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April 23, 1997

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Federal Communications Commission
Office of Secretary

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

Re: CC Docket Nos. 96-45 & 97-262
Ex Parte Communications

Dear Chairman Hundt,

The FCC's proposed rules on universal service and access charges threaten to raise local rates and pose special problems for low income communities. We join ***Keep America Connected*** in expressing our concern about the overall direction the FCC is pursuing and we offer, for your review, some selected comments on the Recommended Decision of the Federal-State Joint Board on Universal Service. We ask you to take a closer look at the potential effects of these actions on local rates and incentives to invest in the local network.

In the Commission's Universal Service proceeding, the United Church of Christ Office of Communication, et. al. raises serious concerns about the proposed rules, which, "erroneously seeks to limit universal service to a targeted group of consumers (low-income, and those residing in high-cost areas). This policy is contrary to the intent of the Telecommunications Act of 1996 which seeks to "rapidly [deploy] advanced telecommunications and information technologies and services to all Americans."[1]

Any regulatory policy that limits the support for basic services to a target group of consumers will do America a grave disservice in the long-run. The historic commitment to universal service has been toward the expansion of the telecommunications system in this country to reach nearly every household. The policy was carried out in a pricing system that required that all users of the network to contribute to the operation and maintenance of a high quality phone system while pricing local service at a level affordable to virtually all Americans. The new universal service rules try to change that policy into merely a targeted "fund."

The new rules would require the removal of the implicit subsidies that currently provide support for universal service. Many aspects of the current pricing scheme could be considered implicit supports or subsidies, including access charges paid by long distance companies. These are the same charges AT&T and MCI refer to as "excess charges" or "hidden taxes." The role of at least part of these fees in supporting universal service must be acknowledged by the Commission. United Church of Christ et. al. reminds the Commission that,

> The public interest requires consideration of the sharp increase in residential rates that will necessarily ensue when pricing principles suitable for competitive markets are instituted prior

[1] Comments of UCC, et. al. in the Matter of the Joint Board on Universal Service's Recommended Decision

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> to effective competition....[UCC] maintains that premature implementation of such price restructuring in non-competitive markets will result in a rash of rate hikes. Price restructuring in the absence of effective competition is inconsistent with the universal service principle of affordability. The principle of affordability requires that present pricing policies designed to keep prices down for rural and urban residential subscribers should be maintained and made available to all competitors until effective competition is in place.

The new Universal Service rules fall short in other ways, as the National Black Caucus of State Legislators correctly pointed out:

> The consideration of universal service in a competitive environment must take into account areas where the market will not go. The fact that private decision-makers will not build advanced capability in urban neighborhoods is a result of their belief that there will not be a satisfactory return on their investment. This is most certainly "high cost" under the federal definition. It is well known that Manhattan has very little broadband infrastructure above 59th Street, however, under the Board's decision, above 59th Street would not be considered a high cost area ...NBCSL believes that the Joint Board should make clear that high cost, rural areas and low income communities in urban areas are not mutually exclusive standards.[2]

The National Urban League is also "concerned that a significant portion of America's inner city communities are in danger of becoming the domain of the 'information have nots'....There are many potential public benefits that access to a viable telecommunications network and services could provide. They include increased economic competitiveness, enhanced delivery of education, greater participation in civic democracy, and enhanced medical service delivery. Given these and many other potential benefits, it is imperative that inner city communities not be placed on the wrong side of an expanding digital divide."[3]

The Commission should not rush to cut costs to providers of telecommunications services at the risk of raising costs to consumers or undermining incentives to invest in the local network. Universal service must not be simply a mechanism to keep those people who are traditionally at risk of losing phone service connected to the network. Universal service and access charge reform must guide the transition to a competitive market while preserving affordability and accessibility and respecting the incentives to invest in the network.

No one deserves a free ride or deep discounts at the expense of local ratepayers. A token contribution to a universal service "fund" is not enough to ensure a ubiquitous, modern, high capacity network that spreads to all the neighborhoods in the land. An advanced network and high technology services were promised by the brave new world of telecommunications. We intend to collect -- for all Americans.

Sincerely,

Kofi Ofori
United Church of Christ*

Lois DeBerry
National Black Caucus of State Legislators

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[2] NBCSL comments in the Matter of the Joint Board on Universal Service's Recommended Decision
[3] Urban League comments in the Matter of the Joint Board on Universal Service's Recommended Decision

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* Organization listed for identification purposes only

cc: House Commerce Committee
Senate Commerce Committee
Congressional Black Caucus
Commissioners Rachelle Chong, Susan Ness, James Quello
Secretary William Caton (two copies)

Keep America Connected!

National Campaign for Affordable Telecommunications

David Newburger, Chair
ConnectMissouri

African Methodist Episcopal Church
Al Chem
Alliance for Public Technology
Alpha Kappa Alpha
Alpha One
American Agri-Women
American Association for Adult and Continuing Education
American Beekeeping Federation
American Coalition for Ethanol
Association for Gerontology and Human Development at Historically Black Colleges and Universities
Central Alabama Health Alliance, Inc.
Communications Workers of America
ConnectMissouri
Federation of Southern Cooperatives Land Assistance Fund
Florida Association for the Deaf
Green County Democrat
MCIL Resources for Independent Living
Massachusetts Assistive Technology Partnership
Mid-America International Agri-Trade Council
Missouri Center on Minority Health and Aging
National Agricultural Aviation Association
National Association of Commissions for Women
National Association of Development Organizations
National Black Caucus of State Legislators
National Council of Senior Citizens
National Farmers Union
National Hispanic Council on Aging
National Hispanic Law Enforcement Association
The National Trust
National Latino Telecommunications Task Force
Northern Virginia Resource Center for Deaf and Hard of Hearing Persons
Palm Beach County Association of the Deaf, Inc.
Personal Family Service Corporation
Presidents Club for Telecommunications Justice
United Homeowners Association
United Seniors Health Cooperative
United States Durum Growers Association
United States Telephone Association
Universal Service Alliance
Virginia Public Interest Coalition
Wheat Quality Council
Women Involved in Farm Economics
Women of Distinction
World Institute on Disability
Youth Entrepreneurial Leadership Institute

For Immediate Release:
April 22, 1997

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URBAN GROUPS ADDRESS FCC RULING ON UNIVERSAL SERVICE AND ACCESS REFORM

Washington, DC -- A wide range of urban and minority groups today joined ***Keep America Connected*** in a letter to FCC Chairman Reed Hundt expressing concern about the overall direction of the FCC in implementing the Telecommunications Act of 1996. The signers of the letter include: National Black Caucus of State Legislators, Youth Entrepreneurial Leadership Institute, National Association of Commissions for Women, The National Trust for the Development of African American Men, and the Association for Gerontology and Human Development at Historically Black Colleges and Universities.

Keep America Connected Chairman David Newburger commended the groups on their letter, stating "This is another indication of the growing concerns raised by consumer groups over the forthcoming rulings by the Commission. We are very fearful that the public may be shortchanged by the FCC's zeal in promoting local competition at the expense of maintaining an advanced communications network for all.

In the letter, the signers indicated that "Any regulatory policy that limits the support for basic services to a target group of consumers will do America a grave disservice in the long-run. The historic commitment to universal service has been toward the expansion of the telecommunications system in this

- more -

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country to reach nearly every household. The policy was carried out in a pricing system that required that all users of the network to contribute to the operation and maintenance of a high quality phone system while pricing local service at a level affordable to virtually all Americans. The new universal service rules try to change that policy into merely a targeted "fund.""

The letter concludes that the Commission "should not rush to cut costs to providers of telecommunications services at the risk of raising costs to consumers or undermining incentives to invest in the local network. Universal service must not be simply a mechanism to keep those people who are traditionally at risk of losing phone service connected to the network. Universal service and access charge reform must guide the transition to a competitive market while preserving affordability and accessibility and respecting the incentives to invest in the network."

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