1 about changes in usage patterns and so forth, that seem to
2 be shifting the base away from universal service, and how
3 they were willing to look at that slope, and express a very
4 strong opinion about where it ended up; that there were no
5 foreseeable reversals in that slope.
6 I think the challenges -- you're absolutely right.
7 This area of regulation is full of "horse before cart-isms,"
8 and I think the real challenge is to see whether there are
9 pieces of the puzzle that you can fix and address in a way
10 that still leaves you the flexibility, when the next
11 unanticipated wave of change occurs.
12 We have just the benefit of a few years of
13 experience in the 1996 act, and already the world looks
14 quite different than it did in 1995 and 1996, when the act
15 was being finalized.
16 So that's really the challenge, which of these
17 approaches will give you or afford you the flexibility not
18 to have to reinvent the wheel, when the next shift in usage
19 trends means something additional for the base.
20 MR. COPPS: Thanks.
21 DR. GILLIS: I agree. I don't observe consensus
22 among the parties on how urgent the change is; although I
23 wouldn't expect consensus, because we are in a scenario
24 where change is a benefit to some parties, and not to
25 others, and it's difficult to get consensus on something

1 like that.

2 I would suggest that your standard ought to be

3 obviously the act, and whether or not it's equitable or

4 nondiscriminatory, the current issue.

5 But what I find the most troubling, and is

6 probably the greatest urgency are the competitive issues. I

7 mean, to the extent that we are dealing with a mechanism

8 that does not support fair competition in the marketplace,

9 you know, there is some real dollars, some real trends, some

10 real investment, that will be affected by that.

11 My pet issue is sufficiency of universal

12 circumstances, what I care passionately about, and I think

13 that's also endangered by the current mechanism. But from a

14 broader public policy point of view, I would put that even

15 second.

16 MS. ABERNATHY: Commissioner Rowe?

17 MR. ROWE: Thank you. I appreciated both of your

18 comments and your remarks concerning the importance of

19 trying to build consensus. I think that's exactly the

20 spirit in which this discussion was convened, and reason

21 we're here today. That's also the reason that both of you

22 were invited here today. So you hit the target perfectly.

23 I also agree, Ms. Wallman, with the importance of

24 engaging people who are most affected. In this case,

25 certainly, that is not limited to, but includes, the rural

1 carriers and their customers, and I'm pleased to have been
2 able to do that.
3 Commissioner Copps asked my first question, which
4 was, looking through the record, do you see a basis for, at
5 least, the buds of a consensus, either as to the problem
6 definition, or as to possible solutions? Maybe I'll leave
7 that, unless you have any additional comments.
8 But then also looking at Dr. Gillis' criteria, can
9 you, as you look through the various proposals, identify
10 areas where some strategies may be more consistent with
11 those criteria than with others?
12 DR. GILLIS: I think there are. The strategies
13 offered are on a continuum, I supposed. They are on a
14 continuum from modest modification as existing mechanism --
15 revenue based mechanism -- to a collection based approach,
16 with the coalition's approach being probably the simplest
17 and easiest to administer. But then with that, you have the
18 issue that's raised by many commenters, that the IEC is not
19 being perceived as contributing, and that being balanced
20 against the complexity of an alternative mechanism, would
21 allow them to contribute.
22 So there is a continuum, in my view, though, that
23 there's a difference between them. I guess between your
24 lines a bit, are there multiple feasible paths to reaching
25 the same end; yes. Do some paths get you farther down the

1 road than others? I think the answer to that is yes.

2 My suggestion is, under the criteria outlined,

3 focus as much as possible on the simplest mechanism you can

4 come up with, that satisfies you that you indeed have a

5 mechanism that complies with Section 254(d), particularly

6 the equitable nondiscriminatory piece of that.

7 MS. WALLMAN: I think I'd like to kind of converse

8 with the panels today, because the comments, although very

9 thoughtfully reflected, often don't pick up the nuances of

10 where the hard parts and the soft parts in the position are.

11 MR. ROWE: Just to keep me from running on too

12 long, I did write out my questions for all the panelists,

13 and I would very much appreciate seeing both of your answers

14 to as many of those questions as you could care to address.

15 Thank you very much.

16 MS. ABERNATHY: Thank you, Commissioner Rowe.

17 I'll defer question in the interest of time, and

18 move on to Commissioner Thompson.

19 COMMISSIONER THOMPSON: Thank you. I am

20 interested in hearing both of your thoughts on this, which

21 is that we're being asked now to advise the FCC on making

22 adjustment. It's a number of years after the act has

23 passed. During those years, we've seen dramatic changes in

24 the way communication services are delivered to consumers.

25 How important do each of you think it is for us to

1 design some kind of mechanism that's going to withstand the
2 next series of changes; or, in deference to the idea
3 expressed by Ms. Wallman, of being aware of folks' anxiety
4 in making dramatic changes, should we be doing something
5 that is implemented in a series of small and repeated
6 changes? How do you balance the need for stability and
7 certainty in the markets, with the need to implement a
8 policy that folks can live with?
9 MS. WALLMAN: I think that's an important
10 statement to the competing interests that need to be
11 balanced. There's always a tension in policymaking about
12 incremental change versus big picture change. I think that
13 this is a case where you know sort of what the trend lines
14 are. We have some opinions -- not always do opinions agree
15 with each other -- but opinions about where the trend lines
16 go.
17 Do people think there's going to be a reversal in
18 the trend about interstate minutes? Well, probably not --
19 as people learn to use other technologies to communicate
20 over longer distances. It probably will continue in the
21 same direction.
22 So it would seem to me that if you base your
23 decision based on known trends, you end up putting the
24 system on at least a glide path. The Commission, and I know
25 many state commissions, have a lot of experience with glide

1 path type approaches to solving problems, where you don't
2 start at the 10th story of the building and jump all the way
3 to the first.
4 You construct a system that is based on triggers.
5 You know you need to get from ten to one, and you have a
6 series of triggers over time, that adjust with what's
7 happening in the market. So that might be a way to bridge
8 the two extremes.
9 MS. ABERNATHY: Do you have any comments?
10 DR. GILLIS: Well, I generally agree with Ms.
11 Wallman's statement on that. I think incrementalism has its
12 assets and value. That's generally my philosophy on the way
13 I would approach these types of issues.
14 In this particular case, however, I wouldn't rule
15 out a more dramatic jump to the end, if you can conclude
16 from your own investigation of the issue, that you're
17 comfortable that one, the current mechanism is broke, if
18 that's a conclusion that you choose to make; and secondly,
19 that one of the options on the table that's being offered is
20 adequate and really gets you to a mechanism more consistent
21 for the world that we live in now.
22 The reason I say that is, it kind of goes back to
23 my opening comments. It's that I see this mechanism as a
24 foundation piece that needs to be set aside, if possible, so
25 that you all can focus on the merits of sufficiency issues,

1 and non-competitive reform issues.

2 To the extent this mechanism is something that's

3 sitting out there, that's imperfect, and if you can fix it,

4 it's still going to be an issue in proceedings. So if you

5 can set it aside, it's great. But that really depends on

6 your comfort level with the information that you have, to

7 make those changes.

8 MS. ABERNATHY: Commissioner Jaber?

9 MS. JABER: Thank you, Chairman.

10 Ms. Wallman, if I heard you correctly, you said

11 through your work on the consumer education counsel, you

12 were able to run some models, or the group was able to run

13 some models, and determine what the impact of the per-

14 connection methodology was?

15 Can you share some of that information with us; if

16 not necessarily today, but can you file it in the record in

17 this proceeding, so that we could have access to those

18 numbers?

19 MS. WALLMAN: I'd be happy to do that. The work

20 was, in large part, to the credit of Joe Luben of AT&T, who

21 spent some time to run some numbers.

22 MS. JABER: Thank you.

23 MS. ABERNATHY: Commissioner Martin?

24 MR. MARTIN: Thank you.

25 I wanted to follow up on the same kind of

1 questions that I think Chairman Thompson was asking
2 regarding the balance between taking some immediate steps,
3 and also trying to address the longer term potential issues.
4 I think I understood you as saying that certainly,
5 to the maximum extent possible, when you can put an issue to
6 bed, that's the better approach, to resolve it and put it on
7 the side.
8 But I also heard, in the initial comments, about
9 the importance of trying to reach consensus on the issues,
10 on the longer term approaches.
11 To further complicate it, in talking about the
12 urgency of acting in some way on something now,
13 particularly, I think you mentioned, Dr. Gillis, the urgency
14 of the competitive issues; vis-a-vis, the competitive issues
15 that have been raised in some of the technology neutral
16 issues.
17 I found it interesting, your most recent comment,
18 Kathy, about the fact that we could have triggering points
19 along the way.
20 Would you consider that being maybe an appropriate
21 step, where we would actually try to address some of those
22 competitive issues and/or consumer confusion issues; and at
23 the same time, make a recommendation along the lines of what
24 would be a triggering point, so to speak, that it would show
25 that those changes were insufficient to address the long-

1 term problem, and then it should automatically have some
2 other solutions be put in place? Is that like what you were
3 talking about, when you were talking about triggering
4 points?
5 MS. WALLMAN: Potentially so and, you know, I
6 would like to reflect on that approach a little bit, an
7 flesh it out, before saying too much more about it.
8 But on the consumer confusion issues, just to be
9 specific, the thing that I think really wastes a lot of time
10 and causes a lot of pain in prior efforts surrounding
11 universal service was the blame game that ensured afterwards
12 about, you know, whose charge is this; who gets blamed for
13 it; what do we call it?
14 If we could put that aside and get out of the
15 business of, you know, adding to consumer confusion by
16 making it even more confused about why it happened, I think
17 that would -- if we just take that head-on, I think that
18 would be a huge contribution to the stability of the system.
19 MR. MARTIN: And actually along those lines, if we
20 were able to address maybe that issue, and get out of the
21 blame game, so to speak, and be able to take on that issue
22 head-on, and potentially have at least an initial addressing
23 of some of the competitive issues, do you think that
24 actually might release some of the pressure in the system,
25 and allow for a more thoughtful and/or consensus building

1 approach to the long-term issues that are being raised, from
2 the technological standpoint?
3 MS. WALLMAN: Possibly, but the best shot you
4 have, I think, at getting people comfortable with stepping
5 away from the blame game is that you have a change you need
6 to announce. So if you're not solving that problem, then
7 you may not have the leverage to get people to agree on what
8 to call it and how to explain it.
9 MR. MARTIN: Thank you.
10 MS. ABERNATHY: Commissioner Dunleavy?
11 MR. DUNLEAVY: Thank you, Madam Chairman.
12 I generally share the concerns that everyone has
13 expressed, given the complexity of the issue. Minimizing
14 consumer confusion and, in an incremental way, getting to
15 where we have to go is one way, or some dramatic change.
16 Do you have any thoughts -- I'm not quite sure I
17 understand the difference and distinction between consensus
18 and compromise, if we're trying to get this. Isn't there a
19 need for that? Isn't there a need for compromise, in order
20 to get to a consensus where you have so many opposing views?
21 MS. WALLMAN: I think that people will have to
22 give things up, but what I'm suggesting is, compromise is a
23 process that's more in control of the parties. They sort of
24 decide what they are willing to live with, and present it to
25 the decision-makers, and try to get it ratified.

1 I think that this process, unfortunately, is going
2 to be more difficult than messy or good than that approach
3 would allow. Consensus building is usually a time consuming
4 process.
5 For better or worse, I think that's going to be a
6 significant consumption of time for the next little while;
7 where the members of this Board try to bring out the best in
8 each of these proposals, to figure out what is useful to you
9 in constructing a solution, and telling people what they're
10 going to have to give up, and what they're going to have to
11 live with. So that's the distinction I'm able to draw,
12 between consensus building and compromise.
13 DR. GILLIS: I think the point that I was trying
14 to make on consensus is partly a pragmatic caution, in that
15 this is an issue that consensus, at least in my view, would
16 be very difficult to achieve, because of its complexity.
17 Consensus is always a great help, when we can get it.
18 But what I worry about most is that the mechanism
19 itself should not be a barrier to making other important
20 decisions that you all need to make. That consensus is also
21 needed on those decisions, as well.
22 So if you can really put this issue behind you,
23 the issue of the mechanism itself, even if it requires some
24 hard decisions, and hard decisions based on your reading of
25 the law, I guess that's what it comes down to. Then that

1 will help you later on, in getting more consensus on issues
2 that could involve expansion of universal service, if that
3 were needed, or issues that might involve competition in
4 areas served by rural carriers, from the state commission
5 standpoint.
6 So it's just a tough issue, and it's one that I,
7 personally, don't hold out that much hope that you are going
8 to receive full consensus on. That obviously means airing
9 your views and listing, and finding it common ground, if
10 possible. I'm not as optimistic about that.
11 MS. ABERNATHY: Thank you, Dr. Gillis; thank you,
12 Ms. Wallman -- if you have the chance to stay around and
13 offer some closing thoughts at the end, based upon what all
14 of the witnesses say, that would be helpful, I think. So
15 thank you again, and we'll move on to the next panel.
16 Once again, thanks to everyone for coming today,
17 and helping us grapple with these very difficult issues.
18 Panel one, as we mentioned, is really the contribution
19 assessment methodologies, and discussion by each of the
20 parties about the proposals they have pending in front of
21 us.
22 I think the easiest way to do it is simply start
23 with John Nakahata, work our way down, and we'll let all of
24 the presentations be made. Just be sure when you start
25 talking, first of all, be mindful of the time. We really do

1 want to hear from all of you.

2 And the other point is, when you start, be sure

3 and state not just your name, but who you are representing

4 and some of your background, before you get into the details

5 of your presentation.

6 So John, if you'd like to start, that would be

7 great.

8 MR. NAKAHATA: Thank you, Commissioners, and I

9 apologize in advance. I managed to come down with a cold

10 today. So I'll try and speak directly into the mike, and I

11 apologize if I cough.

12 My name is John Nakahata. I'm here representing

13 the Coalition for Sustainable Universal Service, which is

14 made of up AT&T, WorldCom, and -- Telecommunications Users

15 Committee, and level three. We're pleased to present

16 testimony this afternoon.

17 We obviously have put forward the connections

18 based proposal in probably its most straightforward and

19 simple form, and we would urge you today to act on that as

20 soon as possible, and we would really hope it would be in

21 time for implementation in January.

22 There are five points I want to make to you today.

23 Point number one, the current system is broken, and it can't

24 be fixed. We've seen an unprecedented decline in interstate

25 telecommunications revenues over the last two years, and

1 with that unprecedented decline in interstate switching
2 access minutes.
3 That's significant, because that's never happened
4 before, since the FCC started keeping statistics in 1984.
5 We've had recessions in that time period since 1984, and
6 we've never seen this happen before. Something deeper is
7 going on, and it's systemic. It just can't be fixed by
8 adding, for instance, to the wireless safe harbor, because
9 there's something else going on, too, and that's bundling.
10 There's no way that a revenue based system can
11 handle bundling; not when you have bundling of interstate
12 and intrastate, and bundling of telecommunications and non-
13 telecommunications services, which is the way that services
14 are procured now in the business market, and increasingly is
15 the way that services are provided in the residential
16 market, as we've seen with the introduction of the MCI
17 neighborhood plan. There's no way to assign dollars in a
18 bundle consistently.
19 If you have got to go with an alternative, then
20 what's the best alternative? COSAS is the most competitive
21 alternative proposal we've got. It charges the same fee to
22 people providing similar competing services to the same end
23 user customer.
24 SBC Bell South's proposal does, by contrast, look
25 at competitively neutral on its face, when it would not be

1 competitively neutral in its application. I'll explain that
2 a little more in my next point, which goes to the issue of
3 transactions costs and administrative costs.
4 The COSAS proposal is the simplest and most
5 efficient solution. It minimizes transaction costs by
6 focusing on a single collection point. I'll us again, SBC
7 Bell South -- not to pick on Judy -- but I'll use SBC Bell
8 South as a contrast, which is, it maximizes the number of
9 collection points that you have.
10 It means that for the ordinary residential
11 consumer, there may be as many as three or more providers of
12 service that have to collect the data you need to run
13 universal service, to bill and collect those connection
14 fees.
15 That's inefficient. It's also inefficient because
16 the ILAC, or the connection providers, are the only ones who
17 are going to have the information needed to run that type of
18 connection based system, on the order of SBC Bell South.
19 IXCs and ISPs will have to buy that information
20 from the ILECs. That's an additional cost in the system.
21 It's totally unnecessary. There's no competitive reason
22 that we need to have it.
23 The fourth point that I want to leave with you is,
24 the COSAS proposal really does reduce the average
25 residential USF fees across all income groups. I have

1 provided the members a chart that tries to compare the
2 current system in the COSAS proposal and SBC Bell South.
3 You'll notice that SBC Bell South is significantly higher,
4 and does not relate at all to the carrier mark-ups.
5 The last point I want to make is obviously the
6 law. We do believe that the COSAS proposal is legal, when
7 you read that within the confines of 254(d). With 254(d),
8 you have to read it though in its entirely, both all of its
9 sentences and all of it clauses.
10 The first sentence says, "Every telecommunications
11 carrier that provides interstate telecommunications services
12 shall contribute on an equitable and nondiscriminatory
13 basis." That means, first and foremost, you have to have an
14 equitable and nondiscriminatory basis, or you don't get out
15 of the starting gate. That basis then has to get applied to
16 every telecommunications carrier. We think we do that.
17 Then what happens if that number is small or
18 nothing? If the number is small or nothing, then the
19 Commission can exempt that carrier from paying under its
20 diminimus authority, and this dis-harmonizes all three
21 portions of 254(d).
22 I mean, the key, again, is, is it equitable and
23 nondiscriminatory? I think one example, except for the
24 premise that the COSAS proposal is equitable and
25 nondiscriminatory, if you were to read every

1 telecommunications carrier as saying, literally that you had
2 to generate a fee, you could have a proposal that said,
3 well, we'll take the COSAS proposal, but if it is a zero,
4 we're going to assign a charge of $1.
5 But the $1 would still be diminimus. That's sort
6 of reading the act to require a lot of gymnastics, that we
7 don't think is really necessary. It's much more
8 straightforward, just reading it as deductible,
9 nondiscriminatory, and you apply it to every carrier. If
10 the amount is low, the carrier can be exempt and is
11 diminimus.
12 In short, we think that this is the most
13 straightforward, most efficient, most sustainable way to
14 move forward, and we urge the Commission to adopt it.
15 MS. ABERNATHY: Thank you. I'm sorry about your
16 cold.
17 MR. NAKAMATA: I apologize.
18 MS. ABERNATHY: We won't ask a lot of questions,
19 that way, of you.
20 MR. NAKAMATA: I'd be happy to answer whatever
21 questions you have.
22 MS. ABERNATHY: Ms. Walsh?
23 MS. WALLMAN: My name is Judy Walsh. As many of
24 you on the panel know, I am a recovering regulator --
25 (Laughter.)

1 MS. WALLMAN: -- having served on the Texas
2 commission for a number of years, before taking my current
3 position with SBC Communications as Senior Vice President of
4 State Regulatory Compliance.
5 You know, we most of the time think about SBC as
6 an ILEC. But we really operate as an IXE and a CLEC, and a
7 broad band service provider and an ISP, and through the
8 joint venture with Bell South, as Cingular Wireless, which
9 the nation's second largest wireless carrier.
10 So I think that puts us in a bit of unique
11 position to think about and make recommendations on how
12 universal service should be reformed and how the funding
13 assessment should be made.
14 There is an opportunity for consensus, I think, in
15 that the Congress, this Commission, and all the state
16 commissions have always valued the right of every American
17 to have telecommunication service, and have it available on
18 a four wheel basis.
19 This is a long-recognized public benefit, and I
20 don't think there's any question but what it's one that we
21 all continue to value.
22 The real question then becomes about the funding.
23 And it's also clear that the cost of universal service is
24 very significant. It, I believe, is estimated to go to $6.2
25 billion this year, and a lot of experts say that we'll

1 continue to rise in the future.

2 So while no one questions the public benefit, it's

3 also irrefutable that the level of these charges is a pretty

4 good burden on providers, and it isn't always seen as value

5 added by the customers.

6 So the question of how to implement a new plan is

7 done in the light of providers who are paying and customers

8 who are paying and would like to reduce their charges; and

9 those who are not paying, who would prefer not to pay. So

10 the challenge is to come up with something that works in

11 that context.

12 The Commission has identified a number of issues

13 with the -- of the current mechanism, and I agree that this

14 one can't be fixed. We've already talking about the

15 shrinking revenue, and I won't go into that.

16 But I think equally as important is that the

17 current system is not able to adjust to changes in the

18 marketplace -- CLEX is entering the local market; RBOC

19 entering the long distance market; substitution of wireless

20 for traditional wire line and long distance; and also the

21 transition over to Internet telephony.

22 It is not competitively neutral or technology

23 transparent, because you look at DSL contributing a cable

24 modem, not LEX and IECs contribution IP telephony.

25 Packaging and service bundling are not easily accommodated

1 in the current plan, and there is clearly a lack of uniform
2 recovery that confuses customers, and makes them question
3 the legitimacy of the charges on their bills -- all of which
4 are problematic in the current system.
5 I think as you explore proposals to reform this
6 system, the real challenge is to make sure that customers
7 and providers perceive that the charges are equitably
8 imposed. I think this requires that any opportunities for
9 arbitrage, for any gaming tactics that shift charges among
10 customer classes, are eliminated; and that similar services
11 are assessed in the same manner, regardless of technology or
12 regulatory treatment of the provider.
13 I think if we can come up with a plan that meets
14 those goals, we probably will be able to build consensus
15 around some of these issues.
16 The SBC Bell South plan develops a comprehensive
17 proposal to reform the current system. I believe the
18 proposal represents a fair and equitable approach to solving
19 many of the problems that the Commission has identified.
20 Under the plan, universal service support would
21 come from interstate telecommunications activity involving
22 end users. This means that every provider of
23 telecommunications, regardless of technology platform or
24 facilities ownership, ILECs, CLECs, IXCs, wireless
25 operators, paging companies, private carriers, cable modem

1 operators, ISPs and other content providers, would
2 contribute, based on the retail services it sells to end
3 users, as long as that service incorporates an interstate
4 telecommunications component. These would be qualifying
5 services.
6 When the end user purchases a service from a
7 provider, they purchase the right to connect to the network,
8 and to receive service at some specified bandwidth level.
9 This is a qualifying service connection.
10 All interstate transmission will be composed of an
11 access connection and an interstate transport connection.
12 An end user could establish multiple retain relations, or
13 they could purchase an integrated or bundled service from
14 the single provider. In either case, the amount of the
15 assessment is the same, if a service is the same.
16 The question of whether the universal service
17 charge appears on a single bill, or more than one bill,
18 depends on the customer's choice. They can choose multiple
19 providers or not.
20 The more the customer purchases, the more they
21 contribute to universal service; and the more band width
22 they purchase, the more they contribute to universal
23 service.
24 The plan satisfies a threshold of the statute, in
25 that every telecommunications carrier that provides

1 interstate telecommunications services will contribute. And
2 the act doesn't say, provider of access or connection. It
3 refers to services; and long distance service clearly is an
4 interstate service.
5 It broadens the contribution base to ensure
6 viability and stability. It's not regressive, because
7 contributions are based on the services the customer
8 purchases. It's nondiscriminatory, because comparable
9 services have comparable funding. There are no cost
10 subsidies, and it does eliminate the lag issue, which has
11 been problematic for carriers.
12 So I believe that this proposal does resolve the
13 majority of the problems in equitable way, and I appreciate
14 very much being able to participate.
15 MS. ABERNATHY: Thank you, Ms. Walsh.
16 Okay, Mr. Nishi?
17 MR. NISHI: Good afternoon, and thank you for
18 inviting me here today. I'm pleased to be before you today.
19 As you said, I'm Roger Nishi, and I'm the Vice President of
20 Industry Relations for Waitsfield-Fayston Telephone Company
21 in Vermont.
22 I'm also here today representing El Pasco, the
23 nation for the promotion and advancement of small
24 telecommunications companies.
25 I'm honored to be here to discuss this very

1 important subject with you. I would also like to take the
2 time to thank you for making this time available in your
3 very busy schedules. I know many of you probably had plans
4 for a Friday afternoon, heading out for the weekend, and
5 this may be taking the place of that. So I do thank you for
6 being here.
7 I really want express my passion for the industry.
8 Communications is a great thing. My son, he's five years
9 old, and he thinks it's magic. That's probably because I
10 told him so.
11 (Laughter.)
12 MR. NISHI: But it is a wondrous thing.
13 I have a passion for rural telecommunications and
14 what it does for customers in rural areas of the U.S. We
15 have brought advanced services to rural customers for years,
16 oftentimes in much quicker fashion than the larger
17 companies, and that's key.
18 At Waitsfield, we make sure our customers aren't
19 left technologically behind the more urban areas. All these
20 are very important. Because of this, our customers are
21 better off and our communities are better off. So we think
22 we are doing a good thing.
23 But what's been the key to all of this? Universal
24 services has been a big, big portion, and has allowed us to
25 bring many of these technologies to our areas.

1 The Commission's universal service policies have
2 been key to rolling out services in a timely manner, at
3 rates comparable to those in urban areas. Universal service
4 funding mechanisms have helped to advance the technologies
5 in rural high cost areas.
6 Waitsfield's customers have benefitted from this.
7 It's not easy serving mountains and places where there's
8 lots of rocks; areas where people don't live in population
9 clusters.
10 We always say and we joke about this all the time,
11 if the -- if the cows had phones, it would be much cheaper
12 to provide services to urban areas, as we would have some
13 population densities; but it's not going to happen.
14 So today, I sit here consumed by universal
15 service. I'm concerned as to whether the current system is
16 sustainable; whether there will be sufficient funding in the
17 future. More customers -- overall high cost areas continue
18 to receive the benefits of universal service funding. I
19 hope so.
20 I guess what we're here today to do is to try to
21 determine what we can do to establish an equitable amount of
22 discriminatory contribution system, that provides for
23 specific predictable sufficient funding, to preserve
24 advanced universal service.
25 In this light, I would like to talk about

1 contributions a bit. El Pasco is in agreement with the FCC
2 goals in this proceeding, to ensure the stability and
3 sufficiency of the fund, as the marketplace evolves; to
4 assess contributions in an equitable and nondiscriminatory
5 manner; and to provide certain -- participants -- to delay
6 costs of compliance.
7 El Pasco is supportive of the Commission's
8 exploring a flat fee working contribution assessment. With
9 that, I have four points that I would like to make.
10 Point one, any flat monthly contribution
11 assessment mechanism must require an equitable
12 nondiscriminatory share of contributions from more than one
13 interstate carrier. That includes -- local exchange
14 carriers. That includes inter-exchange carriers, SRECs, and
15 anybody who does carry an interstate type of service.
16 Legally, Section 254(d) states that any
17 telecommunication carrier that provides interstate service
18 communications shall contribute an unequitable amount on a
19 nondiscriminatory basis. It's the law, so we feel that
20 should be upheld.
21 As you are aware, two days ago, the Senate
22 Subcommittee held hearings on universal service. There
23 appeared to be an overriding them from that, in that they
24 believe income-based mechanism could only buy companies with
25 end users, is both illegal and not fair.