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April 19, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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Seabrook, Maryland 20706

Secretary
Federal Communications Commission
1919 M Street, Room 222
Washington, D. C. 20554

DOCKET FILE COPY ORIGINAL

In the Matter of)
)
Policy 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

The accompanying comments, prepared by John Staurulakis, Inc. (JSI), are in response to the Notice of Proposed Rulemaking, released on March 25, 1996, in the above-referenced docket.

Any questions concerning this filing may be directed to JSI.

Sincerely,



Michael S. Fox
Director
Regulatory Affairs

Enclosures

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cc: International Transcription Services, 2100 M Street, N.W., Suite 140
Janice Myles, Common Carrier Bureau, 1919 M Street, N.W., Room 544

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WASHINGTON, D.C. 20554

Before the
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Comments of John Staurulakis, Inc.

Michael S. Fox
Director, Regulatory Affairs

John Staurulakis, Inc.
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(301) 459-7590

Date: April 19, 1996

Summary

John Staurulakis, Inc. (“JSI”) hereby files these comments in response to the March 21, 1996 Notice of Proposed Rulemaking released by the Federal Communications Commission (“Commission”) relating to the policy and rules concerning the interstate, interexchange marketplace as a non-dominant carrier. As indicated in these comments, JSI enthusiastically supports the Commission in its efforts to fulfill the mandates of the Telecommunications Act of 1996 with respect to geographic toll rate averaging and rate integration. These long standing principles have been a cornerstone of broader universal service objectives which have enable consumers residing in rural and high cost areas of the Nation to have access to affordable telecommunications services. JSI believes that adoption of the geographic toll rate averaging and rate integration rules proposed by the Commission are essential for those consumers residing in rural and high cost areas. Therefore, JSI believes that this proceeding should move quickly to final order. JSI also supports the Commission’s proposals that would simply require interexchange carriers to certify that they are in compliance with the Commission’s geographic toll rate averaging and rate integration regulations.

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as a Non-Dominant Carrier)	
)	CC Docket No. 96-61
Implementation of Section 254(g))	
of the Communications Act of 1934,)	
as amended)	

Comments of John Staurulakis, Inc.

John Staurulakis, Inc. (“JSI”) hereby files these comments in response to the March 25, 1996 Notice of Proposed Rulemaking released by the Federal Communications Commission (“Commission”) in the above captioned proceeding.¹ JSI is a consulting firm specializing in management, financial and regulatory services to more than one hundred and fifty independent telephone companies throughout the United States. JSI assists these companies on various regulatory matters and also routinely prepares and files tariffs with the Commission on behalf of a number of these client companies. In that the proposals and questions raised in the NPRM have the potential to affect its client companies and their customers, JSI is an interested party in this proceeding.

¹ See In the Matter of Policy and Rules Concerning the Interstate, Interexchange Marketplace as a Non-Dominant Carrier; Implementation of Section 254(g) of the Communications Act of 1934, as amended, Notice of Proposed Rulemaking, CC Docket No. 96-61, FCC 96-123, released March 25, 1996 (“NPRM”).

In this response, JSI will address sections IV, V and VI, of the NPRM, and its comments will be limited to the forty-five pages or less, as requested in the NPRM. In addition, JSI will not address every issue within the NPRM, but will rather limit its comments to those issues with which it is most concerned.

I. Geographic Toll Rate Averaging

The Commission notes that it has long supported a policy of geographic toll rate averaging for interstate, domestic, interexchange services.² In addition, as noted in the NPRM, the Telecommunications Act of 1996³ (the “Act” or “1996 Act”) requires “that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas not be higher than the rates charged to subscribers in the interexchange carrier’s urban areas (i.e., that rates be geographically averaged).”⁴ JSI enthusiastically supports the Commission’s proposal to formalize their long-standing support of geographic toll rate averaging through the adoption of a rule presented in the NPRM.⁵

The importance of geographic toll rate averaging to consumers in rural and high cost areas of the Nation cannot be understated. This policy has enabled rural consumers to make toll calls at reasonable and affordable rates. Due to the limited calling scopes that often exist in rural America, affordable toll calling is critical so that consumers are able to access essential medical, educational and other community services. In the 1994

² See NPRM at para. 66.

³ The Telecommunications Act of 1996, Pub. L. No. 104-104, Stat. 56 (1996) (to be codified at 47 U.S.C. sections 151 et seq.).

⁴ See NPRM at para 66.

⁵ Id. at para. 67.

study, Keeping Rural America Connected: Costs and Rates in the Competitive Era,⁶ it was demonstrated that the impact of toll rate deaveraging on the OPASTCO study group companies was \$7.44 per access line.⁷ This figure reflects the total average monthly increase expected in the interstate toll rates of customers of the OPASTCO study group companies if interstate toll rates were allowed to be deaveraged. The OPASTCO study further showed that if intrastate toll rates were also allowed to be deaveraged, the total average monthly increase expected in rural consumers' intrastate toll rates would be \$10.99.⁸ This combined impact of over \$18.00 per month per access line highlights how critical toll rate averaging is to rural consumers and to the broad principle of universal service.

In the NPRM, the Commission notes that it interprets section 254(g) of the 1996 Act to preempt state laws or regulations that are inconsistent with the rules it adopts with respect to geographic rate averaging.⁹ JSI supports this interpretation of the Act.

The Commission notes that, consistent with its intention to forbear non-dominant interexchange carriers from filing tariffs for domestic services, it believes that, together with the process outlined in Section 208, it can ensure compliance with its rate averaging requirements by requiring providers of interexchange telecommunications services to file certifications stating that they are in compliance with their statutory geographic rate averaging obligations.¹⁰ JSI supports the Commission on this issue. Certification by an

⁶ See Keeping Rural America Connected: Costs and Rates in the Competitive Era, Organization for the Protection and Advancement of Small Telephone Companies, copyright © 1994 (hereinafter referred to as The "OPASTCO Study").

⁷ See The OPASTCO Study, p. 4-17, figure 4.8.

⁸ *Id.* at p. 4-20, figure 4.10.

⁹ See NPRM at para. 68.

¹⁰ *Id.* at para. 70.

interexchange carrier that it is in compliance with the Commission's rate averaging requirements should be enough to ensure compliance with the Commission's rules. The Commission has access to adequate enforcement remedies if it discovers that an interexchange carrier has intentionally certified that it is in compliance with the Commission's rate averaging requirements when, in fact, it is not. A more extensive or intrusive certification or filing requirement appears, to JSI, to be contrary to the direction that the Commission is heading with respect to reducing the administrative burden associated with the provision of telecommunications services.

The Commission also seeks comment on whether an interexchange carrier's failure to make promotional discount plans available throughout its service area constitutes geographic deaveraging, and if so, should it be required that discount plans be made available and advertised in the entirety of an interexchange provider's service area.¹¹ It has been JSI's experience in working with small, rural local exchange carriers that, indeed, providers of interexchange telecommunications service typically do not offer their discount plans uniformly throughout their service area. Rural telephone company customers are often not offered the discount plans that are provided to customers in urban communities. JSI contends that this is indeed the way in which interexchange providers circumvent geographic toll rate averaging requirements and that, therefore, this practice is tantamount to geographic deaveraging. As stated earlier in these comments, rural consumers tend to be very dependent upon toll calling for various essential services. Therefore, it is JSI's position that rural consumers need to be provided with the same

¹¹ Id. at para. 72.

opportunities for managing and reducing their toll calling bills, through discount plans and other alternatives, as are offered to urban consumers. JSI further contends that requiring interexchange carriers to make their discount plans available and advertised in the entirety of their service area is consistent with section 254(g) of the Act and should, therefore, be included in the Commission's rules relative to geographic toll rate averaging.

II. Rate Integration

As noted in the NPRM, the 1996 Act requires and the Commission has also “long maintained a rate integration policy for interexchange rates between the forty-eight contiguous states and various non-contiguous United States regions, including Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands.”¹² Rate integration means that providers of interstate, interexchange services must charge customers in each State at rates that are no higher than the rates charged to their customers in any other State. JSI supports the concept of rate integration as an important corollary to the Commission's proposed rule on geographic toll rate averaging. As with geographic toll rate averaging, rate integration will help ensure that consumers residing in rural and high cost areas or States will pay no more for comparable services than do customers living in more urban areas or States.

Similar to the Commission's proposal with respect to geographic toll rate averaging, comments are requested as to its proposed certification process to ensure

¹² Id. at para. 74.

compliance with its proposed rate integration rule. As with the geographic toll rate averaging certification proposal, JSI supports the Commission's proposal on this matter. Certification by interexchange carriers that they are in compliance with the Commission's regulations regarding rate integration, together with the process outlined in Section 208, should be sufficient to ensure compliance.

III. Conclusion

JSI enthusiastically supports the Commission in its efforts to fulfill the mandates of the 1996 Act with respect to geographic toll rate averaging and rate integration. These long standing principles have been a cornerstone of broader universal service objectives and have helped enable consumers residing in rural and high cost areas of the Nation to have access to affordable telecommunications services. Therefore, JSI believes that adoption of the geographic toll rate averaging and rate integration rules proposed by the Commission are essential for those consumers residing in rural and high cost areas. Therefore, JSI believes that this proceeding should move quickly to final order. JSI also supports the Commission's proposals that would simply require interexchange carriers to certify that they are in compliance with the Commission's geographic toll rate averaging and rate integration regulations.

Respectfully submitted,

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By: 

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