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NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

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July 17, 1996

The Honorable Susan Ness
Commissioner
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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Federal Communications Commission
Office of Secretary

Re: CC Docket No. 96-98
Ex-Parte Communication

Dear Mr. Chairman:

The organizations endorsing the enclosed white paper represent a variety of consumers and rate payers that have an interest in regulations now pending before the Federal Communications Commission that will govern interconnection agreements between the existing local telephone companies and new competitors for local telecommunication services. Our organizations welcome the advent of increased competition for local telephone services in ways that will lower costs and increase consumer choice. We endorse efforts by the Federal Communications Commission that will speed up the benefits of competition to all consumers. The enclosed white paper outlines our interests and concerns about this very important issue.

We believe that the primary target for new competitors for local telephone services will be the lucrative business markets in large urban centers. New competitors, particularly those that will enter the market simply by buying access to the existing network rather than building their own facilities, will be less interested in serving most residential customers or consumers in rural and other high cost areas. Consumers in lower income and more rural locations are not likely to see any competition, nor the benefits of competition, soon.

We are deeply concerned that efforts by the FCC to jump-start local telephone competition by requiring existing local telephone companies to unbundle and make available portions of their communications network at reduced prices may have disastrous consequences for many consumers. Such a policy may lead to a sudden and dramatic shifting of resources away from the communication networks that serve residential ratepayers and those serving rural areas to services that will only benefit the large telecommunications users in the business community. **The unintended consequence of such a policy may lead to greatly increased local residential phone rates, a decline in infrastructure investments and a resulting decline in the quality of residential phone service, and increased job layoffs by the telephone industry.**

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We urge you to adopt regulations that will bring about competition in ways that continue the nation's commitment to universal service and providing all consumers access to advanced telecommunications services at affordable rates. Our white paper concludes with the following recommendations for the Commission to consider in the current rulemaking proceeding:

- The FCC and the states should act to assure that new interconnection agreements include provisions to adequately sustain national goals for universal service and allow all consumers access to advanced services at affordable rates.

- In crafting rules for interconnection, the FCC should measure those rules against the objective of accelerating the universal deployment of advanced infrastructure as defined in Section 706 of the Act.

- In order to protect the interests of the public, and to preserve universal and affordable access to telecommunications services, the Commission and the states should assure that the charges included within the interconnection agreements include a fair share of the embedded costs of a robust local telecommunications infrastructure. Without this assurance, the goal contained in Section 706 of the Telecommunications Act of providing high capacity, two-way communication networks as part of universal service could be lost.

- The FCC and the states should assure that the cost of interconnection and upgrading the local network are covered by those new competitors who are seeking interconnection and not the local rate payer.

- The Commission should recognize and incorporate the process of reaching interconnection agreements as suggested in the Act using negotiations between local phone companies and potential competitors with state-based arbitration where necessary.

- Oversight of the interconnection process should take place primarily at the state level, where historically regulators have been able to balance the competing interests of competitors and local companies, without rates skyrocketing for local service.

Sincerely,

Aliceann Wohlbruck
Executive Director
National Association of Development Organizations

Organizations Endorsing the White Paper:

Council of Chief State School Officers
Hispanic Association on Corporate Responsibility
National Association of Commissions For Women
National Association of Development Organizations
National Association of Secondary School Principals
National Council of Senior Citizens
National Hispanic Council on the Aging
National Latino Telecommunications Task Force
National Trust/Trustnet
United Seniors Health Cooperative
United Homeowners Association
Virginia Public Interest Coalition
World Institute on Disability

cc: Mr. William F. Caton, Secretary, Federal Communications Commission