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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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OFFICE OF THE SECRETARY

In the Matter of:)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
Proposed Revision of Maximum)	DA 98-872
Collection Amounts for Schools and)	
Libraries and Rural Health Care Providers)	

**COMMENTS OF THE PERSONAL
COMMUNICATIONS INDUSTRY ASSOCIATION**

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May 22, 1998

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**COMMENTS OF THE PERSONAL
COMMUNICATIONS INDUSTRY ASSOCIATION**

The Personal Communications Industry Association ("PCIA")¹ hereby submits its comments on the Commission's Public Notice in the above-captioned proceeding.² Because the Commission's proposed increased universal service contributions will inevitably lead to raised customer rates for wireless services, PCIA urges the Commission to reconsider these proposed

¹ PCIA is the international trade association created to represent the interests of both the commercial and the private mobile radio service communications industries. PCIA's Federation of Councils includes: the Paging and Messaging Alliance, the Broadband PCS Alliance, the Site Owners and Managers Association, the Association of Wireless Communications Engineers and Technicians, the Private Systems Users Alliance, and the Mobile Wireless Communications Alliance. In addition, as the FCC-appointed frequency coordinator for the 450-512 MHz bands in the Business Radio Service, the 800 and 900 MHz Business Pools, the 800 MHz General Category frequencies for Business Eligibles and conventional SMR systems, and the 929 MHz paging frequencies, PCIA represents and serves the interests of tens of thousands of licensees.

² Public Notice, *Proposed Revision of Maximum Collection Amounts for Schools and Libraries and Rural Health Care Providers*, CC Docket No. 96-045, DA 98-872 (May 13,

increases in funding.

(..continued)
1998) ("*Notice*").

INTRODUCTION

On May 13, 1998, the Common Carrier Bureau released a Public Notice seeking comment on its proposed revision of the amounts to be collected for the schools, libraries, and rural health care programs. The *Notice* proposes to increase the overall contributions per quarter to the schools and libraries fund by 62 percent.³ Yet, at the same time, this increased support is to take place in a manner “that does not require consumers’ rates to rise, and without causing rate churn.”⁴ In order to accomplish these seemingly contradictory goals, the FCC suggests that carriers will be able to fund their increased universal service obligations without increasing their rates by converting the savings they will receive from reduced access charges into universal service contributions.

³ See *Notice* at 3 (increasing the amount from \$325 million to approximately \$524 million).

⁴ *Id.* at 2.

Because commercial mobile radio service (“CMRS”) providers do not pay access charges in the manner upon which that the *Notice* relies for its “costless” transfer, they cannot convert their “savings” in the manner proposed by the FCC. Specifically, the Commission has defined the “local service area . . . for the purposes of applying reciprocal compensation obligations” for CMRS carriers as the “Major Trading Area.”⁵ This has particular relevance regarding the costs carriers must pay for accessing a local exchange carrier’s network because CMRS traffic “that originates and terminates within the same MTA is subject to transport and termination rates under section 251(b)(5), *rather than interstate and intrastate access charges.*”⁶ Simply put, the upcoming reduction in access charges does not generate a benefit to CMRS providers because the majority of their traffic is not subject to these charges.

Commissioner Furchtgott-Roth issued a dissenting statement in which he highlighted the unique situation faced by wireless carriers. He specifically pointed out that “almost 20 percent of the schools and libraries [fund] contributors will not benefit from reduced access charges.”⁷ As a result, the proposed increase will require these carriers “to pay proportionately higher fees.”⁸ He then requested parties to “comment on the equity of this approach and the effect it will have on consumers.”⁹ PCIA joins Commissioner Furchtgott-Roth in questioning whether the American public is truly well served by the increased end-user rates for wireless customers that will inevitably follow if the Commission’s proposal is enacted.

⁵ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, 11 FCC Rcd 15499, 16014 (1996).

⁶ *Id.* (emphasis added).

⁷ *Notice, Statement of Commissioner Harold Furchtgott-Roth*, at 3.

⁸ *Id.*

⁹ *Id.*

II. BECAUSE THE ADDITIONAL INCREASES IN UNIVERSAL SERVICE CONTRIBUTIONS WILL RESULT IN INCREASED END-USER RATES, THEY SHOULD BE REJECTED

As pointed out by Commissioner Furchtgott-Roth, the Commission has vastly increased the size of the schools and libraries fund by its “misguided and unlawful decision to fund inside wiring and other non-telecommunications services.”¹⁰ Now that the bill for these new services has come due, the Commission appears to hope to somehow hide their true cost from the American public by matching increases in universal service funding with decreases in access charges.

The Commission’s proposal attempts to hide the full costs of universal service, and it is ultimately bound to fail in its stated purpose of preventing rate increases. In particular, the Commission’s proposal attempts to force the telecommunications industry to hide the true costs of a \$2 billion plus program from the American people. Rather than seeking to hide these costs from ratepayers, the Commission should follow the command of Section 254 and place reasonable limits on this program, as it had originally stated it would.¹¹

¹⁰ *Id.* at 4.

¹¹ *See* 47 U.S.C. § 254(b)(5) (support mechanisms should only be “sufficient and predictable”).

For the time being, interexchange carriers can theoretically mask the costs of the schools and libraries program by using their access charge reductions to pay the proposed increased universal service contributions. As pointed out by Commissioner Furchtgott-Roth, however, this subsidy shell game begs the question of whether the American public would rather see at least some of this reduction in access charges converted into lower long distance rates. Unfortunately, the Commission's proposal does not present the American public with this option. Rather, all of these monies are immediately directed into universal service subsidies with the hope that ratepayers will never learn of the true magnitude of these subsidies.

The Commission's hope that wireless carriers will avoid rate increases to pay for the ever growing universal service fund is made even less likely by the increasingly competitive nature of the CMRS marketplace.¹² As this competition increases and prices to consumers fall, the ability of CMRS providers to internalize additional costs of doing business—including federal assessments—decreases. CMRS providers simply cannot absorb any additional universal service contribution obligations, and will be forced to pass the increased contributions along to consumers. The FCC's suggestion that access charge reductions will offset the impact of these increases is simply not applicable to wireless carriers.

¹² See Third Annual Commercial Mobile Radio Service (CMRS) Competition Report, WT 98-13, *Third Report*, FCC 98-91 (May 14, 1998).

The Commission's desire to limit the impact of universal service fund increases on end user rates is understandable. Its attempts to do so by shifting subsidies, however, will not succeed in the long run. Therefore, PCIA respectfully suggests that the Commission take heed of Commissioner Furchtgott-Roth's dissent and engage in an open-minded dialogue to consider whether it is truly in the public interest to impose funding requirements of the magnitude described by the Commission in 1998, or whether a more modest sum could accommodate the priority needs of schools and libraries.

CONCLUSION

As the Commission's proposal will immediately lead to higher rates for wireless customers and will inevitably lead to higher telecommunications rates for all Americans, PCIA urges the Commission not to increase the funding for the schools and libraries program as proposed in the instant *Notice*.

Respectfully submitted,

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