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December 16, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Ex Parte Communications CC Docket No. 94-1, CC Docket 96-45, CC Docket 99-249 and CC Docket 96-262

Dear Ms. Salas:

Pursuant to the rules of the Federal Communications Commission concerning ex parte communications, the attached letter has been sent, under separate cover, to Chairman Kennard, Commissioners Ness, Powell, Furchtgott-Roth and Tristani as well as staff in the Common Carrier Bureau.

If I can provide any additional information concerning this communication, please feel free to contact me.

Sincerely,

Stephen L. Jacobs
Vice President and Senior Counsel

Computer & Communications Industry Association

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Edward J. Black
President & CEO

December 16, 1999

Hon. William Kennard, Chairman
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D. C. 20554

Dear Mr. Chairman:

On behalf of the members of the Computer & Communications Industry Association (CCIA), I want to urge the Federal Communications Commission (FCC) to approve, as expeditiously as possible, the proposal recently submitted by the Coalition for Affordable Local and Long Distance Service (CALLS) concerning access charges.

CCIA is a diverse trade organization, whose membership consists of a broad, cross-section of the industry -- small, medium and large companies representing all segments of the computer and communications industry. Our member companies manufacture equipment, develop software, provide telecommunications and online services, and integrate systems, among other business endeavors. In addition to companies such as AT&T and Bell Atlantic, our members range from Sun Microsystems to Yahoo, from Oracle to Nortel, and from Amdahl to Intuit. We have an historical commitment to openness and competition and believe we are uniquely positioned to appreciate the value of major policy initiatives as these and other companies seek to meet consumer demand for better voice and data services and faster transmissions.

While there are several reasons to recommend adoption of this proposal, which I will address momentarily, its greatest value to many of CCIA's members is that it very well may hasten deployment of broadband services and permit needed and dynamic growth in the Internet backbone. In our view, this proposal provides sufficient assurance and stability to promote wise investment in Internet backbone expansion, greater reliance on fiber optic cable, and delivery of broadband services to the home and office. While acknowledging that there are other statutory and regulatory burdens to clear, CCIA has been a strong proponent of rapid deployment and expansion of broadband services. The FCC shares this policy goal, and you now have the opportunity to bring this goal much closer to fruition. This proposal, if adopted in a timely fashion, is likely to promote incentives for the financing and construction of a network capable of delivering greater interactivity and more robust video and audio services with quicker transmission rates for all consumers.

The plan put forth by CALLS appears to provide benefits to virtually all parties interested in sound telecommunications policy. Consumers benefit because a $650 million fund is explicitly established to preserve Universal Service, a cornerstone telecommunications policy goal. Additionally, consumers will benefit from lower long distance costs because of the competition that exists in the long distance market. CCIA is well aware of the charge that long distance rates, which have gone down in the past, have not necessarily brought widespread benefits to consumers, in particular to low volume users. Nevertheless, it is reasonable to expect that all users of long distance services, including low-income users, should realize some financial benefit from a reduction of over $ 5 billion in long distance charges. Certainly, the Inter Exchange Carriers (IXCs) are in the position to develop plans that allow all consumers to share in the benefits of a reduction this large. The proposal benefits low-income customers a second way since the residential pre-subscribed interexchange carrier charge (PICC) is eliminated and the subscriber line charge (SLC) is waived through universal service support. Therefore, fixed monthly charges for lifeline support customers will drop. Finally, it consolidates and simplifies the current system of charges into a single charge that will be identifiable to the consumer and all other parties.

For the incumbent local exchange carriers (ILECs) it provides a measure of certainty concerning their network. Specifically, the amount of money that the IXCs will contribute for their use of the local exchange network would now be set for about five years. The ability of the ILECs to plan and budget for improvements in the local network will be made easier and as mentioned earlier, it clearly sets the stage for broadband deployment on a faster scale. The ability to obtain regulatory certainty for a period of five years will aid the ILECs and other telecom companies in the investment community. By recovering costs, preserving a set amount of money for universal service in an economically efficient manner, and driving access costs closer to true cost levels, this proposal ensures a high measure of certainty for all companies. As you have stated in the past, certainty is a necessary component for continued and robust capital expansion.

It should also be noted that one of the largest impediments to moving forward in promoting competition in local service has been the ability, or lack thereof, to address access charges and assure a pool of revenue for universal service. To be sure, there are other issues to be addressed, but approval of the CALLS plan would resolve the issue of apportioning cost in local exchange access in a manner that advances the policy goal of universal service.

Finally, for the IXCs, the goal of driving access charges closer to cost will have been significantly advanced. The issue of the subsidy to be paid by IXCs for local exchange access has been a constant problem since shortly after the AT&T divestiture. Since passage of the Communications Act of 1996, the ability to compete in the local market has been limited by the level of subsidy provided for local access. This agreement, by bringing access charges closer to a cost-based fee should allow for lower long distance rates and increased local competition. Furthermore, it is likely that at the conclusion of the five-year period of forbearance, a more robust competitive market and the expected

growth of Internet Telephony will serve to keep access charges level, if not to drive them downwards to a true cost-based fee.

As with any plan this is not perfect and it is possible to find several areas that may deserve criticism. However, in promoting the cause of universal service, clearing the way for local competition, and bringing long distance rates down by moving closer to a cost-based charge for access, this compromise plan has moved the telecommunications industry closer to successfully addressing access rate reform than it has ever been before. For CCIA and many of its members, it also brings the nation significantly closer to accelerated deployment of broadband services and the installation of larger backbones, with greater capacity and faster speeds.

The FCC shares all of these policy goals. The Commission has repeatedly endorsed universal service, greater local competition, lower long distance rates and broadband deployment. This proposal may not have been the method in which the FCC expected to reach these goals, and admittedly there is more work to be done. However, we believe this blends effectively with the FCC's own goals for the telecommunications industry.

We urge the Commission to refrain from amending this plan to any great degree. While there is always an understandable desire to rework a proposal such as this, CCIA is concerned that substantial changes to the CALLS proposal could drive the original parties to the agreement away. The proposal deserves prompt approval as it represents a positive step forward in advancing competition, investment, and growth in our telecommunications system.

Sincerely,

Ed Black

cc: Mr. Larry Strickling
Mr. James D. Schlichting
Ms. Jane Jackson