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Report to Congress on
Universal Service

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FEDERAL COMMUNICATIONS COMMISSION

En Banc in Connection with
Report to Congress on
Universal Service

Friday,
March 6, 1998

Room 856
Federal Communications
Commission
1919 M Street, Northwest
Washington, D.C.

The above-entitled matter came on for hearing,
pursuant to notice, at 9:06 a.m.

APPEARANCES:

On Behalf of the Commission:

WILLIAM E. KENNARD, Chairman
MICHAEL K. POWELL
SUSAN NESS
HAROLD FURCHTGOTT-ROTH
GLORIA TRISTANI
RICHARD METZGER

State Panelists:

BRUCE HAGEN
North Dakota Public Service Commission

MARLENE JOHNSON
District of Columbia Public Service Commission

THOMAS WELCH
Maine Public Utilities Commission

CHRIS MCLEAN
Rural Utility Service
Department of Agriculture

Industry Panelists:

THOMAS J. TAUKE
Senior Vice President, Government Relations
Bell Atlantic

JOAN MANDEVILLE
Assistant Manager
Blackfoot Telephone Cooperative

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AT&T

JIM SMILEY
Vice President, Minnesota
US West

HAYNES GRIFFIN
Chairman, Co-CEO
Vanguard Cellular Systems, Inc.

P R O C E E D I N G S

1
2 MR. KENNARD: Good morning, everyone, and welcome.
3 I am pleased that we are holding this En Banc hearing today,
4 as we prepare our report to Congress on universal service
5 and other issues.

6 As you know, the 1996 Telecommunications Act gave
7 us many important missions here at the FCC, but two which I
8 think are central and very important are to promote
9 competition and to preserve an advanced universal service.

10 Now, sometimes people tell us that there are
11 tensions between these two goals, and there are. I, for
12 one, believe that promoting and advancing universal service
13 and facilitating competition need not be fundamentally
14 incompatible. But it's going to take a lot of hard work to
15 make sure that our universal service system for the country
16 remains relevant and compatible as we move to a more
17 competitive marketplace environment. It's going to take a
18 lot of hard work by a lot of stakeholders in this important
19 debate.

20 In the four months that I've been Chairman, I've
21 spent a lot of time studying and talking to people about
22 universal service. We at the Commission -- myself and all
23 of my colleagues here have reached out to the states, to
24 learn more about this issue. We have reached out to
25 industry groups, as well. All of us are totally committed

1 to resolving the universal service issues that confront us
2 as quickly as we can.

3 I have outlined recently eight principles for
4 reforming universal service for the new information age.
5 I'm very interested in hearing responses to those principles
6 and hearing alternatives and new suggestions, as well.

7 Ultimately, this problem that we face in reforming
8 universal service requires that all of us work together.
9 There are tensions here; we have got to acknowledge that.
10 There are tensions between the Federal Government and the
11 states, tensions between the rural and urban states,
12 tensions between various sectors of the industry.

13 The only way we get this problem solved is to do
14 what we're doing here today, which is to get the issues out
15 on the table, communicate with one another, and try to come
16 up with a resolution that works as best as we can for all.

17 So I'm very pleased that you are all here today.
18 We're going to have first a panel of distinguished state
19 commissioners, and also Chris McLean from the Rural Utility
20 Service. Rather than introduce you all now, I'd appreciate
21 it if you would introduce yourselves before you give your
22 presentations. I will ask you to talk for about three to
23 five minutes. We have our able timekeeper here, Rivera
24 Marshall, who will be keeping time.

25 Before you begin, though, Richard Metzger, Chief

1 of our Common Carrier Bureau, will be giving us an overview.
2 And before we do that, I will ask my colleagues if they have
3 any introductory remarks. Commissioner Ness.

4 MS. NESS: Thank you, Mr. Chairman. I, too, want
5 to welcome everyone who has agreed to participate in this
6 discussion today.

7 As the one person here at the bench who actually
8 participated in our prior decisions quite extensively, both
9 as a member throughout the period of time on the Joint
10 Board, as well as a voting commissioner, I'm quite familiar
11 with what we did. I'm quite familiar with the agony that we
12 went through, both at the Joint Board level, as well as at
13 the Commission level, to come up with a very tentative
14 conclusion as to how this could be handled under the
15 circumstances. That is, 75/25 decision, specifically.

16 Personally, I've never believed that high-cost
17 support should be based on existing jurisdictional divides.
18 I have always believed, and have said so publicly throughout
19 the decision-making process, that we are one nation. And
20 that we all benefit tremendously from having every single
21 person in this country have access to telephone service.
22 And I do believe that Congress meant to preserve and expand
23 that commitment, as a nation, to universal service.

24 But we worked, we labored very hard in the Joint
25 Board to come up with a solution. We had a very limited

1 period of time in which to do it, and we made enormous
2 progress as a Joint Board. I was very proud to serve on
3 that Joint Board. The work was difficult, but everyone
4 worked very well together.

5 Some of the state members of the Joint Board also
6 agreed that the funding for universal service should look
7 toward both inter- and intra-state revenues. Some
8 disagreed. At the end of the day, it was clear that this
9 was an issue on which states were divided, and any attempt
10 to establish a comprehensive regime would be subject to the
11 same kind of litigation that we saw emerging at that time on
12 the interconnection order. And certainly the Eighth Circuit
13 decision ultimately gave us hesitation as we went through
14 the process of determining what to do with universal
15 service.

16 Thus, what we did was essentially, in my view, put
17 in a place holder; to say if we can't come up with a better
18 solution, this is the solution that we think is consistent
19 with the Act, and does not impose enormous burdens on the
20 state because we have left in place many of the implicit
21 subsidies, largely intrastate subsidies. That has to be
22 dealt with. And if there is additional support that's
23 needed for individual states, let's figure out a mechanism
24 for addressing that. But in the meantime, we came up with a
25 solution that we thought was consistent with the Act, and

1 urged the states to work with us in perhaps coming up with a
2 better solution.

3 And indeed, NARUC, particularly members of the
4 Communications Committee of NARUC, were very brave in
5 undertaking to try to see if there could be a different
6 solution. In that respect, I want to commend Bob Brough. I
7 want to commend Tom Welsh and Dave Baker, Tom from Maine,
8 Dave Baker from Georgia, joined by Russ Frisbee from the
9 great state of Maryland, and Tom Delaney from New York, in
10 trying to craft a solution bringing it to the Communications
11 Committee, repeatedly reporting on progress, encouraging
12 others to participate in that process.

13 I am hopeful -- I know we will be hearing a little
14 bit about that ad hoc solution. I am hopeful that that
15 process and other ideas that have been floating around at
16 NARUC from TIAP and others will help us to finalize that.

17 But I wanted to give in this opening statement a
18 little bit of background as to why we issued the orders that
19 we did; what our thinking was at the time, and where we are
20 today.

21 Thank you, Mr. Chairman.

22 MR. KENNARD: Thank you, Commissioner.

23 Commissioner Furchtgott-Roth.

24 MR. FURCHTGOTT-ROTH: Thank you, Mr. Chairman.

25 And I would like to echo your fine opening statement, and

1 that of Commissioner Ness. I look forward to both of your
2 continuing leadership on these issues, Mr. Chairman, in your
3 capacity as Chairman, and Commissioner Ness in your capacity
4 as Chair of the Joint Board on Universal Service. And I
5 look forward to working with all of my colleagues on these
6 very difficult issues. And I look forward to this hearing.

7 Thank you.

8 MR. KENNARD: Commissioner Powell.

9 MR. POWELL: I have no opening statement,
10 Mr. Chairman.

11 MR. KENNARD: Commissioner Tristani.

12 MS. TRISTANI: Mr. Chairman, I, too, want to
13 welcome all the participants here today. And I can't help
14 but say a few words.

15 As many of you know, I'm from New Mexico. I'm a
16 former State Commissioner. In coming from New Mexico, I
17 can't help but state that I think it is critical that this
18 Commission ensure that universal service continues to work
19 for all Americans.

20 It's because of universal service that most
21 Americans have telephone service, affordable telephone
22 service, whether they live in Washington, D.C., New York, or
23 in places in New Mexico, Montana, North Dakota, all those
24 very remote areas.

25 We are the envy of the world -- our technology,

1 our infrastructure, the way we have Americans connected. I
2 would hate to see that Americans start to get disconnected
3 because we don't get this right.

4 I know that the Commission is doing everything it
5 can, and before I joined it was doing everything it could to
6 ensure that. But it is critical. It's, in my view, the
7 most important thing this Commission is doing. And with
8 that, I'd like to welcome you again, and look forward to
9 hearing what you have to say.

10 MR. KENNARD: Thank you, Commissioner. We will
11 start now with Richard Metzger, Chief of the Common Carrier
12 Bureau. Richard will give a brief overview.

13 MR. METZGER: Thank you, and good morning,
14 Mr. Chairman and Commissioners.

15 Among the issues the Commission is to address in
16 its report to Congress next month is the percentage of
17 universal service support provided by federal mechanisms,
18 and the revenue base from which that support is derived.

19 Before you hear from the two panels of experts
20 that have graciously agreed to appear here this morning to
21 discuss these issues, we thought it might be useful to set
22 the stage for that discussion by providing a brief summary
23 of the background of these issues.

24 As you know, Section 254 of the Act directed the
25 Commission to reform the existing system of universal

1 service support for high-cost areas, to make that support
2 compatible with the emergence of competitive local
3 telecommunications markets.

4 Pursuant to that directive, the Commission, in an
5 order issued last May, acted on the Universal Service Joint
6 Board's recommendations for implementing federal universal
7 service support for rural, insular, and high-cost areas.

8 Consistent with those recommendations, the
9 Commission concluded that federal support should be based on
10 the forward-looking economic cost of the network facilities
11 and functions used to provide the telecommunications
12 services eligible for support.

13 The Commission further held that the amount of
14 that federal assistance should provide support for a portion
15 of the difference between the forward-looking economic cost
16 of the supported service, and a revenue benchmark. The
17 revenue benchmark is intended to take account of revenues
18 that an eligible local exchange carrier receives from
19 providing the supported service, including revenues from
20 vertical services, local service, and interstate and
21 intrastate access services.

22 The Commission also concluded that the federal
23 universal service mechanism for rural, insular, and
24 high-cost areas should support 25 percent of the difference
25 between the forward-looking economic cost of providing the

1 supported service and the revenue benchmark.

2 The Commission reasoned that assignment of this
3 share of support to the federal mechanism approximated the
4 cost of providing the supported network facilities that
5 historically had been recovered by local telephone companies
6 from their charges for interstate services. Since 1984
7 those costs have been recovered through the FCC system of
8 interstate access charges.

9 The Commission's decision essentially requires
10 federal universal service support that is currently
11 recovered from long-distance companies through access
12 charges, to be removed from those charges and recovered from
13 all interstate telecommunications carriers through their
14 charges for interstate services. Thus, the order largely
15 preserved the existing division of responsibility between
16 the FCC and the states for providing support for rural,
17 insular, and high-cost areas.

18 In addition, consistent with the movement from a
19 system of implicit to a system of explicit universal
20 service, the Commission's order directs those companies to
21 reduce their access charges, interstate access charges, by
22 the amounts received from the new federal support mechanism.

23 The Commission expressly recognized in its order
24 that it was not attempting to identify existing
25 state-determined intrastate implicit universal service

1 support mechanisms. Nor was it attempting to convert such
2 implicit intrastate mechanisms into explicit federal
3 universal service support.

4 Rather, consistent with the provisions of the
5 Communications Act, states are, in the first instance, to be
6 responsible for identifying implicit intrastate universal
7 service support. As states undertook this process, however,
8 the Commission stated that it was open to assessing whether
9 additional federal universal service support was necessary
10 to ensure that quality services remain available at just,
11 reasonable, and affordable rates.

12 And that, in brief, at least, is the background
13 for the two panels that you will hear over the next couple
14 of hours. So without further delay, I would invite the
15 first set of panelists to begin their presentations.

16 Thank you.

17 MR. KENNARD: Thank you, Richard. Commissioner
18 Hagen, I was reading your bio, that you were serving your
19 37th year on the North Dakota Public Service Commission.
20 That is quite a distinguished record of service, and we are
21 delighted that you are here today.

22 MR. HAGEN: Thank you very much. It's a pleasure
23 to be here.

24 Good morning. My name is Bruce Hagen. I am North
25 Dakota Public Service Commissioner. I am here today to

1 represent my Commission and the interest of high-cost areas
2 such as North Dakota. And I want to thank the FCC for
3 inviting me to be a part of this very important panel
4 discussion today.

5 The FCC's proposal requires a 75/25 split of
6 funding between the state and federal jurisdictions. The
7 75/25 split will threaten the affordability in some states,
8 including North Dakota.

9 The cost of universal service on our customers is
10 driven by the number of high-cost customers, the range of
11 cost, and the number of low-cost customers over which to
12 spread the burden.

13 North Dakota is an example of the
14 worst-case scenario. It has a large number of high-cost
15 customers, a small number of low-cost customers, and a wide
16 range of costs.

17 The monthly loop cost, as estimated by the
18 half-yield 5.0 model, using the North Dakota
19 staff-recommended inputs for our most thinly populated
20 census block in the northwest corner of our state, is \$932
21 per month, per line per month, or over \$11,000 per line per
22 year. And that's, it's 50 percent higher using the
23 benchmark cost proxy model.

24 What does the current proposed separated fund mean
25 to North Dakota? North Dakota's population density is 3.42

1 households per square mile. The national population density
2 is 29.31 households per square mile. A 13.7 billion
3 national fund would require an eight percent national
4 surcharge. A 13.7 billion separated fund would require a
5 42 percent intrastate surcharge on North Dakota rate-payers
6 for 75 percent -- and that is the worst-case scenario -- of
7 the cost, and a five percent interstate surcharge of 25
8 percent of the cost.

9 The attached graph shows more explicitly the huge
10 burden our residents would have to assume to support a 13.7
11 billion national fund, at the proposed 75/25 split.

12 Our telephone companies are concerned about the
13 burden our residents will have to carry. US West is
14 concerned because its customers are uniquely impacted.

15 US West serves a unique territory in all 14 of its
16 states. It serves the largest geographical area of any
17 RBOC. It's one of the smallest RBOCs in terms of access
18 lines. It has the fewest urban lines and the most rural
19 lines. It owns and operates more rural switches than any
20 RBOC. It has switches that serve fewer access lines than
21 any other RBOC. It has a greater percentage of its
22 customers extreme distances from its central offices than
23 any other, than any RBOC. It has a greater percentage of
24 its customers in ultra-low-density areas than any other
25 RBOC.

1 Our rural companies are concerned because the
2 potential 42 percent surcharge will make telephone service
3 for many of its customers unaffordable. Our citizens are
4 concerned because of the heavy load they are being asked to
5 carry.

6 The problem foreseen by our State Legislative
7 Panel, and I sit on that -- it's called the Regulatory
8 Reform Review Commission -- and by the North Dakota Public
9 Service Commission is that in a geographically rural state
10 like North Dakota, city-dwellers are really going to get
11 socked. We believe there should be just one high-cost
12 funding mechanism, the national one, even at a slightly
13 higher cost to people in places like New York and Los
14 Angeles.

15 In a letter to the FCC, Dr. Florine R. Ritano,
16 past Director of the Colorado Rural Development Council
17 stated, and I quote, "The FCC's 75/25 split for funding the
18 universal service fund is a patently inequitable funding
19 scheme that benefits the densely populated coastal states,
20 while placing an inordinate burden on the sparsely populated
21 frontier states of the West."

22 The North Dakota PFC agrees. The following table
23 compares -- and that's on page six -- compares the burden on
24 low-cost customers in North Dakota, Washington, D.C., and
25 New Jersey. Low-cost lines in D.C. have no high-cost lines

1 to support. A high-cost line in New Jersey has 6.52
2 low-cost lines to support them. A high-cost line in North
3 Dakota has 1.14 low-cost lines to support them.

4 North Dakota, with a base of 428,000 lines, has
5 48,060 of those lines in very high-cost areas. In contrast,
6 New Jersey, with a line base of 5,927,000 lines, only has
7 1150 of those lines in very high-cost areas, 47,000 less
8 lines than North Dakota.

9 Because North Dakota high-cost customers are very
10 high cost, the burden on the North Dakota low-cost customer
11 is even greater.

12 Finally, requiring high-cost, low-density states
13 like North Dakota to cover 75 percent of the universal
14 service support will not ensure the federal mandate for
15 affordability of rates. Nor will it ensure the federal
16 mandate for comparability of rates between urban and rural
17 areas, or between urban areas in low-cost states and urban
18 areas in high-cost states.

19 Because the nation as a whole benefits when
20 everyone can afford telephone service, everyone should share
21 in the responsibility of ensuring that affordability. A
22 viable national telecommunications network is in everybody's
23 best interest, and therefore should be maintained only with
24 a fully-funded national high-cost fund.

25 And I thank you very much for the opportunity to

1 appear.

2 MR. KENNARD: Thank you, Commissioner.
3 Commissioner -- Chairperson Johnson, I wanted to thank you
4 in particular for appearing today on very, very short
5 notice. There are advantages to having our neighbors in
6 D.C. who can get here quickly. And I really appreciate that
7 you were able to fit us into your busy schedule.

8 MS. JOHNSON: Thank you very much, Mr. Chairman.
9 Because of the short notice, I don't have any prepared
10 remarks this morning. But I am very happy to be here to
11 take perhaps not quite an opposite view, but to allow the
12 Commission to hear from a state, for the purposes of the
13 Telecommunications Act, that is a totally urban state.

14 We are a low-cost state. Per capita, the citizens
15 of the District of Columbia contribute more to the federal
16 universal service fund than any other state in the nation.
17 And we believe and agree with all of our other sister states
18 that telecommunications service, basic service is important
19 for all Americans. We are happy to contribute to that.

20 What gives us quite a bit of pause in the District
21 of Columbia is the fact that the dollars that come out of
22 our state go to support -- I don't know how to characterize
23 them, but some citizens in rural states who choose to live
24 in rural states, who are not or would not otherwise be
25 eligible for universal service support.

1 I will pick, at the risk of being criticized
2 later, Aspen, Colorado, where you have a number of high-
3 income citizens who live in a rural area. And under the
4 plan, their telephone service would be subsidized through
5 the federal universal service support system. In the
6 District of Columbia, we believe that that's patently
7 unfair.

8 Our city is one of the very rich and the very
9 poor, as you all know. We have the highest TRS costs of any
10 state in the nation. Because of Galludette University, the
11 federal universal support fund does not recognize that our
12 citizens subsidize that TRS service. So our interests are a
13 little bit different than the other states. Not contrary to
14 them.

15 But I would ask, as the FCC goes forward and
16 considers universal service support and how you are asking
17 states to contribute, to try to take into account at the
18 fullest extent possible the varying degrees of differences
19 among the states. We are not asking for special treatment
20 in the District of Columbia. But as Bruce said, we are a
21 low-cost state. We are urban. We are lucky to be urban, I
22 guess. We don't have any farms or mountains or pastures.
23 But in essence, the way the universal service support fund
24 is structured now, our citizens are being penalized.

25 We would like to see the FCC come up with a

1 universal service support system and funding mechanism that
2 allows our citizens to contribute fairly. We think we are
3 contributing to a disproportionate amount to this fund,
4 based on the distinct characteristics of the state in which
5 we live.

6 Thank you.

7 MR. KENNARD: Thank you very much. Chairman
8 Welch.

9 MR. WELCH: Chairman Kennard, members of the
10 Commission, good morning.

11 As Chairman Kennard has stated, there is no
12 fundamental inconsistency between the Act's dual objectives
13 of preserving and enhancing universal service, and of
14 creating effective competition in all telecommunications
15 markets.

16 Competition will ensure this country remains at
17 the forefront of innovation and capital formation.
18 Universal service will ensure that the benefits of
19 competition are realized by all our citizens.

20 For universal service to be achieved in
21 fully-competitive markets, however, the current framework
22 for assisting high-cost areas of the country is inadequate
23 and should be replaced.

24 Moreover, I believe the proposal contained in the
25 Commission's May 8, 1997 order, sometimes referred to as the

1 75/25 approach, fails to address the fact that without
2 sufficient direct support for basic rates, the rates for
3 customers in some areas will be neither affordable nor
4 reasonably comparable to the rates available in urban areas.

5 Let me describe both the nature of the problem and
6 the outlines of a possible solution.

7 As Commissioner Hagen has just graphically
8 described, there are many states where the number of
9 customers served in high-cost areas is so large relative to
10 the number of customers served in low-cost areas, that if
11 left entirely to its own resources, a state would have to
12 impose enormous surcharges on its low-cost customers to
13 bring its high-cost customers within hailing distance of
14 either comparability or affordability.

15 A comparison of two states -- California and
16 Vermont -- illustrates the problem. In both states, the
17 cost per line measured on a forward-looking basis is roughly
18 the same for each density zone.

19 For example, where the density is from five to 100
20 customers per square mile, the costs in both states are a
21 bit over \$40 per line. Where the density is over 10,000
22 customers per square mile, costs for both states are around
23 \$10.

24 But there is no similarity between California and
25 Vermont when you measure the proportion of lines in each

1 density category. In California, fewer than five percent of
2 the lines are in the five-to-100-density zone. In Vermont,
3 about 30 percent are in such sparsely populated areas.

4 On the other hand, in California more than 30
5 percent of customers live in areas where there are more than
6 10,000 lines per square mile. Vermont has only about five
7 percent of its customers in such typically low-cost areas.

8 Unlike California, Vermont simply does not have
9 enough low-cost lines to offset the higher-cost lines, and
10 reach a balance that is consistent with the Act.

11 The existing system for distributing support to
12 high-cost areas cannot reasonably coexist with a competitive
13 market. Because, among other things, the amount of support
14 available to an entrant or to an incumbent would depend upon
15 the characteristics of the incumbent -- for example, whether
16 it serves more or fewer than 200,000 lines.

17 In the old days of implicit subsidies, it may have
18 been expedient to differentiate among carriers based upon
19 their size. Where subsidies must be explicit and portable,
20 such distinctions are untenable.

21 The 75/25 approach likewise falls short. First,
22 by directing support to reducing interstate access rates,
23 the proposal fails to provide any federal support at all for
24 local rates for customers living in high-cost areas. That
25 obligation would fall entirely to the states.

1 Second, because this approach would fund only 25
2 percent of the need, states with a disproportionate number
3 of customers who live in high-cost areas will simply be
4 unable to meet their burden without vastly distorting the
5 rates that must be charged to customers in their relatively
6 few low-cost areas.

7 There is, however, another way. Chairman Kennard
8 has articulated the purpose of a federal high-cost fund as a
9 safety net. I suggest that net should come into play where
10 states cannot, by virtue of their geographic characteristics
11 and the distribution of their populations, generate for
12 themselves enough support to ensure that all their citizens
13 enjoy basic telecommunications services at rates that
14 satisfy the Act's standards for affordability and
15 comparability.

16 Put another way, the amount of federal support
17 available to any state would be limited to the amount needed
18 by that state that exceeds the amount that the state can
19 raise from within its own borders by balancing its own low-
20 and high-cost areas. The amount of federal support would
21 thus assume that each state has taken care of its own. This
22 approach expressly recognizes that the universal service
23 obligation of the Act is appropriately shared by the state
24 commissions and the FCC.

25 The proposal accompanying these remarks, which is

1 a slightly revised version of an ex parte submission filed
2 on February 10 by the Commissions of Maine, New -- of
3 Vermont and New York, outlines an approach that may serve as
4 a useful model for reform of the high-cost fund.

5 The proposal grew from efforts by state
6 commissioners representing a broad range of interests to see
7 if we could find common ground. We recognize that any sound
8 approach should be consistent with the needs of competition,
9 should provide sufficient support to satisfy their
10 comparable rates standard of the Act, and would necessarily
11 involve significant compromise by all.

12 While we continue to work to refine the proposal,
13 I believe it represents a fair and balanced model that could
14 serve effectively as we move into the uncharted waters of
15 local competition.

16 We do not have time this morning for a full
17 recitation of the proposal. In broad outline, federal
18 support would be given only where a state's average costs,
19 measured by the lesser of imbedded or forward-looking costs,
20 exceeded the national average.

21 The proposal also includes provisions to ensure
22 that carriers and their customers who receive support under
23 the existing system are not placed at a disadvantage. We
24 estimate the proposal will result in only a modest increase
25 in the overall level of high-cost funding, and thus, in our

1 view, would keep the fund at a level that does not impede
2 the growth of competition.

3 The states, including Maine and its rural
4 counterparts, are committed to opening our markets and
5 bringing the benefits of competition promised by the Act to
6 our citizens. We are just as committed to finding a way to
7 be sure that the telecommunications needs of our citizens
8 who live in the areas that are costly to serve are met at
9 affordable rates that are comparable to the rates available
10 to their more concentrated brethren.

11 I encourage you to consider the approach I have
12 outlined today. Thank you for the opportunity to be here
13 this morning.

14 MR. KENNARD: Thank you very much. Mr. McLean.

15 MR. MCLEAN: Thank you, Chairman and members of
16 the Commission. It's an honor and pleasure to be here
17 today.

18 Universal service embraces the very essence of
19 America -- one nation, indivisible. No principle is more
20 fundamental to telecommunications policy. The
21 Communications Act of 1934 has as its purpose to make
22 available to all people of the United States a rapid,
23 efficient, nationwide, and worldwide communications service,
24 with adequate facilities and at reasonable charges.

25 Sixty years later, the Congress and the President