

inputs from another carrier. However, the contribution can be avoided entirely if the ISP self-provides the telecommunications portion of the hybrid service, which would be considered entirely "information" under the Commission's interpretation. The current approach is thus not competitively neutral, since it favors arrangements which bundle transmission into a hybrid service; it is also not structurally neutral, since it would affect each provider's "make or buy" decisions. Senators Burns and Stevens express concern (at 9) that these incentives, and the rapid growth of hybrid services, will lead to an erosion of the revenue base that supports universal service.⁴⁸

The consistent treatment of carriers is a vital issue which must be addressed. The Commission will not be able to arrive at a new approach on the basis of the record assembled in response to the present Notice. Further, new distinctions among carriers should not be established in the context of universal service, without considering the effects of such changes on the application of access or interconnection charges. The Commission should move expeditiously to open a separate proceeding to consider on a coordinated basis the issue of consistent treatment. What the Commission must do, however, in implementing its universal service plan, is to ensure that the plan is sufficient to replace the current implicit flow of support provided by access charges. So long as access is burdened with implicit universal service support, no consistent

⁴⁸ Some parties suggest that broadening the base of support for universal service will create new inefficiencies. See, for example, America Online at 15. In fact, efficiency will be maximized by having the broadest possible base. As Airtouch points out (at 21), the most efficient way to support the public policy goal of universal service would be to fund it through general revenues. ITA goes so far (at 11) as to suggest that the size of the funding base will have no effect on universal service funding — an absurd claim which effectively assumes that the surcharge rate necessary to support the fund does not matter.

approach to charging for the use of local networks can be developed.

III. CONCLUSION.

The calculation of support amounts under the Federal plan, including the choice of a benchmark or benchmarks, and the percentage of Federal responsibility above the benchmark, should be chosen to replace implicit support from interstate access, to continue the support provided to states by the current USF mechanism and to assist states with limited resources in replacing the current implicit support from intrastate rates. Any contradiction between the contribution base and the recovery mechanism should be resolved in order to avoid rate distortions among carriers; all carriers who contribute to the fund should be allowed to recover their contributions through a uniform percentage surcharge. A more consistent approach to the treatment of carriers, for access, interconnection, and universal services, should be established.

Respectfully submitted,

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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Reply Comments of GTE" have been mailed by first class United States mail, postage prepaid, on February 6, 1998 to all parties of record.


Ann D. Berkowitz