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Federal Communications Commission
Office of Secretary

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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

COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

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March 3, 1997

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SUMMARY*

SWBT believes that both the USF Administrator and the Tariff/Pooling Administrator assignments should be open to competitive bidding by anyone that meets the final criteria. The Commission should make any and all changes necessary to allow NECA or USAC to compete on equal footing with other qualified candidates.

To facilitate participation by other qualified candidates, the Commission should minimize its regulation concerning eligibility for these administrator positions. Among the desirable characteristics necessary to satisfy the Joint Board's four criteria, the USF Administrator should be a stand-alone organization with its own Board of Directors; no industry segment's representation on such Board should exceed a specified percentage of the total; and the USF Administrator should be an objective facilitator, rather than an advocate, in connection with universal service matters pending before the Commission.

In contrast, it is appropriate for the membership of a Tariff/Pooling Administrator to consist of those who contribute to or benefit from the administrator's services and for its Board to be representative of, and accountable to, its members.

The term of the administrator assignments should be long enough to attract other candidates, but not so long as to inhibit healthy change. As proposed by NECA, the USAC would be a separate and distinct entity that would have no difficulty satisfying the Joint Board's four criteria under the guidelines suggested by SWBT.

As the prospective beneficiary of NECA's fourteen years of experience in performing pooling functions, handling access tariff filings and administering multiple support funds, USAC

* The abbreviations used in this Summary are defined in the body of SWBT's Comments.

should certainly be allowed to compete with other qualified candidates to become the long-term
USF administrator.

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COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company ("SWBT") hereby submits its Comments in response to the Commission's Notice of Inquiry ("NOI")¹ in the above-captioned proceeding.

The Commission seeks comment on the rule changes necessary to allow the National Exchange Carrier Association, Inc. ("NECA") to become a "neutral, third party" that could satisfy the Joint Board's four criteria for the permanent administrator of the new universal service support mechanisms (the "USF Administrator").² The Commission also seeks comment on any reforms with respect to NECA's tariff and pooling functions, including whether interested parties other than NECA should be allowed to compete for selection as administrator of these programs (the "Tariff/Pooling Administrator").³

SWBT believes that both of these administrator assignments should be open to competitive bidding by anyone that meets the criteria required in the Commission's final rules.

¹ FCC 97-11, adopted and released January 10, 1997.

² NOI, ¶¶ 14-15.

³ Id., ¶ 16.

Further, the Commission should make any and all changes necessary to allow NECA, or the Universal Service Administrative Company ("USAC") it would create, to compete on equal footing with other qualified candidates. The required criteria should apply equally to NECA, USAC and other candidates and these criteria should not have the effect of excluding unnecessarily other qualified candidates.

Aside from these general standards, SWBT urges the Commission to minimize to the extent possible its regulation concerning eligibility as administrator of the tariff/pooling programs and the universal service programs.

The criteria applicable to the two administrators should be separate and distinct. The USF Administrator needs to satisfy the Joint Board's four criteria. To satisfy these criteria, SWBT recommends certain guidelines that follow. The USF Administrator should be a stand-alone organization with its own Board of Directors or other governing body. To prevent the USF Administrator from being aligned with any particular industry segment, the Commission could require that any particular industry segment's representation on the USF Administrator's Board or governing body not exceed a specified percentage of the total directors or voting interests. By placing a ceiling on industry segment Board representation, rather than requiring certain levels of industry representation, a neutral third party will have a realistic chance of participating in the selection process using uniform selection criteria. Further, the USF Administrator should not be affiliated with any other existing association or organization which is associated with a specific segment of the telecommunications industry.

The USF Administrator should be an objective facilitator, rather than an advocate of any specific positions, in connection with universal service matters pending before the Commission. As an objective facilitator, the USF Administrator should be able to submit data and information needed for Commission proceedings.

The desirable characteristics of the Tariff/Pooling Administrator are quite different, but the requirements should also be minimized to facilitate participation by other qualified candidates. It is appropriate for the members of a tariff administration association such as this to consist of the companies that receive or benefit from the association's tariff/pooling services. Likewise, the Board or other governing body should be representative of, and accountable to, the members. While these are desirable characteristics for a Tariff/Pooling Administrator, the Commission should consider appropriate streamlining of subpart G of Part 65 of its Rules. For example, depending upon how the Commission structures the new universal service support mechanisms and the Long Term Support payments, it may not be necessary for large LECs to be on the Tariff/Pooling Administrator's Board or other governing body.

While SWBT believes that other qualified candidates should be allowed to compete for selection as USF or Tariff/Pooling Administrator, the term of the assignment should be long enough to attract other candidates. If the term is too short, there may be few, if any, candidates willing to invest the required resources. Also, a short-term administrator may not develop fully or effectively utilize its expertise. On the other hand, the term should not be so long as to inhibit healthy change or reduce the efficiency incentives for the incumbent. In any event, the

operations and financial results of the administrators should be subject to regular independent audits and Commission reviews.

If the Commission makes the necessary changes to its Rules, consistent with the guidelines outlined above, the separate corporation that NECA proposes to create (USAC) should be eligible to compete with other qualified candidates to become the "permanent" USF Administrator. In view of NECA's proposal to divest itself of USAC upon USAC's selection as permanent USF Administrator -- thereby making USAC a separate and distinct entity --, USAC should have no difficulty satisfying the Joint Board's four criteria under the guidelines discussed above.

As the beneficiary of NECA's fourteen years of experience in performing pooling functions, handling access tariff filings and administering multiple support funds, USAC should certainly be allowed to compete to become the long-term USF administrator. NECA has gained expertise in these areas that is currently unmatched by any other firm. NECA is rich with vast amounts of industry data and a knowledgeable staff from all segments of the telecommunication's industry. Through the use of NECA personnel and support services under arm's-length contracts administered in compliance with NECA's Cost Allocation Manual,⁴ USAC would be able to take advantage of NECA's superior experience and resources. While these are important points for consideration, they should not automatically qualify or disqualify USAC as the long-term USF Administrator. Likewise, they should neither qualify nor disqualify

⁴ NECA NPRM Comments, CC Docket No. 97-21, filed January 27, 1997, at 2, 6, 9-10 & n.6; Letter to Reed E. Hundt, FCC, from Bruce W. Baldwin, NECA, dated January 10, 1997.

any competing qualified candidates. The Commission should adopt and apply uniform, neutral criteria that give neither NECA nor any other qualified candidate an unfair advantage.

SWBT recommends that the Commission formulate guidelines that permit NECA as well as other qualified candidates to compete for selection as long-term USF and Tariff/Pooling Administrators consistent with SWBT's recommendations outlined above as well as any other necessary and appropriate criteria.

Respectfully submitted,

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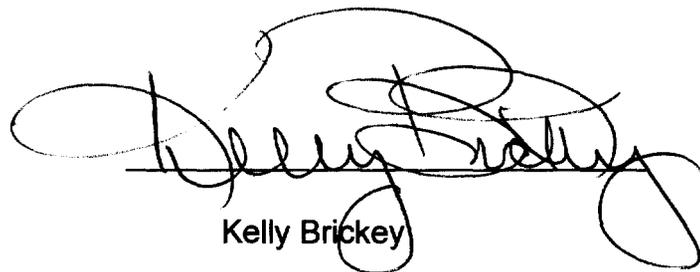
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March 3, 1997

CERTIFICATE OF SERVICE

I, Kelly Brickey, hereby certify that the foregoing " Comments of Southwestern Bell Telephone Company.", has been served March 3, 1997, to the Parties of Record.



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