

**BELLSOUTH**

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April 29, 1997

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Federal Communications Commission  
Office of Secretary

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, DC 20554

Re: Ex Parte in CC Dockets 96-45 and 96-262

Dear Mr. Caton:

This is to inform you that on April 29, 1997 Whit Jordan and the undersigned of BellSouth, met with Commissioner Susan Ness and Jim Casserly of the Commission regarding the above-referenced proceedings.

The purpose of the meeting was to discuss issues relating to universal service and access reform. The attached charts were discussed during this meeting.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceeding.

Sincerely,



Robert T. Blau

Attachment

cc: Commissioner Ness  
James Casserly

## **Access Reform and Universal Service**

### **Education and health care discounts should be funded on a “pay as you go” basis**

- Initial funding requirements should be based on forecasts of actual demand verified by proof of budget allocations for non-reimbursable portion of charges schools, libraries, and hospitals will pay
- If services purchased by schools and libraries today were discounted per Joint Board recommendation, total cost would be less than \$500M
- “Pay as you go” would eliminate any need for IXCs or LECs to raise rates to pay for education and health care discounts

### **The Commission should not make any precipitous reductions in access charges until a permanent Universal Service Fund is established**

- Even with no prescriptive changes in access rates, IXCs access costs will decline by more than \$17 billion over next 5 years
- Losses in market share and recovery of LEC non-traffic sensitive costs thru per line (vs. per minute) charges will drive LEC productivity down, not up
- Implementing number portability, dialing parity and other “checklist” requirements will cost BellSouth nearly \$500 million this year alone

### **Access charges should be restructured but in an orderly way that will not lead to local rate increases**

- During transition, pre-subscribed line (PSL) charges for business and residential customers must be comparable, else new implicit subsidies from business to residential customers will be created
- July 1, 1998 deadline for removing access charges from unbundled network elements should be extended until a permanent USF is in place

## Collection of the Education/Library Fund

Assuming the FCC adopts an education/library universal service fund with an annual upper limit of \$2.25 billion, contributions into the fund should be based on actual need and forecasts of demand and collected on a "pay as you go" basis each year (with collections never to exceed the cap).

- The forecast for actual demand on the fund can be assessed based on information submitted to the Fund Administrator by schools/libraries. It is anticipated that schools and libraries will be required to file forms with the Administrator to certify their eligibility for the discount program and to apply for discounts on services they are currently purchasing.
- On this initial form filed with the Administrator (Form One), eligible entities should be required to indicate 1) cost of services currently purchased, 2) estimate of anticipated usage for services subject to usage sensitive charges and, 3) additional services/eligible items expected to be purchased/contracted for within the year with applicable budget estimates. Proof of budget allocations to cover non-discounted portion of expected services (or some other certification) should be required to prevent inflated forecasts.

Based on a January 1, 1998 effective date for the Universal Service discounts, the timeline for the collection of the education/library<sup>1</sup> fund would be as follows:

DATE	ACTION
May 1997	FCC adopts education/library fund with annual upper limit of \$2.25 billion.
September 1, 1997	Eligible schools/libraries submit initial Form One to Fund Administrator w/actual and forecasted telecom service needs for January-June of 1998.
October 1, 1997	Fund Administrator completes calculation of funds necessary to support discounts for services identified by schools/libraries.
November 1, 1997	Telecommunications carriers' tariffs to collect contributions into education/library fund become effective.
January 1, 1998	Discount program becomes effective for all purchases beginning January 1, 1998. Carrier contributions into fund are due.
April 15 - May 15, <sup>2</sup> 1998 (and subsequent years)	Schools/libraries file Form One with Administrator indicating actual and expected telecom service needs for following year (i.e., July 1, 1998 through June 30, 1999.)
June 1, 1998 (and subsequent years)	Fund Administrator completes calculation of funds necessary to support discounts for services identified by schools/libraries.
July 1, 1998 (and subsequent years)	Telecommunications carriers' tariffs to collect contributions into education/library fund become effective.
November 1998 (and subsequent years)	Based on draw on funds and additional Form Ones filed, Administrator recalculates funds necessary; determines if mid-course correction is needed.
January 1, 1999 (and subsequent years)	If necessary, carriers file adjustments to tariffs to account for mid-course correction.

<sup>1</sup> This collection methodology should also apply to the fund necessary to support rural healthcare providers, which should be subject to a separately identified annual upper limit (i.e., \$400 million)

<sup>2</sup> Based on the fact that school districts generally complete the budget cycle for the following school year in the March/April time frame.

## **Recovering LECs Non-traffic Sensitive Network Costs Thru Per Line Charges Will Reduce IXCs Access Costs by \$17 B over the next 5 years**

