

July 16, 2007

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, DC 20554

Re: Permitted *Ex Parte* Presentation
WC Docket Number 06-100

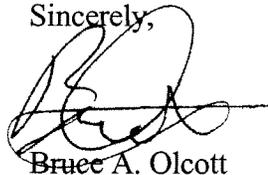
Dear Secretary Dortch:

On July 13, 2007, representatives of the States of Alaska and Hawaii met with two of the FCC Commissioners and their legal advisors to discuss the above-referenced proceeding. Attending the meetings on behalf of the State of Alaska was Larry Persily, Associate Director of the Washington D.C. Office of the Governor. Attending on behalf of the State of Hawaii were Bruce A. Olcott and Herbert E. Marks of Squire Sanders & Dempsey, L.L.P.

The meetings were held with Commissioner Michael Copps and his legal advisor, Scott Deutchman, and Commissioner Jonathan Adelstein and his legal advisor, Scott Bergmann. The meetings focused on the States' concerns about a petition for forbearance that was filed by Core Communications, Inc. that seeks forbearance from, *inter alia*, the rate integration and geographic averaging requirements of Section 254(g) of the Communications Act. The Commissioners were urged to deny the petition.

The States' position on this issue is summarized in the attached talking points, which were distributed during the meeting. The State also reiterated points that are detailed in the comments that have been filed by the States in the above referenced proceeding. Please contact the undersigned if you have any questions.

Sincerely,



Bruce A. Olcott

Copy: S. Deutchman
S. Bergmann

Section 254(g) of the Communications Act

The States of Alaska and Hawaii

WC Docket No. 06-100

July 13, 2007

- The rate integration and geographic averaging requirements of Section 254(g) remain necessary to ensure that consumers in rural, remote, insular and other high cost areas have access to long distance services at the same rates and terms as consumers in low cost areas.
- It is an independent universal service mandate that addresses rates to consumers, and is not dependent on underlying inter-carrier compensation arrangements.
 - Last year, the Senate evidenced its continued support for Section 254(g) by including a provision in HR 5252, as reported to the full Senate, that strengthened and reaffirmed Section 254(g).
 - Section 254 (g) remains an assurance that the important benefits of telecommunications are extended to all Americans as mandated by Section 151 of the Communications Act.
- Core justifications for forbearance from Section 254(g) are flawed.
 - Section 254(g) does not prevent interexchange carriers from recovering local carrier access charges. Section 254(g) simply requires that the recovery be averaged.
 - Forbearance from Section 254(g) would not force local carriers to lower access charges. Interexchange carriers would still pay the high access charges and pass them on to consumers through higher rates in rural and other high-cost areas.
 - Growth in competition does not reduce the need for the Section 254(g) requirements.
 - Competition cannot fulfill the public interest goals of Section 254(g).
 - Long distance services were already highly competitive when Congress codified Section 254(g) in 1996.
 - Growth in all-distance services does not eliminate the need for Section 254(g).
 - Examination of the competitive carrier market (where some small carriers disregard Section 254(g)) provides an indication of the pricing disparities that would develop industry-wide if the Commission forbore from Section 254(g):

Carrier	Interstate (per minute)	Calls to Alaska/Hawaii	Source
AmericanFone	4.3¢	12.5¢ (Hawaii) 14.3¢ (Alaska)	www.americanfone.com
Americom Communications	3.9¢	16.9¢	www.americom.com
BigRedWire	2.6¢	20.7¢ (Hawaii) 21.9¢ (Alaska)	www.bigredwire.com
CogniState Long Distance	2.7¢	19.9¢ (Hawaii) 31.6¢ (Alaska)	www.cognistate.com
Covista Communications	3¢	10¢	www.covista.com
Enhanced Communications Group	2.5¢	22.7¢ (Hawaii) 34.2¢ (Alaska)	www.ecg1.com
Pioneer Telephone	2.7¢	6.9¢	www.pioneertelephone.net
PNG Long Distance	3.9¢	15.9¢	www.pnglongdistance.com
Total Call International	2.9¢	4.9¢	www.totalcallusa.com
Voice Revolution	3.5¢	23.5¢	www.voicerevolution.com

- The Commission should deny the Petition for Forbearance of Core Communications, Inc. to the extent that it seeks forbearance from Section 254(g) of the Communications Act.
 - Core’s petition does not satisfy any of the statutory requirements for forbearance. Rate integration and geographic averaging remain necessary:
 - to ensure that the charges, practices, classifications, or regulations by, for, or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory; and
 - for the protection of consumers; and
 - to benefit the public interest.
 - The Core petition does not even present a colorable case.
 - It seeks “repeal” of Commission regulations and the Congressional mandates for rate integration and geographic averaging for all of the United States, without any analyses of the effects on any locales or regions or states.
 - It also treats rate integration and geographic averaging as discretionary public policies that can be traded away in an effort to experiment with different intercarrier compensation regimes.
 - The Commission has repeatedly rejected requests to forbear from the rate integration requirements of Section 254(g). *See* FCC 96-311 and FCC 98-347.
 - The Commission forbore from geographic rate averaging, but only “to the extent necessary” to allow carriers to offer optional calling plans, contract tariffs, Tariff 12 offerings, temporary promotions and private line services. FCC 96-331, ¶ 27. The Commission never forbore from rate integration.