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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

November 19, 1998

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

**RE: Federal-State Joint Board on Universal Service - CC Docket No. 96-45**  
**Access Charge Reform - CC Docket No. 96-262**

Dear Ms. Salas:

On November 18, 1998, the attached letter from Roy Neel, President and CEO of USTA, was filed as an ex parte with your office. We are refileing copies of the letter today, under this cover letter in order to clarify the proceedings in which the letter should be placed. Please place the enclosed copies of Mr. Neel's letter in the files for the above-referenced proceedings (CC Docket Nos. 96-45 and 96-262). In accordance with Commission Rule 1.1206(b)(1), four copies (two for each of the above-referenced proceedings) are being submitted to you. I regret any inconvenience caused by the insufficient labeling of the original submission. Please contact me at (202) 326-7375 should you have any questions.

Respectfully submitted,



John W. Hunter  
Senior Counsel

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EX PARTE PRESENTATION

November 18, 1998

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

Re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45  
Access Charge Reform, CC Docket No. 96-262

Dear Ms. Salas:

On November 5, 1998, Bruce K. Cox of AT&T filed a letter concerning the United States Telephone Association ("USTA") Universal Service Plan for non-rural carriers. Since AT&T has obviously misinterpreted some of the basic elements of USTA's proposal, I would like to take this opportunity to correct those misconceptions.

AT&T appears to misunderstand the entire purpose of a high cost fund. AT&T complains that USTA's approach would provide support to the "remotest, most sparsely populated rural areas in each study area." Clearly these areas are the very areas that Congress and the Federal-State Joint Board are seeking to protect. Costs are higher in rural areas than in urban areas according to all of the cost models before the FCC today. (Even AT&T's HAI Model proves this statement.) Thus, it makes absolute sense that more USF support on a per line basis will be needed in rural areas than in urban areas.

Under USTA's plan, the Carrier Common Line ("CCL") and the Presubscribed Interexchange Carrier Charge ("PICC") rate elements—which are associated with the recovery of loop costs—will be replaced with explicit support. It is obvious that this explicit support should be targeted to those loops that are most expensive to provide—again those loops in rural and other high cost areas. AT&T's criticism would imply that the bulk of the dollars should go to the urban low cost areas. Such an approach is nonsensical. It would result in companies getting universal service support for serving the low cost areas, while the companies that serve the high cost areas would not receive any support. This would obviously harm universal service and the millions of consumers in rural, high cost areas.

AT&T's priorities are made crystal clear in its November 5, 1998 letter. AT&T's position would hurt universal service and the companies that currently provide it. Their alternative would funnel money to the new entrants that would selectively decide where to provide service, including the lower cost urban areas.

AT&T's allegation that the USTA USF plan is at odds with the Commission's access reform order is inherently incorrect. If the Commission wants to follow through on its long-term commitment to reform access while protecting universal service, then USTA's proposal provides a strong platform for such an outcome. The Commission has long talked of its three-legged stool. AT&T's plan to compete away universal service support would saw off the universal service leg. Only if the Commission intends to ignore the preservation of universal service (and thus the mandate of Congress) is USTA's plan at odds with the access reform order.

AT&T also attacks the USTA proposal because it would also include some intrastate rate reductions to offset support above and beyond the CCL and PICC. USTA's proposal responds to those state regulators' concerns that in some high cost areas the interstate jurisdiction is not contributing enough support today. Indeed, AT&T's argument that "USTA's members could then lobby state regulators to seize the bonanza and refuse to make the offsetting reductions to the intrastate rates over which the Commission has no control" seems to suggest that state regulators are unable to make independent judgments. AT&T's attack on state regulators is completely uncalled for, but not unexpected. It is trying to keep the federal USF as small as possible, so as to minimize its own contribution to universal service. In fact, one of the basic components of USTA's plan is that universal service support would be made portable so that other providers, such as AT&T, could compete for the universal service support if they decided to offer local service in high cost areas. This can only be effectively accomplished if implicit support is made explicit.

It is not USTA's plan that is contrary to the Act. In reality, it is AT&T's "do nothing" approach which is at odds with the clear goals enacted by Congress and adopted by the Federal-State Joint Board and the Commission. The Act calls for an explicit and sufficient universal service fund. If AT&T's self-serving solution is adopted, none of these goals would be accomplished.

Sincerely,  
  
Roy Neel  
President and CEO

cc: Members of the Federal-State Joint Board on Universal Service