

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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JAN 27 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Changes to the Board of Directors of
the National Exchange Carrier
Association, Inc.

CC Docket No. 97-21

JOINT COMMENTS OF BELL ATLANTIC¹ AND NYNEX²

In the rulemaking portion of its Notice of Proposed Rulemaking and Notice of Inquiry ("NPRM/NOI"), the Commission requests comments on the proposal of the National Exchange Carrier Association ("NECA") to make changes in the composition of its board of directors that would allow it to act as temporary administrator of the new universal service fund that will be established under Section 254 of the Communications Act.³

Bell Atlantic and NYNEX support the selection of NECA as the temporary administrator of the universal service fund, provided that the Commission

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² The NYNEX Telephone Companies are New York Telephone Company and New England Telephone and Telegraph Company.

³ See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Notice of Proposed Rulemaking and Notice of Inquiry, FCC 97-11, released January 10, 1997, paras. 11-13.

adopts rules permitting NECA to make the changes that it proposes to its board of directors. NECA's proposal to add six new directors, including three that would represent telecommunications carriers other than incumbent local exchange carriers ("LECs"), would meet the Joint Board's recommendation that NECA be appointed as a temporary administrator if it adds significant, meaningful representation for non-incumbent LEC carrier interests to its board of directors.⁴

We also believe that NECA would be qualified to act as permanent administrator of the fund if NECA separates its advocacy functions from its administrative functions. The Joint Board recommended that the Commission appoint a universal service advisory board to designate a neutral, third-party administrator for the universal service fund.⁵ NYNEX previously stated in its comments⁶ that

NECA has personnel, processes, and data systems that were developed at industry expense as a result of its current industry funding activities that could be a valuable resource to those charged with administering the new fund. The Joint Board recommended that the Commission allow NECA to bid for the position of fund administrator if it made changes to its membership and governance that would eliminate the perception that it is biased towards the LECs. We agree. A new governance structure is needed that would provide major representation to the carriers that provide major amounts of contribution to the universal service fund.

⁴ See *NPRM/NOI*, para. 9, citing Federal-State Joint Board on Universal Service, Recommended Decision, CC Docket No. 96-45, FCC 96J-3, released November 8, 1996 ("*Recommended Decision*") at para. 832.

⁵ See *Recommended Decision* at para. 829.

⁶ NYNEX Comments on the Joint Board Recommendation, December 19, 1996, at pp. 36-37.

In a recent letter to Chairman Hundt,⁷ NECA proposed such changes to its membership and governance:

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.

This proposal would meet our concern that NECA should separate its advocacy functions from its administration of the universal service fund. In the NOI stage of this proceeding, Bell Atlantic and NYNEX may propose additional changes to the NECA board to ensure that it properly represents all relevant portions of the industry.

We further recommend that the Part 69 rules, which currently prescribe a fixed structure for NECA's board of directors, should be modified to indicate that the NECA board should be representative of the industry and that any changes should be submitted to the Commission for approval under a public

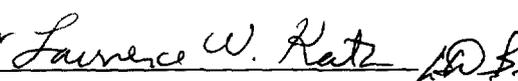
⁷ NECA memorandum dated January 10, 1997 to Chairman Reed E. Hundt from Bruce W. Baldwin.

interest test. This would allow NECA to apply for Commission authority to make further changes to its board of directors as may be necessary to reflect the changing character of the telecommunications business without going through additional rulemaking proceedings to modify the Part 69 rules.

Respectfully submitted,

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Dated: January 27, 1997

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