

satisfy this condition, the NPRM proposes to amend Section 69.602 of the Commission's rules to establish a fourth category of six new directors: three to represent non-incumbent LEC participants (e.g., interexchange carriers, wireless carriers and competitive LECs) and three to represent support beneficiaries (e.g., schools, libraries and health care providers). The NPRM further proposed to amend Section 69.603 to limit the role of the six new directors to the temporary administrator functions and general Board oversight responsibilities.

The NPRM's proposed changes to NECA's Board of Directors clearly satisfies the Recommended Decision's requirement that, to serve as temporary administrator, NECA must be allowed to add significant, meaningful representation of non-incumbent LEC carrier interests to its Board. Along with the independent perspective of the existing five outside directors, the addition of six new outside directors representing non-incumbent LEC participants and support beneficiaries to a fifteen member Board constitutes significant, meaningful representation of non-incumbent LEC interests. As a result, with respect to its temporary administrator functions, eleven out of twenty-one (52%) of the directors will represent perspectives that are independent of the incumbent LECs.

With some clarification, the addition of the new subset of six directors to represent non-incumbent LEC interests will position NECA to perform as a neutral and impartial administrator, not aligned with a particular industry segment.

SWBT agrees that a separate relationship should be required between the temporary administrator's role and the tariff and pooling functions of NECA's Board of Directors.⁴ However, it is not clear what governing procedures would be required of the NECA Board to satisfy this proposed requirement. The Commission should provide guidelines relating to the operation of NECA's Board to enable it to limit the authority of the six new directors to the temporary administrator and general Board oversight functions. Under the NPRM's proposal, NECA's procedures could provide that committee action concerning tariff/pooling matters should not be subject to approval by the entire Board, but there may be uncertainty as to whether a particular subject of Board action is a tariff/pooling matter or a matter of general corporate, financial or employee governance. In that situation, it would be unclear who should decide whether the entire Board will vote on the matter. Issues such as this need to be clarified in the rules adopted in this proceeding. To resolve these and other issues related to the specific functions of the temporary administrator, perhaps the Commission should consider the creation of a separate subsidiary at NECA.

The purpose of the proposed rule changes is to permit NECA to act as temporary administrator and to position it for the opportunity to serve as permanent administrator. SWBT submits that the proposed rule changes should only apply to the extent NECA continues as a temporary or permanent administrator. Should NECA cease performing the functions of

⁴ NPRM ¶13.

administrator, NECA should be allowed to adjust the composition of its Board to represent the relative interests of the participants in the programs NECA administers.

With these clarifications, the Commission should adopt the proposed rule changes to permit NECA to be named as the temporary administrator of the universal service support mechanisms.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

By Jonathan W. Royston
Robert M. Lynch
Durward D. Dupre
Mary W. Marks
Jonathan W. Royston

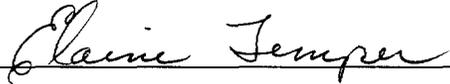
Attorneys for
Southwestern Bell Telephone Company

One Bell Center, Suite 3526
St. Louis, Missouri 63101
(314) 235-2507

January 27, 1997

Certificate of Service

I, Elaine Temper, hereby certify that the comments of Southwestern Bell Telephone Company on CC. Docket 97-21 has been served this 27th day of January, 1997 to the Parties of Record.

A handwritten signature in cursive script, reading "Elaine Temper", is written over a horizontal line.

Elaine Temper

January 27, 1997

TEJAL MEHTA
2100 M STREET NW ROOM 8611
WASHINGTON DC 20554

INTERNATIONAL TRANSCRIPTION SERVICES
2100 M STREET NW SUITE 140
WASHINGTON DC 20037