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

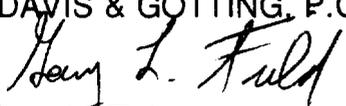
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Dear Sir or Madam:

Enclosed are an original and four (4) copies of Reply Comments of the Telephone Association of Michigan. Also enclosed is a Proof of Service.

Very truly yours,

LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.


Gary L. Field

GLF:hs

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Federal-State Joint Board
on Universal Service

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CC Docket No. 96-45

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REPLY COMMENTS OF
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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

REPLY COMMENTS OF
THE TELEPHONE ASSOCIATION OF MICHIGAN

The Telephone Association of Michigan, on behalf of its 36 Members, submits these Reply Comments¹ in response to various comments filed with the Federal Communications Commission ("Commission") on April 12, 1996.

I. IDENTIFICATION OF CORE SERVICES TO RECEIVE SUPPORT.

Many of the interested parties commented on paragraph 16 of the Commission's March 8, 1996 Notice of Proposed Rulemaking ("NPRM") concerning the determination of core telecommunication services. If the goals of Section 254 of the Telecommunications Act of 1996 (the "Act") are to be accomplished, the Commission should not accept the suggestion of some of the interested parties to merely adopt a definition of core services. (See, for example, Comments of the Michigan Public Service Commission, p 1.) A definition would be subject to interpretation and consequently would require further proceedings to determine its scope. Accordingly, it is essential and fundamental that the Commission precisely specify the core telecommunication services which may receive universal service support.

¹These Comments represent the collective views of the Telephone Association of Michigan's Members. A list of the Members is attached to this document as Attachment A.

The Telephone Association of Michigan believes that all five services listed in paragraph 16 of the NPRM, namely, (1) voice grade access to the public switched network; (2) touchtone; (3) single party service; (4) access to emergency services (911); and (5) operator services meet the criteria set forth in Section 254(c)(1) of the Act and, therefore, the provision of such services should qualify for universal service support.

In addition to the five services listed in paragraph 16, the Telephone Association of Michigan also believes that white page directory listing is a service which fulfills the criteria of Section 254(1)(c) and should be classified as a core service. Given the cost of providing directory assistance, the provision of a white page directory is an effective and essential tool in holding down overall charges to customers located in rural, insular and high cost areas and low-income customers. Accordingly, the Telephone Association of Michigan believes that core services entitled to universal service support should include, at minimum, the six services specifically identified above.

Furthermore, the Telephone Association of Michigan supports the position of the Rural Telephone Coalition ("RTC") that the new universal support mechanism for core services should address the total cost of all telecommunication services and include both interstate and intrastate costs. The Commission should expressly recognize in its rules that support for core services would be devoted to assisting in the funding of both interstate and intrastate costs. (RTC Comments, p 6) Moreover, the establishment of a plan to support only interstate costs would not provide "sufficient" funding mechanisms, as required by Section 254(b)(5) of the Act.

Additionally, in its discussion of core services, the Commission should affirm that states remain free to include and fund other services in addition to those enumerated in the federal plan as deemed necessary and appropriate. Finally, the Commission should

reiterate that pursuant to Section 254(c)(1), the concept of universal service is an evolving one which will change over time with technological advances and with growing dependence of this nation's economy on specific telecommunication services.

II. AFFORDABILITY

One of the fundamental principles of universal service, which is set forth in Section 254(b)(1) of the Act, is that quality services should be available at just, reasonable and affordable rates. Many interested parties have provided the Commission with comments concerning how the concept of affordability should be implemented. The Telephone Association of Michigan supports the establishment of an affordability benchmark. The benchmark should be one which is readily ascertainable without the need for excessive or frequent regulatory proceedings and should be susceptible to minimal dispute.

III. CONTRIBUTIONS

In paragraphs 118 through 126 of the NPRM, the Commission requested comments on who should be required to contribute and how the contribution should be assessed. The Telephone Association of Michigan supports the many comments which have proposed that contributions be assessed through the imposition of a surcharge on retail revenues. The Telephone Association of Michigan disagrees with the comments of those who have suggested that obligations should continue to be assessed on the basis of the number of presubscribed lines. (See, for example, Comments of Bell Atlantic Corp., p 14.) The Telephone Association of Michigan strongly believes that a surcharge on retail revenues offers numerous advantages. It is the methodology which best fulfills the statutory mandate that the mechanism be specific, predictable, equitable and nondiscriminatory. A surcharge would apply equally to all providers of telecommunication

services and hence be competitively neutral. Also, a mechanism based on retail revenues would be more easily and efficiently administered than assessments based on per-line or per-minute units. Furthermore, as pointed out in the USTA Comments, p 24, funding based on retail transactions avoids the double counting that would occur if wholesale transactions were used. Finally, such a mechanism would be similar to the mechanism employed in the existing Telecommunications Relay Services program, and hence the Commission has experience with overseeing such a collection mechanism.

IV. CURRENT FUNDING MECHANISMS

In paragraphs 29, 30, 40 and 112-115, the Commission sought comments on whether current Dial Equipment Minute weighting, Universal Service Fund and Carrier Common Line mechanisms should be continued or eliminated. The interested parties have filed comments which range from contentions that such mechanisms should be expanded to contentions that the mechanisms should be immediately eliminated.

As the Commission is well aware, these mechanisms are currently providing a significant amount of support. This funding level is essential to the continued maintenance of universal service. Therefore, the Telephone Association of Michigan urges the Commission not to make any modification to these current funding mechanisms until an identifiable, sustainable replacement mechanism or mechanisms are devised and can be implemented. Regardless of how high-cost switching and loop costs are taken into account, they must be recognized and provision made for them.

Also, the Telephone Association of Michigan urges the Commission to issue a supplemental NPRM and draft rules prior to final adoption setting forth the modified or replacement mechanism which the Commission intends to select. Only such a procedure

would provide interested parties with an opportunity to provide relevant data as to the impact of such modified or replacement mechanisms. Certainly, it is essential that the Commission have such information prior to final adoption.

V. ELIGIBILITY FOR SUPPORT

The Telephone Association of Michigan supports numerous comments by interested parties that new providers of core services must be required to serve the entire service area and be subject to the same obligation as incumbent providers in order to receive universal service funding. (See, for example, NECA's Comments, pp 8-9; and USTA's Comments, pp 2-3.) Fulfillment of these preconditions is necessary in order for the Commission to meet the mandate of Section 254(b)(4) and Section 254(d) of the Act that the funding mechanism established be equitable and nondiscriminatory. Otherwise, new providers of core services could selectively target the lowest cost sections of service areas and gain an unfair competitive advantage over incumbent providers. Such advantage would be gained at the expense of customers in high-cost areas who would not be offered a choice of providers and who would suffer the adverse effects of such cream-skimming tactics.

Furthermore, local exchange companies should be permitted to disaggregate costs below the study area level in order to reduce urban to rural subsidy inherent in large study areas which often include both high-cost and low-cost sections. Such disaggregation would enable support to be more precisely targeted and would permit competition to proceed on a more level playing field.

VI. SUPPORT FOR SCHOOLS, LIBRARIES AND RURAL HEALTH CARE

Interested parties have also commented on the Act's expanded federal definition for schools, libraries and rural health care services. These public institutions may grow to need Internet or broadband access. The Telephone Association of Michigan believes that the qualifying high costs to provide "core" federal universal services to these public institutions should be recoverable from a federal universal service mechanism. Any additional federally-defined universal services or discounts for these groups should also be reimbursed in appropriate part by a federal universal service mechanism. However, if the Commission requires that these public institutions receive discounted services, the Commission's rules should expressly forbid such institutions from reselling the discounted services.

VII. FUND ADMINISTRATOR

The universal service fund should be administered according to the Commission's rules by a neutral, non-governmental entity. The party should be experienced in fund administration and guided by an Advisory Council consisting of fund recipients, contributors, state regulators and consumer representatives.

Respectfully submitted,

TELEPHONE ASSOCIATION OF MICHIGAN

By: Gary L. Field
One of Its Attorneys

Dated: May 7, 1996

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Baraga Telephone Company
Barry County Telephone Company
Blanchard Telephone Association
Bloomingdale Telephone Company
Carr Telephone Company
Century Telephone Enterprises, Inc.
Century Telephone Midwest, Inc.
Century Telephone of Michigan, Inc.
Chapin Telephone Company
Chatham Telephone Company
Chippewa County Telephone Company
Climax Telephone Company
Communication Corporation of Michigan
Deerfield Farmers' Telephone Company
Drenthe Telephone Company
Frontier Communications of Michigan, Inc.
GTE North Incorporated
Hiawatha Telephone Company
Island Telephone Company
Kaleva Telephone Company
Lennon Telephone Company
Midway Telephone Company
Ogden Telephone Company
Ontonagon County Telephone Company
Peninsula Telephone Company
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