

UNIVERSITY OF ILLINOIS

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Office of Vice President for Business and Finance, Comptroller
349 Administration Building
506 South Wright Street
Urbana, IL 61801

April 4, 1997

Chairman Reed Hundt
Federal Communications Commission
1919 M Street NW - Room 844
Washington, DC 20554

RE: CC Docket 96-45: Universal Service to Libraries and Schools

Dear Chairman Hundt:

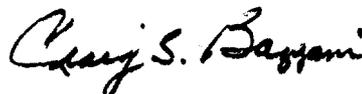
I am writing in strong support of the meaningful discounts for libraries and schools as envisioned by the Federal-State Joint Board in their Recommended Rules published last November. Since the University of Illinois plays a significant role in supporting library resource sharing and electronic database services statewide, the availability and affordability of telecommunications services are important public policy concerns to all participants—schools, colleges, universities, academic and other types of libraries.

The Recommended Rules allow libraries and schools significant discounts for the telecommunications and critical, non-telecommunications services necessary to assure that all of our libraries and schools are connected to the Internet and other on-line resources that are crucial for living in an increasingly information-driven world.

Congress passed the Telecommunications Act of 1996 with the clear intent of insuring that libraries and schools would be able to access the latest technology. By allowing significant discounts on telecommunications services, local wiring, and Internet access, the Joint Board has accurately recognized the needs of poorer schools and libraries that cannot afford such Internet connection costs. By allowing telecommunications companies and non-telco carriers to compete for discounts, the Joint Board has also recognized the need for diverse technologies to serve the diverse urban and rural areas of Illinois.

Thank you for your attention and consideration of this important matter for our libraries and schools. Appropriate actions to make universal service available to our schools, libraries, colleges and universities at discounted, affordable rates, will ultimately provide improved equity of access to information services and a better educated community. Please feel free to call on us for any further assistance or information in support of this matter.

Sincerely,



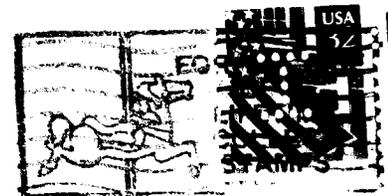
Craig S. Bazzani
Vice President for Business and Finance

bc: Bridget Lamont

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The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

April 7, 1997

Dear Commissioner Hundt:

As consumer advocates, our organizations are concerned that the Telecommunications Act of 1996 has not produced tangible benefits for consumers of telephone services. Although the Commission members and staff have made an extraordinary efforts to properly implement the Act, we believe more needs to be done to bring down the rates consumers are charged while also guaranteeing universal service, maintaining network quality and providing choice to consumers.

To make the Telecommunications Act work for residential ratepayers, federal and state regulators must encourage the entry of new service providers into local markets on a level playing field. The money consumers pay each month must be dedicated to maintaining the phone network (in which they have already heavily invested), and unnecessary charges that represent excess profits for the incumbent local phone companies should be eliminated. In this way, consumers can get lower phone rates -- without experiencing a decline in service quality or a weakened commitment to universal service.

We are working at the state level to make sure our local officials keep consumers in mind as they implement the Telecommunications Act. Consumers also have a compelling interest in the upcoming FCC decisions dealing with universal service and access charges (CC Docket Nos. 96-262 and 96-45), which will be crucial to the ultimate success or failure of the law. In its decisions, we urge the FCC to ensure that:

- **All consumers receive affordable, reliable and modern phone services.** This means specifying a basic package that includes the full range of services recommended by the Joint Board, as well as provisions to guarantee that affordable services are available to low-income residents, high-cost areas, school, libraries, and rural health care facilities.
- **The costs of guaranteeing universal service are shared fairly among all competitors.** Providing quality phone service to all consumers should not be used as an excuse by the incumbent local phone companies to continue charging inflated access charges or other excessive fees. Subsidies given to the local companies for providing universal service should be based on forward-looking costs -- so that as new technology continually drives down the price of providing phone service, rates decline accordingly. An open market will never succeed if the incumbent local phone monopolies retain excess profits and force higher costs on potential competitors and consumers.
- **Reductions in access charges are passed on to consumers in the form of lower rates.** When long-distance companies pay less to the local companies to originate and complete calls, the FCC should mandate that those savings be passed on to consumers directly in their phone bills.

■ **Telephone bill payments are dedicated exclusively to maintaining the phone network.** Local phone companies must not use profits from local phone service -- gained on the premise of maintaining the local network -- to subsidize outside business interests. The money consumers pay for local phone service should be invested in the technology and maintenance-related jobs that will assure they receive high-quality and affordable service. The FCC should set up a system for monitoring expenditures, with an eye toward ensuring that companies properly invest in the network.

Our organizations believe access charges can be reduced without raising local rates, and while still ensuring affordable, quality universal service. The local phone companies have a right to charge network users the true cost of connecting a long-distance call, but access charges are currently way too high. Of the total \$23.4 billion in access charges rung up last year, at least a third -- some \$7.8 billion -- are unnecessary and provide excess profits for the phone company, according to comments submitted to the Commission by consumer groups.¹ Even if access charges are cut by a third, \$15.6 billion remains to maintain the phone network and subsidize service to high-cost rural areas and low-income households, as well as schools, libraries and rural health care facilities. When access charges are lowered, the FCC should help ensure that long-distance rates fall by an equal amount.

In their comments to the FCC on access charges, the local phone companies propose changes which would increase basic local rates by **at least \$7 a month**, according to analysis by the Consumer Federation of America and Consumers Union. The basic rate increase would mainly come from two areas: a proposed increase in the Subscriber Line Charge and a new long-distance usage charge -- a flat fee that consumers would pay even if they do not make enough long-distance calls to justify the bulk rate. Ironically, these two fees would fall most heavily on small businesses and lower- and fixed-income residential customers who typically use the phone less. We believe the \$3.50 a month Subscriber Line Charge can be *lowered*, and that access fees can be cut without imposing new fees or jeopardizing service quality and universal service.

By reducing the access charges paid by long-distance companies and mandating that these reductions be passed directly to consumers, the FCC can guarantee immediate reductions in consumers' bills and also improve the chances for fair competition in the local telephone market. We urge you to protect the interests of consumers by delivering rate relief and assuring quality phone service.

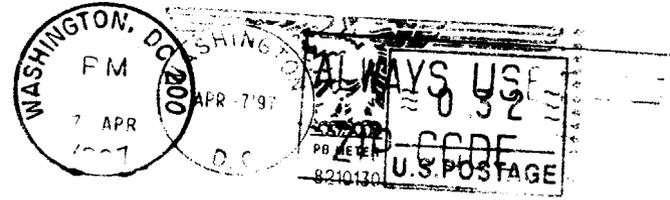
Sincerely,

American Association of Retired Persons
Consumer Federation of America
Citizen Action

¹ Initial Comments of the American Association of Retired Persons, Consumer Federation of America, and Consumers Union, January, 29, 1997, before the Federal Communications Commission in the matter of Access Charge Reform (CC Docket No. 96-262), Price Cap Performance Review for Local Exchange Carriers (CC Docket No. 94-1), Transport Rate Structure and Pricing (CC Docket No. 91-213), and Usage of the Public Switched Network by Information Service and Internet Access Providers (CC Docket No. 96-263).

Citizen Action

1730 Rhode Island Ave., N.W., Suite 403
Washington, D.C. 20036



The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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