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FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

DEC 14 2000

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

|   |   |                            |
|---|---|----------------------------|
| In the Matter of                          | ) |                            |
|   | ) |                            |
| Federal-State Joint Board on              | ) |                            |
| Universal Service                         | ) | CC Docket No. <u>96-45</u> |
|   | ) |                            |
| Petition for Forbearance from             | ) |                            |
| Enforcement of Sections 54.709 and 54.711 | ) |                            |
| of the Commission's Rules by              | ) |                            |
|   | ) |                            |
| Operator Communications, Inc.             | ) |                            |
| d/b/a Oncor Communications, Inc.          | ) |                            |

**REPLY COMMENTS**

The United States Telecom Association (USTA) <sup>1</sup> hereby submits its reply comments regarding the Further Notice of Proposed Rulemaking (Further Notice) in the above-captioned proceeding.

In its comments, USTA stated that the Telecommunications Act of 1996 requires that all interstate telecommunications service providers make an equitable and nondiscriminatory contribution to universal service support. In addition, there should be specific, predictable and sufficient federal mechanisms to preserve and advance universal services.

USTA believes that the current prior-year assessment methodology adopted by the Commission on May 8, 1997 meets the requirements of the 1996 Act. The current

<sup>1</sup> The United States Telecom Association, formerly the United States Telephone Association, is the nation's oldest trade organization for the local exchange carrier industry. USTA represents more than 1200 telecommunications companies worldwide that provides a full array of voice, data and video services over

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system for USF contributions is competitively neutral and creates a funding source that is specific and predictable, and currently sufficient. Altering the contribution mechanism to be driven by a percent of forecasted interstate retail revenues would fail to satisfy the statutory requirements of specificity and predictability. USTA believes that basing contributions on forecasted revenues does not comport with the 1996 Act.

There were a number of issues raised in other parties' comments that warrant further comment.

AT&T on page 3, in footnote 2, raised issues dealing with the Commission's exceptions contained in its rules. The exceptions include the exemption of the international revenues of carriers whose interstate end-user telecommunications revenues constitute less than eight percent of their combined interstate/international end-user telecommunications revenues; the exemption for system integrators' resale telecommunications revenues as long as they do not comprise more than five percent of the firm's total system integration revenues and the *de minimus* exemption which exempts carriers whose annual USF contribution would be less than \$10,000. USTA believes that the exemption issue is not relevant to this proceeding. The Further Notice requested comments on the methodology for USF contributions. *See* Further Notice at 2 ¶ 7. The Commission has previously ruled that its current exemptions are appropriate. USTA supports these exemptions. The Commission need take no further action on AT&T's request, which goes beyond the scope of the Further Notice.

The Commission should also not mandate an end-user surcharge for funding the federal universal service fund as proposed by AT&T. The Commission should give the

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wireline and wireless networks. USTA members support the concept of universal service and are leaders in the deployment of advanced telecommunications capabilities to American and international markets.

incumbent local exchange carriers the same flexibility as the rest of the industry in recovering their universal service contributions. As WorldCom commented, “The Commission has already rejected this approach.” *See* WorldCom Comments at 3, note 4, citing Federal-State Joint Board on Universal Service, *Report and Order*, 12 FCC Rcd at 9210-11 ¶ 853 (1997) (“Mandating recovery through [a federally prescribed] end-user surcharge would eliminate carriers’ pricing flexibility to the detriment of consumers.”)

Moreover, the practical realities of implementing any new mechanism by January 1, 2001 underscores just how costly, burdensome, and unworkable for interstate telecommunications carriers. *See* AT&T Comments at 10 e.g., for example, Verizon commented that it would cost \$300,000 each quarter to handle customer questions. In addition, Verizon noted that programming costs for billing changes would be approximately \$200,000. Similar cost increases would be experienced by other ILECs.

USTA took the position in its comments that any modifications to the Commission’s universal service contributions’ methodology must decrease the administrative cost to all interstate telecommunications providers, including USTA member companies. Based on the comments filed by the Universal Service Administrative Company, it is clear that the proposals in the original Further Notice would be more complex and expensive to administer than the current contribution methodology and would involve a significant increase in the administrative burden on carriers.

USTA submits that the Commission should complete all of their rulemakings dealing with universal service support, including rural carriers, before making any changes in the contribution mechanism. Modifying current workable rules would only

distract time needed to complete current rulemaking proceedings associated with the support mechanisms of universal service.

Respectfully submitted,

**UNITED STATES TELECOM ASSOCIATION**

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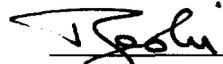
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December 14, 2000

**CERTIFICATE OF SERVICE**

I, Meena Joshi, do certify that on December 14, 2000, Reply Comments Of The United States Telecom Association was either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the attached service list.

  
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