

# UNITED STATES FEDERAL COMMUNICATIONS COMMISSION

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PUBLIC MEETING ON UNIVERSAL  
SERVICE CONTRIBUTION METHODOLOGY

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**ORIGINAL**

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

PUBLIC MEETING ON UNIVERSAL )  
SERVICE CONTRIBUTION METHODOLOGY )  
)

Commission Meeting Room  
TW-305  
Federal Communications  
Commission  
455 12th Street  
Washington, D.C.

Friday,  
June 21, 2002

p.m. The conference met, pursuant to notice, at 1:07

APPEARANCES:

Commission Present:

Chairman Michael Powell  
Kathleen Abernathy (presiding)  
Kevin Martin  
Michael J. Copps  
Bob Rowe

Others Present:

Thomas Dunleavy  
Lisa A. Jaber  
Nan Thompson  
Billy J. Gregg  
Bill Gillis  
Kathy Wallman  
John Nakahata  
Judy Walsh  
Roger Nishi  
H. Richard Juhnke  
Michael Altshul  
Christopher Day  
Joel Lubin  
James S. Blaszak  
Michael J. Travieso  
Michael Sheard  
Steve Ednie

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P R O C E E D I N G S

(1:07 p.m.)

1  
2  
3 MS. ABERNATHY: Thanks again for coming today.  
4 This is a Public Meeting on Universal Service Contribution  
5 Methodology.

6 Before we start, we have a surprise guest  
7 appearance by Chairman Michael Powell. If you want to say a  
8 few words before we start, that would be great.

9 CHAIRMAN POWELL: Yes, I just came down to see  
10 somebody else swinging my gravel. This doesn't establish a  
11 precedent, so don't get used to it.

12 (Laughter.)

13 CHAIRMAN POWELL: No, I unfortunately had a  
14 commitment and couldn't be here, but I would be remiss if I  
15 didn't come here and, number one, welcome everyone here, and  
16 to thank everyone for their extraordinary participation.

17 I these are some of the most important issues  
18 facing the Commission and facing the country and facing the  
19 states. Nothing is more important than our responsibility  
20 to -- for all Americans.

21 I think there is difficult and often mind numbing  
22 work to do here, and I think it's in the hands of an  
23 extraordinary able Joint Board, my colleagues from the  
24 Federal level and outstanding contribution from the state  
25 level by a network that for many years I have had so much

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1 faith and confidence, that I am totally sure that I don't  
2 need to be here.

3 (Laughter.)

4 CHAIRMAN POWELL: They know exactly what they're  
5 doing. I just wish you a good afternoon, and thank you for  
6 letting me come down and say hi; so thank you and good luck.

7 MS. ABERNATHY: Thank you, Mr. Chairman.

8 (Applause.)

9 MS. ABERNATHY: I'm just going to quick repeat  
10 what the Chairman said, which is we are very, very pleased  
11 that basically everyone that we approached about  
12 participating in today's conference enthusiastically  
13 responded. Sometimes, we're not very much not noticed,  
14 which we apologize for, but we are always on a pretty short  
15 timetable.

16 So thank you, again, for coming here today. As  
17 you know, our subject is the methodology for collecting  
18 contributions to fund the universal service support  
19 mechanisms. Currently, carriers contribute to those  
20 mechanism, based on their inter-state and user telecom  
21 revenues.

22 As many of our panelists will discuss, there are  
23 significant questions about the sustainability of our  
24 existing rules, and a number of parties have advanced  
25 proposals to reform the revenue-based approach, or to make a

1 more fundamental change to a connection-based system of  
2 charges.

3 As a Joint Board, we decided to get innovative,  
4 thanks to creative thinking by Commissioner Bob Rowe and  
5 others about how is the best way for the Joint Board to have  
6 significant input in a short timeframe, and based on good  
7 information.

8 We came up with the en banc proposal, which I am  
9 now enthusiastically a supporter of. I think we're going to  
10 get some very good information. We have already gotten  
11 written submissions from all the witnesses.

12 So what we're going to do -- but before I move  
13 onto to introducing our first two presenters, I thought I  
14 would allow an opportunity for the State Chairman, Chairman  
15 Nan, from the State of Alaska, to say a few welcoming  
16 remarks to all of us, and take it away.

17 MS. THOMPSON: Thank you, I'm glad to be here  
18 today, and I'm looking forward, as our my state colleagues,  
19 to listening and having the opportunity to ask questions.

20 I appreciate the flexibility and support of our  
21 Federal colleagues on this Joint Board in allowing active  
22 participation on this issue by the states. It's one that's  
23 very important to the states and fundamental to this fund's  
24 future. So I'm looking forward to learning a lot and asking  
25 a lot of questions today.

1 MS. ABERNATHY: Thank you, and it's Chairman Nan  
2 Thompson, excuse me.

3 What I thought we'd do then is begin with an  
4 overview that's going to be provided by Dr. Bill Gillis,  
5 Director of Washington State University's Center to bridge  
6 the digital divide; and also by Kathy Wallman, who is a  
7 consultant on telecommunications issues.

8 Following their presentations, our first panel  
9 will then explore the various proposals that are out there  
10 for reforming the assessment methodology.

11 Then our second panel will consider the rules that  
12 govern carriers' recovery of their contribution costs. And  
13 what I thought we would do, instead of spending lengthy time  
14 introducing the various panelists, we are just going to have  
15 each panelist briefly introduce himself or herself, and then  
16 move on to opening remarks.

17 Once all of the panelists conclude opening  
18 remarks, then we'll start with questions from the Joint  
19 Board members.

20 So Mr. Gillis, please start, and again, we  
21 appreciate you coming all the way here to Washington to help  
22 us out with this very important issue.

23 Oh, I'm sorry, there is one housekeeping matter.  
24 To the extent that anyone in-house would like to have a sign  
25 language interpreter, we do have someone available over

1 there. Just let him know, and he will make sure that he is  
2 your line of sight. Thank you.

3 DR. GILLIS: Well, thank you, Madam Chairman and  
4 members of the Joint Board; it is extremely a privilege to  
5 be here with you today. I don't get a chance to do this  
6 much any more, and I am very passionate about these  
7 particular issues.

8 The notion of the 1996 Act as having a number of  
9 inconsistencies or difficult issues to resolve is something  
10 that is talked about a lot. In my view, it is an amazing  
11 document, and I have nothing but a lot of respect for the  
12 legislators and the -- from all sides who reconciled those  
13 differences and came up with a document that very much is in  
14 the national interest.

15 One of the things that impresses me most is that  
16 they ask regulators not to balance competition in universal  
17 service. They ask regulators to achieve both goals. It's  
18 difficult, yes; but advance the national interest, you bet  
19 it does.

20 It's a huge challenge. It isn't something that's  
21 easy. The topic today is right on target with that  
22 particular challenge.

23 I would say that it's never been really done  
24 before. We've looked at a lot industries, going from  
25 monopoly to competition and transportation finance.

1 Economists will tell us that it's been in the national good,  
2 and probably has. But it's come at the cost of certain  
3 players, usually rural, low income, ethnic minorities.

4 And the statutory framework of the act is such  
5 that we have a chance to do it right, with respect to  
6 telecommunications. So I think it is a very exciting  
7 opportunity.

8 The mechanism itself shouldn't be a barrier to you  
9 all achieving those goals, and I think that's what this is  
10 really about; making sure the mechanism minimizes conflict  
11 as much as possible.

12 The choice of what mechanism to use, if the  
13 currently mechanism is replaced, is a difficult one. It  
14 involves controversy. I don't mean to be presumptions. I'm  
15 not a sitting decision-maker any more. But you know, if I  
16 were a decision-maker, I would look at this as short-run  
17 pain for long-run gain.

18 It is that it is important to get this mechanism  
19 straightened away, so that it's consistent with the  
20 principles of the act; and particularly Section 254(d), the  
21 equitable non-discriminatory mechanism provides for  
22 predictable and sufficient universal service. Because that,  
23 in my view, will make decisions that you need to make on  
24 sufficient universal service on competitive reform more  
25 easy, down the road.

1           Key messages and some criteria, I suppose, or  
2 challenges that I see, that we need to look at when you  
3 reform the mechanism, if you choose to reform the  
4 mechanism -- the legal criteria is spelled out in the act,  
5 but these are, I guess, issues -- not a complete list -- but  
6 issues that I see are particularly important -- the  
7 identification shift to a more predictable, stable base to  
8 ensure customers of competing carriers are treated  
9 equitably, minimizing consumer confusion, enhancing  
10 administrative efficiency, and mitigating the impacts and  
11 affordability of low income. I will come back to those, but  
12 I want to lay just a little more framework, first.

13           Most importantly, I'm not going to go through the  
14 legal basis. You have a panel on that topic coming up. But  
15 I do want to, I guess relay my view or my bias that the act,  
16 very clearly, says that we need a mechanism to provide  
17 sufficient universal service.

18           In my view, it's also good public policy that,  
19 first of all, if there's sufficient universal service,  
20 complying with Section 254(b)(2) and (3) -- and Senator  
21 Dorigan made this point on Wednesday a couple times -- it is  
22 that the sufficient universal service makes sure that we're  
23 able to access reasonable comparable and affordable services  
24 in all regions of the nation. It was a very powerful  
25 statement, but a very important statement, from the public

1 interest.

2 It kind of goes back to my point about, maybe we  
3 have a chance to do it right, with respect to  
4 telecommunications. We can't say this with a lot of  
5 industries who have grown from monopoly to competition, but  
6 the framework is there.

7 The other thing, and this is not for me as part of  
8 the real task force. We spent hundreds of hours together,  
9 as real task forces. Bill Jack Gregg knows, in talking  
10 about these issues, one of the hots for me was that having  
11 sufficient years of service, so that we do have a network  
12 that's capable of delivering these comparable services, as  
13 required by Section 254(b) and (2) and (3), is actually in  
14 the nation's interest; that the states that pay into the  
15 fund, as well as those that receive.

16 The reason being is that we're minimizing costs in  
17 two ways. One is that by supporting forward-looking  
18 infrastructure, we're avoiding the idea of patchwork bills  
19 later on.

20 Chris McClain, who was the Director of the LUS  
21 service at that particular time, brought data to us, in  
22 demonstrating that the U.S. has had that policy for some  
23 time, and they are minimizing costs with their loans by  
24 making sure that their borrowers held forward-looking  
25 infrastructure.

1           Secondly, it enables a network that's able to  
2 provide more profitable information services that, in the  
3 end, hopefully will help to reduce the need for subject --  
4 and will maximize the power of the market to meet the needs  
5 of rural investment.

6           I also want to just briefly point out that there  
7 are pressures on sufficiency of the fund; decisions already  
8 made; the mags interstate common line charges wasn't well  
9 kept. That was adopted from the RTF recommendation for  
10 rural carrier cap, that will expand by the number of working  
11 lines and inflation. And SLEC certifies eligible  
12 telecommunication carriers, all current pressures.

13           Looking to the future, we can certainly, I think,  
14 expect continued pressures to reduce interstate access to  
15 rate of return carriers. The Joint Board has before them  
16 decisions on supported services. Another wild card there is  
17 the possibility for the consolidation of rural properties.

18           There is a Legg Mason analysis that I thought was  
19 fairly persuasive, that looks at the trends in the  
20 marketplace and the possibility of consolidation. The issue  
21 that I would present for the FCC and possibly the Joint  
22 Board is that three-quarters of rural Americans are  
23 currently served by RBOCs.

24           In any cases, RBOCs currently receive no Federal  
25 universal service support. What does that mean, in terms of

1 dealing the customers that are in the middle of all that?So  
2 again, possible future pressure is on the fund.

3 The current mechanism, in my view, and this is my  
4 key point, I guess, shouldn't be a distraction to the  
5 decisions you are going to need to make with respect to  
6 sufficiency in competition.

7 At the present time, consumers are seeing frequent  
8 changes in their surcharge on their long-distance bill. It  
9 wasn't long ago that it was four percent. If the FCC had  
10 not acted last week to stabilize the fund for three-  
11 quarters, we could easily be looking at 13 percent. So  
12 from a consumer's perspective, it is growing and it is  
13 confusing.

14 An equally serious issue, in my mind, is the  
15 potential tradeoff of the support of fair competition, as  
16 regulators consider issues of sufficiency, expanding the  
17 fund, and it applies equally to their decision on  
18 competition.

19 There needs to be some assurance that we're not, I  
20 would think, if I were in your shoes anyway -- there needs  
21 to be some assurance that we're not further damaging  
22 competition. The lag in collection impacts and affects  
23 alternative long distance carriers differently. The rising  
24 U.S. surcharge is not technology neutral, and there will be  
25 some probably different views on that expressed today, at

1 least as I read and understand, that's what I see.

2 The regulatory challenges, let me just very  
3 briefly touch on these, and then I will move off. But the  
4 identification shift to a more predictable and stable base -  
5 - I think there will be a fair amount of discussion of that  
6 today, and that's probable core issue.

7 I'm personally persuaded and concerned that the  
8 interstate minutes have been declining for the past several  
9 years. We're starting to see the impact on the interstate  
10 revenues, as well, as being an unstable base.

11 I view it as systemic. When you look at an  
12 increase in violas lines from 143 percent in the last five  
13 years, and you look at the trends of increasingly people  
14 making reservations and transactions on line, as opposed to  
15 calling an "800" number and other important trends, what  
16 we're seeing is a shift in the industry that nobody could  
17 have imagined in 1995 -- at least I wouldn't have imagined  
18 it in 1996 -- and the world is changing quickly.

19 But the base that is in place probably was  
20 appropriate in 1996, but it doesn't appear to be stable to  
21 me, today.

22 The second major area that needs to be looked at  
23 is ensuring that customers of competing carriers are treated  
24 equitably. This is very important, because my view of the  
25 act as an equal obligation of competition and universal

1 service.

2 If we are going to support fair competitive  
3 markets, it's very important that the customers of competing  
4 carriers, particularly those in the same market space, are  
5 treated equitably in that environment.

6 The choices of technology, choices of carriers,  
7 should not be based on the mechanism, or avoiding universal  
8 service. Whatever mechanism you choose needs to neutral  
9 with respect to technology and carriers.

10 Minimizing similar confusion, and this is almost  
11 an oxymoron, that I don't know how anybody is going to come  
12 up with a mechanism that is not confusing to consumers.  
13 It's a complex topic. But certainly minimizing confusion is  
14 a good idea, and something that's probably essential for  
15 competitive markets, again.

16 Because if there's not consumer acceptance of  
17 competitive markets, how do you expect to get there? So it  
18 perhaps provides a vital role for regulators; one, as  
19 consumer education; making sure consumers understand what is  
20 being talked about; secondly, that the truth in billing  
21 rules that were enacted by the FCC a couple of years ago are  
22 important; state counterparts to those rules are important;  
23 cooperation between the state and Federal entities on  
24 billing matters are important. All these things are issues.

25 But moving to the next point and connecting them,

1 enhancing administrative efficiency, where I think these two  
2 connect are, if you are able to achieve the goals to provide  
3 an equitable, non-discriminatory mechanism that provides  
4 predictable and sufficient universal service; if you can do  
5 it with a simple mechanism, as opposed to a complex  
6 mechanism, I think everybody is better off.

7 But you need to make sure you are comfortable with  
8 what you are achieving and the legalities of it, in doing  
9 what needs to happen. But in the end, the simpler it is,  
10 the easier it is to explain to consumers, and consumers are  
11 probably going to be more comfortable, particularly if it's  
12 stable. Secondly, it's going to be easier to administrate.

13 One thing that I'm particularly concerned about,  
14 and I guess it comes, again, from my past role as a  
15 regulator, but seeing it as a regular, constantly, companies  
16 more and more came and got in a bickering over not wanting  
17 to provide each other information. We saw it certainly in  
18 slamming enforcement. We saw it in PIXIE and we saw it in a  
19 number of different forms.

20 So if you have a rule that requires carriers to  
21 provide information to each other, maybe it's needed. But  
22 if it's not needed, it's probably not a good idea. The same  
23 thing is requiring that more information be provided to  
24 carriers and to regulators. It's just not consistent with  
25 trends; at least, it leads to more difficulties. Let's put

1 it that way.

2 I'm not suggesting to simply, for the purpose of  
3 simplifying. I'm just suggesting that there's a good  
4 question to ask always, which is, can it be done more simply  
5 and achieve the same goals.

6 Finally, mitigate the impacts on affordability and  
7 low income. I didn't put it last because I think it's least  
8 important. I put it last because I wanted to emphasize it  
9 as a point in the end.

10 Particularly, if you went to a connection-based  
11 charge, but it's true of any of any of the alternative  
12 mechanisms proposed -- is that ultimately, universal  
13 service, expanding universal service, has impact on low  
14 income consumers.

15 But we live in an interesting world today, where  
16 you can't make the distinction between low income and low  
17 volume, at least in the same breath; that there are a number  
18 of low volume consumers that aren't low income, and they are  
19 the new digital savvy consumers.

20 They are consumers that are low volume, long  
21 distance, I should say, wire land long distance, because  
22 they are the consumers that take advantage of national  
23 wireless plans. They are consumers that go on line and make  
24 reservations. They are the ones that would be potentially  
25 lose benefits out of that body of the base. So would low

1 income consumers, who fall in that same category, however.

2 I think it's vitally important that when  
3 regulators make decisions, particularly that change the  
4 mechanism, and that's a decision that you chose to make,  
5 that there are provisions that pay special attention to  
6 whatever impacts there may be on long-term consumers, and  
7 provide mitigating impacts, if you can.

8 I think an issue that is clearly before the Joint  
9 Board right now is Lifeline and revisions to Lifeline. That  
10 may be one mechanism, and it may not be the only mechanism.  
11 But balancing that and including new criteria, in my mind,  
12 is essential.

13 So in concluding, I don't think this problem is  
14 going to go away. I don't think this is something we are  
15 going to work out, when the recession goes away. I think  
16 with the systemic changes in the industry, the current  
17 system is not adequate and consistent with the criteria is  
18 Section 254(d), in my view.

19 The collection mechanism needs to be reformed, in  
20 response to the change, to something that's consistent with  
21 competition in universal service. A decision on the issues  
22 shouldn't be that you need to make on sufficiency and  
23 competition shouldn't be hindered by the mechanism. You  
24 should minimize that. This is an opportunity to do that.

25 When I say immediate action, I am certainly not

1 suggesting reckless action. I'm suggesting that you do need  
2 a good record to make your decision on this, and there's a  
3 lot complex issues here.

4 But I'm impressed with the record that's already  
5 there. You may need to do more inquiry. But it's important  
6 enough, and I think it has foundation enough, for many of  
7 the other decisions you need to make, that I certainly would  
8 recommend to you very quick and immediate action as is  
9 feasible.

10 Thank you.

11 MS. ABERNATHY: Thank you very much, Dr. Gillis.  
12 Kathy Wallman?

13 MS. WALLMAN: Thank you for the opportunity to  
14 make some framing remarks today before you.

15 Dr. Gillis has very comprehensively addressed the  
16 regulatory challenges facing the universal service system,  
17 and also the challenging task of what to do to maintain the  
18 strengthened integrity of the program.

19 I would like to focus for a few minutes on  
20 consensus building in universal service. That's two  
21 concepts you don't often see linked in the same sentence, so  
22 let me hasten to explain where I'm headed with this.

23 The policy making process on important issues like  
24 this gives lots of opportunities for advocacy, and it seems  
25 increasingly even more opportunities for appeal. We have

1 the reconsideration process here at the FCC. We used to  
2 joke in way that now seems not very funny about the NCON,  
3 because it seemed like some of it went on that long.

4 We have appeals to court, and increasingly have  
5 other routes of recourse that parties pursue, including  
6 going back to Congress.

7 Not to differ from the usual flow of  
8 administrative law, where Congress articulates a new law,  
9 expects the agency to implement it, faithful to the rules of  
10 the statute, with appropriate interpretative appeals to the  
11 Appeals Court, in many cases now, we have Congress involved  
12 in ways that adjust existing implementation efforts by the  
13 agency.

14 A concern, I think, that all share is regulatory  
15 certainty; knowing what the rules are, so that you can get  
16 on with it. If there's going to be a massive rethinking  
17 about universal service policy, it's extremely important in  
18 this environment that it's a policy built to last.

19 That doesn't mean that no one will take an appeal.  
20 But it does mean that I think the effort has to be directed  
21 toward a consensus-based approach to change in the universal  
22 service.

23 The act is over six years old now, and we're still  
24 getting corrective interpretations and corrective collateral  
25 actions on important first principles upon implementation of

1 competition, for example.

2 So I would urge that the exercise has to aim  
3 toward a consensus-based result. And I would suggest to  
4 that this is different from compromise. You know,  
5 compromise is about people giving a little bit, and ending  
6 up with something like a least common denominator.

7 I think that this is different. A consensus is  
8 what we all agree is important. Compromise is the suit that  
9 results when people give up a little something that's  
10 important to them, in order to get other things that are  
11 important to them.

12 The problem with policy making in a compromise  
13 matter is that that suit that I referred to. Regulators  
14 aren't going to end up in the suit, because it's sometimes  
15 difficult to articulate a policy-based rationale for a  
16 compromise based on opposing inputs.

17 So in this, really, I'd like to call your  
18 attention to a project that I chaired last year, and some of  
19 the members of the Board are already familiar with this  
20 project.

21 But it was a forum sponsored by a non-profit  
22 organization called the Consumer Energy Council of America  
23 Research Foundation. It gives you some hope that there is  
24 something to this idea of trying to do this in a consensus-  
25 based manner.

1           It was a forum that had very broad participation,  
2     from the academic community, wireless industry, cable  
3     industry, wire line incumbents and competitors, large users,  
4     consumer advocates, local regulators, state regulators,  
5     labor.

6           One regret was that we were unable to attract  
7     participation from the small tel-co community. The  
8     resources didn't permit it. But we did try to talk with  
9     them before the report was finalized, to make sure that we  
10    understood their point of view.

11          Their modus operandi was that there were several  
12    meetings of the committee as a whole, and then ongoing work  
13    between the meetings, with some subcommittees, that focused  
14    on many of the issues that Dr. Gillis touched on:  
15    eligibility criteria, supported services, what services  
16    should be supported; and the question before you today of  
17    who pays and how.

18          Now there's plenty to disagree about, as you might  
19    expect, with a group that large, and so much to talk about.  
20    But what was surprising and encouraging to me, was the  
21    consensus that emerged on several key points that may be  
22    valuable to this board.

23          First, is the very broad support for what  
24    universal service does and support for its continuity.  
25    There was not, going back to first principles, what are we

1 doing; why are we doing it; is it worth doing. And I was  
2 encouraged by the very broad support among people who  
3 disagreed on a lot of things, for that bedrock principle.

4 But second, equally broadly held in this group was  
5 the significant concern that the system cannot continue as  
6 it is under the current funding and support approaches.

7 Really, from many of the people participating in  
8 this work, there was really strongly felt sense of urgency  
9 about this; that it was not going to be okay to continue  
10 under the umbrella of the current regime. That was a little  
11 surprising to me, how strongly held that concern was.

12 Then third, in the illustration of the depth of  
13 concern about the stability of the current system and under  
14 the current rules, the group came to the conclusion that  
15 this is not the time to extend support for services, for  
16 advanced services.

17 This is a group that sells advanced services.  
18 This is a group that has very progressive leaders in trying  
19 to get affordable essential services for consumers. So that  
20 conclusion was a little surprising to me, that they were  
21 willing to take a position that this is not the time to do  
22 that.

23 It was not a question of slamming the door shut on  
24 that approach. It was suggested that a technological task  
25 force be formed along the lines of the world task force that

1 Dr. Gillis led, to figure out whether, when, and how it  
2 might be appropriate to support advance services, and to  
3 make a broad-based group available to the Joint Board for  
4 discussion and recommendation.

5 I think that in addition to the systematic  
6 regulatory challenges that Dr. Gillis identified, one of the  
7 human element difficulties that this board will face is the  
8 simply anxiety that human beings experience when a great  
9 change is contemplated. This is another reason that I  
10 advocate building a consensus around approaches that would  
11 bracket this change.

12 You also have an opportunity, I think, to rely on  
13 the resources of the Commission and the state commissions  
14 and the industry for economic analysis, which I think will  
15 help abate what these quantify, the degree to which people  
16 might be anxious about great change.

17 In the course of the work on this forum, we had  
18 available to us some of that talent, and we were able to do  
19 things like model what it would be like to have a per-  
20 connection charge.

21 So I think that equally important, and perhaps  
22 even more important in the legal analysis in a proceeding  
23 like this is the economic analysis that explains what the  
24 new role will look like.

25 Finally, one of the challenges that I think, that

1 I think were made about just what universal services have  
2 faced in the past, is how it looks from the consumer end.  
3 The docket addresses a number of those questions.

4 And I think it would aid a consensus based  
5 approach and abate a lot pain down the road for there to be  
6 a very direct consensus between the decision makers, and the  
7 people who have to implement this policy, about exactly how  
8 it gets explained to consumers.

9 Thank you, and I wish you luck and success in this  
10 important talks.

11 MS. ABERNATHY: Thank you, Kathy, and I think now,  
12 we're going to provide an opportunity for any of the Joint  
13 Board members to ask questions. So we'll just start to my  
14 left, with Billy Jack Gregg, and work our way down, and get  
15 in as many questions as we can, before our time runs out for  
16 this particular opening panel. Thank you.

17 MR. GREGG: Thank you, Madam Chairman.

18 Good afternoon, Dr. Gillis and Ms. Wallman.

19 Dr. Gillis, you said that whatever system is  
20 adopted for contributions should minimize information  
21 transfers between companies, to the extent possible. Does  
22 that mean that the information upon which the contribution  
23 system would be based should be information retained by the  
24 company, from its relationship with its customers?

25 DR. GILLIS: I don't personally come to that

1 direct of a conclusion. My point that I was making is that  
2 the information that is needed is needed, of course, to be  
3 able to enforce and ensure compliance, and meet the  
4 standards of equitable and nondiscriminatory mechanism.

5 But it is more difficult, I was simply observing,  
6 from experiencing with slamming enforcement and PXIE and  
7 experiences that we had, where we rely on one company to  
8 give information to another. It's more difficult to  
9 implement such a mechanism for that exact reason. So it's  
10 easier if we are able to rely on open information that an  
11 individual carrier has with its existing customer base.  
12 Thank you.

13 MR. GREGG: Thank you.

14 MR. COPPS: I would just ask a question, I guess,  
15 about the urgency that Kathy Wallman referenced. You said  
16 the sense of urgency of many participants surprised you.  
17 I'd just like to get a feel from both of you, on your own  
18 personal reaction to, is the system really broken, and how  
19 urgent is the need to do this?

20 I ask it in the context really of your discussion  
21 on consensus polling, which I thought was very interesting.  
22 Because it's so difficult to try to develop a consensus on  
23 methodology, when we lack, in this country, a consensus on  
24 universal service. Ideally, you'd like to see the horse  
25 come before the cart. Unfortunately, we don't live in an

1 ideal world.

2 But I think these are some of the questions we  
3 need to be addressing today, and I'll ask some more  
4 questions in this regard when we get to the subject of the  
5 connection charge.

6 But do we have, generally, a consensus that the  
7 system is broke right now and needs repair, even though we  
8 lack that consensus on where universal service is going?  
9 Because it's hard to imagine a repair, no matter what it is,  
10 getting us through changes that may come in universal  
11 service, through expansion or whatever. Then, you know,  
12 you're going to get in all kinds of litigation, going down a  
13 new route, so you are getting into a thicket there, too.

14 So what's the urgency, really, in your mind, to  
15 proceed on this right now?

16 MS. WALLMAN: I don't know that there is a  
17 consensus outside the large group that I described here  
18 about that urgency. As I looked at some of the comments  
19 that have been filed in the proceeding, I think there are  
20 some participants who disagree; that it's broken in a way  
21 that needs to be dramatically fixed. I think that is the first  
22 assessment that this Board needs to make, sort of how much  
23 you are willing to take on.

24 The thing that surprised me, in the SICA process  
25 was how willing people were to look at the existing trends