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December 2, 1998

Notice of Ex Parte Presentation

Magalie Roman Salas
Secretary
Federal Communications Commission
445 - 12th Street, SW - TW-A325
Washington, DC 20554

EX PARTE OR LATE FILED

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45
Reciprocal Compensation for Local Interconnection
CC Docket No. 96-98; CCB/CPD No. 97-30; CC Docket Nos. 98-79, 98-103, 98-161 and 98-168

Dear Ms. Roman Salas:

Yesterday, December 1, 1998, Roy Neel, President and CEO of the United States Telephone Association (USTA), met with Chairman William Kennard concerning: 1) the recent recommended decision of the Federal-State Joint Board on Universal Service; and 2) reciprocal compensation. Attached hereto are summaries of the points made by Mr. Neel in his conversation with Chairman Kennard. Pursuant to Commission Rule 1.1206(b)(2), an original and copies of this transmittal letter and the summaries are being provided to you for inclusion in the public record for each of the above-referenced proceedings. Please contact me if you have questions.

Sincerely,

Lawrence E. Sarjeant

Lawrence E. Sarjeant
Vice President Regulatory
Affairs and General Counsel

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cc: Chairman Kennard

SUMMARY OF EX PARTE PRESENTATION

UNIVERSAL SERVICE CC Docket No. 96-45

1. Congress has mandated that implicit support for universal service be made explicit. That is the policy decision appropriately made by Congress in the Telcom Act of 1996, and it would be inappropriate for the Joint Board or the FCC to disregard this national policy mandate.

2. Interstate access is a significant source of implicit support for universal service. The implicit support that is in interstate access charges must be made explicit for any universal service plan to be both legal and procompetitive.

3. Interstate access charges, loaded with implicit universal service support, are not sustainable in the current competitive marketplace. The future portends of increased competition and increased vulnerability for support-laden interstate access charges.

4. USTA's universal service proposal for nonrural companies is the best approach presented to satisfy the mandates of the 1996 Act. Customers in all income segments would benefit from adoption of the USTA proposal through an overall reduction in their telephone bills, assuming pass through of the access charges reductions to end users by the IXCs, and the procompetitive objectives of the Congress would be supported.

5. The use of total retail revenues (interstate and intrastate) as the reference point for determining service providers' contribution for federal high cost support is legally justified. The assessment of an end user percentage surcharge to recover ILEC universal service contributions is progressive.

6. The USTA nonrural universal service proposal should be given serious consideration, and the congressional mandate to make universal service support explicit should be followed.

RECIPROCAL COMPENSATION CC Docket No. 96-98; CCB/CPD No. 97-30;
CC Docket Nos. 98-79, 98-103, 98-161 and 98-168

1. The FCC should clarify that access to the Internet is interstate, whether the particular circuit carrying the traffic is dedicated (as in the case of the GTE ADSL Service tariff) or switched (as in the case of dial-up modem access).

2. It should be left to the states to address the impact of this jurisdictional clarification with respect to existing interconnection agreements. The FCC should not comment on the reasonableness or appropriateness of existing interconnection agreements. It should leave to the affected carriers and state PUCs the question of how to address the FCC's jurisdictional clarification with respect to those interconnection agreements.

3. As the FCC concluded in the GTE matter with respect to dedicated access, dial-up modem access to the Internet is also one call.

4. To the extent applicable, the ESP exemption does not change the Internet connection from an interstate to an intrastate connection. The FCC has retained jurisdiction over communications subject to the ESP exemption, even though it has allowed the use of local business rates as a surrogate for the interstate rates otherwise applicable to ESPs.