

# Access Reform

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- The FCC has created a new paradigm for access:
  - All LECs levy access charges for lines to their end user customers.
  - Competition among LECs to win end users.
  - Access prices will be forced down by substitutability of unbundled elements and competitive response.
  - Different policies should apply to originating and terminating access.
  - Distinctions among carriers and types of calling will fade.
- Access reform challenge is to facilitate a smooth transition.

**NYNEX**

# Access Reform

- The “glide path to deregulation” should be shaped and directed by marketplace forces.
- The *availability* of TELRIC-based alternatives, not necessarily the *use* of unbundled elements, keeps access prices in check.

# Access Reform

- Calculate new price cap indices to reflect universal service funding.
- LECs will face a tremendous and increasing challenge in seeking to recover remaining costs ordered into the interstate jurisdiction by the FCC.

# Access Reform

- Additional access charge reductions and the recovery of costs will be determined by competitive market forces.
- Access and 251 structures and pricing will converge as market forces drive access prices down.
- Changes to access must complement and reinforce FCC pro-competitive framework.

# Access Reform

## Switched Access

- Effective implementation of the Access Reform portion of the Commission's 3-part plan requires that FCC immediately:
  - reduce price cap for any USF, SLC, or separation changes;
  - establish terminating access charge cap for all LECs;
  - collapse price cap baskets;
  - grant pricing flexibility.

# Access Reform

## Switched Access

- Pricing flexibility
  - Differentiate between originating and terminating access
  - Deaveraging
    - » Similar to zones for unbundled elements
  - Customer type pricing
    - » Business/Residence (multiline/single line)
  - Volume and term discounts
    - » Lower priced access for large volume users
  - Structure
    - » Call set-up and usage, tapered rates
  - Contract pricing
  - Collapse price cap baskets and operate price caps at basket level only

# Access Reform

- LEC should be afforded an opportunity to recover costs.
  - Competitive alternatives exist.
  - Competitors can capture the end user and avoid access.
  - Further reductions as dictated by market forces are a certainty.

# Access Reform ESP Exemption

- ESP exemption is no longer justified.
- ESP market has matured.
  - Made up of large companies.
- ESP subsidy should be understood and identified.