DOCKET FILE COPY ORIGINAL

UNITED STATES
FEDERAL COMMUNICATIONS COMMISSION

RECEIVED

JUN 26 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

PUBLIC MEETING ON UNIVERSAL)
SERVICE CONTRIBUTION METHODOLOGY)

CC: 96-45
CC: 98-171
CC: 90-571
CC: 92-237
CC: 99-200
CC: 95-116
CC: 98-170

Pages: 1 through 146

Place: Washington, DC

Date: June 21, 2002

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005-4018
(202) 628-4888
hrc@concentric.net

No. of Copies rec'd 0
List ABCDE

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

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

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

1 P R O C E E D I N G S

2 (1:07 p.m.)

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

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 is 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 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