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TRIANGLE TECHNOLOGIES, INC.
The Human Element of Computing

October 15, 1996

Commissioner Reed Hundt
Federal Communications Commission
1919 M Street NW
Washington, D.C. 20554

Re: Bundling of CPE by Interchange Carriers, CC Docket 96-61

Dear Commissioner,

As a competitive Value Added Reseller ("VAR"), we wish to express our strong opposition to the Commission's proposal to allow interexchange carriers to bundle customer premises equipment ("CPE") with their regulated transmission service.

Value Added Resellers purchase equipment from independent CPE manufacturers. We then combine equipment from different manufactures. Become most of our customers are small to medium size businesses, they lack the resources or sophistication to assemble such customized solutions themselves. As a result, VARs are important source of choice for these users.

If the Commission allows CPE bundling, we believe that many VARs will be forced out of business. Bundling would allow carriers to offer packages that combine transmission service with "free" CPE. A company such as ours simply cannot compete against such an offer. As a result, end-users will have no practical choice but to accept the CPE chosen by their carriers, even if it is not the best equipment for their needs. This result would not be in the public interest.

We therefore urge the Commission to retain the current rule, thereby allowing us to continue to provide increased choice to our customer.

Best Regards,

Jim Wolanda
CEO
Triangle Technologies, Inc.

cc: Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chong

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ALL-STATE LEGAL SUPPLY CO. 1-800-222-0510 EP 11

digital connections inc.

Chairman Reed Hundt
Federal Communications Commission
1919 M Street NW
Washington, D.C. 20554

RE: Bundling of CPE by Interexchange Carriers, CC Docket 96-61

Dear Mr. Chairman:

As a competitive Value Added Reseller ("VAR"), we wish to express our strong opposition to the Commission's proposal to allow interexchange carriers to bundle customer premises equipment ("CPE") with their regulated transmission service.

Valued Added Resellers purchase equipment from independent CPE manufacturers. We then combine equipment from different manufacturers to provide customized solutions that meet the individualized needs of our customers. Because most of our customers are small to medium size businesses, they lack the resources or sophistication to assemble such customized solutions themselves. As a result, VARs are an important source of choice for these users.

If the Commission allows CPE bundling, we believe that many VARs will be forced out of business. Bundling would allow carriers to offer packages that combine transmission service with "free" CPE. A company such as ours simply cannot compete against such an offer. As a result, end-users will have no practical choice but to accept the CPE chosen by their carriers, even if it is not the best equipment for their needs. This result would not be in the public interest.

We therefore urge the Commission to retain the current rule, thereby allowing us to continue to provide increased choice to our customer.

Sincerely,

Jamie Spurlock
Vice President

cc: Commissioner Quello, James
Commissioner Ness, Susan
Commissioner Chong, Rachelle
Commissioner A. Caton, Secretary

Contacts/Jamie/Memos/External/FCC.Doc

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OCT 15 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Chairman Reed Hundt
Federal Communications Commission
1919 M Street NW -- Room 814
Washington, D.C. 20554

RE: Bundling of Customer Premises Equipment and Interexchange Services, CC Docket 96-61

Dear Chairman Hundt:

We understand that the Commission will soon consider the Interexchange Market Order. In the Notice, the Commission proposed to eliminate its long-standing requirement that interexchange carriers separate the provision of regulated transmission service from the provision of unregulated customer premises equipment ("CPE"). The undersigned associations -- which represent independent manufacturers, enhanced services providers, equipment retailers, business users, and small to medium-sized interexchange carriers -- urge the Commission to reject this proposal.

The Commission has repeatedly recognized that the CPE No-Bundling Rule serves the public interest by ensuring that users are able to choose from a wide selection of CPE provided by carriers, retailers, and independent manufacturers. Indeed, an order issued just last year reiterated "the Commission's longstanding commitment to the policy of unbundling and to the benefits produced by that policy. . . . [A]ny proponent seeking to modify this policy," the order continued, "bears a heavy burden to justify the necessity of that modification." Verilink LBO Order, 10 FCC Rcd 8914, 8921 (1995).

The proponents of eliminating the No-Bundling Rule in the interexchange market plainly have failed to carry the "heavy burden" required. To the contrary, the record in support of "rebundling" CPE into the network is remarkably thin. There simply is no significant demand by users or carriers, nor any other compelling reason, to eliminate this highly beneficial Rule. The Commission cannot abandon one of the most successful policies on the basis of such a meager record.

The fact that the level of competition in the interexchange market has increased in the years since the No-Bundling Rule was adopted does not provide a basis for elimination of the Rule. Today, as a direct result of the No-Bundling Rule, the CPE market is substantially more competitive than the interexchange market: while there are only a handful

of major IXCs, there are dozens of independent CPE manufacturers. Because these manufacturers compete vigorously to meet the needs of end-users, they have been the consistent source of innovation in the equipment market. If IXCs are permitted to bundle CPE into their transmission service offerings, however, many of these manufacturers are likely to be forced out of the market. Elimination of the No-Bundling Rule also would foreclose independent consumer electronics retailers from a significant portion of the CPE market. The end-result would be less competition, less innovation, and less user choice.

Even if the Commission has doubts regarding the continued benefits of the No-Bundling Rule, it should not act on this issue at the present time. During the coming years, the competitive structure of the telecommunications market is expected to change substantially. Until the Commission has a better understanding of those changes, it cannot make an accurate assessment of the long-term costs and benefits, if any, of eliminating the No-Bundling Rule.

The Telecommunications Act provides that, beginning in 1998, the Commission must conduct a review of its rules every two years. The biennial review would provide an appropriate occasion for a comprehensive review of the No-Bundling Rule. At that time, the Commission will be able to assess the effects that the Telecommunications Act has had on the level of competition in the interexchange and CPE markets. The Commission also will be able to compare the experience in two related markets: cellular CPE, which the Commission has allowed to be provided on a bundled basis, and cable CPE, which (pursuant to Section 304 of the Telecommunications Act) will have to be provided on an unbundled basis.

The undersigned associations are prepared to provide the Commission with any needed assistance in its review of the No-Bundling Rule. Please do not hesitate to call on us.

Sincerely,

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cc: John Nakahata
William Caton