



May 29, 1998

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Anthony M. Alessi  
Director  
Federal Relations

MAY 29 1998

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

Re: Ex Parte: Proposed Revision of Maximum Collection Amounts for Schools and Libraries and Rural Health Care Providers, CC Docket No. 96-45, DA98-272; Access Charge Reform, CC Docket No. 96-262; LEC Price Cap Performance Review, CC Docket No. 94-1

Dear Ms. Salas:

By this letter, Ameritech is responding to *ex parte* submissions by MCI and AT&T in the above referenced dockets concerning discussions with the Commission staff on the manner in which carriers recoup the cost of their contributions to the Commission's universal service funds.

First, the proposal made by MCI in its *ex parte* of May 21, 1998, that funding for schools and libraries and rural health care be done through a "LEC-collected \$1 per month" per loop equivalent fee and the similar proposal made by AT&T in its *ex parte* of May 19, 1998, are totally inconsistent with the requirements of the statute. Section 254(d) of the Act requires that "every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis," towards universal service. Any proposal that would require LECs to bill their end user customers to recover all of the funding for universal service would unlawfully absolve interexchange carriers of their responsibilities under the Act.

However, Ameritech still considers there to be a legitimate question concerning whether LECs should recover the cost of their contributions to universal service funds directly from end users. Today, of course, the bulk of those costs are included in the common line basket and recovered by LECs primarily from interexchange carriers via the PICC. Ameritech could support a temporary end user cost recovery mechanism that involves increasing the subscriber line charge ("SLC") by an amount sufficient to recover the cost of the LEC's contributions to federal universal service funds. Of course, the current SLC caps should not apply to this incremental amount and this temporary mechanism should not divert attention from finding a long-term solution to this issue.

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Although there is much discussion concerning the “funding” of universal service contributions with reductions in access charges, Ameritech agrees strongly with the statement made by AT&T in its May 22, 1998 letter to Chairman Kennard:

[A]lthough AT&T recognizes and wholeheartedly supports the need to contain the size of the universal service fund, the Commission’s proposal to link access charge reductions to universal service support, as a means of reducing the impact of this cost burden on consumers, misses the point. There is no inherent linkage between schools and libraries universal service support and access reductions. The schools and libraries universal service program is a new program that was initiated in 1998 pursuant to the Telecommunications Act of 1996. As such, it requires sufficient funding to provide discounts for telecommunications services to eligible institutions. Access reductions are a part of the FCC’s [separate] ongoing price cap regulation in CC Docket 94-1 and other access reform initiatives in CC Docket 96-262. (Emphasis added.)

In that light, when considered separately, contrary to the assertions of AT&T and MCI, current access charges are neither unjust nor unreasonable nor at anticompetitive levels. In its annual filing effective July, 1997, Ameritech reduced its access charges by \$50 million. In its filing effective January, 1998, Ameritech implemented additional access charge reductions of \$70 million – and this is net of any increases to recover additional costs of universal service contributions.

Moreover, in this separate analysis of LEC access charges (separate from the issue of the funding of the additional universal service costs of support for schools, libraries, and rural health care), nothing new has been said that would invalidate the Commission’s conclusion that, at this time, it should not prescribe access rates at forward-looking cost levels. The Commission appropriately recognized that such a move, instead of being pro-competitive as some commenters claim, would actually significantly disrupt the development of local competition. (CC Docket No. 96-262, First Report and Order, May 16, 1997, at ¶46.) Instead, the Commission should give top priority to the continuation

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of its access reform efforts – specifically to the creation of a framework that recognizes that there is extensive competition for many access services and that allows for increased pricing flexibility as a result. It is only in this way that customers can realize the benefits of true competition.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony M. Alessi". The signature is written in a cursive style with a large initial "A" and "M".

cc: T. Power  
J. Casserly  
K. Dixon  
P. Gallant  
K. Martin  
J. Nakahata  
V. Yates

J. Schlichting  
R. Metzger  
J. Jackson  
R. Lerner  
R. Milkman  
L. Gelb