



Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Mr. Albert J. Emory
3050 Three Rod Road
East Aurora, NY 14052

Dear Mr. Emory:

Thank you for your letter to Chairman William E. Kennard regarding a line item that has been added by your carrier to your telephone bill to recover its contributions to the universal service support mechanisms. Chairman Kennard has asked me to respond to your inquiry.

Long distance companies have been indirectly bearing the costs of universal service for many years, but have only recently been assessing these costs through specific line items on customers' bills. I therefore urge you to look at the bottom line on your phone bills to determine the impact on your rates. Average long distance rates have continued to decrease. Thus, the appearance of a separate line item attributed to universal service does not necessarily reflect an increase in your overall cost of phone service.

Unlike a tax, the primary purpose of the universal service contributions is not to raise revenues. The current universal service support mechanisms originate from the Telecommunications Act of 1996 (1996 Act). In the 1996 Act, Congress amended the Communications Act of 1934 (Act) by, among other things, adding Section 254 to the Act. Section 254(b) states that, "[a]ll providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service," through "specific, predictable and sufficient Federal and state mechanisms." Although universal service support for carriers serving high cost areas and for low income consumers has been provided for decades, in the 1996 Act, Congress expanded universal service goals to ensure the nation's classrooms and libraries receive access to the vast array of educational resources that are accessible through the telecommunications network. These support systems also will link health care providers located in rural areas to urban medical centers so that patients living in rural America will have access, through the telecommunications network, to the same advanced diagnostic and other medical services that are enjoyed in urban communities. To accomplish these goals, the Act mandates that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service."

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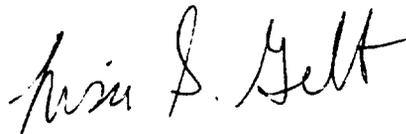
On May 7, 1997, the Commission adopted an Order to implement the Federal-State Joint Board's recommendations on universal service as required by the Telecommunications Act of 1996 (1996 Act). The Commission established universal service support mechanisms that fulfill Congress's goal, as stated in Section 254 of the 1996 Act, of ensuring that affordable, quality telecommunications services are available to all American consumers, including low income consumers and those located in high cost, rural, and insular areas. Universal service support for carriers serving high cost areas and for low income consumers has been provided for decades.

In the 1996 Act, Congress required all telecommunications carriers that provide interstate telecommunications services to contribute on an equitable and nondiscriminatory basis to universal service. The Commission implemented this statutory provision by requiring all such telecommunications carriers to contribute to the universal service support mechanisms. Neither Congress, nor the Commission, requires such carriers to pass this contribution on to their customers. To the contrary, carriers decide how and to what extent they recover their contributions. Carriers, however, may not mislead customers as to how they recover contributions and may only recover an equitable share from any particular customer.

The Commission is monitoring the universal service support mechanisms and their impact on telephone ratepayers. This issue will be carefully reviewed as the support mechanisms are administered.

Your letter has been placed in the official public record of the universal service proceeding (CC Docket No. 96-45). I appreciate your interest and views on these important issues.

Sincerely,



Lisa S. Gelb
Chief
Accounting Policy Division
Common Carrier Bureau

980444

3050 Three Rod Road
East Aurora, NY 14052
June 30, 1998

OFFICE

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RECEIVED

Mr. William Kennard, Chairman ✓
Federal Communications Commission
1919 - M Street, N.W.
Washington, D.C. 20554

Subject: Universal Service Order - 5/7/97

Dear Commission Kennard:

As a consumer of telephone service, I am extremely concerned about the above FCC order and the additional 5% tax that it will impose on my telephone bill.

I have already had a number of telephone contacts with individuals in your office; with my congressman, Jack Quinn, and with my long distance carrier, AT&T. I have attempted to contact you personally; but you directed my call to Linda P. Armstrong. She was kind enough to send me information concerning the above order.

The Telecommunications Act of 1996, dated 2/8/96, begins with the statement ---- "An Act to promote competition and reduce regulation in order to secure lower prices and higher quality service for American telecommunication consumers ---." It would appear that the FCC Order referenced above has bastardized the intent of this telecommunication act and has resulted in more regulation and much higher cost to individual citizens.

I have copies of (2) letters, one from congressman Jack Quinn to your attention, dated 2/3/98; and a second from Chairman Tom Bliley, House Commerce Committee to Jack Quinn, dated 5/18/98, which share my concerns.

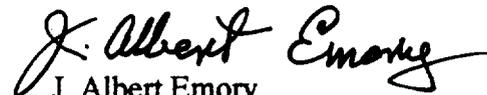
Our concern is that you have overstepped your authority by imposing an additional tax on all American consumers. As an appointed (non-elected) official, you do not have the authority to impose additional taxes on the American public. It is illegal and unconstitutional. It is a case of taxation without representation. May I state again that the Telecommunications Act of 1996 did not grant you this authority nor authorize any such tax. May I also remind you that taxes by any other name are still taxes.

An additional letter from AT&T to my attention, dated 6/15/98, estimates the Universal Service Fund at 4.4 billion dollars by the end of 1998; they also state that this is three times its original size before the Universal Service Order was issued 5/7/97. AT&T also estimates their 1998 cost for the Universal Service Fund at 1.3 billion dollars. This is certainly not a reduction in telecommunication cost for the average American consumer.

Chairman Kennard, I believe you owe the American Public an explanation for your actions, as they pertain to the above facts. We are not stupid and we know when we are being had. The statement which you issued on 6/12/98 is not sufficient. It does not explain your violation of our constitutional rights. I would point out again that you are an appointed official, not elected. You do not have the authority to tax us. You failed to mention that 80% of the public schools are already connected to the Internet and that any student who is so motivated can readily take advantage of this service. Students who can afford a \$90.00 pair of Reebok sneakers can certainly afford to get on the Internet. You are addressing a problem that does not exist. The question I would ask is --- How can such a high level government official issue such a pathetic statement, devoid of any factual information? It contains nothing more than liberal BS.

The public's immediate solution to this problem is simple. Deduct all future FCC charges from our phone bills; paying only for services received. If you can exercise unauthorized authority perhaps the public can do likewise.

Yours truly,



J. Albert Emory

Quality Engineer, Retired

copies: Tom Bliley, Rep. from VA
Alfonse D'Amato, NY Senator
Newt Gingrich, Speaker of the House
Patrick Moynihan, NY Senator
Jack Quinn, Rep. from NY
Billy Tauzin, Rep. from LA
Linda Armstrong, FCC Administrator
Diallo Jones, AT&T Representative
Assorted News Media & Internet

enclosures: 4

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NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC. 515 F 2d 385 (D.C. Circ 1974).

June 12, 1998

STATEMENT OF CHAIRMAN WILLIAM KENNARD ON FCC ADOPTION OF PLAN TO REFORM SCHOOLS AND LIBRARIES DISCOUNT PROCEDURES

Today the Commission took a number of actions to put the e-rate initiative on solid footing before a single dime is spent. We've made sure the neediest kids get Internet access, we've reorganized the administrative structure by combining two corporations into one, we've reduced overhead by lowering CEO salaries. I'm also proposing "truth-in-billing" to require carriers to tell consumers the whole truth about their phone bill. The truth is, long-distance rates have never been lower and the e-rate will not cause any consumer's rates to increase.

Today's actions respond as fully as possible to the concerns voiced by Congress, yet reflect my unshakable commitment to implementing the Telecommunications Act's directive that schools, libraries, and rural health centers are afforded access to communications.

My grandfather made sure my father received an education, and that resulted in education and opportunities for me. The e-rate is about providing our children an education that will unlock opportunities in the future.

This Nation has an obligation to make sure our neediest kids have an on-ramp to the network that leads to tomorrow's opportunities.

I hope our actions will allow us to get past the controversies, distractions, and false choices, and focus on the promise that communications holds for education, for communities, and for rural health care.

- FCC -

Citation
PL 104-104, 1996 S 652
PL 104-104, February 8, 1996, 110 Stat 56

Found Document

Rank 1 of 1

Database
US-PL-OLD

Page 1

(Cite as: 110 Stat 56)

**UNITED STATES PUBLIC LAWS
104th Congress - Second Session
Convening January 3, 1996**

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Additions and Deletions are not identified in this document.

PL 104-104 (S 652)
February 8, 1996
TELECOMMUNICATIONS ACT OF 1996

An Act to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Page 2

(Cite as: 110 Stat 56)

Sec. 1

SECTION 1. SHORT TITLE; REFERENCES.

Sec. 1(a)

<< 47 USCA § 609 NOTE >>

(a) **SHORT TITLE.**--This Act may be cited as the "Telecommunications Act of 1996".

Sec. 1(b)

(b) **REFERENCES.**--Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Communications Act of 1934 (47 U.S.C. 151 et seq.).

Sec. 2

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

- Sec. 1. Short title; references.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.



P.O. Box 720730
Atlanta, GA 30358

June 15, 1998

J Albert Emory
3050 Three Rod Rd
East Aurora, NY 14052-9587

(716) 655-9949

Dear Mr. Emory:

Thank you for your inquiry regarding the Carrier Line Charge. We hope you find this letter helpful in further understanding recent changes in the telecommunications industry.

In 1998, the entire telecommunications industry will experience "access reform". This reform is a result of the Telecommunications Act of 1996, through which Congress gave the Federal Communications Commission the responsibility of implementing access reform. In May 1997, the FCC issued two companion orders:

1. The UNIVERSAL SERVICE ORDER - This order expanded the Universal Service Fund (USF) which will support telecommunications services for schools, libraries, low-income consumers, rural healthcare providers and high-cost, rural and insular areas.
2. The ACCESS CHARGE REFORM ORDER - This order restructured the way access charges are collected, and established Presubscribed Interexchange Carrier Charge (PICC), a charge that Interexchange Carriers will pay Local Exchange Carriers. The charge is based on the number of telephone lines subscribing to a long distance company, and is based on two components; a primary line rate of \$0.53 and a non-primary line rate of \$1.50.

Access reform will affect every Interexchange Carrier (IXC) in the industry, including AT&T. To date, access reform has resulted in only a small decrease in the switched access charges IXCs pay to local phone companies. Meanwhile, the new expenses that IXCs incur are substantial. The Universal Service Fund, which is estimated to be \$4.4 billion in 1998, is three times the size it was before the order. (AT&T expects to pay nearly \$1.3 billion into the Universal Service Fund in 1998.) AT&T further expects its 1998 PICC expense to be \$1.0 billion.

To recover expenses associated with the Access Charge Reform Order, AT&T assesses a new line item charge on residential customers. This charge, the Carrier Line Charge, recovers costs associated with PICC. AT&T, as well as other long distance companies, has chosen to use the flexibility granted by the FCC in its Access Reform Order to recover a portion of the restructured access cost in the form of a monthly fee. This fee is design to recover the average per customer charges



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Congress of the United States

House of Representatives
Washington, D.C. 20515-3230

February 3, 1998

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BUFFALO, NY 14208
(716) 386-4075

Mr. William Kennard
Chairman
Federal Communications Commission
1919 M St. NW
Washington, D.C.

Dear Chairman Kennard,

I am writing today to request a meeting with you at your earliest convenience to discuss the new federal universal service programs. Several of my constituents have recently written or called my office to express their displeasure with the additional fee which is now being tacked on to their phone bills. Some of my constituents have advised me that they are no longer able to pay their entire bill.

I am concerned that the Federal Communication Commission may have taken it under their own authority to create and implement the new federal universal services. When I voted for the Telecommunications Act of 1996, it was my understanding that Section 234 did not mandate such a program. The congressional intent of this section was to offer a monetary discount to schools, health care facilities and libraries in obtaining internet connection.

I am concerned that the impact of the funding for the new federal universal service programs will have an adverse effect on the American consumer. The costs for the services are being paid for by the long distance carriers and commercial mobile radio services. These expenses are now being funneled down to the consumer. Many Americans are now paying more for their telephone service to cover the cost of the new federal universal service programs.

I would like to meet with you at your earliest convenience to discuss how the fee was initiated, and what I may do to alleviate my constituent's concerns. Thank you in advance for your attention to this matter. I look forward to your timely response.

Very truly yours,

Jack Quinn
Member of Congress