

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Amendment of the Commission's)
Rules and Policies to Increase) CC Docket No. 95-115
Subscribership and Usage of the)
Public Switched Network)

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NYNEX REPLY COMMENTS

The NYNEX Telephone Companies ("NYNEX")¹ hereby file these Reply Comments in the above-captioned matter.

In its Notice of Proposed Rulemaking ("NPRM"), the Commission proposed that local exchange carriers ("LECs") be prohibited from disconnecting local service for nonpayment of long-distance service. The Commission also proposed to require LECs to provide voluntary toll restriction services. The Commission stated that these measures would help to increase the level of telephone subscribership in the United States.

As NYNEX pointed out in its Comments, prohibiting LECs from disconnecting local service for nonpayment of long-distance service will not necessarily result in increased levels of telephone subscribership. For example, New York has a lower subscribership rate than the national average even though such disconnection is prohibited.² And, there are 20 states which have subscribership levels exceeding the national average even though they do not prohibit disconnection of local service for

¹ The NYNEX Telephone Companies are New York Telephone Company and New England Telephone and Telegraph Company.

² In New York, NYNEX may block customers who do not pay their long-distance bills from accessing long-distance carriers. More than 350,000 customers are currently subject to such a block.

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nonpayment of long-distance charges.³ Similarly, there is no evidence that offering voluntary toll restriction services has helped to retain customers on the network.⁴

NYNEX believes that there is a better way to get customers on the network, keep them on the network, and improve debt collection. NYNEX believes that subscribership levels would increase if LECs were permitted to impose credit limits on new customers with unknown payment history and on existing customers with known poor payment habits.⁵ As the Commission noted in the NPRM, long-distance service is different from most consumer purchases. Customers do not know how much they have spent until the end of the month. Although they may know how many calls they have made, they probably do not know how many calls were made by other family members and it is unlikely that they know the costs of any of these calls. As a result, customers unwittingly accumulate bills they cannot afford. Allowing LECs to impose credit limits would help struggling customers control the use of their phones and enable customers with poor credit history to retain the ability to place toll calls. Credit limits would allow LECs to maximize their revenues and at the same time achieve the Commission's goal of increasing telephone subscribership.

A study conducted by NYNEX in 1992 demonstrates how a credit management program could help customers stay on the network. In 1992, NYNEX's Lifeline customers constituted approximately 6% of all NYNEX customers. However, 24% of all customers that were disconnected by NYNEX for nonpayment were Lifeline customers.⁶

³ See NYNEX Comments, p. 5 n. 5.

⁴ An overwhelming percentage of LECs already offer such services.

⁵ As NYNEX indicated in its Comments, NYNEX has instituted a similar program in New York for customers who have no payment history and cannot provide positive identification. See NYNEX Comments, p. 7.

⁶ In the study year, 139,000, or 40%, of NYNEX's 350,000 Lifeline customers were disconnected.

The reason that so many Lifeline customers were disconnected can be traced to their inability to control their usage and their inability to pay. The average final bill of the disconnected Lifeline customers was \$201.⁷ However, 50% of the final bills were under \$141 and 30% were under \$72. A credit limitation program would have helped these low-income customers from running up bills that they could not afford to pay. For example, NYNEX's study indicated that the average monthly usage of Lifeline customers was \$33.⁸ If a \$33 credit limit had been established for all Lifeline customers, the number of customers that were disconnected would have been substantially decreased.

NYNEX believes that the vast majority of customers want to pay their bills. For example, 97% of NYNEX's Lifeline customers have NYNEX's highest credit rating as a result of their efforts to pay their bills. In fact, this percentage is higher than that of all other customers. 66% of NYNEX's Lifeline customers pay in full every month. And, after service has been terminated, Lifeline customers are more likely to try to make payments than non-Lifeline customers (31% v. 18%). The problem is that many low-income customers simply need help in controlling the use of their phones.

NYNEX believes that imposing credit limits on customers would help customers stay on the network.⁹ As customers display good payment behavior, credit limits would be raised and eventually eliminated. Such programs would allow customers to manage their calling while still providing customers with long distance access. Such programs clearly benefit both the customers and carriers.

⁷ By comparison, the average final bill for non-Lifeline customers was \$343.

⁸ In contrast, the average monthly bill for non-Lifeline customers was \$74.

⁹ If a customer wants to make calls after the limit has been reached, other methods (e.g., debit cards) could be used.

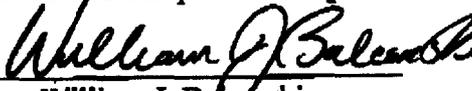
In order to implement a credit management program, LECs must invest considerable time and capital in the development of toll management systems. These systems would allow customers to manage their long-distance calling by establishing toll limits on the customer's account. Once the customer reaches that limit, the customer would not be able to place any additional calls.

LECs may not be willing to expend the resources needed to develop such capabilities unless they are assured that they will be permitted to impose credit limits on their customers if they choose to do so. NYNEX believes that the Commission can assist in this regard in two ways. First, the Commission should allow, but not require, NYNEX and other LECs to introduce credit limits for interstate calling.¹⁰ Second, the Commission should encourage state regulatory commissions to work with the LECs to establish similar programs for intrastate calling.

NYNEX believes that if the Commission permits the LECs to institute credit management programs, the industry will be able to accomplish the Commission's goal of increasing subscribership levels.

Respectfully submitted,

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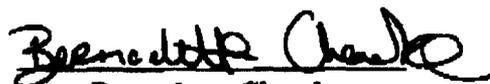
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95-115.rep

¹⁰ It may not be feasible for all LECs to implement toll management systems due to the cost of development and operation.

CERTIFICATE OF SERVICE

I certify that copies of the foregoing **NYNEX REPLY COMMENTS** were served on each of the parties listed on the attached Service List, this 20th day of November, 1995, by first class United States mail, postage prepaid.


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