

Ideas for Access Charge Reform
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The Problems

- Access Charges Are Not Based On Forward Looking Economic Costs
- Access Charges Are Not Assessed to All Users of the LECs' Networks
- The Per-Minute Access Rate Structure is Not Economically Efficient
- The LECs' Ability to Respond to Competition is Limited by the Current Access Charge Structure

Principles for Access Charge Reform

- Access charges should move toward a forward-looking economic cost approach, such as the FCC's TELRIC cost standard.
- Consumers should benefit from cost reductions: the SLC should be reduced in tandem with carrier access charge reductions.
- All users of the common loop should contribute to the recovery of loop costs. This includes providers of long distance, wireless, paging, internet, and enhanced services.
- In general, non-traffic sensitive access costs paid by carriers should not be recovered through traffic-sensitive charges.

Shortcomings of Other Proposals

- Some LEC proposals merely re-collect today's revenue requirement and do not begin the transition to prices based on economic costs--the outcome of a competitive market.

- Some IXC proposals fail to share loop costs between carriers and end-users. The loop is a common, shared facility. The recovery of loop costs should be shared among all users of the loop.
- Some enhanced services providers have proposed to continue their exemption from paying access charges. This is inequitable since they also make use of the loop.
- Some proposals would spread the costs to IXCs based upon the IXCs' pre-subscribed customers. These proposals would not account for "dial-around" usage and would discourage competition for low-volume long distance users.

Issues the FCC Should Explore in its Notice

- *Should LECs be allowed to recover costs in excess of their forward looking costs in access charges?*
- *If there is a difference between economic costs and historic loop costs, should there be a transition period during which LECs are allowed to recover a portion of the difference?*
- *Should the Subscriber Line Charge be reduced in tandem with reductions in carrier access charges?*
- *Is there any basis for exempting any significant users of the loop from access charges?*
- *What principles should guide the allocation of responsibility for access costs?*
- *What are the merits of various alternatives to per-minute rate structures for access charge collection, including*
 - *"Channel charge:" a capacity-based measure of network use*
 - *Bulk billing based on aggregate minutes of use, or revenues*
 - *Hybrid or combination measures*

A discussion of some of these alternatives follows.

Alternative Means of Recovering Loop Costs on a Non-Traffic Sensitive Basis

Rather than collect contributions from long distance carriers based upon their presubscribed customers, as some parties have suggested, the LECs could recover these costs in several other ways. These alternatives have the advantage of collecting a portion of loop costs on a fixed basis, rather than a per-minute basis, without the shortcomings of assessing charges based on presubscribed customers. The Commission should ask for comment on each of these proposals in its forthcoming Notice.

- a. Capacity Charge. The FCC should ask whether a charge could be assessed on carriers based upon the number and type of trunks that they purchase from the ILECs. A trunk-based charge could vary based on the amount of capacity ordered by the carrier, as an estimate of a carrier's ability to use loops to originate and terminate traffic over the network.
- b. Trunk Port Charge. Another alternative is to assess a charge to each carrier based upon the number of ports, or connections it has to the local switch. The advantage of this approach is that the charge would be assessed whether the carrier purchases trunks from the ILEC or whether it purchases trunks from a CAP that terminates at the ILEC switch. Since traffic over trunks provided by CAPs that link with the ILEC switch also uses the loop, the FCC should consider requiring CAPs, or the IXCs using CAP trunks, to contribute to the costs of the loop. Since this approach would assess charges on the number of ports, or connections, rather than the size of the trunk, the charge would not be directly related to the amount of usage.
- c. Trunk Port and Line Port Charge. A variation of the Trunk Port Charge is to assess the charge based upon the number of trunk-side ports AND the number of line-side ports. If the charge is assessed only on the trunk side of the switch, carriers will have an incentive to purchase line-side access (as some ESPs do today). Since line-side access is a lower quality form of access, carriers should not be given artificial incentives to use this lower-quality access service.
- d. Bulk Billing on Aggregate Minutes of Use. Another alternative is to assess a charge to carriers based upon their percentage share of the interstate minutes of use. This is similar to the waiver that Ameritech submitted, and the FCC approved, in February of this year. This approach has the advantage of apportioning the responsibility among

carriers based upon their actual usage of the loops whether they use trunks or line-side access, and whether they use the trunks of the ILEC or a CAP. The disadvantage is that the carriers may not see this charge as much different from the current, per-minute assessment. Further, it may not be possible for ESPs to distinguish among interstate and intrastate minutes of use.

e. Hybrid Rate Structures. In addition, the FCC should ask whether the contributions should be assessed differently on different categories of users. The FCC could consider assessing each category of user (long distance, ESP, CMRS) companies a certain amount of money, and then deciding how that money should be collected for each group. For instance, a long distance company could be assessed a flat charge based on its share of interstate minutes of use, while ESPs could pay based upon the number of trunks.