the other issues raised in the Notice will fall into place.

It is also important to put the Notice, and the universal service funding issue, in context with the access charge and toll separation issues. Universal service is linked to these and all other universal service mechanisms.

Conclusion

In conclusion, rural America is challenged by those same things that make it so compelling -- space, distance, scope and diversity. The Act has created an opportunity for the Joint Board, the FCC, the states and all of us to play a part in the future of this most quintessentially American part of our nation. We should all think broadly and long-term. Thank you for the opportunity to be part of this process.

CC 96-45

**BIOGRAPHY
WILLIAM BAILEY**

Mr. Bailey has worked for Southwestern Bell Telephone Company for over 28 years. He has worked with public service commissions in all five of SWBT's states. For the last eleven years he has worked in Missouri.

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His current responsibilities include the management of a \$35 annual investment commitment by SWBT, which was part of a settlement agreement between SWBT, the Missouri Public Service Commission and the Office of the Public Counsel. This investment commitment concentrated on distance learning, telemedicine and rural development.

Mr. Bailey holds an undergraduate and masters degree in economics, both from St. Louis University.

SUMMARY OF REMARKS

Mr. Bailey will discuss several telemedicine trials currently underway in Missouri and will make four recommendations to the Joint Board:

1. The definition of rural
2. The types of services that should be considered by the Joint Board
3. Recommendation for a separate fund that identifies an explicit subsidy
4. Federal support should complement and not duplicate existing state initiatives.

Missouri Public Service Commission

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CC96-45

SUMMARY OF REMARKS TO THE JOINT BOARD

Joseph Tracy, Director of Telemedicine, University of Missouri Health Sciences Center

1. Missouri Telemedicine Network Overview
 - Large Scale Public - Private Partnership
 - Technological Challenges
 - Telecommunication Costs to Rural Areas
 - Service Delivery (Clinical, Administrative, Educational)
2. Problems with Separation of "For-Profit" vs. "Not-For-Profit" Healthcare Facilities
3. Rural Needs in Telemedicine/Distance Learning
4. The Community Center Approach
5. Pricing
6. The Future

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The American Telemedicine Association

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President
American Telemedicine Association

Summary of Remarks Before The Federal Communications Commission April 12, 1996

The American Telemedicine Association is pleased to provide these comments to the Federal Communications Commission regarding universal telephone service. ATA is the only national non-profit association targeted to promoting telemedicine. The association's membership is composed of the nation's leading professionals and organizations actively engaged in the field of telemedicine. ATA's voting membership are individuals from medicine, academia, and the health care, technology, and telecommunications industries.

The goal of the American Telemedicine Association is to help all people gain access to health care where they need it, when they need it, with an economy of cost, and with consistency of quality. The promotion and regulation of telecommunications services are a critical element in meeting this goal but must take into consideration the larger context in which telemedicine is moving forward. An important scripture in medicine is "first do no harm". The same should be true for federal or state governments as they look into ways to help promote the deployment of telemedicine in the future.

I suggest that three principles be considered by this body before deliberations are made about any specific policies or programs that might affect telemedicine.

1. Any policy action taken by the FCC to promote telemedicine should refrain from requiring the consumer to use a particular telecommunications provider or modality for the delivery of telecommunications. The rapidly changing nature of telecommunications and telemedical technology and the newly competitive character of the telecommunications industry makes it irrelevant to describe the future telecommunications needs of health providers in terms of only existing wireline delivery nor for specific telephone, cable, or wireless networks. The specific type of telecommunications services needed for telemedicine varies

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