

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION

Washington, DC 20554

RECEIVED

JAN 10 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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

**REPLY COMMENTS OF
GENERAL INSTRUMENT CORPORATION**

General Instrument Corporation ("GI")¹ respectfully submits these Reply Comments in response to the Recommended Decision of the Federal-State Joint Board on Universal Service in the above-captioned proceeding, released November 8, 1996 ("Recommended Decision"). General Instrument is a leading world supplier of systems and components for high-performance networks delivering video, voice and Internet/data services to the cable, telephony and satellite markets. The Joint Board's recommendation that Internet access and other advanced services provided to schools and libraries be subsidized by the universal service fund is entirely consistent with the Telecommunications Act of 1996,² particularly given that one of the overarching goals of

¹ General Instrument Corporation announced on January 7, 1997, that it will undertake a strategic restructuring plan to divide GI into three separate public companies. By the summer of 1997, a new public company, NextLevel Systems, Inc., will focus exclusively on the provision of broadband networks. GI's current coaxial cable and discrete semiconductor businesses will also become independent public companies, CommScope, Inc. and General Semiconductor, Inc., respectively.

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) ("the 1996 Act").

No. of Copies rec'd 029
List ABCDE

the Act is to promote installation and use of advanced telecommunications throughout the nation.³ Likewise, the Board's recommendation that inside wiring be funded will facilitate bringing classrooms into the 21st century of advanced telecommunications, where a wealth of educational media can be incorporated into the curricula.

I. The Commission should take this opportunity to adopt rules that will promote the installation and use of advanced telecommunications technologies by schools and libraries.

Congress mandated in the Telecommunications Act of 1996 that the universal service fund be used to enhance access to advanced telecommunications and information services for schools and libraries.⁴ Congress reasoned that such universal access "will assure that no one is barred from benefiting from the power of the Information Age."⁵ In the comments in this proceeding, some parties argued that the fund can subsidize only "access to" Internet and information services or other "non-telecommunications services," but cannot subsidize the actual service.⁶ However, the Joint Board correctly determined that "any attempt to disaggregate the network transmission component of Internet access from the service component could serve to undermine the competitive forces that currently characterize the Internet access market at this time."⁷ The Commission should adopt the Board's understanding of "access to" services, or the rollout of advanced telecommunications for educational purposes may be delayed.

³ Joint Explanatory Statement of the Committee of Conference, H.R. Rep. 104-458, 104th Cong., 2d Sess. at 1 (1996) ("Conference Report").

⁴ 1996 Act, § 254 (h)(2)(A).

⁵ Conference Report at 133.

⁶ See e.g., Comments of Ameritech, Comments of AT&T Corp.

⁷ Recommended Decision at para. 462.

As pointed out by Apple, "...today, a link to the Internet should be viewed as an educational necessity."⁸ Our children are being raised in an era of technological capabilities unheard of only a generation ago. But if the United States is to remain technologically competitive, our children must continue to be exposed to cutting edge products and services as they become available. The Telecommunications Act determined that schools be provided "access to" such services, yet access to the Internet is impossible without use of an online service provider or an Internet service provider. To read the Act as requiring universal service support only for the transport facility does little to encourage schools and libraries, especially in poor areas, to sign up for the services that make their "access" truly meaningful. Subsidies for Internet services are not beyond the reach of the universal service fund.

In resolving this definitional argument over what "access to" means, it also is helpful for the Commission to consider that a basic goal of the Telecommunications Act is to promote the rollout of advanced telecommunications capabilities,⁹ as stated in the Conference Report's introductory paragraph. Indeed, section 706 of the Act directs the Commission to "encourage the deployment... of advanced telecommunications capability to all Americans (including, in particular, elementary and secondary schools and classrooms)...."¹⁰ While section 706 will be handled in a separate proceeding, the Commission should always consider the Act as a whole, including how various

⁸ Comments of Apple Computer, Inc. at 3.

⁹ "Advanced telecommunications capability" is defined as any high-speed, switched, broadband, telecommunications capability that enables users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology. Conference Report at 102.

¹⁰ 1996 Act, § 706(b).

proceedings relate to one another. In adopting policies on universal service, the Commission has an opportunity to advance simultaneously the goals of section 706. By allowing universal service support for Internet and advanced services, the Commission will succeed in doing so.

II. Allowing any provider of subsidized services to schools and libraries to be eligible for support from the fund does not violate the principle of competitive neutrality. To do otherwise would force schools and libraries to accept fewer competitive bids and unduly limited technological choices.

It was argued by some commenters that allowing non-telecommunications carriers to receive universal service support for provision of services to schools and libraries when they do not contribute to the fund is inherently unfair and violates the principle of competitive neutrality.¹¹ But the Recommended Decision is fair and neutral.

Contributions to the universal service fund are calculated based solely on revenues from telecommunications services. Any carrier who offers telecommunications services, be it a telephone company or a cable company, will have to pay into the fund. Revenues from the provision of advanced services such as Internet access, however, will not be assessed for contributions to the fund, even by telecommunications carriers. Thus, payments from the fund for the provision of advanced services by either telecommunications carriers or non-carriers *would have no bearing on assessments for contributions to the fund.*

Consequently, subsidies received from the fund are handled in a competitively neutral manner.

¹¹ See e.g., Comments of Ameritech, Comments of Bell Atlantic, Comments of AT&T Corp.

Just as the idea of competitive neutrality is important to the carriers, the idea of flexibility is important to schools and libraries. These public institutions should be able to obtain the best service available for the amount of funds available, and will be hurt if universal service subsidies are limited only to contributors to the fund. The optimal way to reduce rates is through competition -- in this case, competitive bidding. Telephone, cable and wireless companies offer different services and different technologies. Internet access can be gained through a T-1 line, coaxial cable or a satellite system. What is best for one school system may not be best for a neighboring school system. The Joint Board wisely chose to give schools and libraries maximum flexibility in choosing which services and systems to employ.

With this flexibility comes various options for attaining the most cost effective service. GI joins with America Online in asking the Commission to clarify that "cost effective" Internet access allows schools to consider such factors as speed, reliability, technical support and the provider's reputation.¹² Schools should be allowed to choose the service provider they believe offers them the most for their money, which may or may not be the lowest bidder.

III. Inside wiring should be funded as it is an essential link in providing "access to" advanced services in the classroom.

Several commenters noted that inside wiring is not a "service" and thus claim it should not be subsidized by the universal service fund.¹³ In the case of schools and

¹² Comments of America Online, Inc. at 8.

¹³ See e.g., Comments of Ameritech, Comments of AT&T Corp.

libraries, the Board correctly determined that the fund is to assist *classrooms* in accessing advanced services. Current wiring within most schools simply will not suffice. In the Information Age, it does a school system little good to invest in computers if they then cannot afford to connect them to the numerous educational materials available online. Funding internal connections to classrooms will again further the Telecommunication Act's goal of promoting the use of advanced services.

Some commenters voiced concern that funding inside wiring will deplete the resources of the universal service fund for schools and libraries, leaving no money to support provision of the actual services. But this view seems to imply that the wiring of schools will take place very quickly, perhaps within the first few years of the fund's existence. However, the Joint Board's Recommended Decision rejected the Administration's call for an "E-rate," where "basic" services rates would be 100% subsidized and advanced services would receive highly discounted rates.¹⁴ Instead, the Joint Board recommended subsidies ranging from 20-90%.¹⁵ Therefore, schools will be forced to show some restraint as they install wiring because they will be responsible for a (perhaps substantial) part of the bill themselves.¹⁶

IV. Conclusion

For the foregoing reasons, General Instrument Corporation respectfully urges the Commission to adopt universal service rules that will promote the installation and use of

¹⁴ See Letter from Vice President Al Gore to Secretary Richard Riley (June 26, 1996).

¹⁵ Recommended Decision at para. 555.

¹⁶ It is reasonable to assume that wiring of schools and libraries will not take place in one or two years; it likely will be a gradual process that should not deplete a \$2.25 billion per year fund.

advanced telecommunications and information services in schools and libraries across the United States. Allowing all providers to bid on these services will help ensure that schools and libraries get the best service package for their needs at a competitive price. Recognizing that classroom access to such services inherently entails internal wiring costs, the Commission should decide that such costs are eligible for universal service support. Continuing technological advances in the transmission of video, voice and data will allow more interactive and full-motion educational content to be transmitted to the schools, generating new learning experiences. Universal service fund support for schools and libraries will help make such experiences a reality.

Respectfully submitted,

GENERAL INSTRUMENT CORPORATION



Quincy Rodgers

Vice President, Government Affairs

Christine G. Crafton, Ph.D.

Director, Industry Affairs

Faye R. Morrison

Policy Analyst

General Instrument Corporation

1133 21st Street, NW, Suite 405

Washington, DC 20036-3384

January 10, 1997