AARP

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November 12, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: CALLS Proposal, CC Docket Nos. 96-262, 94-1, 99-249, and 99-45

Dear Ms. Roman Salas:

AARP hereby submits its comments on CC Docket Nos. 96-262, 94-1, 99-249 and 99-45 regarding the CALLS proposal. We have included the original and nine additional copies for distribution to the five Commissioners and relevant staff as well as diskette containing our comments.

If any questions arise, please give me a call at 202/434-3804.

Sincerely,

Jeff Kramer
Legislative Representative

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601 E Street, NW Washington, DC 20049 (202) 434-2277 www.aarp.org
Joseph S. Perkins *President* Horace B. Deets *Executive Director*

Before the
Federal Communications Commission
Washington, D.C. 20554

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
	)	
Low-Volume Long Distance Users	)	CC Docket No. 99-249
	)	
Federal-State Joint Board On Universal Service	)	CC Docket No. 96-45
	)	

COMMENTS OF

AARP

November 12, 1999

AARP appreciates the opportunity to comment on this Notice of Proposed Rulemaking (NPRM), seeking comment on a proposal submitted by the Coalition for Affordable Local and Long Distance Services (CALLS) to the Federal Communications Commission (FCC) on July 29, 1999. According to the proponents of the CALLS petition, the plan would streamline rate structures, simplify common line charges and create an explicit universal service fund. AARP has serious concerns regarding the impact implementation would have on consumers.

In the fifteen weeks since the submission of the CALLS proposal, AARP has carefully reviewed this petition in an effort to gauge the impact such a proposal would have on our membership. In addition to internal discussions, we have met with representatives of CALLS and with their various members on a number of occasions. AARP staff also participated in an oral ex parte discussion with Commission staff to seek answers to questions we raised about the proposal. Throughout the discussions we have appreciated the openness and candor of the representative parties in response to the concerns AARP has articulated.

Despite the efforts of the above parties, however, we have not been able to reach a consensus. Therefore, AARP is asking the Commission to reject the CALLS proposal as currently drafted. Our reasons for asking the Commission to reject the proposal center around the impact that implementation of the plan will have on consumers immediately and for the foreseeable future. Specifically, AARP is concerned that the consolidation of the subscriber line charge (SLC) and the primary interexchange carrier charge (PICC) will produce an immediate increase in all consumers' bills and over time will continue to adversely affect low-volume long distance users. We are also disturbed by the possibility that such a move may institutionalize the SLC. We have long supported the elimination of the SLC. Another concern is that no details have been provided as to how cost savings to the carriers effected by the CALLS plan will be passed through to consumers. Further, (in violation of Section 254 (k) of the Telecommunications Act of 1996), the CALLS proposal would relieve the interexchange carriers (IXCs) of their obligation to pay for a portion of the local loop. Finally, AARP believes that the proponents of the CALLS proposal are placing an unrealistic burden on consumer education campaigns as the means for consumers to benefit from the changes the CALLS proposal will generate.

Consolidation of Line Item Charges

The CALLS proposal seeks to revise the current system of common line charges by combining existing carrier and subscriber charges into one flat-rated subscriber line charge (SLC). This new charge will be capped at $5.50 initially, increasing to $7.00 by the year 2003. The consolidation of these two charges impacts consumers directly in several ways. First, consumers will pay more for the combination of the two charges than they would have separately. Currently, consumers pay a total of $5.00 for the two charges. Under the CALLS plan, consumers of local service will be billed for more of the interstate common line costs and traffic-sensitive costs than they have in the past. Transferring these charges to the local portion of the bill makes local phone service less affordable, and ensures that all but the high-volume long distance user would continue to pay more for the total bill.

Second, the combined charge would appear on the local service portion of the consumer's bill, meaning that non-payment of the charge could lead to loss of local service. This is a significant change. Currently, the carrier line charge is part of long-distance service and non-payment does not impact local service delivery.

Third, the Federal Excise Tax portion of a consumer's bill is levied on local service. Therefore, since the local service portion of a consumer's bill will increase, the tax a consumer pays will increase as well.

Institutionalizing the Subscriber Line Charge (SLC)

A by-product of the CALLS petition plan to combine the subscriber line charge and the carrier line charge would be effectively to institutionalize the subscriber line charge, making it a part of consumers' phone bills for years to come. AARP believes the SLC should be reduced, if not outright eliminated. The SLC has served as a cost recovery mechanism for the local exchange companies and in our view such a mechanism is no longer necessary. The telecommunications service industry has changed dramatically since the institution of the SLC. While the local exchange companies once offered only dial tone service, they are now offering a menu of choices, attractive mostly to the high-end user. Despite the change in the marketplace and the focus on promoting advanced services, the SLC continues to be assessed to all consumers as a method of cost recovery. AARP believes that the charge should be competed away or eliminated rather than serving as a non-declinable profit maker.

Cost Savings Pass Through

The proponents of the CALLS proposal argue that streamlining the rate structure will enable both the interexchange carriers and the local exchange carriers to save money. They contend that these cost savings will flow through to consumers and point to an Alliance for Public Technology (APT) study which concludes that the CALLS plan will increase residential "consumer welfare" by $1.2 billion annually. AARP is concerned however, that this conclusion is based on the premise that the long-distance companies will fully pass through access charge reductions to their customers, an assumption that runs contrary to current industry practice regarding cost savings. For example, while the local exchange carriers charge long distance companies $1.04 per month in switching costs for each primary line residential and single line business customer, the three major long distance companies impose a primary interexchange carrier charge (PICC) charge of $1.50 on all of these customers' bills. This is a $.46 per line bonus for the carriers, rather than a $.46 reduction for consumers. Further, the CALLS plan offers no commitment on how or to what extent access charge reductions will be passed through to customers.

AARP is also concerned that the APT analysis does not sufficiently explain how its $1.2 billion estimate is calculated. For example, under the CALLS proposal once the productivity factor drives access charges down to a certain level, the productivity factor is tied to the rate of inflation, essentially freezing any further access charge reductions. The APT analysis makes no mention of this item in its analysis.

Even if the illusory promise of lower per minute charges were to be realized, consumers would still be saddled with surcharges and fees -- including a new universal service line-item fee to be imposed on local service -- passed through by telecommunications service providers to ensure cost recovery. The increase in both the dollar amount and the number of these fees makes it virtually impossible for low-volume long distance consumers – many of whom are AARP members -- to benefit from the savings companies may be realizing.

Abdicating Responsibility

AARP strongly advocates the proper allocation of common costs, a concept which has application to a number of different practices within the utility industry. The rationale for such an approach is that all parties should pay their fair share. In today's telecommunications industry, because local exchange companies have possessory rights to the wire that enters a consumer's household (the local loop), interexchange companies must pay a fee to local exchange companies for the use of that line to provide long distance service. Under the CALLS proposal, the combination of the subscriber line and carrier line charges will relieve the interexchange companies of their obligation to pay for a portion of the cost of the local loop. Therefore, in addition to generating increased costs, the long distance companies would relinquish their responsibility to pay for the joint and common costs of the local loop.

Overreliance on Consumer Education

Finally, AARP would like to comment on consumer education. A consumer education component was not included in the CALLS proposal as submitted to the Commission, but it has been vigorously discussed in meetings between AARP staff and CALLS proponents as well as during the AARP staff ex parte presentation to the Commission.

Consumer education is a priority for AARP. We have implemented a number of successful programs designed to inform consumers about products and services being offered in the marketplace. In the past few years we have reached out to AARP's membership to inform them about changes in the rapidly developing telecommunications arena. However, while these efforts have provided many consumers with the information necessary to make educated decisions, consumer education alone cannot compensate for bad public policy.

AARP is concerned that if the CALLS petition as submitted is adopted, the Commission and the carriers will rely on consumer education campaigns to prevent residential consumers from being harmed. Under the CALLS plan it appears highly unlikely that low-volume long distance users could avoid being adversely affected even if they evaluated calling plans and defined their calling patterns.

Clearly, AARP believes that competition in all areas of the telecommunications industry is of benefit to consumers. Further we recognize that consumers must take actions such as changing calling plans or long distance providers to benefit from it. However, we believe that implementation of this plan would bring harm to consumers who either were not informed, or chose not to act.

Conclusion

AARP recognizes that the agreements reached by the various members of the CALLS group prior to submitting the proposal did not come without a great deal of compromise. We also recognize that considerable thought went into devising an explicit universal service fund and an expanded Lifeline program. We appreciated the opportunity to discuss this proposal over the past few months with the relevant parties.

Regrettably, for the reasons we have stated, AARP must urge the Commission to reject the CALLS petition as proposed.

We thank the Commission for seeking comment on this proposal and we look forward to working with all parties to ensure that the expanding telecommunications marketplace serves all consumers.

Sincerely,

Martin A. Corry
Director
Federal Affairs