

August 12, 2003

Commissioner Kathleen Q. Abernathy
Joint Board Chair
Federal Communications Commission
445 12th Street, S.W., Room 8-B115
Washington, D.C. 20554

RE: Federal-State Joint Board on Universal Service, CC Docket No. 96-45, FCC 03J-1
(rel. Feb. 7, 2003)

Dear Commissioner Abernathy:

The National Telecommunications Cooperative Association (NTCA) and the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) are submitting the attached white paper entitled "Universal Service and the Myth of the Level Playing Field" by Dale Lehman, Ph.D. to respond to a June 3, 2003, document prepared by Steve Parsons, Ph.D. and submitted in this proceeding as Attachment D to the Reply Comments of Western Wireless. Professor Lehman's paper demonstrates the fallacies and irrelevance of various arguments in the Parsons document.

The Lehman paper elaborates on these main points:

1. Economic efficiency for its own sake is not the goal of universal service and does not necessarily result in universal service. Congress articulated universal service goals precisely because an economically efficient market does not engender universal service in high-cost areas or to low income consumers.
2. It is erroneous to conclude that a change in the rules to provide for funding ETCs on the basis of forward-looking costs will improve economic efficiency and check unwarranted growth in the fund.
3. The use of embedded costs and rate of return regulation achieves universal service policy goals. The empirical data suggests that there is no merit to the argument that regulatory alternatives like price cap regulation will achieve universal service goals or result in greater efficiencies.

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4. If the principle of competitive neutrality is applied to wireline and wireless carriers with respect to access to support, that principle should be applied in the context of other regulatory requirements as well. Moreover, wireless carriers' support should be based on their own costs, not on the ILEC's costs.

We urge the Joint Board to consider the Lehman response.

Sincerely yours,

National Telecommunications
Cooperative Association

/s/ L. Marie Guillory
L. Marie Guillory
Vice President
Legal and Industry

Organization for the Promotion
and Advancement of Small
Telecommunications Companies

/s/ Stuart Polikoff
Stuart Polikoff
Director of Government
Relations

cc: Federal-State Joint Board Members and Staff