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BEFORE THE

Federal Communications Commission

WASHINGTON, D.C. 20554

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In the Matter of)
Policies and Rules Concerning)
the Interstate, Interexchange)
Marketplace)
Implementation of Section 254(g))
of the Communications Act of 1934,)
as amended)

CC Docket No. 96-61

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

To: The Commission

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COMMENTS
OF
THE AMERICAN PETROLEUM INSTITUTE

The American Petroleum Institute ("API"), by its attorneys, hereby submits its Comments in response to the Notice of Proposed Rulemaking ("Notice") adopted in the instant proceeding on March 21, 1996 by the Federal Communications Commission ("Commission"), FCC 96-123 (released on March 25, 1996).

API is a national trade association representing over 200 companies involved in all aspects of the oil and gas industry. Among its many activities, API acts on behalf of its members as a spokesman before federal and state regulatory agencies and legislative bodies.

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I. Summary

To ensure ratepayer benefit, the Commission should expand the certification requirement, discussed in Paragraph 70 of the Notice, to include a certification that access charge reductions are being flowed through to all customers.

II. The Commission's Efforts to Ensure Consumer Benefit Has Not Been Confined to Rural And High-Cost Subscribers.

According to the Commission, geographic rate averaging benefits rural ratepayers and customers of high cost local exchange carriers ("LECs"). Among other things, it "ensures that ratepayers share in the benefits of nationwide interexchange competition."^{1/}

The Commission's efforts to ensure that ratepayers benefit from an increasingly competitive telecommunications marketplace have not been limited to subscribers in rural and high-cost areas. In its Price Cap Performance Review proceeding, for example, the Commission has identified "flow-through of productivity gains to consumers" as one of

^{1/} Notice, at Para. 66.

three characteristics "essential" to a "productivity" offset, or "X-Factor."^{2/}

III. Increasing Competition, In Conjunction With The Universal Service Proceeding, Is Likely To Lead To Access Charges Reductions.

As the Commission recognizes, the Telecommunications Act of 1996 ("1996 Act") seeks "to provide for a pro-competitive, de-regulatory national policy framework" designed to make available to all Americans advanced telecommunications and information technologies and services "by opening all telecommunications markets to competition."^{3/} In the telecommunications environment envisioned under the 1996 Act, competition will no longer be confined largely to the interexchange market.

Downward pressure on access charges is likely to result from increasing competition in local markets. Further downward pressure is likely to result from the Commission's efforts, pursuant to statutory mandate, to explicitly identify and fund universal service subsidies.^{4/}

^{2/} Price Cap Performance Review for Local Exchange Carriers, CC Docket 94-1, Fourth Further Notice of Proposed Rulemaking, FCC 95-406, paras. 16, 75 (adopted and released September 27, 1995).

^{3/} Notice, at Para. 1.

^{4/} 1996 Act sec. 254; Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board, CC Docket No. 96-45, FCC 96-63 (adopted and released

It is widely acknowledged that access charges currently represent the largest component of an interexchange carrier's costs. Since access charge reductions directly impact the cost of interexchange service, customers would benefit significantly from a mandatory flow-through of such reductions realized by providers of interexchange telecommunications services.^{5/}

IV. A Flow-Through Policy That Encourages Further Development of Market Niches Is Pro-Competitive.

A mandatory flow-through of access charge reductions actually benefits all subscribers of telecommunications services, in terms of both lower prices and an anticipated increase in services.

As access charge reductions flow through the industry, services become more affordable for all. In addition to cost-savings for end-users, access charge reductions are likely to create new market niches and marketing opportunities, thereby increasing the size of the proverbial telecommunications pie. Mandating a flow-through of these reductions ensures economy-wide benefits will result from

March 8, 1996).

^{5/} To the extent such providers include Bell Operating Companies ("BOCs"), the flow-through would apply to the access charges a BOC must impute to itself or charge its affiliate, as required under Section 272(e) of the 1996 Act.

both increasing competition and the Commission's efforts to restructure universal service support mechanisms.

V. The Certification Requirement Should Be Amended To Include A Statement Regarding Flow-Through Of Access Charge Reductions.

In Paragraph 70, the Commission tentatively concludes that the imposition of a certification requirement is adequate to ensure compliance with the proposed rate averaging requirements. Similarly, certification would be adequate to ensure compliance with a flow-through requirement.

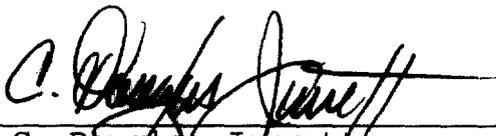
In that same paragraph, the Commission also concluded that its proposed certification requirement would not impose a significant burden on providers. Extension of the requirement to encompass access charge flow-throughs should impose no significantly greater burden.

WHEREFORE, PREMISES CONSIDERED, the American Petroleum Institute respectfully urges the Federal Communications Commission to further its goal of ensuring that consumers

benefit from an increasingly competitive environment by
taking action consistent with the views expressed herein.

Respectfully submitted,

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