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National Grange

of THE ORDER of PATRONS of HUSBANDRY

A New Century - A New Grange

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

February 24, 2000

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 BY THE NATIONAL GRANGE OF THE ORDER OF PATRONS OF HUSBANDRY

1.0 INTRODUCTION

1.1 The National Grange of the Order of Patrons of Husbandry (Grange) is this nation's oldest general farm and rural public interest organization. The Grange currently represents approximately 300,000 individual members affiliated with 3600 local Grange chapters in 37 states.

1.2 The Grange submits these comments in response to the Commission's Notice of Proposed rulemaking in the above referenced dockets. That NPRM seeks public comments regarding a proposal submitted by the Coalition for Affordable Local and Long-Distance Service (CALLS) on July 29, 1999 to reform interstate telephone access charges and universal local telephone service programs. The program as implemented over five years would cover price cap incumbent local exchange carriers that elect to participate in the plan proposal as outlined in the CALLS petition.

1.3 The Commission has requested public comments on this proposal. As further explained below *the Grange supports the CALLS proposal and recommends that the FCC adopt the proposal. We further urge the FCC to consider certain modifications to the CALLS proposal to reduce the detrimental impacts on rural areas from certain aspects of the CALLS proposal and to assure that the benefits of increased competition for rural telephone customers actually begin to accrue to those customers, as predicted.*

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2.0 BENEFITS OF THE CALLS PROPOSALS TO TELEPHONE CUSTOMERS IN RURAL AMERICA

2.1 The proponents of the CALLS proposal predict significant economic benefits from the adoption of this proposal for rural telephone customers. After an analysis of the CALLS proposal, the Grange agrees that the following four benefits are likely to accrue to rural phone customers from implementation of the CALLS proposals.

2.2 First, the CALLS proposal would combine the current subscriber line charge (SLC) with the current prescribed interexchange carrier charges (PICCs) and affix that newly combined charge on to local telephone service. CALLS predicts that this proposal will reduce interstate long distance charges as the forces of competition eventually require long distance telephone service companies to pass on the benefits of lower regulatory charges, that were previously hidden and buried in their rates structure, on to their customers. *The Grange strongly supports regulatory measures to reduce long distance charges in rural areas.*

2.3 Second, CALLS proponents also predict that another outcome of competitive long distance pricing will eventually be flat rate, unlimited service pricing for long distance service in rural areas. *The Grange strongly supports the introduction of flat rate, unlimited long distance service pricing in rural areas.*

2.4 Flat rate long distance pricing would be especially advantageous in rural areas where there is currently no local ISP service for connection to the Internet. Rural residents who wish to connect to the Internet in areas that are not served by a local ISP service must incur either basic long distance charges or "1-800" service charges that are based on time usage. In many rural areas the telecommunications infrastructure will not even support 56K baud transmission rates. This slows the transmission time to and from the ISP services for rural customers, increasing the total time they must spend on-line. As such, the combination of slow capacity transmission over the existing infrastructure and per minute long distance charges is keeping many rural residents, farmers and small businesses from taking advantage of Internet technology to the extent that urban residents and businesses are. Flat rate unlimited service long distance pricing would not entirely remove the current disparity between the costs of access to the Internet for rural and urban consumers. But it would be a tremendous step forward beyond the situation we find in rural areas currently.

2.5 Third, the CALLS proposal supports the creation of a new universal service safety net, in the form of a Universal Service fund (USF) as a counter part to the long distance rate restructuring proposals in the other portions the CALLS proposal. Specifically, CALLS recommends an additional $650 million per year in explicit universal service support payments for high cost rural local phone service customers in order to mitigate the effects of removing current long distance service charges that have indirectly subsidized local rural phone service. According to estimates provided by the telecommunications companies supporting the CALLS proposal, over the next tens years this Universal Service Fund could provide supplemental financial assistance totaling as

much as $6.5 billion to cover costs of providing basic residential and single line business phone service to more than 23 million rural phone subscribers. *The Grange strongly supports the creation a rural Universal Service Fund to assure the continuation of universal phone service to all local phone service customers in rural areas.*

2.6 Fourth, the USF program is also designed to increase competition in the market to provide basic phone service in rural areas. The USF portion of the CALLS program would allocate funds on the basis of the individual phone lines that are eligible to receive USF support payments. Local phone companies that serve USF eligible customers would receive supplemental funding through the USF program for each eligible rural phone line in their service area. However, in the event that an eligible rural phone customer transfers their basic service from their existing local phone company to a new local phone company, the USF payment would follow the customer to the new phone company. The CALLS proposal would structure the USF funding program to assure basic local phone service for millions of rural Americans. It would also structure a substantial $6.5 billion subsidy program in such a way that would make rural customers more financially appealing to new firms looking to enter the market for local phone service in rural areas. *The Grange supports structuring a rural Universal Service Fund in such a way as to encourage further competition in the delivery of local phone service to rural customers.*

3.0 CHALLENGES TO RURAL AREAS FROM THE CALLS PROPOSAL

3.1 The Grange recognizes that the CALLS proposal also would create challenges for rural phone subscribers as well. *However, in consideration of the benefits and challenges arising from the proposal, our conclusion is that the benefits substantially out weigh any risks to the continuation of affordable basic phone service in rural America.* Our support for the CALLS proposal would be stronger if the FCC were to consider implementing minor amendments to the CALLS proposal to mitigate the negative factors we have identified in the proposal.

3.2 First, consolidating the existing monthly long distance and local service fee rates (known as SLC and PICC fees) on to one basic rate attached to local phone service is predicted to result in increased monthly service charges for rural phone subscribers. The CALLS proposal would consolidate existing local Subscriber Line Charges (SLC) and long distance Presubscribed Interexchange Company Charges (PICC) into a single new SLC. The maximum tariff rate for the new SLC would be allowed to increase from $5.50 per month to $7.00 per month. CALLS proponents acknowledge that SLC tariffs assessed to phone lines in urban and suburban areas are unlikely to result in any significant increase in charges assessed to phone subscribers due to competitive environments for local phone service in these high volume markets. Instead, local phone companies are predicted to absorb portions of the SLC charges in these markets in order to maintain market share. In predominantly rural phone markets however, CALLS supporters acknowledge that local residential phone subscribers could pay an additional $2.00 per month in SLC charges by 2003 due to a lack of competitive markets for local phone service in these areas. The net effect would be higher local phone service access charges in rural areas. These charges would be higher than current SLC charges in rural

areas and higher than comparable SLC charges that would be assessed in urban and suburban areas once these reforms are fully in place. *The Grange would support modifications to the CALLS proposal to reduce the maximum monthly SLC tariff, to extend the transition time period under which the higher monthly SLC tariff would be implemented or some combination of both of these.*

3.3 The Grange understands that the cost of providing basic phone service in rural and remote regions of the country is more expensive than providing basic phone service in more densely populated parts of the nation. For the vast majority of rural phone subscribers, an increase of even as much as $2.00 per month will still not cover the cost of providing basic service to that subscriber. To further meet the goal of universal local phone service in rural areas, the CALLS proposal creates an annual $650 million Universal Service Fund (discussed above) to address the costs of providing local phone service for more than 23 million rural Americans.

3.4 *In addition the Grange believes that the economic costs of failing to provide adequate, state-of-the-art phone technologies to rural Americans will far exceed the projected increases in SLC charges that will result from adoption of the CALLS proposal.* Reliable telephone infrastructure, especially in rural areas, is the key to providing not only traditional analog voice service but also enhanced digital transmission of data across the Internet as well. In rural America, there is currently no comparable, comprehensive parallel infrastructure, such as cable, that could provide an alternative competitive means to provide voice and data transmission services in a cost-effective manner. As such, the Grange believes we have no current choice but to rely on the existing telephone infrastructure to provide cost effective voice and data transmission service to rural areas. Access to the benefits of telecommunications technologies such as the Internet will be critical to the economic competitiveness of rural areas as well as the cost-effective provision of basic public services in rural communities such as education, health care and public safety in the 21st Century.

3.5 *The Grange strongly believes that rural Americans must, as public policy, have the same basic access to telecommunications technologies as urban Americans.* The Grange feels that the appropriate gauge to measure equity of service between rural and urban telephone customers is access to quality and reliable local and long distance phone services, and not necessarily exact parity of service cost. The proposed SLC rate cap of $7.00/month in the CALLS proposal is sufficient, in our view, to assure that the disparity between SLC charges in urban and rural areas will not be so great as to substantially affect the goal of universal phone service in rural areas. Without some means to provide a return on investment for high cost rural phone service areas, we recognize that the rural telephone infrastructure is at significant risk of failing to meet the basic voice and data transmission requirements of a dynamic rural economy.

3.6 Second, the benefits from competition regarding the quality and costs of local and long distance phone service in rural areas are currently hypothetical projections. The effects of a potential increase in local SLC charges in rural areas are a clearly measurable outcome of the CALLS proposal. However, many of the benefits of this

proposal to rural phone customers are based on predictions that competition for local phone service in rural areas will improve the quality of service in those areas. The Grange feels that in order for the full benefits from competition to accrue to rural America from the CALLS proposal, some specific public measure of accountability needs to be put in place by the FCC at the same time that the CALLS proposal is accepted. There needs to be some on going means to measure the progress and pace of competitive benefits brought to local telephone consumers in rural America from this proposal. Otherwise, it is likely that most of the financial benefits of the competitive market in rural telephone service, as well as the value of up to $6.5 billion in USF payments over the next ten years, will not be captured by rural consumers. Instead these financial benefits are likely to be captured by shareholders through an active market for corporate control of rural telephone franchises.

3.7 *The Grange proposes that the FCC order companies that participate in the CALLS proposal to develop and to fund a publicly available annual report prepared by an independent party that quantifies and measures for each participating company, the infrastructure investments and other specific expenditures to improve service coverage for local rural telephone customers covered by the CALLS plan.* Public accountability through the publishing of an annual report on the progress of investments in improved infrastructure and service is a nominally intrusive means of verifying the predictions of the CALLS proponents as to the benefits they see for local rural telephone customers.

4.0 CONCLUSION

4.1 The National Grange appreciates this opportunity to submit comments before the Federal Communication Commission on the proposal submitted by the Coalition for Affordable Local and Long-Distance Service regarding their plan to reform interstate telephone access charges and universal local telephone service programs. Over all, the Grange supports the CALLS proposal. For the reasons cited in these comments and with the suggestions for modification to the CALLS proposal noted herein, the Grange believes that this proposal will be in the best interest of rural America. The National Grange urges the Federal Communication Commission to adopt a fee and rate-restructuring program along the lines of the CALLS proposal at the earliest opportunity.

Respectfully submitted,

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