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Federal Communications Commission  
Office of Secretary

VIA HAND DELIVERY

May 1, 1997

William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW Room 200  
Washington, DC 20554

RE: *Ex parte* notification  
Docket No. 96-45

Dear Mr. Caton:

Pursuant to § 1.120(a)(2) of the Commission's Rules, I have enclosed copies of documents forwarded to the Commission related to the above-referenced matter.

The documents are as follows:

- (1) April 30, 1997 letter from Angela E. Giancarlo, Esq. of the Personal Communications Industry Association ("PCIA) to Mr. James L. Casserly of Commissioner Ness' staff;
- (2) April 30, 1997 telefax from Angela E. Giancarlo, Esq. of PCIA to James Coltharp of Commissioner Quello's staff;
- (3) May 1, 1997 telefax from Jay Kitchen of PCIA to Commissioner Susan Ness;
- (4) May 1, 1997 telefax from Jay Kitchen of PCIA to Commissioner Rachelle B. Chong;
- (5) May 1, 1997 telefax from Angela E. Giancarlo, Esq. of PCIA to Mr. James Coltharp of Commissioner Quello's staff; and
- (6) May 1, 1997 telefax from Angela E. Giancarlo, Esq. to James L. Casserly, Esq. of Commissioner Ness' staff.

Kindly contact me at 703-739-0300, extension 3027 with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Angela E. Giancarlo".

Angela E. Giancarlo, Esq.  
Manager, Industry Affairs

Enclosures

No. of Copies rec'd  
List ABOVE

022



EX PARTE OR LATE FILED

April 30, 1997

**VIA HAND DELIVERY**

Mr. James L. Casserly  
Federal Communications Commission  
Office of Commissioner Ness  
1919 M Street, NW  
Room 832  
Washington, DC 20554

**RE:** CC Docket No. 96-45  
Federal-State Joint Board on Universal Service

Dear Mr. Casserly:

Thank you for meeting with Jay Kitchen of the Personal Communications Industry Association ("PCIA), Mark Golden of PCIA and Scott Harris of Gibson, Dunn & Crutcher on April 10, 1997 regarding the above-referenced matter. We appreciated the opportunity to meet with Commissioner Ness and you.

During that discussion, you had several questions about PCIA's positions regarding universal service. Specifically, you wondered whether the paging industry needed universal service fund ("USF") relief in light of the decisions made by the Commission in its interconnection order.

As was discussed at the meeting, PCIA's positions regarding universal service are as follows: (1) paging service providers' contribution to the universal service fund should be based on no more than 50% of gross revenues; (2) the Commission should allow PCS providers a five-year temporary suspension from contributing to the universal service fund; and (3) telecommunications providers must be allowed to itemize any universal service fees.

PCIA believes that universal service and interconnection issues should not be linked. Our arguments on universal service must and do stand on their own merits. We believe that §254(b)(4) of the Telecommunications Act of 1996 is a legitimate legal basis for providing reasonable relief to paging service carriers.

Mr. James Casserly  
April 30, 1997  
Page 2

### Universal Service

Section 254(b)(4) states that telecommunications service providers must make an "equitable and nondiscriminatory" contribution to the fund. PCIA believes that a proper application of this standard will logically lead the Commission to allow reduced payments for paging service carriers. In any case, it is plain that this language gives the Commission the flexibility to grant the relief sought by PCIA.

There are sound reasons which will permit the Commission to act within its discretion to grant equitable relief to paging service providers. First, paging service providers must pay into the fund, but cannot receive subsidies from it. Second, paging service providers use the public switched telephone network ("PSTN") in only one direction -- 50% of the use made of the PSTN is by other telecommunications carriers. In these respects, paging service providers are unique. Thus, it would be inequitable and discriminatory for paging service providers to pay into the USF on 100% of revenues.

In addition, no other telecommunications service providers face the same technical constraints on their systems. The technology deployed for messaging services has the capability to offer only one-way non-interactive communications. Even private line service offers two-way interactive communications, even if the calls are primarily outbound or primarily inbound.

Finally, as the least expensive communication service, paging will be inordinately affected by any per-subscriber universal service assessment. As the lowest cost communication service available, pagers are affordable for people who cannot subscribe to more expensive communication alternatives. Increases in monthly subscriber costs will have a large impact on marginal use, adversely affecting those subscribers who depend on this reliable and inexpensive method of communication.

### Interconnection

We also wish to answer your questions about the "relief" the paging industry has received as a result of the FCC's interconnection order. The FCC's interconnection orders, if ever implemented by the local exchange carriers ("LECs"), as PCIA believes critical, do reduce the paging carriers' costs of termination facilities and telephone numbers. These orders recognized that LECs have been engaging in unreasonably discriminatory practices against paging carriers by assessing charges for LEC traffic terminated by paging carriers. The industry is appreciative of the FCC's intervention to right these egregious wrongs. Despite the Commission's effort, however, it is unclear whether the relief it intended for the paging industry will materialize.

Of course, the outcome of the Commission's interconnection orders are not clear as the case is

Mr. James Casserly  
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Page 3

pending with the Eighth Circuit Court of Appeals. Moreover, many LECs have refused to comply with even the un-stayed portion of the orders. For example, Southwestern Bell Telephone Company ("SBC") has threatened to cease providing interconnection to paging carriers unless they pay SBC for the facilities over which SBC's calls terminate on the paging network. SBC's action comes despite the Commission's interconnection order which clearly ruled that paging carriers may not be charged for terminating traffic. More recently, an arbitration judge in California has ruled that, as a matter of law, paging carriers are required to pay for LEC termination of calls and are not qualified to receive termination compensation under §251(b)(5) of the Act. I have enclosed a copy of this ruling for your review.

#### Conclusion

In considering USF issues and their impact on the paging industry, one cannot reasonably consider the decisions made by the Commission on interconnection. First, the USF arguments stand on their own. Second, the relief granted to the paging industry on interconnection is, at best, uncertain.

I am grateful for your consideration of this letter. Please contact me at 703-739-0300, extension 3027, with additional questions or concerns.

Sincerely,



Angela E. Giancarlo, Esq.  
Manager, Industry Affairs  
Personal Communications Industry Association

Enclosure



SIX PARTE OR LATE FILED

**TELEFAX COVER SHEET**

**TO:** Jim Coltharp

**TELEPHONE #:** 202-418-2000

**TELEFAX #:** 202-418-2802

**FROM:** Angela E. Giancarlo, Esq.  
Manager, Industry Affairs  
Personal Communications Industry Association

**TELEPHONE #:** 703-739-0300 x. 3027

**TELEFAX #:** 703-836-1608

**DATE/TIME:** 4/30/97 10:00 a.m.

**# of pages:** 1 (+ cover sheet)

**MESSAGE:** Sending this over to you as a follow up from Friday morning's meeting. Please call me if you need any additional background or assistance. Thank you.



UNITED STATES SENATE  
OFFICE OF THE MAJORITY LEADER  
WASHINGTON, D. C.

April 25, 1997

TRENT LOTT  
MISSISSIPPI

Dear Chairman Hundt:

I have two concerns about the implementation of the FCC's proposed universal service rulemaking and their impact on the providers of paging services. First, the proposed rules would require pager providers to contribute money into the fund and second, the new rules would limit their ability to recoup the cost of this financial burden.

Clearly, a fairness and equity issue exists. Paging providers are ineligible to receive universal service funding despite their annual payment of approximately \$300 million to the fund. And, the prohibition of an end-user surcharge would produce a hidden tax on consumers which is contrary to the intent of Telecommunications Act of 1996.

I recognize there are many challenging issues to resolve as you implement universal service within the context of the 1996 Act and I hope you will give these issues serious consideration. With best wishes, I am

Sincerely yours,

Trent Lott

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
Washington, D.C. 20554



EX PARTE OR LATE FILED

**TELEFAX COVER SHEET**

**TO:** Commissioner Susan Ness

**FAX #:** 202-418-2821

**FROM:** Jay Kitchen  
President  
Personal Communications Industry Association

**PHONE #:** 703-739-0300, ext. 3100

**DATE:** May 1, 1997 12:30 p.m.

**# of PAGES:** 4 + cover

**MESSAGE:** Thought you'd be interested in the attached letters.



UNITED STATES SENATE  
OFFICE OF THE MAJORITY LEADER  
WASHINGTON, D. C.

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Clearly, a fairness and equity issue exists. Paging providers are ineligible to receive universal service funding despite their annual payment of approximately \$300 million to the fund. And, the prohibition of an end-user surcharge would produce a hidden tax on consumers which is contrary to the intent of Telecommunications Act of 1996.

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Sincerely yours,

Trent Lott

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
Washington, D.C. 20554

**BILLY TAUZIN**  
Third District, Louisiana  
COMMERCE COMMITTEE  
CHAIRMAN  
SUBCOMMITTEE ON TELECOMMUNICATIONS,  
TRANSPORTATION, AND CONSUMER PROTECTION  
RESOURCES COMMITTEE  
VICE CHAIRMAN  
WASHINGTON OFFICE  
TELEPHONE: 202-226-4031  
2183 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-1803**

April 30, 1997

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, D.C. 20554

Dear Chairman Hundt:

I am writing to express my hope that the FCC faithfully adheres to the principles of the Telecommunications Act of 1996 as it prepares to issue important orders implementing the universal service provisions in the Act and reforming the FCC's interstate access charge rules. In particular, as you yourself said on April 4, 1997, "I don't think that Congress intended to have us raise residential basic dialtone . . . ." You were "reading Congress right on this" and I am deeply concerned that the FCC is pursuing a course that will risk underfunding universal service support mechanisms and result in increased rates for basic telephone service.

The primary purpose of universal service has always been, and Congress intends that it continue to be, ensuring that residential customers in high-cost, rural areas are able to have basic telephone service at reasonable rates. This is why the 1996 Act mandates that the FCC create and fully implement a new universal service fund. Although ensuring that schools, health care providers, and libraries have discounted access to advanced telecommunications services is a part of this mandate, it is clearly not the primary purpose of the Universal Service Fund.

It appears, however, that the FCC is poised to create a massive federal government spending program and will fail to accomplish its primary obligation. Congress did not intend for the Universal Service Fund to be converted into a funding mechanism for the information superhighway. Nor did Congress intend for the FCC to collect funds in excess of anticipated demand and allow them to accumulate annually, thereby generating a large surplus to pay for future potential spending by schools, healthcare providers, and libraries.

With regard to the "inside wiring" of schools, there are numerous organizations including cable companies, Internet service providers, and telephone companies who provide this service on a philanthropic basis. If telecommunications providers are required to pay into a fund which simply duplicates the work already being done voluntarily, these companies may stop their efforts altogether. It is ironic that in the midst of President Clinton's call for increased volunteerism, the FCC is preparing to implement a program that actually subverts the voluntary efforts of these companies and thousands of Americans who volunteered their time.

It appears that the FCC has misused its limited resources, and will fail to implement high-cost support for consumers of basic telephone service as mandated by the 1996 Act. As a result of this failure to create a federal universal service fund providing "specific, predictable and sufficient" support, current implicit support mechanisms are exposed to loss if competition develops rapidly over the next year as contemplated in the 1996 Act. What's more, it appears that the FCC plans to include in its Access Reform Order new rules ensuring that competitors

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\* Statement of Chairman Hundt as reported by Roger Filllon, *AT&T Baby Bells Offer Plan to Cut Phone Rates*, Reuters Newswire, April 4, 1997.

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GONZALES, LA 70397

The Honorable Reed Hundt  
April 30, 1997  
Page 2

using unbundled elements do not pay interstate access charges, which further imperils implicit universal service support.

In the *Local Competition Order* issued last summer, the FCC emphasized that the unbundling provisions in the Act are "integrally related to both universal service reform . . . and reform of the interstate access charge system."<sup>2</sup> Accordingly, the FCC attempted to implement a temporary mechanism<sup>3</sup> to ensure that takers of unbundled elements continue to pay access charges, writing that a contrary result "may have detrimental consequences"<sup>4</sup> and would be "undesirable as a matter of both economics and policy."<sup>5</sup> By adopting an Access Reform Order that permits competitors to use unbundled elements without paying access charges, the FCC will be violating these very same principles it espoused less than one year ago.

Congress did mandate that the FCC implement the Universal Service Fund in a "single proceeding" and "complete such proceeding within 15 months after the date of enactment." This requirement does not justify partial implementation of the Universal Service Fund coupled with full implementation of access charge restructuring. Yet once again, to accomplish the FCC's own social agenda, the FCC is planning to implement access reform before ensuring that universal service support is "specific, predictable and sufficient." Such a result plainly violates Congressional intent. I am not suggesting that access reform is not ultimately necessary. Rather, I am suggesting that the FCC implement access reform at such time as universal service support is guaranteed.

It is also apparent from the delay in fully implementing the Universal Service Fund, that the FCC has struggled to raise \$3 billion in new spending for schools, libraries, health care providers, and low-income support without causing local or long distance rates to increase. It is my understanding that the FCC plans to increase the Subscriber Line Charge ("SLC") for second and additional residential lines as well as multiline business lines. Congress did not intend for the Commission to increase local rates for any customers whether to fund ambitious school programs or to replace implicit funding used to support universal service. To raise local rates in connection with implementation of the 1996 Act is in direct contravention of Congressional intent. Moreover, I note that raising rates for second lines sold by incumbent LECs merely encourages customers to purchase those lines from competitors or to buy them from the incumbent under false pretenses. This result would seem to nullify the FCC's intent in raising these SLCs.

I further understand that, to accomplish its new spending goals, the FCC is considering requiring private network operators that lease excess capacity (such as public utilities, railroads, satellite operators, and oil companies) to contribute to the Universal Service Fund. Such companies are not common carriers. Therefore, Congress did not include them among the parties that are required to contribute to universal service pursuant to Section 254(d). Moreover, I cannot understand how the "public interest" would be served by having these parties make

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<sup>2</sup> *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, First Report & Order, 11 FCC Rcd 15499, 15882 ¶ 716.

<sup>3</sup> Earlier this year, the FCC wrote that this temporary mechanism was among the provisions stayed by order of the United States Court of Appeals for the Eighth Circuit. *Access Charge Reform*, CC Docket No. 96-282, Notice of Proposed Rulemaking, FCC 96-168 ¶ 54 n.94 (Dec. 24, 1996).

<sup>4</sup> *Local Competition Order*, 11 FCC Rcd at 15883 ¶ 717.

<sup>5</sup> *Id.* ¶ 718.

The Honorable Reed Hundt  
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Page 3

universal service contributions — their networks are not a part of the public switched telephone network and they are not eligible to receive support from the Universal Service Fund.

I also understand that the FCC intends to require paging companies to contribute to the Universal Service Fund on the same basis as other telecommunications service providers. Such a result would conflict, however, with the express mandate in Section 254(d) that telecommunications carriers shall contribute to universal service support on an equitable and nondiscriminatory basis. As the FCC recognized last summer, paging companies do not use the public switched telephone network in the same way as "LECs and other voice carriers."<sup>6</sup> Accordingly, the FCC recommended that paging companies' rates for transport and termination be calculated separately from those of LECs. I urge the FCC to follow this logic again when considering the appropriate measure of any universal service support obligations imposed on paging companies. Moreover, requiring lower levels of universal service support from paging companies is the only equitable and nondiscriminatory solution because such companies are ineligible to receive funds from the Universal Service Fund.

When Congress enacted the Telecommunications Act of 1996, it intended to deregulate the telecommunications industry and create competition, which would result in lower rates and advanced services for all Americans. As we near the conclusion of the implementation timetable contemplated by the Act, I fear that the FCC appears to have lost sight of these goals and instead created for itself a new regulatory mission. As a result, it appears that the nation's telecommunications customers may experience increased local or long distance rates. This is simply unacceptable, and I call on the FCC to reverse course to prevent any such rate increases. In particular, I believe the FCC is compelled to refrain from adopting new rules increasing local rates (SLC increases) and permitting competitors using unbundled elements to avoid paying interstate access charges until implicit universal service support is made explicit and guaranteed in the Universal Service Fund provided for by Section 254 of the Act.

Sincerely,



BILLY TAUZIN  
Chairman

Subcommittee on Telecommunications,  
Trade, and Consumer Protection

---

<sup>6</sup> Local Competition Order, 11 FCC Red at 16043 ¶1092.





EX PARTE OR LATE FILED

**TELEFAX COVER SHEET**

**TO:** Commissioner Rachelle B. Chong

**FAX #:** 202-418-2820

**FROM:** Jay Kitchen  
President  
Personal Communications Industry Association

**PHONE #:** 703-739-0300, ext. 3100

**DATE:** May 1, 1997 12:30 p.m.

**# of PAGES:** 4 + cover

**MESSAGE:** Thought you'd be interested in the attached letters.



UNITED STATES SENATE  
OFFICE OF THE MAJORITY LEADER  
WASHINGTON, D. C.

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Clearly, a fairness and equity issue exists. Paging providers are ineligible to receive universal service funding despite their annual payment of approximately \$300 million to the fund. And, the prohibition of an end-user surcharge would produce a hidden tax on consumers which is contrary to the intent of Telecommunications Act of 1996.

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Washington, D.C. 20554

BILLY TAUZIN

THIRD DISTRICT, LOUISIANA

COMMERCE COMMITTEE

CHAIRMAN

SUBCOMMITTEE ON TELECOMMUNICATIONS,  
TRANSPORTATION AND CONSUMER PROTECTION

RESOURCES COMMITTEE

VICE CHAIRMAN

WASHINGTON OFFICE

TELEPHONE: 202-225-4001

2103 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20518

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-1803**

April 30, 1997

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1919 M Street, NW  
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The Honorable Reed Hundt  
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Page 2

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Sincerely,



BILLY TAUZIN

Chairman

Subcommittee on Telecommunications,  
Trade, and Consumer Protection

---

<sup>6</sup> *Local Competition Order*, 11 FCC Rcd at 16043 ¶1082.



EX PARTE OR LATE FILED

**TELEFAX COVER SHEET**

**TO:** Jim Coltharp

**TELEPHONE #:** 202-418-2000

**TELEFAX #:** 202-418-2802

**FROM:** Angela E. Giancarlo, Esq.  
Manager, Industry Affairs  
Personal Communications Industry Association

**TELEPHONE #:** 703-739-0300 x. 3027

**TELEFAX #:** 703-836-1608

**DATE/TIME:** 5/01 1:00 p.m.

**# of pages:** 3 (+ cover sheet)

**MESSAGE:**

Sending this letter over as a follow-up to our meeting on Friday morning. Please call me if you need any additional information. Thank you.

**BILLY TAUZIN**  
THIRD DISTRICT, LOUISIANA  
COMMERCE COMMITTEE  
CHAIRMAN  
SUBCOMMITTEE ON TELECOMMUNICATIONS,  
TRANSPORTATION, AND COMMERCIAL PROTECTION  
RESOURCES COMMITTEE  
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**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-1803**

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GONZALES, LA 70397

April 30, 1997

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, D.C. 20554

Dear Chairman Hundt:

I am writing to express my hope that the FCC faithfully adheres to the principles of the Telecommunications Act of 1996 as it prepares to issue important orders implementing the universal service provisions in the Act and reforming the FCC's interstate access charge rules. In particular, as you yourself said on April 4, 1997, "I don't think that Congress intended to have us raise residential basic dialtone . . . ." You were "reading Congress right on this" and I am deeply concerned that the FCC is pursuing a course that will risk underfunding universal service support mechanisms and result in increased rates for basic telephone service.

The primary purpose of universal service has always been, and Congress intends that it continue to be, ensuring that residential customers in high-cost, rural areas are able to have basic telephone service at reasonable rates. This is why the 1996 Act mandates that the FCC create and fully implement a new universal service fund. Although ensuring that schools, health care providers, and libraries have discounted access to advanced telecommunications services is a part of this mandate, it is clearly not the primary purpose of the Universal Service Fund.

It appears, however, that the FCC is poised to create a massive federal government spending program and will fail to accomplish its primary obligation. Congress did not intend for the Universal Service Fund to be converted into a funding mechanism for the information superhighway. Nor did Congress intend for the FCC to collect funds in excess of anticipated demand and allow them to accumulate annually, thereby generating a large surplus to pay for future potential spending by schools, healthcare providers, and libraries.

With regard to the "inside wiring" of schools, there are numerous organizations including cable companies, Internet service providers, and telephone companies who provide this service on a philanthropic basis. If telecommunications providers are required to pay into a fund which simply duplicates the work already being done voluntarily, these companies may stop their efforts altogether. It is ironic that in the midst of President Clinton's call for increased volunteerism, the FCC is preparing to implement a program that actually subverts the voluntary efforts of these companies and thousands of Americans who volunteered their time.

It appears that the FCC has misused its limited resources, and will fail to implement high-cost support for consumers of basic telephone service as mandated by the 1996 Act. As a result of this failure to create a federal universal service fund providing "specific, predictable and sufficient" support, current implicit support mechanisms are exposed to loss if competition develops rapidly over the next year as contemplated in the 1996 Act. What's more, it appears that the FCC plans to include in its Access Reform Order new rules ensuring that competitors

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\* Statement of Chairman Hundt as reported by Roger Filllon, *AT&T Baby Bells Offer Plan to Cut Phone Rates*, Reuters Newswire, April 4, 1997.

using unbundled elements do not pay interstate access charges, which further imperils implicit universal service support.

In the *Local Competition Order* issued last summer, the FCC emphasized that the unbundling provisions in the Act are "integrally related to both universal service reform . . . and reform of the interstate access charge system."<sup>2</sup> Accordingly, the FCC attempted to implement a temporary mechanism<sup>3</sup> to ensure that takers of unbundled elements continue to pay access charges, writing that a contrary result "may have detrimental consequences"<sup>4</sup> and would be "undesirable as a matter of both economics and policy."<sup>5</sup> By adopting an Access Reform Order that permits competitors to use unbundled elements without paying access charges, the FCC will be violating these very same principles it espoused less than one year ago.

Congress did mandate that the FCC implement the Universal Service Fund in a "single proceeding" and "complete such proceeding within 15 months after the date of enactment." This requirement does not justify partial implementation of the Universal Service Fund coupled with full implementation of access charge restructuring. Yet once again, to accomplish the FCC's own social agenda, the FCC is planning to implement access reform before ensuring that universal service support is "specific, predictable and sufficient." Such a result plainly violates Congressional intent. I am not suggesting that access reform is not ultimately necessary. Rather, I am suggesting that the FCC implement access reform at such time as universal service support is guaranteed.

It is also apparent from the delay in fully implementing the Universal Service Fund, that the FCC has struggled to raise \$3 billion in new spending for schools, libraries, health care providers, and low-income support without causing local or long distance rates to increase. It is my understanding that the FCC plans to increase the Subscriber Line Charge ("SLC") for second and additional residential lines as well as multiline business lines. Congress did not intend for the Commission to increase local rates for any customers whether to fund ambitious school programs or to replace implicit funding used to support universal service. To raise local rates in connection with implementation of the 1996 Act is in direct contravention of Congressional intent. Moreover, I note that raising rates for second lines sold by incumbent LECs merely encourages customers to purchase those lines from competitors or to buy them from the incumbent under false pretenses. This result would seem to nullify the FCC's intent in raising these SLCs.

I further understand that, to accomplish its new spending goals, the FCC is considering requiring private network operators that lease excess capacity (such as public utilities, railroads, satellite operators, and oil companies) to contribute to the Universal Service Fund. Such companies are not common carriers. Therefore, Congress did not include them among the parties that are required to contribute to universal service pursuant to Section 254(d). Moreover, I cannot understand how the "public interest" would be served by having these parties make

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<sup>2</sup> *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, First Report & Order, 11 FCC Rcd 15499, 15882 ¶ 718.

<sup>3</sup> Earlier this year, the FCC wrote that this temporary mechanism was among the provisions stayed by order of the United States Court of Appeals for the Eighth Circuit. *Access Charge Reform*, CC Docket No. 96-262, Notice of Proposed Rulemaking, FCC 96-186 ¶ 54 n.94 (Dec. 24, 1996).

<sup>4</sup> *Local Competition Order*, 11 FCC Rcd at 15863 ¶ 717.

<sup>5</sup> *Id.* ¶ 719.

The Honorable Reed Hundt  
April 30, 1997  
Page 3

universal service contributions – their networks are not a part of the public switched telephone network and they are not eligible to receive support from the Universal Service Fund.

I also understand that the FCC intends to require paging companies to contribute to the Universal Service Fund on the same basis as other telecommunications service providers. Such a result would conflict, however, with the express mandate in Section 254(d) that telecommunications carriers shall contribute to universal service support on an equitable and nondiscriminatory basis. As the FCC recognized last summer, paging companies do not use the public switched telephone network in the same way as "LECs and other voice carriers."<sup>6</sup> Accordingly, the FCC recommended that paging companies' rates for transport and termination be calculated separately from those of LECs. I urge the FCC to follow this logic again when considering the appropriate measure of any universal service support obligations imposed on paging companies. Moreover, requiring lower levels of universal service support from paging companies is the only equitable and nondiscriminatory solution because such companies are ineligible to receive funds from the Universal Service Fund.

When Congress enacted the Telecommunications Act of 1996, it intended to deregulate the telecommunications industry and create competition, which would result in lower rates and advanced services for all Americans. As we near the conclusion of the implementation timetable contemplated by the Act, I fear that the FCC appears to have lost sight of these goals and instead created for itself a new regulatory mission. As a result, it appears that the nation's telecommunications customers may experience increased local or long distance rates. This is simply unacceptable, and I call on the FCC to reverse course to prevent any such rate increases. In particular, I believe the FCC is compelled to refrain from adopting new rules increasing local rates (SLC increases) and permitting competitors using unbundled elements to avoid paying interstate access charges until implicit universal service support is made explicit and guaranteed in the Universal Service Fund provided for by Section 254 of the Act.

Sincerely,



BILLY TAUZIN

Chairman

Subcommittee on Telecommunications,  
Trade, and Consumer Protection

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<sup>6</sup> Local Competition Order, 11 FCC Red at 16043 ¶1092.



EX PARTE OR LATE FILED

**TELEFAX COVER SHEET**

**TO:** James L. Casserly, Esq.

**TELEPHONE #:** 202-418-2100

**TELEFAX #:** 202-418-2821

**FROM:** Angela E. Giancarlo, Esq.  
Manager, Industry Affairs  
Personal Communications Industry Association

**TELEPHONE #:** 703-739-0300 x. 3027

**TELEFAX #:** 703-836-1608

**DATE/TIME:** May 1, 1997 1:15 p.m.

**# of pages:** 4 (+ cover sheet)

**MESSAGE:**

I send the attached correspondence for your information and as a follow up to the letter I delivered to you yesterday. Please contact me with questions. Thank you.



UNITED STATES SENATE  
OFFICE OF THE MAJORITY LEADER  
WASHINGTON, D. C.

April 25, 1997

TRENT LOTT  
MISSISSIPPI

Dear Chairman Hundt:

I have two concerns about the implementation of the FCC's proposed universal service rulemaking and their impact on the providers of paging services. First, the proposed rules would require pager providers to contribute money into the fund and second, the new rules would limit their ability to recoup the cost of this financial burden.

Clearly, a fairness and equity issue exists. Paging providers are ineligible to receive universal service funding despite their annual payment of approximately \$300 million to the fund. And, the prohibition of an end-user surcharge would produce a hidden tax on consumers which is contrary to the intent of Telecommunications Act of 1996.

I recognize there are many challenging issues to resolve as you implement universal service within the context of the 1996 Act and I hope you will give these issues serious consideration. With best wishes, I am

Sincerely yours,



Trent Lott

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
Washington, D.C. 20554

**BILLY TAUZIN**

THIRD DISTRICT, LOUISIANA

COMMERCE COMMITTEE

CHAMAN  
SUBCOMMITTEE ON TELECOMMUNICATIONS,  
TRAIL, AND CONSUMER PROTECTION

RESOURCE COMMITTEE  
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**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-1803**

April 30, 1997

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GONZALES, LA 70327

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, D.C. 20554

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The Honorable Reed Hundt  
April 30, 1997  
Page 2

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<sup>4</sup> *Local Competition Order*, 11 FCC Rcd at 15883 ¶ 717.

<sup>5</sup> *Id.* ¶ 718.