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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)	CC Docket No. 97-21
Directors of the National Exchange)	
Carrier Association, Inc.)	

REPLY COMMENTS OF THE ASSOCIATIONS

The Rural Telephone Coalition,¹ and the United States Telephone Association (the Associations) file these reply comments to the comments of other parties filed March 3, 1997.

The Notice of Inquiry ("NOI") in this proceeding seeks comment on longer-term changes that might be needed to allow NECA to meet the Joint Board's proposed criteria for becoming a "neutral, third-party" eligible to serve as long-term administrator of the new universal service programs. The Associations have previously filed comments generally supporting the NECA January 10, 1997 proposal to create a separate subsidiary to act as interim administrator of the new universal service support program.² NECA's January 10 proposal also addresses the remaining long-term issues contained in this NOI. The universal service administration company ("USAC") proposes to meet "neutrality" requirements by having "significant, meaningful representation" from non-incumbent LECs and would be divested from NECA when and if it is

¹ The Rural Telephone Coalition consists of the National Telephone Cooperative Association, the National Rural Telecom Association, and the Organization for the Protection and Advancement of Small Telephone Companies.

² Comments of the Associations, January 27, 1997 at 6, Letter to Chairman Hundt from the Associations, January 7, 1997, Reply Comments of the Associations, February 3, 1997.

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selected as permanent administrator.³ The Associations reiterate their support for the January 10, 1997 proposal and urge the Commission to permit NECA to take necessary measures to permit it to participate in the selection process for the permanent administrator.

NECA and other parties supporting its proposal to create a new subsidiary universal service administrator company have demonstrated that the Commission should permit NECA to establish the USAC subsidiary described in its January 10, 1997 letter. Establishment of a subsidiary will permit NECA to bid on administration of the universal service fund without disrupting its existing organizational structure or altering its role as tariff filing agent - a role that is very important to many of the Associations' members. Contrary to WorldCom, Inc.'s assertions, dramatic rule changes are not needed at this time merely to permit NECA the opportunity to bid like other competitors.⁴ NECA acknowledges that, over the long term, the Commission should consider changes to current Part 69 rules governing NECA. Access charge, separations and universal service rule changes may necessitate changes in Part 69 rules relating to NECA. NECA also correctly points out that the Commission should not attempt to predict the effects of those changes on NECA at this stage but should defer action until it completes the related proceedings.⁵ The Associations agree. No public benefits would result from forced changes to the NECA governance structure at this time. NECA has presented a reasonable proposal to permit a subsidiary to bid for administration of the universal service fund. In light of NECA's demonstrated experience and its ability to structure a subsidiary that can fairly draw on

³ NECA Comments at 2.

⁴ WorldCom, Inc. Comments at 1.

⁵ NECA at 7-8.

that resource, the public interest will be served by approval of its proposal.

The Associations disagree with MCI's comments. NECA's proposal to create a separate subsidiary addresses MCI's contention that NECA has an inherent conflict.⁶ The contention that NECA will be able to overcharge captive ratepayers to subsidize the services provided by USAC is inconsistent with MCI's position that the inclusion of NECA board members on the USAC board destroys the "neutrality" of the USAC entity. Presumably a USAC board dominated by incumbent LECs would have no interest in approving arrangements that permit the LEC controlled tariff filing agent to subsidize services to universal service fund contributors that include the universe of "all providers of telecommunications services." Additionally, MCI's concern that NECA would be able to overcharge its captive ratepayers (assuming that MCI equates ratepayer with the LECs that make up NECA pools) is far fetched in view of the expected competitive pressures that will surely come to bear on the LECs for whom NECA will continue to act as filing agent.

⁶ MCI Comments at 5-6.

CONCLUSION

For the above stated reasons, the Associations urge the Commission to permit NECA to establish a separate subsidiary that will participate in the selection process for appointment as permanent administrator of the universal service fund.

Respectfully submitted,

THE RURAL TELEPHONE COALITION

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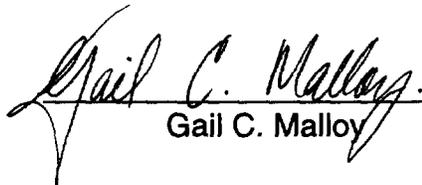
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April 3, 1997

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Reply Comments of the Rural Telephone Coalition and United States Telephone Association (the Associations) in CC Docket No. 97-21 was served on this 3rd day of April 1997, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:


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