



Ex parte Notice

February 11, 1998

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**RE: CC Docket No. 96-262/Access Reform
CC Docket No. 96-45, Universal Service**

Dear Ms. Salas:

Enclosed are copies of letters delivered today from Roy Neel, President and CEO of the United States Telephone Association, to Chairman Kennard, Commissioner Furchtgott-Roth, Commissioner Powell, Commissioner Ness, Commissioner Tristani and Richard Metzger, Chief of the Common Carrier Bureau.

An original and four copies of this notice and copies of the letters are being filed in the Office of the Secretary. Please include a copy of the notice and letters in the public record of both of these proceedings.

Respectfully submitted,

Mary McDermott
Vice President - Legal & Regulatory Affairs

- cc Chairman Kennard
- Commissioner Furchtgott-Roth
- Commissioner Powell
- Commissioner Ness
- Commissioner Tristani
- Richard Metzger

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February 11, 1998

The Honorable William E. Kennard
Chairman
Federal Communications Commission
1919 M Street, NW
Room 814
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Chairman Kennard:

As you are well aware, on January 1, 1998 a whole series of regulatory changes became effective as the Commission continued its efforts to foster and accelerate competition in all telecommunications markets. In CC Docket No. 96-45, the new universal service fund was initiated which required that all telecommunications carriers contribute to the new schools and libraries and rural health care mechanisms as well as to expanded low income and rural, high cost and insular mechanisms. In CC Docket No. 96-262, the Commission began a much-needed restructuring of interstate access charges and reduced usage-sensitive interstate access charges. The Commission directed the price cap incumbent local exchange carriers (ILECs) to recover those charges instead through more economical and efficient flat-rate charges.

As a result of the restructuring of access charges, ILECs reduced the per-minute rates paid by interexchange carriers (IXCs) by approximately \$3 billion to reflect the full amount of the reductions in usage-based charges adopted by the Commission. These reductions became effective on January 1, 1998. Of course that amount does not include the estimated \$1.7 billion in access charge reductions resulting from the operation of price cap regulation which became effective on July 1, 1997. As you know, the January 1 restructuring did not bring any new revenues to the ILECs. The restructuring did provide the IXCs with two choices to benefit consumers. They could choose not to charge the new presubscribed interexchange carrier charge (PICC) to their end user customers, thereby recognizing the savings resulting from the lower access charges or they could apply the PICC to their end user customers and lower their long distance rates.

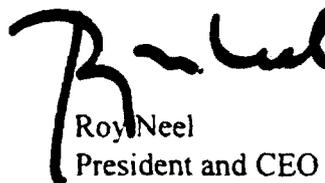
Chairman Kennard
February 11, 1998
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It is apparent that the IXC's are doing neither, but instead are billing their end user customers for both their new universal service contribution as well as the PICC without reducing their per minute toll rates. USTA has been deluged with calls from its member companies, particularly its non-price cap members who have not instituted a PICC, whose customers are confused and outraged over these new bills. I understand that the FCC has received such calls as well. The PICC is characterized as a "carrier line charge" or a "national access fee". While it may be the IXC's option to assess these new charges to their end user customers, the IXC's should not be permitted to misinform their customers, through their 800 numbers, websites and/or billing messages that these new charges are attributable to local telephone companies or that the IXC's are not profiting from these changes.

The ILECs were ordered to lower the per minute interstate access charges to IXC's and they have done so. These reductions have not been accompanied by a reduction in long distance rates, so the IXC's are indeed making a substantial, new profit. Although USTA has limited access to IXC data, USTA estimates that while experiencing an annual increase in costs of approximately \$265 million as a net result of the universal service and access restructure decisions, the IXC's have increased charges to customers by approximately \$2.3 billion with no offsetting long distance decreases.

Customers deserve an accurate and complete understanding of what these new charges are and need to know whether they will see any reduction in their long distance rates as a result of the reductions implemented by the ILECs. USTA is working now to get accurate information on these changes to its members. USTA is also willing to assist the Commission in any way it can to get this information to the public.

Cordially,



Roy Neel
President and CEO



UNITED STATES
TELEPHONE
ASSOCIATION



February 11, 1998

The Honorable Harold Furchtgott-Roth
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 802
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Commissioner Furchtgott-Roth:

As you are well aware, on January 1, 1998 a whole series of regulatory changes became effective as the Commission continued its efforts to foster and accelerate competition in all telecommunications markets. In CC Docket No. 96-45, the new universal service fund was initiated which required that all telecommunications carriers contribute to the new schools and libraries and rural health care mechanisms as well as to expanded low income and rural, high cost and insular mechanisms. In CC Docket No. 96-262, the Commission began a much-needed restructuring of interstate access charges and reduced usage-sensitive interstate access charges. The Commission directed the price cap incumbent local exchange carriers (ILECs) to recover those charges instead through more economical and efficient flat-rate charges.

As a result of the restructuring of access charges, ILECs reduced the per-minute rates paid by interexchange carriers (IXCs) by approximately \$3 billion to reflect the full amount of the reductions in usage-based charges adopted by the Commission. These reductions became effective on January 1, 1998. Of course that amount does not include the estimated \$1.7 billion in access charge reductions resulting from the operation of price cap regulation which became effective on July 1, 1997. As you know, the January 1 restructuring did not bring any new revenues to the ILECs. The restructuring did provide the IXCs with two choices to benefit consumers. They could choose not to charge the new presubscribed interexchange carrier charge (PICC) to their end user customers, thereby recognizing the savings resulting from the lower access charges or they could apply the PICC to their end user customers and lower their long distance rates.

Commissioner Furchtgott-Roth

February 11, 1998

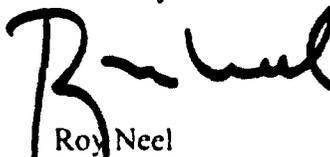
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The ILECs were ordered to lower the per minute interstate access charges to IXC's and they have done so. These reductions have not been accompanied by a reduction in long distance rates, so the IXC's are indeed making a substantial, new profit. Although USTA has limited access to IXC data, USTA estimates that while experiencing an annual increase in costs of approximately \$265 million as a net result of the universal service and access restructure decisions, the IXC's have increased charges to customers by approximately \$2.3 billion with no offsetting long distance decreases.

Customers deserve an accurate and complete understanding of what these new charges are and need to know whether they will see any reduction in their long distance rates as a result of the reductions implemented by the ILECs. USTA is working now to get accurate information on these changes to its members. USTA is also willing to assist the Commission in any way it can to get this information to the public.

Cordially,



Roy Neel
President and CEO



February 11, 1998

The Honorable Michael K. Powell
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 844
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Commissioner Powell:

As you are well aware, on January 1, 1998 a whole series of regulatory changes became effective as the Commission continued its efforts to foster and accelerate competition in all telecommunications markets. In CC Docket No. 96-45, the new universal service fund was initiated which required that all telecommunications carriers contribute to the new schools and libraries and rural health care mechanisms as well as to expanded low income and rural, high cost and insular mechanisms. In CC Docket No. 96-262, the Commission began a much-needed restructuring of interstate access charges and reduced usage-sensitive interstate access charges. The Commission directed the price cap incumbent local exchange carriers (ILECs) to recover those charges instead through more economical and efficient flat-rate charges.

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Cordially,



Roy Neel
President and CEO



February 11, 1998

The Honorable Susan Ness
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 832
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Commissioner Ness:

As you are well aware, on January 1, 1998 a whole series of regulatory changes became effective as the Commission continued its efforts to foster and accelerate competition in all telecommunications markets. In CC Docket No. 96-45, the new universal service fund was initiated which required that all telecommunications carriers contribute to the new schools and libraries and rural health care mechanisms as well as to expanded low income and rural, high cost and insular mechanisms. In CC Docket No. 96-262, the Commission began a much-needed restructuring of interstate access charges and reduced usage-sensitive interstate access charges. The Commission directed the price cap incumbent local exchange carriers (ILECs) to recover those charges instead through more economical and efficient flat-rate charges.

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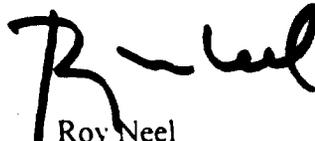
Commissioner Ness
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Cordially,



Roy Neel
President and CEO



February 11, 1998

The Honorable Gloria Tristani
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 826
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Commissioner Tristani:

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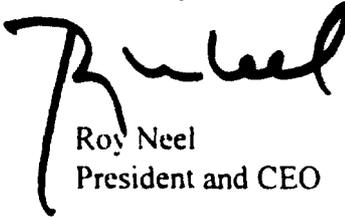
Commissioner Tristani
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Cordially,



Roy Neel
President and CEO



February 11, 1998

Richard Metzger
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW
Room 500
Washington, D.C. 20554

Re: Customer Impact of New IXC Charges

Dear Mr. Metzger:

As you are well aware, on January 1, 1998 a whole series of regulatory changes became effective as the Commission continued its efforts to foster and accelerate competition in all telecommunications markets. In CC Docket No. 96-45, the new universal service fund was initiated which required that all telecommunications carriers contribute to the new schools and libraries and rural health care mechanisms as well as to expanded low income and rural, high cost and insular mechanisms. In CC Docket No. 96-262, the Commission began a much-needed restructuring of interstate access charges and reduced usage-sensitive interstate access charges. The Commission directed the price cap incumbent local exchange carriers (ILECs) to recover those charges instead through more economical and efficient flat-rate charges.

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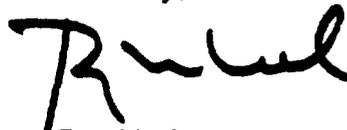
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Cordially,



Roy Neel
President and CEO