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

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Federal Communications Commission
Office of Secretary

In the Matter of)
Changes to the Board of)
Directors of the National)
Exchange Carrier Association, Inc.)

CC Docket No. 97-21

AT&T REPLY COMMENTS

Pursuant to Section 1.415 of the Commission's Rules, 47 C.F.R. § 1.415, AT&T Corp. ("AT&T") submits this reply to the comments of other parties on the Commission's NOI in the above-captioned proceeding,¹ soliciting suggestions on additional rule changes to enable the National Exchange Carriers Association, Inc. ("NECA") to become a neutral entity eligible to participate in the selection process for a permanent universal service administrator.²

¹ Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Notice of Proposed Rulemaking and Notice of Inquiry, FCC 97-11, released January 10, 1997 ("NOI").

² Comments were filed by the Ameritech Operating Companies ("Ameritech"); the Bell Atlantic Telephone Companies jointly with the NYNEX Telephone Companies ("Bell Atlantic/NYNEX"); BellSouth Corporation ("BellSouth"); MCI Telecommunications Corporation ("MCI"); NECA; Pacific Telesis Group ("PacTel"); Southwestern Bell Telephone Company ("Southwestern Bell"); and WorldCom, Inc. ("WorldCom").

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In the initial rulemaking phase of this docket, the Commission focused on changes in NECA's corporate governance structure that could give NECA the necessary neutrality and impartiality to qualify it to act, either on an "interim" or permanent basis, as administrator of the new universal service fund ("NUSF") now being established by the Commission in CC Docket No. 96-45. In connection with that rulemaking, on January 10, 1997, NECA submitted to the Commission a proposal under which any universal service administrative functions would be assigned on an interim basis to a separate subsidiary, the universal service administration company ("USAC"), with its own board of directors not controlled by NECA's ILEC members. NECA also undertook to divest that subsidiary entirely in the event it is later selected as the permanent NUSF administrator.³

There is widespread recognition among the commenters on the NOI that NECA's January 17 proposal -- provided that it is properly implemented -- could fundamentally alter the need for the Commission's present inquiry regarding specific rules to govern NECA's conduct.⁴ Divorcing NECA's tariff filing functions on

³ See Letter dated January 10, 1997 from Bruce Baldwin, President, NECA, to Reed Hundt, Chairman, FCC.

⁴ WorldCom correctly notes (pp. 4-7) that NECA's January 10 proposal did not adequately address such vital issues as the relative membership of ILECs,

behalf of ILECs from the NUSF administration functions, and assuring neutral corporate governance of the latter, may leave little need for additional rulemaking concerning USAC's performance of its NUSF administrative role, and even less need for rulemaking as to NECA's tariff administration duties.⁵

If the establishment and subsequent spin-off of a neutral and impartial USAC is not achieved, however, then extensive rulemaking, both as to NECA's corporate governance and the performance of its duties, will be required before NECA could be considered eligible to service as the NUSF administrator on either a temporary or permanent basis.⁶ The Commission should therefore reject out of hand Ameritech's suggestion (pp. 3-4) that it "repeal all rules which constrain NECA's structure"

(footnote continued from previous page)

IXCs, CLECs and other entities on NECA's board, or the composition of NECA's membership. The Commission must address these critical issues and, if necessary, prescribe rules to assure that NECA's corporate governance structure can achieve neutrality.

⁵ See, e.g., BellSouth p. 1 (the USAC spin-off "would obviate the need for changes in the existing governance of NECA established by the Commission's Part 69 rules") (footnote omitted).

⁶ For example, in addition to governance changes that AT&T has described in its earlier filings in this docket, the Commission would be required to bar NECA from taking an advocacy role in Commission proceedings on non-administrative matters, to preclude it from becoming a partisan before the Commission for any segment of the telecommunications industry.

and allow NECA to take whatever actions it deems appropriate to obtain designation as the NUSF administrator.

Finally, any change in NECA's corporate governance or in rules affecting its performance of NUSF administration functions should not prejudice NECA's selection as either the interim or permanent NUSF administrator. The sole purpose of the Commission's current rulemaking and inquiry is to make NECA (or its newly proposed subsidiary, USAC) eligible to participate in the process for selection of a neutral administrator. As the NOI (¶ 14) makes clear, these changes should not, and do not, confer on NECA any "preferred status" in the selection decision.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that on this 3rd day of April, 1997, a copy of the foregoing "AT&T Reply Comments" was mailed by U.S. first class mail, postage prepaid, to the parties listed below.

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