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April 23, 1996

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**BY HAND**

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: CC Docket No. 96-45  
In the Matter of Federal-State Joint Board on Universal Service

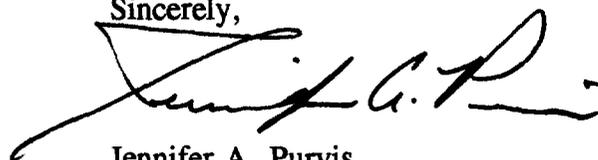
Dear Mr. Caton:

Please accept for inclusion in the record of the above-referenced proceeding the attached "Summaries of Selected Comments filed in the FCC Universal Service Proceeding."

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Should you have any questions regarding this matter, please contact me.

Sincerely,



Jennifer A. Purvis

cc: John S. Morabito

**SUMMARIES OF SELECTED COMMENTS FILED**  
**IN THE FCC UNIVERSAL SERVICE PROCEEDING**

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## **COMMENTS OF THE NATIONAL CABLE TELEVISION ASSOCIATION**

### **Goals and Principles**

**Affordability and Quality:** Current rate levels for widely-used services are "affordable."(4)

**The Statutory Criteria:** A service must meet all four statutory criteria to be designated a universal service.(4)

### **Support for Rural, Insular, and High-Cost Areas**

**Services to be Supported:** Core services should include (a) voice grade access to the PSN, (b) touch-tone, (c) single party service, (d) access to emergency services (911), and (e) access to operator services.(5) Toll service should not be included, but toll restriction services should be allowed where necessary.(6) Network elements, features, and functions essential to CLEC provision of universal services should be unbundled and priced based on cost.(5) CLEC access must be guaranteed.(5)

**Implementation:** Support should be available only for residential users and single lines.(6) Whether rural rates are reasonably comparable to urban rates should be determined by comparing the rates in the nearest one or two urban areas.(6)

**Calculation of the Subsidy:** Existing funding mechanisms should be phased out, and subsidy levels should be set using first a proxy model based on least cost technology and the efficient operating procedures of an anonymous entrant, and second (once competitors have entered the market), a competitive bidding process in which multiple carriers could receive support.(7,11-12) Regarding proxy models, the BCM is useful for determining high-cost areas, but it overstates the average costs per residence line, overstates the funding requirement, fails to consider all potentially offsetting LEC revenues associated with the provision of local exchange service, and includes multiple line services.(9-10,12)

Wire centers should be used to determine subsidy levels because they are desegregated.(10-11) Census block groups ("CBGs") are appropriate for determining high-cost areas, but not for determining subsidy levels because they ignore the economies of scale of serving several census block groups from a single wire center.(10) Study areas are inappropriate because they correspond to incumbents' service territories.(10)

**Eligible Carriers:** All willing carriers should be eligible for support, but support should only be provided through high-cost credits or customer vouchers given to the service provider.(12) Stringent reporting requirements or cost allocation rules are necessary. The Board should consider whether to exclude price cap LECs.(12)

### **Support for Low-Income Consumers**

**Services to be Supported:** In addition to the core services designated for rural, insular, and high-cost areas, core services should include limited free access to telco

offices.(13) Free toll limiting services and optional interexchange calling plans should be encouraged but not required.(14) Lifeline and Link Up should be retained.(13)

**Implementation:** Low income consumers should be defined nationally, with variation allowed among states e.g. "anyone living below poverty level," with poverty levels set state by state.(14-15) Revenues for this support should be kept separate from revenues for insular, rural, and high-cost area support.(15)

**Calculation of the Subsidy:** Subsidy levels should be determined using an initial estimation followed by regular true-ups, or through the reporting of Lifeline expenditures.(15)

### **Evolution of the Universal Service Definition**

The Board should adopt five-year reviews of the universal service definition, continue to apply the statutory criteria, and continue subscribership data collection.(15-16)

### **Schools, Libraries, and Health Care Providers**

**Schools and Libraries:** Core services should be made available at a discount, and designation of special services for support may be appropriate.(17) However, particular technologies should not be mandated.(17) While the FCC should develop competitively neutral rules to enhance access to advanced services to the extent technically feasible and economically reasonable, the FCC should not subsidize the services themselves.(17) The geographic areas utilized should be carriers' self-defined service areas.(18) A competitive bidding process should be used to establish the interstate discount.(18) The FCC should require written certifications that services are used only for permitted purposes by permitted users.(18-19) The entities eligible for support are set forth in the statutory definitions.(19)

**Health Care Providers:** Only core services should be designated as "additional" services for health care providers.(20) If other services are designated, particular technologies should not be mandated.(20) The FCC should adopt guidelines for the establishment of rural rates reasonably comparable to urban rates.(20) The existing HRSA classification system may be appropriate for identifying urban areas.(20) The definitions of rural and urban should be consistent with other definitions adopted pursuant to the 1996 Act.(20) Whether rural and urban rates are reasonably comparable should be determined by comparing the nearest one or two urban areas and using a price ceiling for rural rates.(21) The FCC should rely on a complaint, rather than certification, process to ensure that providers are responding to "bona fide" requests for services necessary for the provision of health care services.(22) Support should be provided through an offset, rather than reimbursement, mechanism.(22)

### **Access to Advanced Services**

Subsidization of advanced capabilities or services is unnecessary because cable operators are already providing them.(22-23) The FCC should make clear that cable

operators may provide such capabilities and qualify for support if such capabilities are designated universal services.(23)

### **Other Universal Service Support Mechanisms**

The carrier common line charges ("CCL") should be addressed in the access charge reform and LEC interconnection proceedings.(23) The FCC should require access charge reductions to be passed on to consumers.(23)

### **Administration of Support Mechanisms**

Contributions should be based on all revenues from both interstate and intrastate services, and net, rather than gross, revenues should be the basis of assessment.(24) An independent entity should administer the universal service fund.(25)

## COMMENTS OF THE UNITED STATES TELEPHONE ASSOCIATION

### Goals and Principles

**Principles:** The FCC should rely on market forces to establish prices and develop new services.(5)

**Affordability and Quality:** States should monitor service quality, standards should reflect local circumstances, and the same reporting requirements should apply to all carriers.(3) An affordability benchmark should be established.(4,14)

**The Statutory Criteria:** When designating universal services, the FCC should consider the extent to which all four statutory criteria are met, and whether the costs of including a service outweigh the benefits.(5)

### Support for Rural, Insular, and High-Cost Areas

**Services to be Supported:** Core services should include (a) voice grade access (residential and business) to the PSN allowing call placement and reception; (b) touch-tone; (c) single party service; (d) white page directory listing; (e) access to operator services and directory assistance; and (f) access to emergency services (911/E911).(12-13)

**Implementation:** The interstate portion of the loop costs of serving high-cost, insular, rural, and unserved areas should be federally subsidized.(20) The current end user common line caps ("EUCL") should be replaced by an interstate affordability benchmark equal to the national average loop cost.(15) EUCL prices should be equal to the lower of the interstate service area loop costs or the new interstate affordability benchmark.(15) The USF and DEM weighting should be retained for rural telephone companies only.(ii) States should be encouraged to permit exchange carriers to rebalance intrastate rates and establish individual support mechanisms using the same framework set out above for interstate support.(4)

**Calculation of the Subsidy:** Subsidy levels should be determined using a national average loop cost benchmark.(15-16) If multiple eligible carriers are allowed in rural areas, they should receive support based on their own costs, and not in excess of the incumbent LEC's support per line.(16-17) Interstate high-cost support per line should equal the difference between the amount of interstate loop costs per line for the service area and the benchmark level.(ii, 17 n.23) Support should be based on Part 36 and 69 embedded costs, regardless of whether actual or proxy costs are developed.(17-18) Geographic areas for calculating urban area subsidy levels should be no larger than wire centers, and geographic areas for rural area subsidy calculations should remain study areas.(18) Rural providers should be allowed to deaverage support amounts below the study area level if the statutory conditions are met. This mechanism should be implemented over a four-year period during which existing mechanisms would be phased out.(18)

## **Support for Low-Income Consumers**

**Services to be Supported:** The same core services listed above.(22)

**Implementation:** Lifeline should be retained and expanded. The credit received should equal the amount of a carrier's interstate EUCL charge. Link Up should be retained as a state program in which eligible carriers must offer a state-determined installation charge discount.(23)

## **Support for Unserved Areas**

The FCC should require carriers to provide universal service in unserved areas only when no carrier volunteers to provide service through a voluntary competitive bidding process.(19) Unserved areas should not be combined with established universal service areas.(19)

## **Evolution of Support**

There should be at least five-year but no more than three-year reviews of the universal service definition.(13) All carriers should be required to provide the reports that incumbent LECs provide.(14) In changing the definition, the FCC should consider changes in technology, degree of service deployment, customer demand, the need for support, the means of funding additional support, and the economic feasibility of expanding the definition.(13)

## **Schools, Libraries, and Health Care Providers**

**Schools and Libraries:** The FCC should require that institutions have inside and outside lines; essential equipment; computer software; training and resource materials; on-going operations support; and possibly special programs for eliminating societal barriers.(7) However, subsidization should be available only for the provision of telecommunications services, and institutions should receive special services only if they can provide the items listed above.(7-8) Subsidization should come from federal funds, and then distributed by states.(8-9)

**Health Care Providers:** "Rural" should be defined as any areas other than territory, population, and housing units in urbanized areas and in places of 25,000 or more population outside of urbanized areas (the Census Bureau definition of "urban").(10-11) To ensure reasonable comparability between urban and rural rates, the FCC should require that rates for rural health care providers be equal to the statewide average rate for a given service.(11) A federal fund should reimburse providers for the difference between the rates charged rural health care providers and the rates charged other rural customers for the same service.(11) Support should be provided through either direct reimbursement or offset to contributed amounts.(11) Subsidized providers should not be exempted from contribution requirements.(11)

### **Access to Advanced Services**

Advanced services should be addressed in a proceeding pursuant to Section 706 of the 1996 Act, and should not be included in the initial definition of universal service.(4) Advanced services not designated as special services should not be discounted, and rates for such services need not be reasonably comparable to the rates charged to urban health care providers.(12) There also should be no requirements for interconnection to individual customers.(12)

### **Administration of Support Mechanisms**

All providers of telecommunications services should be required to contribute, including cable television providers when providing telecommunications services, and providers of the transmission components of information services.(23) Funding should be based on annual interstate telecommunications revenues associated with retail transactions, and should be collected through a fixed surcharge on all retail transactions.(24) Funding should not be based on revenues from services or sales provided as inputs for the provision of other telecommunications-related services, and revenues from transactions involving the content component for cable television services, etc., could also be excluded.(24)

## **COMMENTS OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS**

### **Goals and Policies**

**Principles:** The states and the FCC must take a coordinated approach to universal service issues,(3) and the FCC should give states the ability to implement individualized universal service mechanisms in response to unique local conditions.(5) The principles guiding the FCC should include (a) the need to maintain and/or increase telephone subscribership; (b) competitive neutrality; (c) the need for the provision of options to help customers control their telephone usage and information on these options; (d) the need for the availability of information to customers about service options and prices; (e) the limitation of involuntary blocking (where allowed) to unpaid services or to providers of unpaid services; and (f) deference to state authorities on issues regarding blocking and billing.(8)

### **Evolution of the Definition of Universal Service**

Advanced services should not be included in the definition of universal service.(10) The FCC should permit states to modify the definition of universal service within their jurisdictions as long as they do not "make it impossible to achieve Federal statutory mandates."(11)

### **Other Universal Service Support Mechanisms**

Rather than eliminating the CCL charge and recovering the lost funding through increased subscriber line charges, the FCC should consider alternative regulatory means of recovering the funding, such as (a) identifying all interstate NTS costs and reducing them to a per-line charge; (b) assessing the charge on end-users' presubscribed IXC; (c) dividing the charge among all carriers using a common line on the basis of each carrier's relative use, for end-users that use multiple carriers; or (d) allowing IXCs to recover the flat payment any way the market will allow, as long as the IXC, not LEC, directly bills the end-users.(12-17)

### **Administration of Support Mechanisms**

At a minimum, states should play an advisory role in how federal universal service funds are administered.(9) There should be a transition period for carriers to adjust to new universal service mechanisms.(11-12) Contributions should be assessed only on interstate revenues.(18)

## **COMMENTS OF TELEPORT COMMUNICATIONS GROUP INC.**

### **Goals and Principles**

**Principles:** The FCC must implement a universal support mechanism with the following features: (a) equitable and non-discriminatory contributions from all telecommunications providers; (b) specific, predictable, and sufficient federal and state support mechanisms; (c) explicit support for the provision of basic service; and (d) support that is available to any carrier advertising and willing to provide service throughout a state-designated area over its own facilities and those of another carrier.(2)

**Affordability and Quality:** Existing rates for basic service are "affordable."(10)

**The Statutory Criteria:** In determining whether to include a service in the definition of universal service, the FCC should consider the four statutory criteria, particularly the subscription by a majority of residential customers criterium.(4) Demand for services should also be considered, and should be measured using household surveys.(5) Services that enhance public health and safety should be included only if the benefits of inclusion are clear and the costs reasonable.(5-6)

### **Support for Rural, Insular, and High-Cost Areas**

**Services to be Supported:** Teleport supports the definition of universal service proposed in the NPRM.(6)

**Implementation:** Subsidy funds should be distributed to a carrier via credits for each customer it serves who purchases subsidized services.(14-15) Also, carriers should be able to offset contribution requirements with the credits.(15)

**Calculation of the Subsidy:** The FCC should determine universal service costs using a model that utilizes TSLRIC and is technology-neutral, transparent, and subject to revision in response to the acquisition of more accurate data.(7) Of the two models identified, the BCM would be more appropriate if modified to include business lines, to use different labor rates for different census block groups ("CBGs"), and to correct the assumption that customers are evenly distributed throughout CBGs rather than concentrated around urban centers.(7-8) One strong point of the Pacific Telesis model, however, is that it permits analysis to be done at wire center, CBG, or individual line levels.(8) Auctions should not be used to determine high-cost area subsidy-levels except if a particular area would not be served at the study-determined support level.(9-10) The geographic areas utilized should be no larger than wire centers and no smaller than CBGs.(16)

### **Access to Advanced Services**

The FCC should direct the states to develop specific proposals for the types of advanced services needed. Then, using the proposals as a basis, the FCC should designate the services eligible for support and set the appropriate discount.(19)

### **Other Support Mechanisms**

There should be a balance between the federal universal service program and state universal service programs. Accordingly, the CCL charge should be viewed not as a universal service subsidy element, but as a portion of the NTS cost of local loops allocated to the interstate jurisdiction. Thus, no portion of the general cost of the local loop subject to the federal jurisdiction should be recovered from the universal service fund.(10-12) Entities that provide universal services should not be given a discount on rates for interconnection with incumbents' networks.(20)

### **Administration of Support Mechanisms**

The USF and DEM weighting programs should be eliminated, as should parallel state programs.(2-3) The new universal service fund should be independently administered, and available to all designated common carrier providers of basic service for low-income and high-cost area residential customers in high-cost areas.(3) The universal service fund administrator should be selected through a bidding process among private firms, and contracts should be no longer than three years in duration.(17-18) Every provider of interstate telecommunications services should be required to contribute to universal service funding based on market share measured by the revenues net of payments made to other carriers.(3,12-13) Carriers should not be required to contribute, however, if their market share is less than one percent of interstate net transmission revenue.(13)

## **STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE**

### **Goals and Principles**

**Principles:** The FCC should add to its universal service principles the need to protect customer privacy.(11)

**Affordability and Quality:** To the extent a benchmark rate is used to determine eligibility for support, the rate level should be determined by the states.(5) The FCC should measure service quality by utilizing information in state reporting requirements.(16)

### **Support for Rural, Insular, and High-Cost Areas**

**Services to be Supported:** Core services should include (a) voice grade access to the PSN, with the ability to place and receive calls; (b) touch-tone; (c) single party service; (d) access to emergency services (911); (d) access to operator services; and (e) white pages directory listing.(11-13)

**Calculation of the Subsidy:** The FCC should consider alternatives to the use of a proxy model to determine universal service costs.(5-6) Specifically, the FCC should consider a high-cost mechanism based in large part on the existing high-cost loop algorithm, but with the elimination of certain discretionary cost elements.(6) DEM weighting should be replaced with a single high-cost fund based on the combination of local switching and loop costs.(6-7) The combined local cost per loop or access line should be compared to a nationwide average cost to determine a provider's eligibility for funding.(6-7) Such a mechanism would allow the designation of multiple eligible carriers by, for example, allowing each eligible carrier that provides its own switching and loop facilities to be eligible for support for each residential access line it services in the high-cost area, where the incumbent is receiving support.(7) Also, incumbent LEC local switching and loop costs could be used to determine the overall level of high-cost funding.(7)

### **Support for Low-Income Consumers**

**Services to be Supported:** The FCC should not supersede state deposit requirement rules. (14)

**Implementation:** The FCC should adopt automatic enrollment and revalidation programs for low-income assistance.(14) The FCC should consider providing universal service support for equipment for use by persons with disabilities and designating the equipment to be supported.(15)

### **Evolution of the Definition of Universal Service**

The universal service definition should be reviewed every three years.(16)

### **Schools, Libraries, and Health Care Providers**

The discount methodology developed by a state for intrastate services need not be harmonized with the discount developed by the FCC for interstate services.(8)

### **Administration of Support Mechanisms**

The FCC should not increase subscriber line charges to offset decreases in carrier access charges (and the resulting interstate toll rates).(3) The FCC should determine whether access charges fully reflect the operating efficiencies expected in the future competitive market and a shift of the risk of cost recovery to access providers.(4) Decreases in access charges should be offset by contributions from all carriers providing interstate telecommunications services.(4-5)

The FCC should retain the existing jurisdictional configuration of federal and state authority and responsibility.(9) The FCC should not require carriers to contribute intrastate revenues to any interstate universal service funding mechanism.(9) Funding should be collected from all interstate telecommunications carriers based on their relative interstate revenues, net of payments to other carriers and of interstate revenues associated with the provision of the local loop.(9-10)

Universal service support should be administered by state public utility commissions.(10) Payments could be collected at the federal level from interstate service providers and then distributed to the states based on the funding algorithm adopted by the FCC.(10) States that have adopted universal service plans meeting certain criteria should then be allowed to oversee the distribution of the federal funds.(10) States should have as much flexibility as possible in designing intrastate funding mechanisms.(17)

## COMMENTS OF NYNEX

### Goals and Principles

**Affordability and Quality:** Core services should be provided at rates no higher than those charged by incumbent LECs. In addition, core services should be provided at a level of quality at least comparable to the level of quality provided by the incumbent LECs.(11-12)

**The Statutory Criteria:** Core services must include services subscribed to by a majority of consumers.(12)

### Support for Rural, Insular, and High-Cost Areas

**Services to be Supported:** Core services should include (a) voice grade residential service with the ability to place and receive calls; (b) single party service; (c) touch-tone dialing; (d) directory listing; (e) access to local and long distance toll calling; (f) access to operator services; (g) access to emergency (911) service; and (h) access to Telecommunications Relay Service.(11) Core services should be limited to services using wireline technology.(12) Advanced services such as Internet access service, data transmission capability, ISDN, optional SS7 features, or blocking of such features, enhanced services, and broadband services should not be included as core services.(12)

**Calculation of the Subsidy:** The FCC should use a proxy model, specifically the BCM, to determine subsidy levels for rural, insular, and high-cost areas.(9-10) However, the BCM should be used only to calculate support amounts for price cap LECs because its likely inability to accurately portray the costs to carriers serving small areas could harm small carriers.(10) For rate of return carriers (typically small carriers), the FCC should determine subsidy levels using actual study area costs.(10-11) The monthly costs produced by the BCM should be used to identify CBGs that are relatively more costly to serve than other CBGs and apportion federal high-cost support through the selection of benchmark levels.(14)

**Eligible Carriers:** Carriers should be eligible for support only if they offer core universal service as a single package on an unbundled basis without packaging with other services, and provide Lifeline and Link Up services to low-income customers.(24)

### Support for Low-Income Consumers

**Implementation:** The FCC should expanded and/or restructure Lifeline and Link Up.(16) The FCC also should "authorize LECs to establish mechanisms such as toll limit services, toll blocking services, credit limits, reduced service deposits, and debit cards."(17)

**Calculation of the Subsidy:** The BCM should not be used to determine support for low-income customers because it does not differentiate between high or low income customers.(13)

**Eligible Carriers:** See above.

## **Evolution of the Universal Service Definition**

Advanced services should be considered with respect to the evolution of the universal service definition.(12)

## **Schools, Libraries, and Health Care Providers**

The FCC needs additional information from schools, libraries, and health care providers before determining the services to be supported and the appropriate discounts.(18) The FCC should not impede existing state programs providing telecommunications services to schools, libraries, and health care providers.(16)

**Schools and Libraries:** The FCC should develop a plan that allows individual schools, libraries, and health care providers to define the services for which they need support.(19) The FCC should ensure the provision of needed services to these institutions by adopting a plan in which (a) the FCC would develop "a vision" of the services to be made available; estimate the national costs of providing those services; divide that amount by number of students to establish a benchmark price per student; and apply that price to a benchmark discount to develop the amount of subsidy per student; (b) schools would then develop proposals detailing the services they needed and submit the proposals to state authorities for approval (the average discount for all schools in the state would have to equal the benchmark discount and the discounts would have to fall within an FCC-set range; (c) the school would solicit bids for the best priced services; (d) the carriers selected would seek reimbursement from the universal service fund administrator; and (f) the state could supplement the discount.(22) The FCC also should establish an Education Telecommunications Council to assist schools in this process.(20)

**Health Care Providers:** The goals of the 1996 Act with regard to health care providers may already have been met by LECs.(19)

## **Access to Advanced Services**

See "Support for Rural, Insular, and High-Cost Areas: Services to be Supported" above.

## **Administration of Support Mechanisms**

Universal service funding should be limited to the minimum necessary to achieve the goals of the 1996 Act.(1) The FCC should require all telecommunications carriers that provide voice and data telecommunications to contribute to the interstate fund through a percentage surcharge on their interstate retail revenues.(2,23,24) Carriers required to contribute should include, at a minimum, LECs, CLECs, IXCs, cable companies that provide telephone service, public commercial mobile radio service providers, microwave and satellite carriers, resellers, and 900 service providers.(23) The contribution amount should be based on a carrier's pro rata share of national interstate retail telecommunications revenues.(24)

A rate structure for interstate access charges may provide substantial contribution to the recovery of joint and common costs if such contribution is not used to support universal service.(4) It is not possible to create a rate structure that reflects the true economic cost of serving each customer.(4) Cross subsidies are permissible unless they represent direct subsidies for universal service.(5-6) The current cap on the subscriber line charge and CCL charge is not an implicit universal service subsidy.(7) CCL charge revenues should not be included in the universal service funding mechanism unless necessary to support targeted assistance.(7-8)

The FCC should give LECs increased pricing flexibility.(8) The FCC should replace the USF, LTS, and DEM weighting.(9) The FCC should allow states to require carriers to contribute to universal service funding through rates paid for traffic termination or through the assumption of universal service obligations, such as the "play or pay" system adopted by the New York Public Service Commission.(15) To the extent an eligible carrier receives more revenues from the high-cost portion of the new universal service fund than it formerly received, it should use the revenues to reduce the higher of its interstate access rates, state access rates, or state toll rates.(24-25)

## COMMENTS OF AMERITECH

### Goals and Principles

Universal service policy must be sustainable with the government's pro-competition policy; prices must be restructured to eliminate implicit subsidies; subsidies should only fund basic "core" services and targeted to those in need; explicit subsidies must be funded in a competitively neutral manner and administered by a neutral third party; unilateral requirements must be applied symmetrically to all providers; compensation must be paid only to providers bearing bilateral requirements; methodology for quantifying the amount of universal service funding must be balanced. (5)

### Support for Rural, Insular, and High-Cost Areas

**Services to be supported:** Core services should include basic access to telecommunications and information services.(6) Ameritech supports the FCC's tentative conclusion to this end.(8)

**Implementation:** "Availability" rather than the "unit" measure of telephone penetration rate is the better standard by which to determine whether potential subscribers have access to services.(10) The FCC also should consider the percentage of individuals who want telephone service but do not have it "available." (10)

**Calculation of the Subsidy:** The FCC should adopt a minimum rate that costs must exceed in order for a provider to be eligible for high-cost assistance. (10) This could be based on statewide average cost rates, costs for core services or a specified percentage of statewide median income.(10) Subsidies would go to carriers when their costs for "core" services exceed the affordability benchmark rate for (a) the difference between the benchmark rate and their actual costs for "core" services or (b) their actual rate and their actual costs, whichever is less.(11)

The FCC should no longer implement universal service support through its Part 36 rules.(11) If these rules are retained, they must be expanded to include new entrants. (11)

**Eligible Carriers:** Only those carriers certified by state regulatory commissions, and which have accepted the same bilateral requirements that are imposed on LECs, should be eligible for support.

### Evolution of the Universal Service Definition

The FCC should review the universal service definition every five years.(9)

### Schools, Libraries, and Health Care Providers

The Commission should consider creating mandatory accounting entries, required of all providers, to allow it to monitor implementation of funding for core and advanced services. (14)

**Schools and Libraries:** The services designated as additional services for schools and libraries should be for educational purposes only.(14) The marketplace should be allowed to work to establish service parameters.(15) An abbreviated request process should be implemented.(16) The funding mechanism should be kept simple, e.g. a discount off the rates charged others for similar services.(17) Reimbursement to the provider should be made either through a cash payment or an offset to the provider's contribution requirement to the fund.(17) The FCC should consider periodically surveying schools and libraries to determine whether they have sufficient access.(18)

**Health Care Providers:** Comments with respect to schools and libraries apply equally here. In addition, support for services for rural health care providers should be limited to support for services that originate at the rural facility.(18) The FCC should rely on any reasonable standard for defining urban and rural areas.(19) The rate differential for rural providers should be based on the rate charged for the comparable service in the closest urban area, with the difference eligible for support.(19)

### **Advanced Services**

Access for schools, libraries, and health care providers may require more than the transmission capabilities provided by a telecommunications carrier.(20) Therefore, detailed rules are not feasible at this time.(20) The FCC should, instead, adopt a rule that imposes the Section 254(h)(2) requirement and provide an informal dispute resolution mechanism.(21)

### **Other Universal Service Support Mechanisms**

The existing method of recovery of interstate common line costs does not comport with economic efficiency or the mandates of the 1996 Act.(21) Those portions of the CCL charge that recoup long-term support and interstate loop costs are in fact impermissible cross subsidies.(21)

### **Administration of Support Mechanisms**

Assessing universal service support on both an intrastate and interstate basis is more competitively neutral and would reduce the incentive for providers to route their traffic so as to avoid their support obligations.(22) Support should be assessed all providers on the basis of a uniform percentage of net revenues.(23) The fund should be administered by a competitively neutral third party.(24)

## **COMMENTS OF THE PUBLIC UTILITIES COMMISSION OF OHIO**

### **Support for Rural, Insular, and High-Cost Areas**

**Calculation of the Subsidy:** The FCC should utilize a proxy methodology to define high-cost areas and the requisite funding level for those areas.(19)

**Services to be Supported:** In addition to the FCC's list, core services should include access to all available long-distance carriers; availability of residential, flat-rate service; a white pages listing; repair service to the network; blocking; and data transmission.(4)

**Calculation of the Subsidy:** The FCC should identify the areas where the cost of providing service can reasonably be expected to be so high as to require explicit support.(5) A "benchmark" cost level then can be identified for a given affordable rate structure.(5) Embedded costs are inappropriate for use as a benchmark, however.(5) Instead, the FCC should adopt an incremental cost methodology.(5) CBGs would be an appropriate geographic area on which to base proxy costs.(6)

### **Support for Low-Income Consumers**

**Services to be Supported:** In addition to the core services for rural, insular, and high-cost areas, the FCC should include, consistent with Ohio's own intra-state proposals,(7) (a) free emergency services; (b) reduced rate blocking services; (c) waiver of deposits for new telephone service; (d) reduced connection charges; (e) waiver of federal subscriber line charge; and (f) lower monthly basic rates.(8-9)

**Implementation:** Customer eligibility should be determined pursuant to existing means test provisions.(11)

### **Schools, Libraries, and Health Care Providers**

Ohio has two major programs, "SchoolNet" and "SchoolNet Plus," through which schools receive telecommunications services.(13) Whatever methodology is chosen for differentiating between urban and rural areas, the FCC should go beyond mere geographic location and determine what area is "served" by the facility.(14-15) Eligibility for support should be tied to actual service.(15)

### **Administration of Support Mechanisms**

The FCC should require all carriers providing interstate services to contribute an equal portion of its total interstate revenues, excluding payment to other carriers, to universal service funding.(15) The FCC should establish a shared funding mechanism for recovery of all costs associated with interstate universal service programs similar to the existing interstate support mechanism for the interstate Telecommunications Relay Service.(16) The FCC should not continue to assess the CCL charge solely to inter-exchange carriers.(17) The fund should be administered by a neutral third party.(16)

## **COMMENTS OF SNET**

### **Goals and Principles**

SNET generally concurs with USTA's comments.(1) In addition, SNET notes that any subsidy program should be targeted to the service consumer and not the service provider. The states may be in the best position to evaluate and implement these programs.(1-2)

Extensive support mechanisms are antithetical to moving towards a competitive environment.(3) The FCC should make sure that whatever mechanism is imposed does not harm competition.(5)

Any subsidy program must be explicit, competitively neutral, and targeted to avoid interfering with competition.(5) Requirements currently imposed on incumbent LECs (e.g., built-in subsidies for keeping local rates "affordable," long-term support payments, and access charge subsidies) should be phased out.(5-6)

The FCC should address universal service needs from an interstate perspective and allow the states to address intra state requirements.(7) It is not appropriate to construct a federal fund that supports anything but interstate service.(7)

### **Schools, Libraries, and Health Care Providers**

States have various initiatives already underway to support services to schools, libraries, and health care providers, and the FCC should not interfere with these ongoing efforts.(8)

## **COMMENTS OF NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE**

### **Goals and Principles**

**Principles:** Any support mechanism should be competitively neutral, with the least amount of regulation imposed consistent with statutory objectives.(5)

**Affordability and Quality:** The FCC must ensure that "just and reasonable rates" are "affordable" for all citizens.(2) Subscriberhip levels of telecommunication services among targeted populations should be used as an effective indicator. If the penetration rate in a wire center is more than ten points below the national average, that is prima facie evidence that services are not affordable.(20) The best standard for evaluating affordability is one that uses a narrowly drawn area where income can be correlated with the level of telephone subscribership and use.(7) Affordability is a function of other variables in addition to penetration and cost relative to disposable income.(11) The FCC should collect and publish certain basic information regarding carriers' technical performance levels.(21)

**Statutory Criteria:** The FCC should retain the option of including services in the universal service definition that may not meet all four of the criteria, and the FCC should be able to consider additional criteria.(6)

### **Support for Rural, Insular, and High-Cost Areas**

**Services to be Supported:** In addition to the services listed by the FCC, core services should include (a) voice grade access to the PSN; (b) touch-tone; (c) single party service; (d) access to emergency services (911 and E-911); (e) access to operator services and directory assistance; (f) access to interexchange carriers on an equal basis, including 1+ dialing; (g) free local calling areas within a "community of interest;" (h) a free white pages listing; (i) and publication/distribution of an annual local directory.(8)

**Implementation:** In no instance should customers lack access to services because carriers choose not to offer those services to certain communities.(3) Support should be limited to residential users.(9) A subsidy should be available only to the primary line of a primary residence.(9) Contributions to universal service funding should ensure that wide disparities do not exist between prices for service in rural and urban areas.(4) The FCC should require carriers to advertise the availability of services supported by universal service funds.(13) Rules prohibiting "slamming" should be strictly enforced.(14) Complaint lines should be established and adequately staffed.(14) All consumers should receive accurate and easy-to-understand descriptions of services.(14) An industry-wide "Web" page should be created in each state to post the rates and promotional materials of all carriers.(14) Rules should be developed to govern customer deposits.(14) Prior notice should be required for rate increases.(14) Carriers providing services to low-penetration areas should not be allowed to price at higher than the appropriate cost.(12)

**Calculation of the Subsidy:** The FCC should look to a consumer's ability to afford the carrier's cost of providing service.(11) The FCC should try to determine which carriers

are able to provide universal services.(11) The geographic areas used should be wire centers.

**Eligible Carriers:** Any carrier that contributes to the universal service fund should receive support based on competitively neutral criteria and the amount contributed.(9)

### **Support for Low-Income Consumers**

**Services to be Supported:** Consumers must be educated about currently available low-income assistance programs. Special rates or subsidies for low-income ratepayers will help to ensure universal access and benefit carriers.(17) Access to telephone service providers to obtain information about service should be available free of charge.(18) Toll-blocking also should be provided free of charge.(18)

**Implementation:** The FCC should implement a comprehensive support system that is focused on low-income consumers who cannot afford services.(20) A subsidy should be allowed contingent on the carrier's commitment to reducing the starting price to an appropriately measured cost.(20) Concerns for low-income consumers or those located in rural or underserved areas should be addressed, e.g. carriers could be required to offer low-income assistance with some discounted service, and waiver of service or connection charges.(6)

**Eligible Carriers:** Only carriers actually providing services should receive support.(20)

### **Schools, Libraries, and Health Care Providers**

**Schools and Libraries:** The FCC should focus on the advanced services being used in applications of educational technology, such as distance learning, video conferencing and Internet access.(21) School and library discounts should be focused on low-income areas.(22) The FCC should further consider rules that require carriers to provide schools and libraries with the necessary basic infrastructure to allow access to advanced services at discounted rates.(24)

### **Access to Advanced Services**

The FCC should consider requiring community points of access to advanced services to ensure access without stifling competition.(3) Advanced services that enhance educational opportunities should be provided for all regions.(3) Providers should receive federal support for the document costs of providing advanced services.

### **Administration of Support Mechanisms**

Support obligations should be spread widely among all providers, including wireless, to provide a strong base for the programs.(24) Contributions should be assessed in the most neutral fashion possible: on the basis of total revenues, both interstate and intrastate.(24-25) The distinction between interstate and intrastate is an arbitrary one from the market's

perspective.(25) Contributions should not be assessed on per-line or per-minute bases, nor on revenues "net" payments to other carriers.(25) Overall revenue is the most easily administered and competitively neutral standard. The Commission should consider eliminating the separations rules as the basis for subsidy.(12)