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FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554  
OFFICE OF SECRETARY

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

**REPLY COMMENTS OF BELLSOUTH**

On October 18, 1996, the National Exchange Carrier Association, Inc. ("NECA") requested Commission permission to modify the size and composition of its Board of Directors to enable NECA to compete to be administrator of the new universal service support mechanisms arising out of the Telecommunications Act of 1996. On January 10, 1997, the Commission released a Notice of Proposed Rulemaking and Notice of Inquiry ("NPRM/NOI"), FCC 97-11, inviting comment on the NECA request. On that same day, NECA submitted a substantially revised proposal to the Commission. Letter to Reed E. Hundt, Chairman, Federal Communications Commission from Bruce W. Baldwin, President, NECA dated January 10, 1997 ("January 10 letter"). Most commenting parties recognized the significant changes in the NECA proposal reflected in the January 10 letter and commented on the revised proposal. BellSouth Corporation and BellSouth Telecommunications, Inc. ("BellSouth") offers these reply comments in response to those parties.<sup>1</sup>

In the January 10 letter, NECA proposes to establish a new subsidiary, identified as a universal service administrative company ("USAC"), to serve as the interim universal service fund administrator and to bid to become the permanent funds administrator. If USAC's bid is successful, it would be divested by NECA. The January 10 letter, and a subsequent January 15, 1997 letter from Mr. Baldwin to Chairman Hundt providing additional details of NECA's

<sup>1</sup> AT&T recognized the existence of the January 10 letter, but limited its comments to the original NECA proposal. MCI and Worldcom were either unaware of the January 10 letter, or ignored it. BellSouth sees no point in responding to comments addressed to a prior proposal that no longer reflects the intentions of the proponent.

proposal, establish a workable framework for USAC to serve as the temporary universal service fund administrator and to position USAC to bid to be the permanent administrator. NECA provided additional details of its proposal in its comments in this proceeding. BellSouth supports NECA's revised proposal. NECA's revised proposal addresses and resolves the concerns expressed by the Federal-State Joint Board regarding NECA's appointment as the interim administrator for the Schools, Libraries, and Rural Health Care Provider Program.<sup>2</sup>

The NECA proposal satisfies its obligations to its members to continue to file and defend the access charge tariffs and to administer the pooled revenue distribution process. At the same time NECA will create an entity to administer the universal service fund with a broadly based board of directors representing all industry segments and other interested parties. Under NECA's proposal, the public would gain the advantage of NECA's expertise in administering large pools of revenue. At the same time, NECA would create an entity with a sufficiently broad based board of directors to administer the universal service fund in an impartial manner.

Most of the parties commenting on NECA's proposal support NECA's request that the Commission take the steps necessary to allow NECA to be appointed the interim fund administrator.<sup>3</sup> Only MCI states unqualified opposition to NECA serving as the interim funds administrator. MCI opposes NECA's appointment as interim administrator because of "its long-standing ties to the LEC industry and its advocacy efforts on behalf of LECs in the universal service and other proceedings."<sup>4</sup> MCI also asserts that "NECA will have no expertise of any

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<sup>2</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, FCC 96J-3, released November 8, 1996.

<sup>3</sup> See NCTA at 8 ("[T]he Commission should take steps to make NECA eligible to be the temporary administrator. . . ."); Sprint at 2 ("Establishment of the proposed USAC is the minimum restructuring which would be required in order for NECA to be appointed as the temporary administrator of the universal service funds."); U S West at 3 ("The organizational changes proposed by NECA appear to support this expanding role of [interim] funds administration."); Bell Atlantic and NYNEX at 3 ("This proposal would meet our concern that NECA should separate its advocacy functions from its administration of the universal service fund."); Pactel at 3 ("We believe NECA's proposal allays any concerns the Commission or others might have about the organization's suitability to serve as temporary administrator."); American Library Association at 4 ("ALA also supports the removal of any regulatory barriers to NECA's rendering itself a neutral third party."); PCIA at 8 ("PCIA is pleased that NECA has responded to concerns about the original proposal, and believes that the revised NECA proposal . . . could resolve many of the concerns it has with the proposal reflected in the *Notice*.")

<sup>4</sup> MCI at 2.

importance in administering the new fund."<sup>5</sup> It therefore proposes that "the Commission should request proposals for the interim fund administrator."<sup>6</sup>

MCI's "Just say no!" philosophy simply vents its anti-LEC animus, while ignoring the immediate need to appoint an interim administrator. The Joint Board recommended that support to schools and libraries begin with the 1997-98 school year.<sup>7</sup> If the Commission follows MCI's suggestion and begins a competitive selection process for the interim funds administrator, the Joint Board's goal will clearly not be met. MCI offers no alternative that is compatible with the Joint Board's goals. Nor is MCI accurate when it asserts that NECA has no special expertise in funds administration. NECA's performance as administrator of the Telecommunications Relay Service fund has been widely recognized as fair and efficient.<sup>8</sup> NECA would appear to be the only entity that could establish and administer the educational fund on an interim basis in time to meet the Joint Board's objective of getting support to the schools and libraries this year. MCI's comments should be accorded no weight by the Commission.

BellSouth supports NECA's proposal that the USAC have "a balanced board of directors representing all segments of the industry, to serve as temporary administrator of new universal service programs."<sup>9</sup> While BellSouth does not object to NECA's proposal that the USAC board "include some representation from the NECA board",<sup>10</sup> BellSouth does not believe that LEC representation on the USAC board should be limited to members of the current NECA board. BellSouth agrees with Sprint that "any interested party be allowed to nominate a representative(s) to the USAC Board."<sup>11</sup>

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<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> LEC Associations at 3.

<sup>8</sup> Id. at 5, fn 9.

<sup>9</sup> NECA at 2.

<sup>10</sup> February 10 letter at 1. See also LEC Associations at 6 implying that LEC representation on the USAC board would be filled with "an appropriate number of NECA Board members."

<sup>11</sup> Sprint at 2. BellSouth disagrees with Sprint's proposal that USAC Board seats be allocated to reflect "the source (e.g., ILEC, IXC, CLEC) of subsidy fund contributions." Id. There is no necessary correlation between the level of contribution made by an industry segment and the number of seats on the USAC Board that the industry segment should be assigned. BellSouth believes that the public interest requires that the USAC have a balanced, impartial Board of Directors. Allocating seats based on contribution levels does not necessarily foster that objective.

While BellSouth agrees that USAC should be appointed as interim administrator of the new universal service funds, BellSouth agrees with the overwhelming majority of commenters who urge the Commission to adopt rule changes that would make USAC eligible to compete for the role of permanent administrator, but that would not guarantee USAC that role. BellSouth will comment further on the appropriate means of selecting the permanent administrator in response to the NOI.

Respectfully submitted,

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Date: February 3, 1997

**CERTIFICATE OF SERVICE**

I Julia W. Spires, do hereby certify that I have this 3rd day of February, 1997, serviced all parties to this action with the foregoing "REPLY COMMENTS" reference Docket No. CC 97-21, by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid addressed to the parties as set forth on the attached service list.

  
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