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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

MAR 3 1997

Federal Communications Commission  
Office of Secretary

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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.          | ) |                     |

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**AMERITECH'S INITIAL COMMENTS  
ON THE NOTICE OF INQUIRY**

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The Ameritech Operating Companies<sup>1</sup> ("Ameritech" or the "Company") respectfully offer the following initial comments on the Notice of Inquiry released in the above-captioned docket on January 10, 1997 ("NOI"). In the NOI, the Commission asks for comments on what changes it should make to its current rules to enable the National Exchange Carrier Association, Inc. ("NECA") "to become a neutral, third party, and thus, eligible to participate in the selection process of the permanent universal service administrator."<sup>2</sup> The Commission also solicits comments on reforms it might implement with respect to the access tariff and pool

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<sup>1</sup> The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> NOI at par. 2.

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revenue distribution programs currently administered by NECA.<sup>3</sup> The NOI, which addresses long term issues associated with NECA, was released together with a Notice of Proposed Rulemaking (“NPRM”) wherein the Commission sought comment on the rule changes necessary to enable NECA to become eligible to serve as the temporary administrator of the universal service support mechanism.

In its initial comments on NECA’s potential role as this temporary administrator, Ameritech said that the Commission should avoid interim solutions to universal service support administration which could undermine the Commission’s long term goal of selecting an administrator that “operate[s] in an efficient, fair and competitively-neutral manner.”<sup>4</sup> In order to qualify under this criteria, the permanent administrator must be an entity that does not have a financial interest in the universal service support mechanism and is capable of processing large amounts of data and billing a large number of carriers in a cost efficient manner. It was not clear to Ameritech that having industry and/or beneficiary involvement in the universal service support mechanism would actually promote the Commission’s goal for cost efficient and neutral administration of universal

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<sup>3</sup> *Id.*

<sup>4</sup> *Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking and Order Establishing a Joint Board, CC Docket No. 96-45, FCC 96-93, *rel.* Mar. 8, 1996.

service support. So the Company suggested that the Commission use the experience it gains during NECA's tenure as interim administrator to evaluate whether the permanent administrator should include any representation from the industry or beneficiaries of the fund.<sup>5</sup>

While Ameritech remains skeptical that a universal service fund administrator truly could be neutral if it includes representatives of the industry or beneficiaries of the fund, the Commission has not yet been able to collect the information from NECA's interim stewardship of the universal service fund and Ameritech is unwilling to pre-judge what that information will show. If the Commission does appoint NECA as temporary administrator of the universal service fund, then the Commission also should order NECA to present information to enable the Commission to determine whether industry and beneficiary involvement during this interim period has had a positive or negative effect on the administration process.

However, in the meantime, the Commission should not make any specific changes in its rules to enable NECA to become a truly "neutral" third-party for purposes of being appointed the permanent administrator of

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<sup>5</sup> See Ameritech's Initial Comments on the NPRM at 2-5.

the universal service fund. If the Commission makes specific changes in its rules to enable NECA to become eligible for selection as permanent administrator through a competitive bidding process, and then NECA makes the corresponding changes to its Board, it may create the appearance that NECA has thereby achieved some special status in the selection decision even though the Commission has said otherwise.<sup>6</sup>

The better approach would be for the Commission simply to repeal all rules which constrain NECA's structure and let NECA decide how it should structure itself in the new, post-TA96 environment.<sup>7</sup> This way, if a newly structured NECA earns an appointment as permanent administrator of the universal service fund because it demonstrated, among other things, that it truly is a neutral entity, then nobody can reasonably complain that the Commission effectively told NECA what it needed to do to win the bid. On the other hand, if NECA is not selected as the permanent administrator, then NECA cannot reasonably complain that it failed because the Commission did not provide NECA with enough flexibility to make the structural changes necessary to fairly compete in the bidding process.

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<sup>6</sup> NOI at par. 14.

<sup>7</sup> This approach would give NECA the maximum flexibility to compete for new business in a manner that is most consistent with the other fiduciary obligations it has taken on, such as its role as universal service fund administrator for the states of Vermont, Kansas, and Arizona. See <http://www.neca.org/USFwin.htm>.

Repealing the rules which constrain NECA's structure would be a good idea for another reason. It would give NECA the opportunity to re-structure itself so that it could compete not only for the position of administrator of the new universal service fund (including the current Lifeline Assistance and long term support programs), but for the position as administrator of the common line and traffic-sensitive access tariff pools, and the telephone relay service fund -- all of which should be put out for competitive bid, as well.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michael J. Karson" with a small flourish at the end.

Michael J. Karson  
Attorney for Ameritech  
Room 4H88  
2000 West Ameritech Center Drive  
Hoffman Estates, IL. 60196-1025  
(847) 248-6082

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