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FEDERAL COMMUNICATIONS COMMISSION
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Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of:	)	
	)	
Changes to the Board of	)	CC Docket No. 97-21
Directors of the National Exchange	)	
Carrier Association, Inc.	)	

COMMENTS

MCI TELECOMMUNICATIONS CORPORATION

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Its Attorneys

Dated: January 27, 1997

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SUMMARY

NECA should not be appointed the universal service fund administrator, even on an interim basis, because it clearly could not be neutral given its longstanding ties to the LEC industry and its advocacy efforts on behalf of LECs in the universal service and other proceedings. In addition, there is no administrative reason that would require the appointment of NECA on an interim basis. The functions necessary to administer universal service for schools, libraries, and health care providers could be performed by any number of firms and NECA will have no special expertise in these functions.

In any event, NECA's proposal clearly would not satisfy the Joint Board's recommended criteria for a temporary administrator and it would not assure meaningful representation of non-incumbent LEC (ILEC) interests. A balanced Board would be more nearly achieved by having an equal number of ILEC and non-ILEC carrier Directors, who would select the non-carrier Directors. In addition, to further the goal of the appearance of neutrality, NECA should not advocate any position on universal service issues before any government forum and, to help ensure neutrality in the administration of the interim fund, the Commission should require NECA to initiate an independent audit of the administration of the interim fund.

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COMMENTS

MCI Telecommunications Corporation (MCI) hereby comments on the Commission's Notice of Proposed Rulemaking and Notice of Inquiry (NPRM) concerning the use of the National Exchange Carrier Association (NECA) as the interim administrator of the universal service fund.

In the NPRM, the Commission seeks comment on its tentative conclusion that, in order for NECA to be appointed as the temporary administrator, the composition of NECA's Board of Directors must be altered to make the Board more representative of all segments of the telecommunications industry and to ensure that the interests of other entities affected by the universal service decision are represented. The Commission also seeks comment on whether NECA's proposal to modify its Board would satisfy the Joint Board's recommended criteria for a temporary administrator and whether it would assure "significant, meaningful representation" of non-incumbent local exchange carrier (LEC) interests.

Although the Joint Board did not recommend the appointment of NECA as the permanent universal service fund administrator because of questions concerning NECA's ability to appear as a neutral arbitrator among contributing carriers, it recommended that NECA serve as the

temporary administrator of universal service support for schools, libraries and health care providers in order to bring support for telecommunications services to these entities as soon as possible. Prior to appointing NECA as the temporary administrator, however, the Joint Board recommended that the Commission should permit NECA to add significant and meaningful representation of non-incumbent LEC interests to the NECA Board.

NECA should not be appointed the universal service fund administrator, even on an interim basis. NECA clearly could not be a neutral administrator given its longstanding ties to the LEC industry and its advocacy efforts on behalf of LECs in the universal service and other proceedings. In addition, there is no administrative reason that would require the appointment of NECA on an interim basis. NECA was established to administer the LEC access pools, to handle certain limited transfers of funds between LECs, and to compute and administer the current universal service fund, which is based on LEC costs. The universal service fund for schools, libraries, and health care providers will not be based on LEC costs and, therefore, NECA will have no expertise of any importance in administering the new fund. Moreover, the functions necessary to administer universal service for schools, libraries, and health care providers--determining eligibility based on clear rules, computing discounts, billing carriers, and distributing payments-- are not particularly difficult and could be performed by any number of firms. Thus, rather than assume NECA is the only entity that could be the interim administrator, the Commission should request proposals for the interim fund administrator.

In any event, NECA's proposal clearly would not satisfy the Joint Board's recommended criteria for a temporary administrator and it would not assure meaningful representation of non-incumbent LEC interests. NECA proposes to add six directors to its existing fifteen-member

Board, which consists of ten directors representing incumbent LECs (ILECs) and five directors from outside the LEC industry that are selected by the ILEC directors. Thus, as noted by the Commission, under NECA's proposal 71% of the Board would reflect ILEC interests. In addition, as proposed by NECA, only three of the new directors would represent non-ILEC carriers such as competitive LECs, interexchange carriers, and wireless carriers. The other three would represent non-carriers such as schools, libraries, rural health care providers and states. Thus, only 14% of the Board would represent the interests of non-ILEC universal service payors. The net effect would be that the Board would be strongly skewed in favor of entities who would receive universal service funds, while the interests of the "universal service payors" would be grossly under-represented. Moreover, three representatives of non-ILEC carriers, which includes different types of carriers whose interests are not necessarily the same, would not be an effective "counterbalance" to the interests of the ILECs. A balanced Board would be more nearly achieved by having an equal number of ILEC and non-ILEC carrier Directors, who would select the non-carrier Directors. An example of this approach would be five ILEC Directors, five non-ILEC carrier Directors, and five non-carrier Directors selected by the carrier Directors.[1]

However, simply changing the number and representation of Directors is not sufficient to make NECA an acceptable interim fund administrator. To further the goal of the appearance of neutrality, NECA should not advocate any position on universal service issues before any government forum. In addition, to help ensure neutrality in the administration of the interim fund, the Commission should require NECA to initiate an independent audit of the administration of the

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[1] Even these changes to the NECA Board would not make it eligible to be the permanent administrator based on the criteria recommended by the Joint Board.

interim fund. Oversight of the audit should be solely the responsibility of the non-ILEC Directors. In addition, the cost of the audit should come out of NECA's normal overhead charges-- there should be no explicit charge to the universal service fund for the audit-- since an audit would be necessary given NECA's history of inefficiency and unreliability in the administration of Commission programs as evidenced by previous audits of NECA.[2]

Based on the foregoing, MCI respectfully requests that the Commission reject NECA's proposal and adopt the recommendations herein as the minimum requirements necessary to appoint NECA as the interim fund administrator.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

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Dated: January 27, 1997

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[2] For example, in 1989 and 1990, a Common Carrier Bureau audit of NECA's procedures disclosed that several NECA directors had attempted to induce certain large LECs to report data that were inconsistent with the Commission's rules. In 1991, an independent audit recommended a series of changes to NECA's processes, including a "new emphasis on rule compliance." In March, 1995, the Commission found it necessary to order further substantial changes to NECA's structure and procedures to "ensure that NECA is discharging its responsibilities under the Commission's rules.

CERTIFICATE OF SERVICE

I, Sylvia Chukwuocha, do here certify that copies of the foregoing Comments were hand delivered to the following on the 27th of January, 1997.

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