

FCC MAIL SECTION

JUN 27 4 40 PM '96

DA 96-960

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

DISPATCHED

In the Matter of)	
)	
Inquiry into Policies and Programs to)	RM-8388
Assure Universal Telephone Service in a)	
Competitive Market Environment)	
)	
AT&T's Request for a Permanent)	RM-8408
Replacement of the Current Method of)	
Funding the Universal Service Fund and)	
for Adopting a Temporary Revenue-Based)	
Method for Allocating USF Costs Among)	
Interexchange Carriers)	

ORDER

Adopted: June 17, 1996

Released: June 19, 1996

By the Bureau:

1. MFS Communications Company, Inc. (MFS) and AT&T have both petitioned the Commission requesting modifications in the mechanism used to fund universal telephone service. In 1993, MFS requested that the Commission initiate a Notice of Inquiry and en banc hearing to determine future policies for assuring the continued availability of universal telephone service as certain parts of the telecommunications market become increasingly competitive.¹ MFS contended that existing universal support mechanisms are not consistent with encouraging efficient, effective competition in the local exchange. MFS proposed in its petition a new scheme that MFS claimed would continue to ensure that universal service goals would be met in a competitive environment. Thirty-five parties filed comments on the petition.

2. In 1993, AT&T filed a petition for rulemaking requesting that the Commission establish a permanent replacement for the current method of funding the Universal Service Fund (USF) and adopt a temporary revenue-based method for allocating USF costs among

¹ Inquiry into Policies and Programs to Assure Universal Telephone Service in a Competitive Market Environment, RM-8388, Public Notice, Report No. 1986 (released November 16, 1993).

interexchange carriers (IXCs).² AT&T asserted that recovering support on a per-line basis discriminates against AT&T, since it forces AT&T to pay 75 percent of USF costs. AT&T's share of interexchange service revenues is approximately 60 percent. Fifty parties filed comments on AT&T's petition.

3. Before any action was taken by the Commission in these two proceedings, the Telecommunications Act of 1996 (the 1996 Act) became law.³ The 1996 Act states that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service."⁴

4. Section 254(a)(1) of the 1996 Act also mandates the establishment of a Federal-State Joint Board and the initiation of a rulemaking proceeding to recommend changes to any of that Board's regulations.⁵ On March 8, 1996, the Commission released a Notice of Proposed Rulemaking and Order Establishing Joint Board,⁶ which, among other matters, seeks to adopt mechanisms to support universal service consistent with the 1996 Act. The 1996 Act requires the Commission to complete any proceeding to implement Joint Board recommendations by May 1997.

2 **Request for a Permanent Replacement of the Current Method of Funding the Universal Service Fund and for Adopting a Temporary Revenue-Based Method for Allocating USF Costs Among Interexchange Carriers**, RM-8408, Public Notice, Report No. 1990 (released December 15, 1993).

3 Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996).

4 1996 Act sec. 101(a), § 254(d).

5 1996 Act sec. 101(a), § 254(a)(1).

6 **Federal-State Joint Board on Universal Service**, CC Docket No. 96-45, FCC 96-93 (1996).

5. As the Universal Service Notice issued in March deals directly with the issues raised in both the MFS and AT&T petitions,⁷ we dismiss both these petitions as moot.

FEDERAL COMMUNICATIONS COMMISSION

Regina M. Keeney
Regina M. Keeney
Chief, Common Carrier Bureau

7 Id. ¶¶ 116-131.