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MAR 10 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

March 10, 1997

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RE: Ex Parte Notice
CC Docket No. 96-45

Dear Mr. Caton:

Attached is a letter to Chairman Hundt from the United States Telephone Association (USTA), the National Rural Telecom Association (NRTA), the National Telephone Cooperative Association (NTCA) and the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO). Identical letters, also attached, were sent to Commissioners Ness, Quello, and Chong.

An original and one copy of this ex parte notice are being filed in the Office of the Secretary. Please include this notice in the public record of these proceedings.

Respectfully submitted,

Mary McDermott

Mary McDermott
Vice President - Legal & Regulatory Affairs

cc: R. Hundt
S. Ness
J. Quello
R. Chong
J. O'Neal
J. Rose
M. Brunner
R. Neel

NRTA

"Representing America's Local Exchange Carriers"

March 7, 1997

The Honorable Rachelle B. Chong, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

Dear Commissioner Chong:

As members of the Federal Communications Commission, you and your colleagues will soon decide the future of universal telephone service by your decisions to adopt or modify the specific recommendations of the Federal-State Joint Board on universal service. The Telecommuni- cations Act of 1996 requires "sufficient" high cost support to ensure "just, reasonable and affordable rates," "reasonably comparable" rates and services for rural and urban customers and nationwide information access. Our associations and our rural telephone company membership worked closely with Congress to develop these requirements, and we are pleased with the Act's commitment to affordable modern service for rural areas in the new era of telecommunications competition. We have also participated fully in the Joint Board proceeding on implementation of the Act's new universal service policies and Commission and state implementation efforts following the Joint Board's recommendation.

We are writing to you to ask you to modify the Joint Board's transitional recommendation on universal service for rural telephone companies. Because of the rapid approach of the May 8, 1997 implementation deadline, we focus here on issues raised by that recommended transition plan for rural systems. The associations recognize that the Joint Board has made an effort to provide an actual-cost-based transition plan that would control the growth of federal universal service support, and allow limited growth in transitional support only when a company adds access lines. Our concern is that the Joint Board recommendation to freeze federal support at past investment levels per line for rural telephone companies, then transition to a new system which would not be fully implemented until well after the turn of the century, will stifle the Act's universal service goals in rural areas. The freeze would:

- Chill any incentive for rural telephone companies to invest in new infrastructure requiring a significant increase in investment per customer.

- Force companies with commitments to upgrade infrastructure, or under a state mandate to do so, to request rate increases in order to maintain financial stability.

No. of Copies rec'd ______
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Washington, D.C. 20036
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United States Telephone Association
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- Severely prejudice rural companies that have recently acquired areas that have previously been underserved and have made commitments for substantial facilities upgrades, relegating their customers to outdated facilities, higher local rates, or both.

- Serve as a disincentive for infrastructure deployment and improvements by creating unjustified support increases to rural systems that increase their served access lines without increasing their investment.

The Joint Board recommendation would also cut off support for most business lines and all second residences or second lines in residences in high cost areas, although:

- This cut off is a very significant change in the status quo for rural telephone companies and would mean an immediate and significant decrease from the amount of support they currently receive.

- This cut off will add greatly to the cost of connecting to and using Internet for rural households and businesses that use a second line for their computer hookup.

- Telecommunications services, so vital as an incentive for businesses to locate or remain in rural areas, would increase greatly in price.

- Figuring out which lines fit in the supported versus the unsupported category may be impossible and would be an enormous burden that is not balanced by corresponding public benefits.

- The law's mandate for "reasonably comparable" rural and urban rates, services and access to advanced telecommunications and information services does not authorize discriminatory denial of "sufficient" federal support for providing the services included in the federal universal service definition to any high cost rural customers.

Our four national telephone associations, representing all of the rural telephone companies in the nation, have proposed the attached alternative transition plan for rural telephone companies that would accomplish the Act's objectives at a negligible additional cost. It would do this without creating the damaging results of the Joint Board's approach. Representatives from our four associations -- along with our rural telephone company members -- have met with both the Common Carrier Bureau and your staff about the plan. We look forward to working with you, your staff and state regulators to further explain our plan and discuss why the modifications we request are essential to up-to-date rural telecommunications. To ensure that all interested parties are informed, we are serving a copy of this letter on all commenters in the Joint Board Universal Service proceeding.

Your support for a fair universal service transition plan for rural telephone companies and rural customers is vital to the future rural telecommunications and economic development of rural areas. We urge you to adopt our plan and not freeze universal service support or

terminate support for many high cost lines. Without the modest adjustments we seek, the recommended transition plan will both sideline many rural areas and the customers served by rural and small LECs in the developing telecommunications marketplace and make a mockery of the balanced telecommunications policy Congress enacted in the 1996 Act.

Sincerely yours,

John F. O'Neal
General Counsel
National Rural Telecom
Association

Michael E. Brunner
Executive Vice President
National Telephone
Cooperative Association

John Rose, President
Organization for the Promotion
and Advancement of Small
Telecommunications Companies

Roy Neel, President & CEO
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Association

Attachment

National Rural Telecom Association
National Telephone Cooperative Association
Organization for the Promotion and Advancement of Small Telecommunications Companies
United States Telephone Association

LEC ASSOCIATIONS UNIVERSAL SERVICE TRANSITION PLAN FOR RURAL TELEPHONE COMPANIES

The Universal Service Transition Plan for Rural Telephone Companies is proposed and endorsed by the four national trade associations representing virtually all local exchange carriers: National Rural Telecom Association, National Telephone Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies and United States Telephone Association.

Why the Plan is Needed

The Joint Board seeks to create an effective universal service support system which will ensure that the goals of affordable service and access to advanced services are met by means that enhance, rather than distort, competition. The Universal Service Transition Plan for rural telephone companies described here will achieve that goal and the mandates for "sufficient" support and reasonable urban and rural parity more effectively than the measures offered for rural telephone companies in the Recommended Decision of the Joint Board. Specifically:

- Withdrawing universal service support from second residential and most business lines would cause rate shock to rural business customers, bring further pressure to raise residential rates, and thereby stifle essential rural economic development. It would add greatly to the cost of Internet usage for rural households and businesses that need a second line for their computer hookup. The rural transition plan presented here resolves these problems.

- Arbitrarily freezing past USF (Universal Service Fund), DEM (Dial Equipment Minutes) weighting and LTS (Long Term Support) on a "per-line" basis effectively reduces support for most crucial network upgrades during the transition, thus discouraging rural LECs from investing in their networks at a time when accelerating these investments is critical to rural communities throughout our nation. The rural transition plan presented here reduces this problem.

- If the Joint Board Recommended Decision is adopted, rural LECs will be forced to approach the Commission on an individual basis if they need to undertake investment in their networks beyond what they would be able to recover through the frozen, per line approach recommended by the Joint Board. The rural

transition plan presented here will alleviate this needless administrative burden for rural LECs and the Commission.

- The Joint Board's recommended treatment of rural telephone companies will move this country toward a land of modern communications "have and have-nots," in contravention of the clear commitments of the Telecommunications Act of 1996. The Joint Association rural transition plan presented here will help to achieve the real goals of the Act.

Overview of the Joint Association Transition Plan

This plan, for rural telephone companies, would substitute for the Joint Board's rural transition recommendation. The Joint Board transition proposal would (a) freeze the USF and LTS (Long Term Support) at 1996 amounts and DEM weighting at 1995 amounts, and (b) fund the frozen amounts through the new Universal Service Fund collected via contributions from all interstate carriers on a competitively neutral basis. Only the primary line for first residences would be eligible for support. Current high cost supported for second residential lines, second residences, and dual or multi-line business lines would be withdrawn.

The Joint Board Recommended Decision purports to use actual costs for a transition period, but instead uses growth in access lines as the only measure for supportable growth in costs. This provides windfall support for companies whose lines are growing faster than their costs, such as those who have recently completed an investment cycle and are poised for line growth. It unfairly penalizes those companies who are making investments to upgrade service that will not lead to line growth in excess of the cost of the upgrade. Particularly dramatic examples of this situation are those companies that have recently acquired exchanges in severe need of upgrading even to the Joint Board's definition of universal service, but whose upgrades will be ignored by the freeze.

Instead of using growth in lines to estimate for cost growth, the Joint Association Plan uses actual growth (or decrease) in costs to determine the universal service support requirement for rural telephone companies.

Telephone Company Eligibility for the Plan

The Joint Association Transition plan -- like the Joint Board recommendation -- is proposed exclusively for " rural telephone companies," as defined under the 1996 Telecommunications Act. Rural telephone companies are defined by the Act as follows:

- Provides common carrier service to any LEC study area that does not include either

  -Any incorporated place of 10,000 inhabitants or more, or any part

thereof, based on the most recently available population statistics of the Bureau of the Census: or

- Any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993:

- Provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;
- Provides telephone exchange service to any LEC study area with fewer than 100,000 access lines; or
- Has less than 15% of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

The Proposed Plan

The Joint Association Transition Plan is a substitute transition mechanism which would recognize the stated goal of regulators to control the size and volatility of the new universal service fund, while also recognizing that substantial investments are required in rural areas or they will not keep pace with the information age as the statute requires. Wherever possible, the Joint Association Transition Plan builds upon the Joint Board Recommendation. Most importantly, this plan adopts the portions of the Joint Board Recommendation for the transition of rural telephone companies to a new system by combining USF, DEM weighting and LTS amounts in a new Universal Service Fund for rural LECs. The Joint Association Transition Plan differs from the Joint Board Recommendation in two main ways: first, all lines would be eligible for universal service support as they are today; and, second, the interstate allocation factors for the support mechanisms would be frozen, but the underlying costs representing infrastructure investment would grow, as investment in infrastructure in rural America must grow.

- The USF Proposal

During the transition period, the current USF mechanism would stay largely as is, but the current complex system of calculating the nationwide average loop cost would be eliminated. Instead, the 1995 nationwide average loop cost would be adjusted annually using a conservative telecommunications inflation factor accepted by the FCC. (One useful inflation factor is the Gross Domestic Product Price Index (GDPPI), used for price caps). The advantage of this approach is that it would allow rural telephone companies to invest in infrastructure development without requiring nationwide data collection and analysis. The inflation factor would increase the "high cost" hurdle rural telephone companies must exceed by at least 15%, as in the current system, before they qualify for any high cost support. Rural telephone companies would calculate their actual loop cost each year.

- The Joint DEM Weighting Proposal

Instead of freezing the dollar amount of DEM weighting received on per line basis, the Joint Association Transition Plan would freeze the interstate allocation but allow the costs representing infrastructure investment in switching to grow. If, for example, a Rural Telephone Company now allocates 60% of its switching costs to the interstate jurisdiction via DEM, that 60% factor would remain constant. The Joint Association Transition Plan would adopt the Joint Board recommendation to fund the support identified by the DEM weighting factor -- now recovered in interstate access charges -- from the new Universal Service Fund, with a concomitant decrease in rural telephone company interstate traffic sensitive access charges.

- The Joint LTS Proposal

The level of LTS (Long Term Support) would be frozen for the transition period at the percentage that LTS represented of the total NECA common line pool in 1996. This ratio would be applied to the annual common line revenue requirement calculated by NECA for rural telephone companies eligible to receive LTS. As under the Joint Board Recommended Decision the LTS amounts would be transferred to the new USF and recovered through contributions from all carriers on a competitively neutral basis. Also, as under the Joint Board Recommended Decision, LTS would be used to offset carrier common line rates for access customers of rural telephone companies.

Plan Size and Potential Growth

The total dollar amount needed to fund the plan for all rural telephone companies in 1996 would slightly exceed one billion dollars. Final numbers depend upon which companies are determined to be rural telephone companies by state regulatory bodies. This is, of course an estimated number. Rural telephone companies would still contribute to the competitively neutral funding to high cost areas, low income subscribers, schools and libraries.

The Plan Would Not Withdraw Necessary Support from Rural Internet and Business Lines

The Joint Board Recommended Decision would cut off support for most business lines and all second residences or second lines in residences in high cost areas. This cut off adds greatly to the cost of Internet usage for rural households and businesses that use a second line for their computer hookup. Telecommunications services, so vital as an incentive for businesses to locate or remain in rural areas, would increase greatly in price. Finally, figuring which lines fit in the supported versus unsupported category would be an enormous burden, if not impossible. Therefore the Joint Association Plan maintains support for all lines served by high cost rural telephone companies.

NRTA · NTCA · OPASTCO · USTA

"Representing America's Local Exchange Carriers"

March 7, 1997

The Honorable James H. Quello, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

Dear Commissioner Quello:

As members of the Federal Communications Commission, you and your colleagues will soon decide the future of universal telephone service by your decisions to adopt or modify the specific recommendations of the Federal-State Joint Board on universal service. The Telecommuni- cations Act of 1996 requires "sufficient" high cost support to ensure "just, reasonable and affordable rates," "reasonably comparable" rates and services for rural and urban customers and nationwide information access. Our associations and our rural telephone company membership worked closely with Congress to develop these requirements, and we are pleased with the Act's commitment to affordable modern service for rural areas in the new era of telecommunications competition. We have also participated fully in the Joint Board proceeding on implementation of the Act's new universal service policies and Commission and state implementation efforts following the Joint Board's recommendation.

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John O'Neal

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General Counsel
National Rural Telecom
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Michael E Brunner

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John Rose.

John Rose, President
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Attachment

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thereof, based on the most recently available population statistics of the Bureau of the Census: or

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Federal Communications Commission
1919 M Street, N.W., Room 832
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Organization for the Promotion and Advancement of Small Telecommunications Companies
United States Telephone Association

LEC ASSOCIATIONS UNIVERSAL SERVICE TRANSITION PLAN FOR RURAL TELEPHONE COMPANIES

The Universal Service Transition Plan for Rural Telephone Companies is proposed and endorsed by the four national trade associations representing virtually all local exchange carriers: National Rural Telecom Association, National Telephone Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies and United States Telephone Association.

Why the Plan is Needed

The Joint Board seeks to create an effective universal service support system which will ensure that the goals of affordable service and access to advanced services are met by means that enhance, rather than distort, competition. The Universal Service Transition Plan for rural telephone companies described here will achieve that goal and the mandates for "sufficient" support and reasonable urban and rural parity more effectively than the measures offered for rural telephone companies in the Recommended Decision of the Joint Board. Specifically:

- Withdrawing universal service support from second residential and most business lines would cause rate shock to rural business customers, bring further pressure to raise residential rates, and thereby stifle essential rural economic development. It would add greatly to the cost of Internet usage for rural households and businesses that need a second line for their computer hookup. The rural transition plan presented here resolves these problems.

- Arbitrarily freezing past USF (Universal Service Fund), DEM (Dial Equipment Minutes) weighting and LTS (Long Term Support) on a "per-line" basis effectively reduces support for most crucial network upgrades during the transition, thus discouraging rural LECs from investing in their networks at a time when accelerating these investments is critical to rural communities throughout our nation. The rural transition plan presented here reduces this problem.

- If the Joint Board Recommended Decision is adopted, rural LECs will be forced to approach the Commission on an individual basis if they need to undertake investment in their networks beyond what they would be able to recover through the frozen, per line approach recommended by the Joint Board. The rural

transition plan presented here will alleviate this needless administrative burden for rural LECs and the Commission.

- The Joint Board's recommended treatment of rural telephone companies will move this country toward a land of modern communications "have and have-nots," in contravention of the clear commitments of the Telecommunications Act of 1996. The Joint Association rural transition plan presented here will help to achieve the real goals of the Act.

Overview of the Joint Association Transition Plan

This plan, for rural telephone companies, would substitute for the Joint Board's rural transition recommendation. The Joint Board transition proposal would (a) freeze the USF and LTS (Long Term Support) at 1996 amounts and DEM weighting at 1995 amounts, and (b) fund the frozen amounts through the new Universal Service Fund collected via contributions from all interstate carriers on a competitively neutral basis. Only the primary line for first residences would be eligible for support. Current high cost supported for second residential lines, second residences, and dual or multi-line business lines would be withdrawn.

The Joint Board Recommended Decision purports to use actual costs for a transition period, but instead uses growth in access lines as the only measure for supportable growth in costs. This provides windfall support for companies whose lines are growing faster than their costs, such as those who have recently completed an investment cycle and are poised for line growth. It unfairly penalizes those companies who are making investments to upgrade service that will not lead to line growth in excess of the cost of the upgrade. Particularly dramatic examples of this situation are those companies that have recently acquired exchanges in severe need of upgrading even to the Joint Board's definition of universal service, but whose upgrades will be ignored by the freeze.

Instead of using growth in lines to estimate for cost growth, the Joint Association Plan uses actual growth (or decrease) in costs to determine the universal service support requirement for rural telephone companies.

Telephone Company Eligibility for the Plan

The Joint Association Transition plan -- like the Joint Board recommendation -- is proposed exclusively for " rural telephone companies," as defined under the 1996 Telecommunications Act. Rural telephone companies are defined by the Act as follows:

- Provides common carrier service to any LEC study area that does not include either

    -Any incorporated place of 10,000 inhabitants or more, or any part

thereof, based on the most recently available population statistics of the Bureau of the Census: or

- Any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993:

- Provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;
- Provides telephone exchange service to any LEC study area with fewer than 100,000 access lines; or
- Has less than 15% of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

The Proposed Plan

The Joint Association Transition Plan is a substitute transition mechanism which would recognize the stated goal of regulators to control the size and volatility of the new universal service fund, while also recognizing that substantial investments are required in rural areas or they will not keep pace with the information age as the statute requires. Wherever possible, the Joint Association Transition Plan builds upon the Joint Board Recommendation. Most importantly, this plan adopts the portions of the Joint Board Recommendation for the transition of rural telephone companies to a new system by combining USF, DEM weighting and LTS amounts in a new Universal Service Fund for rural LECs. The Joint Association Transition Plan differs from the Joint Board Recommendation in two main ways: first, all lines would be eligible for universal service support as they are today; and, second, the interstate allocation factors for the support mechanisms would be frozen, but the underlying costs representing infrastructure investment would grow, as investment in infrastructure in rural America must grow.

- The USF Proposal

During the transition period, the current USF mechanism would stay largely as is, but the current complex system of calculating the nationwide average loop cost would be eliminated. Instead, the 1995 nationwide average loop cost would be adjusted annually using a conservative telecommunications inflation factor accepted by the FCC. (One useful inflation factor is the Gross Domestic Product Price Index (GDPPI), used for price caps). The advantage of this approach is that it would allow rural telephone companies to invest in infrastructure development without requiring nationwide data collection and analysis. The inflation factor would increase the "high cost" hurdle rural telephone companies must exceed by at least 15%, as in the current system, before they qualify for any high cost support. Rural telephone companies would calculate their actual loop cost each year.

- The Joint DEM Weighting Proposal

Instead of freezing the dollar amount of DEM weighting received on per line basis, the Joint Association Transition Plan would freeze the interstate allocation but allow the costs representing infrastructure investment in switching to grow. If, for example, a Rural Telephone Company now allocates 60% of its switching costs to the interstate jurisdiction via DEM, that 60% factor would remain constant. The Joint Association Transition Plan would adopt the Joint Board recommendation to fund the support identified by the DEM weighting factor -- now recovered in interstate access charges -- from the new Universal Service Fund, with a concomitant decrease in rural telephone company interstate traffic sensitive access charges.

- The Joint LTS Proposal

The level of LTS (Long Term Support) would be frozen for the transition period at the percentage that LTS represented of the total NECA common line pool in 1996. This ratio would be applied to the annual common line revenue requirement calculated by NECA for rural telephone companies eligible to receive LTS. As under the Joint Board Recommended Decision the LTS amounts would be transferred to the new USF and recovered through contributions from all carriers on a competitively neutral basis. Also, as under the Joint Board Recommended Decision, LTS would be used to offset carrier common line rates for access customers of rural telephone companies.

Plan Size and Potential Growth

The total dollar amount needed to fund the plan for all rural telephone companies in 1996 would slightly exceed one billion dollars. Final numbers depend upon which companies are determined to be rural telephone companies by state regulatory bodies. This is, of course an estimated number. Rural telephone companies would still contribute to the competitively neutral funding to high cost areas, low income subscribers, schools and libraries.

The Plan Would Not Withdraw Necessary Support from Rural Internet and Business Lines

The Joint Board Recommended Decision would cut off support for most business lines and all second residences or second lines in residences in high cost areas. This cut off adds greatly to the cost of Internet usage for rural households and businesses that use a second line for their computer hookup. Telecommunications services, so vital as an incentive for businesses to locate or remain in rural areas, would increase greatly in price. Finally, figuring which lines fit in the supported versus unsupported category would be an enormous burden, if not impossible. Therefore the Joint Association Plan maintains support for all lines served by high cost rural telephone companies.

NRTA · NTCA · OPASTCO · USTA

"Representing America's Local Exchange Carriers"

March 7, 1997

The Honorable Reed E. Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Dear Chairman Hundt:

As members of the Federal Communications Commission, you and your colleagues will soon decide the future of universal telephone service by your decisions to adopt or modify the specific recommendations of the Federal-State Joint Board on universal service. The Telecommuni- cations Act of 1996 requires "sufficient" high cost support to ensure "just, reasonable and affordable rates," "reasonably comparable" rates and services for rural and urban customers and nationwide information access. Our associations and our rural telephone company membership worked closely with Congress to develop these requirements, and we are pleased with the Act's commitment to affordable modern service for rural areas in the new era of telecommunications competition. We have also participated fully in the Joint Board proceeding on implementation of the Act's new universal service policies and Commission and state implementation efforts following the Joint Board's recommendation.

We are writing to you to ask you to modify the Joint Board's transitional recom- mendation on universal service for rural telephone companies. Because of the rapid approach of the May 8, 1997 implementation deadline, we focus here on issues raised by that recommended transition plan for rural systems. The associations recognize that the Joint Board has made an effort to provide an actual-cost-based transition plan that would control the growth of federal universal service support, and allow limited growth in transitional support only when a company adds access lines. Our concern is that the Joint Board recommendation to freeze federal support at <u>past</u> investment levels per line for rural telephone companies, then transition to a new system which would not be fully implemented until well after the turn of the century, will stifle the Act's universal service goals in rural areas. The freeze would:

- Chill any incentive for rural telephone companies to invest in new infrastructure requiring a significant increase in investment per customer.

- Force companies with commitments to upgrade infrastructure, or under a state mandate to do so, to request rate increases in order to maintain financial stability.

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- Severely prejudice rural companies that have recently acquired areas that have previously been underserved and have made commitments for substantial facilities upgrades, relegating their customers to outdated facilities, higher local rates, or both.

- Serve as a disincentive for infrastructure deployment and improvements by creating unjustified support increases to rural systems that increase their served access lines without increasing their investment.

The Joint Board recommendation would also cut off support for most business lines and all second residences or second lines in residences in high cost areas, although:

- This cut off is a very significant change in the status quo for rural telephone companies and would mean an immediate and significant decrease from the amount of support they currently receive.

- This cut off will add greatly to the cost of connecting to and using Internet for rural households and businesses that use a second line for their computer hookup.

- Telecommunications services, so vital as an incentive for businesses to locate or remain in rural areas, would increase greatly in price.

- Figuring out which lines fit in the supported versus the unsupported category may be impossible and would be an enormous burden that is not balanced by corresponding public benefits.

- The law's mandate for "reasonably comparable" rural and urban rates, services and access to advanced telecommunications and information services does not authorize discriminatory denial of "sufficient" federal support for providing the services included in the federal universal service definition to any high cost rural customers.

Our four national telephone associations, representing all of the rural telephone companies in the nation, have proposed the attached alternative transition plan for rural telephone companies that would accomplish the Act's objectives at a negligible additional cost. It would do this without creating the damaging results of the Joint Board's approach. Representatives from our four associations -- along with our rural telephone company members -- have met with both the Common Carrier Bureau and your staff about the plan. We look forward to working with you, your staff and state regulators to further explain our plan and discuss why the modifications we request are essential to up-to-date rural telecommunications. To ensure that all interested parties are informed, we are serving a copy of this letter on all commenters in the Joint Board Universal Service proceeding.

Your support for a fair universal service transition plan for rural telephone companies and rural customers is vital to the future rural telecommunications and economic development of rural areas. We urge you to adopt our plan and not freeze universal service support or terminate support for many high cost lines. Without the modest adjustments we seek, the recommended transition plan will both sideline many rural areas and the customers served by rural and small LECs in the developing telecommunications marketplace and make a mockery of the balanced telecommunications policy Congress enacted in the 1996 Act.

Sincerely yours,

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Attachment