NECA NATIONAL EXCHANGE CARRIER ASSOCIATION INC

2300 N Street NW
Suite 600
Washington, DC 20037
Phone 202/663-9064
Fax 202/663-9065
e mail- RHAGA@NECA.ORG

EX PARTE OR LATE FILED

Robert W. Haga
Manager-
Government Relations

June 23, 1997

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

Re: Notice of Ex Parte Presentation, In the Matter of Changes to the Board of Directors of the National Exchange Carrier Association, Inc., **CC Docket No. 97-21**

Dear Mr. Caton:

On June 23, 1997, NECA representatives Kenneth Levy - Vice President and General Counsel, Kathryn Falk - Vice President of Government Relations, and Robert Haga - Manager of Government Relations met with Commissioner Quello and Paul Gallant - Legal Adviser to Commissioner Quello. The subject of the meeting was CC Docket 97-21 regarding NECA Governance.

NECA Representatives discussed the administration of the new Universal Service programs established by the FCC in CC Docket 96-45. NECA stated that the most efficient and effective method of administering the new Universal Service programs was through a universal service administration company as described in NECA President Bruce Baldwin's January 10, 1997, letter to Chairman Reed Hundt.

In accordance with Commission rules I am submitting two copies of this notice to the Office of the Secretary. Please acknowledge receipt hereof by affixing a notation on a duplicate copy of this letter furnished herewith for such purposes and remitting same to the bearer.

Sincerely,

Robert Haga

enc.

cc: Commissioner Quello   Chairman Hundt   Commissioner Ness   Commissioner Chong
Paul Gallant   Tom Boasberg   Jim Casserly   Dan Gonzalez   Regina Keeney   Kathleen Levitz
Jamie Rubin   Tim Peterson   Mindy Ginsburg   Jeanine Poltronieri   Lori Wright   Lisa Boehley

DOCKET NO. 97-21 - NECA DISCUSSION PAPER
JUNE 23, 1997

1. FCC Objectives for temporary administration

- Accurate, efficient and competitively-neutral program operation.
- Rules compliance.
- Accountability to FCC.
- Adequate levels of review and assurance; ability to take corrective action.
- Compilation of data needed to evaluate program effectiveness.
- Customer satisfaction.
- High quality board of directors and personnel.
- Benefit from NECA expertise and resources.
- Continuity to permanent administration.

2. Actions required in NECA governance order to promote FCC objectives

- Authorize NECA to begin developmental work and borrow funds immediately.
- Designate managable USAC board size and composition by category; allow reasonable time for NECA to solicit highly-qualified board members from designated groups.
- Confirm that USAC structure meets criteria for neutral, permanent administrator.
- Permit USAC flexibility in the sharing of NECA staff and resources.
- Permit USAC flexibility to structure its organization and operations to best accomplish program goals; remove subcontractor requirement and avoid other unnecessary structural constraints.

3. Proposed USAC governance structure

- Balanced board of directors, including representation from major industry segments, program beneficiaries, the NECA board and the public.

- All board and committee meetings are open to the public except sessions on personnel and other highly-sensitive matters.

- Board committees having overall corporate responsibilities are: budget and finance, audit, compensation and election. Committees generally reflect overall board composition.

- Board committees having specific program responsibilities are: high cost/ lifeline, schools and libraries and rural health care. Program beneficiaries can have greater representation so long as a reasonable balance of representatives from other segments is maintained. These committees can have final decision-making authority on defined aspects of program administration.

4. Advantages of single over multiple subsidiary approach

- Greater efficiency. Avoids duplication of functions, systems and resources by each company. Saves resources required to coordinate activities among multiple companies.

- Faster implementation. NECA cannot initially provide enough qualified staff for multiple companies, each having its own CEO, CFO, corporate secretary, etc.. Companies would have to hire new employees in the short-term, delaying program implementation and weakening experience base.

- Better public perception. Multiple company structure is vulnerable to claims of bureaucratic overkill. Customers will prefer one-stop shopping.

- Greater accountability to FCC. Three companies are harder to deal with than one. Lack of standards for accountability by program subsidiaries; unlike USAC they would not face competitive bidding process.

- Better coordination. Multiple companies may adopt inconsistent operational practices, such as auditing procedures and interpretation of rules, and inconsistent internal practices such as compensation and performance standards. Single company structure reduces chance of disputes.

- Better continuity to permanent administration. FCC can state in governance order that certain functions and groups will continue into permanent phase and can charge universal service advisory board with including this requirement in RFP. If permanent administrator is an organization other than USAC, groups transferred will have better overall knowledge of programs under single structure.