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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

January 17, 1997

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

Re: Notice of Ex Parte Presentation,
In the Matter of the Changes to the Board of
Directors of the National Exchange Carrier
Association, Inc., **CC Docket No. 97-21**

Dear Mr. Caton:

On January 10, 1997, NECA President Bruce Baldwin sent a letter on NECA Governance to FCC Chairman Reed Hundt which we filed in CC Docket 96-45 on Universal Service. Because the FCC subsequently opened a docket on NECA Governance, we are now filing the letter as an ex parte in this new docket, CC Docket No. 97-21, In the Matter of the Changes to the Board of Directors of the National Exchange Carrier Association, Inc.

Please acknowledge receipt hereof by affixing a notation on the duplicate copy of this letter furnished herewith for such purposes and remitting same to bearer.

Sincerely,


Kathryn C. Falk

cc: Ken Moran
Jeanine Poltronieri
Tejal Mehta
Diane Law

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January 10, 1997

Reed E. Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-45 on Universal Service

Dear Chairman Hundt:

I last wrote you on October 18, 1996 to propose interim changes in governance of the National Exchange Carrier Association, Inc. (NECA), to broaden support for NECA's appointment as interim administrator of the new universal service programs to be established by the Commission. Since that time, the Federal-State Joint Board on Universal Service has issued its recommendation, comments have been filed on the recommendation and NECA has continued discussions with interested parties. In these discussions NECA has tried to develop governance proposals that will satisfy the varying concerns that have been expressed. It is becoming apparent, however, that it may not be possible to do so within the context of a single administrative organization. I would like to share with you our current view of the changes NECA will need to make to meet the Joint Board criteria, initially, for temporary administrator and eventually for permanent administrator, as a neutral third-party.

The Joint Board recommended that NECA be appointed temporary administrator for the Schools, Libraries and Rural Health Care Providers Program. To provide for expeditious implementation of this program NECA proposes that, immediately upon being appointed as temporary administrator and being authorized to commit resources, it would establish a wholly-owned subsidiary, a universal service administrative company (USAC), to administer the program. The USAC would have a balanced, representative board that would be based on Commission recommendations and would include some representation from the NECA Board. The USAC would have full control over administration of these programs. Necessary NECA personnel would be dedicated to the USAC and support services would be obtained from NECA on a chargeback basis pursuant to NECA's Commission-approved cost allocation manual. The USAC would participate in any bidding process to select a permanent administrator.

Reed E. Hundt
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When and if selected as the permanent administrator of the new Universal Service Fund, USAC would be divested from its affiliation with NECA and would administer federal universal support programs, including the High Cost, Low Income, Schools, Libraries and Rural Health Care Providers and Telecommunications Relay Service Programs. The divested company could be established under Commission rule, as the Commission saw fit. It would be a non-stock corporation and would have no membership. Its board of directors could be further enhanced based on recommendations or appointments by the Commission.

Operationally, necessary NECA personnel and resources to administer the universal service programs would be transferred to the divested USAC upon its selection as permanent administrator. NECA anticipates sharing support services, such as human resources and information systems on a contractual basis between NECA and USAC for some period of time in order to take advantage of existing organizational efficiencies. NECA would no longer have any responsibility for universal service administration, but would continue to file and defend the access charge tariffs and administer the pooling revenue distribution process, essentially as it does today.

I believe the structures outlined above would be an effective way to meet Joint Board and Commission objectives for sound, efficient, impartial and rapid implementation of universal service programs under the Telecommunications Act of 1996. In the coming weeks NECA plans to meet with interested parties to discuss this approach and seek their ideas and suggestions.

Sincerely,

A handwritten signature in black ink that reads "Bruce W. Baldwin". The signature is written in a cursive, flowing style.

Bruce W. Baldwin

cc: FCC Commissioner Susan Ness
FCC Commissioner Rachelle Chong
FCC Commissioner James Quello
State Members, Federal-State Joint Board CC Docket 96-45
Chief of the Common Carrier Bureau, Regina Keeney