

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 20, 1998

In Re: Universal Service Proceeding

)
) **Docket No. 97-00888**
)

**STATEMENT OF DIRECTOR MALONE ON ORDER ADDRESSING PHASE I
UNIVERSAL SERVICE
SUPPORT MECHANISM ISSUES IN TENNESSEE**

The Tennessee Regulatory Authority ("TRA") has long recognized the importance of establishing and ensuring affordable state-wide telephone service. These on-going "Universal Service" efforts recognize that affordably priced high quality basic telecommunications services must be preserved in promoting the general welfare, health, safety, and economic development of Tennessee's citizenry. Although a new regulatory paradigm is developing in Tennessee, and indeed the nation, our decisions here recognize and work in concert with this newly emerging environment.

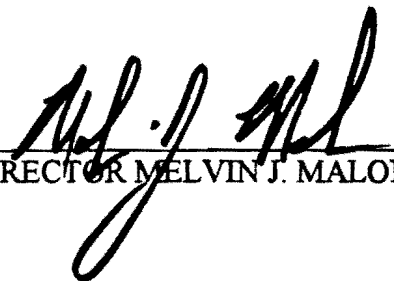
Technological advances in telecommunications, particularly in the areas of digital switching and fiber technology, have resulted in a revived assessment of the public switched network, with emphasis on varying aspects of the network that can now be technologically exploited to allow competition in a previously monopoly environment. To ensure that technology and emerging competition do not outpace universal service concerns, the Tennessee General Assembly enacted § 65-5-207, which provides in part as follows:

(a) Universal service, consisting of residential basic local exchange telephone service at affordable rates and carrier-of-last-resort obligations must be maintained after the local telecommunications markets are opened to competition. In order to ensure the availability of affordable residential basic local exchange telephone service, the authority shall formulate policies, promulgate rules and issue orders which require all telecommunications service providers to contribute to the support of universal service.

As demonstrated in the above-quoted statute, the General Assembly directed the TRA to take appropriate steps to ensure that "residential basic local exchange telephone service at affordable rates" be maintained "after the local telecommunications markets are opened to competition."

Our decisions addressing Phase I Universal Service Support Mechanism Issues further the state's public policy goals and continue to make available statutory services regardless of region, age, income, disability, or regulatory environment.

Structuring a universal service paradigm in today's environment is a formidable and challenging task. We have taken the first step and will remain ever vigilant in facing today's as well as tomorrow's universal service concerns.


DIRECTOR MELVIN J. MALONE

ATTEST:


K. David Waddell, Executive Secretary