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National Centrex Users Group

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August 14, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Washington DC 20554

Dear Mr. Caton: Re: Access Charge Reform, CC Docket No. 96-262

The National Centrex Users Group ("NCUG") respectfully requests the Commission to reconsider its determination in the Access Reform First Report and Order, CC Docket No. 96-262, (FCC 97-158) in its rulemaking to modify the interstate access charge rate structure to require that the presubscribed interexchange carrier charge ("PICC") be applied on the same per line basis as the end user common line charge ("EUCL"). The Plan as presently designed would impose dramatic and unwarranted rate shock upon customers of Centrex service by applying considerably higher PICC costs than would apply to PBX systems.

NCUG has more than 2,800 members representing more than 2.5 million Centrex lines. Recent estimates indicate NCUG members spend several billions of dollars on telecommunications services and equipment each year. As heavy users of Centrex and other telecommunications services and equipment, NCUG members have a definite interest in the Commission's deliberations in this proceeding.

Because paragraph 69.153 of the Access Reform Order requires that PICCs be applied on the same per line basis as EUCLs, there will be a disproportionate assessment of PICCs on Centrex systems, and quite possibly the Centrex customer base, than there will be for PBX systems. PICC revenues recovered by local exchange carriers ("LECs") from interexchange carriers ("IXCs") serving Centrex customers will significantly exceed the PICC revenues from similarly sized PBX systems. Inasmuch as most heavy users of Centrex services are under long-term contracts with their Centrex service provider, a major portion of the Centrex customer base is contractually prevented from transitioning to a PBX system to avoid the excessive allocation of PICC that the Commission has applied to Centrex systems. For the major customers of Centrex services that are at or near the end of their Centrex contracts, it is well known that it can take up to several years to put a major Centrex system up for bid and fully transition to a PBX. Since many major customers of Centrex systems have multiple Centrex systems, the time requirements become even longer.

Implementation of the Multiline PICC will impose an unexpected and unwarranted rate shock to many customers - especially government entities. The Commission apparently expects that at lease for "the majority of multi-line customers," the savings associated with the quantity of interstate minutes that they purchase will be large enough to more than offset the new PICC fees and other flat-rate increases.

> "We believe that the approach we adopt should prvent widespread discontinuance of lines by multi-line customers. . . Moreover, we expect the rate structure modifications we adopt in this order to benefit the majority of multi-line customers through reductions in per-minute long distance rates."

We believe the Commission's analysis is flawed because it focuses upon average conditions rather that upon specific situations that confront not just some, but numerous public sector telecommunications users, particularly those conditions typical of municipal, county and state government entities whose interstate use is typically a minor fraction of their total telecommunications expenditures.

The Commission must reconsider how it has applied PICCs to Centrex systems in order to prevent major customers of Centrex services from being subjected to disproportionately higher PICC costs than customers of PBX systems.

The Access Reform Order's PICC system is going to result in higher initial PICC charges for multiline business customers than for single line and non-primary line residence and business lines. It appears that most LECs will be setting their multiline PICC rate at the initial $2.75 cap. This introduces undue rate shock to the IXCs, and ultimately the multiline business user. The rate shock on business Centrex customers is potentially even more severe. The Commission's application of subscriber line charges ("SLCs") SLC and PICC charges to Centrex systems seriously undermines the viability of Centrex systems and basically ensures that they will no longer be a competitive alternative for business customers.

Of further concern to major business customers is the fact that major Centrex customers including American business, colleges, universities and state and local governments will be the fact that the PICCs are not related to the costs incurred for the Centrex customers. The net result of the Commission's PICC rules is that like Centrex and PBX systems will not be burdened with like levels of PICC charges. This level of PICC Centrex charges unfairly subjects Centrex systems to anticompetitive and arbitrary charges which is contrary to the clear intent of Congress that subsidies be explicit and cost-based. The Commission's decision to disproportionately apply PICCs to Centrex systems disadvantages the competitiveness of Centrex systems.

The Commission's rules even appear to require that PICCs be applied to those lines that are toll restricted thereby penalizing customers that attempt to control costs and reduce the possibility of toll fraud. Many Centrex customers, both large and small, require that a portion of their Centrex lines be toll restricted. Consequently, a significant number of Centrex lines are toll restricted and not able to access the IXCs. Centrex lines that are toll restricted should not be subject to any PICC charges.

All NCUG members are Centrex users and many have in excess of 10,000 Centrex lines; some are in excess of 65,000 Centrex lines. At $2.75 per line, the resulting monthly rate impact could be enormous! Some examples of the disparity between PBX and Centrex PICC impacts are as follows:

A medium sized Centrex system (70 lines) would be similar to a 13 trunk PBX system.
A larger Centrex system (2,500 lines) would be similar to a 150 trunk PBX system.

It appears the Commission's PICC rules would disadvantage Centrex systems even though the usage on the public network would be similar to like-sized PBX systems.

Centrex customers do understand that the Commission's main focus was on other matters as it revised its complicated access charge rules. Unfortunately, without revisions to its rules, significant inequities will impact the Centrex systems that a large number of customers depend on for daily telephone service.

NCUG has ascertained that severe inequities will result from the Commission's PICC rules. Unless these rules are revised, Centrex customers' IXCs will be paying excessive PICCs that would not apply to a similar PBX system. Customer subject to long term Centrex and IXC contracts will not be able to seek other opportunities. Therefore, NCUG requests that the Commission revise its PICC rules [Paragraph 69.153(d)] so that PICC calculations and rate applications count Centrex lines using a line to trunk equivalency ratio. These equivalency ratios are found either in the local intrastate tariffs or in the absence of tariffs, there could be agreed upon industry relationships between the Centrex lines and trunks.

Respectfully submitted,

National Centrex Users Group

Raeburn B. Peppler

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President