

Commenter: Campaign for Telecommunications Access
§ 271 Applicant: SBC Communications, Inc.
States: Kansas and Oklahoma

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
)
Application by SBC Communications Inc.)
for Authorization under Section 271)
of the Communications Act to Provide)
In-region, InterLATA Service in the)
States of Kansas and Oklahoma)
)

CC DOCKET NO. 00-217

TO: The Commission

Comments of Campaign for Telecommunications Access; American Association of Retirement Communities; American Council of the Blind; American Council of the Blind of Texas; American Council of Blind Enterprises & Services, Inc.; Assistive Technology for Kansans; Linda Baker-Oberst, Disability Area Representative, Missouri Governor's Council on Disabilities; Robert S. Barela, Board Member of the National Hispanic Counsel on Aging; Central Iowa Center for Independent Living; Coast Line College Foundation Emeritus Program; California Congress of Senior Citizens; Benjamin A. Collier, Vice Chairman, Alzheimers Committee, National Association of Federal Employees; Wally Daeley, Representative for Montana, National Committee to Preserve Social Security and Medicare; [continued on second cover page]

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Summary

The Campaign for Telecommunications Access; American Association of Retirement Communities; American Council of the Blind; American Council of the Blind of Texas; American Council of Blind Enterprises & Services, Inc.; Assistive Technology for Kansans; Linda Baker-Oberst,* Disability Area Representative, Missouri Governor's Council on Disabilities; Robert S. Barela, Board Member of the National Hispanic Counsel on Aging; Central Iowa Center for Independent Living; Coast Line College Foundation Emeritus Program; California Congress of Senior Citizens; Benjamin A. Collier, Vice Chairman, Alzheimers Committee, National Association of Federal Employees; Wally Daeley, Representative for Montana, National Committee to Preserve Social Security and Medicare; Deaf Women of Austin; Harris J. Ducote, Member and past Chair of the Louisiana Executive Commission on Aging; Everybody Counts, Inc.; The Reverend Edward Fields, Member, Missouri Governor's Commission on Special Health, Psychological & Social Needs of Minority Older Individuals; Good News Grannies; Josephine L. Gould, Former President, Georgia Silver Haired Legislature, and Member, Atlanta Regional Commission Advisory Board on Aging; Dr. David B. Gray, Program in Occupational Therapy, Washington University School of Medicine; Karen Hirsch, Ph.D., Consultant, Missouri Institute of Mental Health; Illinois Council of the Blind; IMPACT; Kansas Silver Haired Legislature; Donna J. Kidd, Former Director, Jayhawk Area Agency on Agency, and Past President, Topeka Chapter of Linx Incorporated; Homer Lear, Speaker Emeritus of the Texas Silver Haired Legislature; Gerri Lewis, Member, Tulsa Commission on Aging;

LINK, Inc.; Donnie Martin, Texas Delegate to National Silver Haired Congress; Jack McSpadden, Consultant on Adaptive Technology; Mideast Area Agency on Aging; National Council of Silver Haired Legislatures; Northeast Missouri Council of the Blind; Options for Independent Living, Inc.; Ray Roberts, Speaker of House Emeritus, Florida Silver Haired Legislature; Pauline Roehrkasse, Nebraska Silver Senator, National Silver Haired Congress; Southern Indiana Center for Independent Living; Texas Association for the Deaf; Texas Money Management Program, Family Elder Care; Texas Retired Teachers Association; Texoma Aging and Developmental Disability Coalition; Virginia Zachert, Ph.D., Professor Emerita, Medical College of Georgia, and Retired Captain, US Air Force submit these comments under the consolidated name “the Campaign.”

The organizations and individuals who are participating in this filing of the Campaign work to assure that new telecommunications technologies will be available to, usable by, and affordable for all citizens, regardless of where they live and regardless of what disability or other condition they may have that is a barrier to their using some kinds of equipment. The participants in the Campaign are leaders and organizations that are substantially run, respectively, by older adults and people with disabilities and devoted to ensuring that older adults and people with disabilities – and all citizens for that matter – have the opportunity to live independent, productive lives and have the accommodations that allow them to be as fully integrated into the community as possible.

Both existing and new telecommunications technologies are essential for many older adults and people with disabilities to live their own lives with independence and

dignity. Obviously, the telephone is the lifeline to family and emergency care givers when the need arises. That it reaches all Americans and is highly efficient are both essential to its performing that function.

Then consider future technologies. We have the capacity today to put health clinics, schools, universities, libraries, jobs in homes and neighborhoods without moving people and all through various interactive, broadband technologies. Videoconferencing allows the deaf to sign by telephone and grandparents to see grandchildren far away. It also allows true discourse between professor and remote student, true medical evaluation between doctor and remote patient, and so forth. These technologies and others promise to allow older adults and people with disabilities to integrate themselves within the society in general regardless of where they are located and without having to overcome the sometimes overwhelming challenges of transportation.

We have not, however, spread those technologies to residential consumers across the Nation. The Campaign's concern is whether the evolution of telecommunications regulation will assist in accomplishing that end. Therefore, the Campaign's foremost concern in all telecommunications cases before the Commission is this: Does each proposal or application guarantee that, or foster a situation in which, advanced technologies will reach, and current technologies will continue to reach, the Campaign's constituents – geographically, technologically, and affordably – even though the Campaign's constituents are spread all over America?

In this proceeding, that question translates into whether allowing SBC in to the long-distance business in Kansas and Oklahoma (and elsewhere) makes it more or less likely that people with disabilities, older adults, and all Americans living in SBC's universal service areas will continue to get the existing high quality service at affordable prices and will obtain broadband technology and other advanced telecommunications capabilities as fast and as affordably as possible.

The Campaign concludes that allowing SBC into the long-distance business will foster these interests for two reasons:

(i) No one other than the local telephone companies – including SBC with respect to its traditional, universal service areas – guarantees to serve everybody's telecommunications needs, including everybody who has a disability or is older. Competitor local telephone companies pick and choose which customers to target based on which customers are likely to produce the greatest profits. Lower end customers, such as many people with disabilities and older adults, are not attractive to competitors. Denying SBC authority to sell long-distance service in its service areas will create a disincentive to its concentrating on providing full service in its traditional service areas. It will concomitantly create incentives for SBC to shift its business strategy to selling in other incumbents' local territories where, like other competitor companies, it can pick and choose the most profitable customers to target.

Therefore, denying SBC the authority it seeks will leave such customers with no competitors seeking their business and a local telephone company with ever declining

interest in their business. Such a result threatens robust universal service that would have provided all customers all present and future telecommunications service sooner and better.

(ii) While choice is a good thing for the economy, many people would choose – and especially many people with disabilities and older adults would choose – to keep telecommunications services simple. Anyone who has attended public town hall meetings, workshops, or the like has heard innumerable complaints that telecommunications services, and their billing mechanisms, are too complex for many consumers – even beyond comprehension for some. One stop shopping may or may not be good business for the providers. That is outside the scope of these comments. But the opportunity to have one telecommunications service provider and one bill is an issue of universal design for some consumers. Allowing SBC to provide long distance in the service areas in which it provides local telephone service will allow consumers to consolidate service providers and simplify their service purchase and payment, thereby assuaging barriers to access that some consumers perceive.

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I. Introduction and Identification

The Campaign for Telecommunications Access (the Campaign) works to assure that new telecommunications technologies will be available, usable, and affordable for all citizens, regardless of where they live and regardless of what disability or other condition they may have that is a barrier to their using some kinds of equipment. For purposes of this filing, the Campaign is joined by the following organizations (reference to an organization for each participant marked with an asterisk is for identification purposes only):¹

American Association of Retirement
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California Congress of Senior Citizens
Lois Wellington, Founder
Burbank, California

Assistive Technology for Kansans
Charles Spellman, Co-Director
Parsons, Kansas

¹We believe that the vision we state here is held by many people and organizations in the communities of older adults and people with disabilities. But for constraints of time and resources many more would have joined us.

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Mideast Area Agency on Aging
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National Council of Silver Haired
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Felix Nigh, President
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Northeast Missouri Council of the Blind
Dennis Miller, President
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Virginia Zachert, Ph.D.*
Professor Emerita, Medical College of
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Retired Captain, US Air Force
Modoc, South Carolina

The Campaign has filed comments in other Commission proceedings and has participated in other telecommunications regulatory proceedings.

The participants in this Campaign filing are leaders who are older or have disabilities and organizations that are substantially run, respectively, by older adults and people with disabilities and devoted to ensuring that older adults and people with disabilities – and all citizens for that matter – have the opportunity to live independent, productive lives and have the accommodations that allow them to be as fully integrated into the community as possible. In the Campaign's working to see that new and existing telecommunications technologies will be available, usable, and affordable for all citizens, the Campaign is an extension of all these participating organizations' mission in the area of telecommunications.

II. The Source of the Campaign's Interest

New telecommunications technology, when fully distributed to the citizenry and usable by and affordable for all, promises numerous new ways for older adults and people with disabilities – and all other citizens – to maintain their independence and lead productive lives. The issue here is whether the Commission approves SBC's entry into the business of providing long distance service to its customers within its service areas, in particular within Kansas and Oklahoma. This issue will directly affect the availability, usability, and affordability of new and existing telecommunications for people with disabilities and older adults.

People of these groups represent a considerable portion of the Nation. For example, in 1998, 34.4 million Americans were 65 years of age or older. Administration on Aging, U.S. Department of Health and Human Services, *A Profile of Older Americans: 1999*, www.aoa.dhhs.gov/. This category of older Americans will double by the year 2030. *Id.* at Figure 1. This population shift will also affect the demographics of the labor force. In 1998, 3.7 million adults age 65 and over were in the labor force, representing about 12 percent of that population segment. *Id.* at Employment. As another study said,

Changes in the age eligibility for Social Security retirement benefits, Medicare eligibility, and private pensions, as well as a decline in personal savings, could result in more older workers remaining in the labor force. Even if the percentage of older workers remaining in the workforce declines slightly, the sheer numbers of "baby boomers," who will be 55 or older in 2005, means that the projected number of persons 55 and over in the labor force will increase by 6.7 million – twice the rate of increase in the total labor force.

Administration on Aging, U.S. Department of Health and Human Services, *Employment and Older Americans: A Winning Partnership*, <http://www.aoa.dhhs.gov/factsheets/employment.html>

An even larger pool of Americans have disabilities. The conservative estimate is that 15 percent of Americans have disabilities. H. Kaye, *Disability Watch: The Status of People with Disabilities in the United States* 11 (1997). That estimate is in part based on 1992 U.S. Census figures, which show that 49 million people in America had disabilities at that time. President's Committee on Employment of People with Disabilities, *Profit from our Experience* (Oct. 1995). In 1994, only 31 percent of people with disabilities from ages 16

to 64 had jobs while some 79 percent of people with disabilities who were not working wanted to work. *Id.*; National Organization on Disability, *Report* (Fall 1994). Among many other reasons given, 38 percent said they do not have the necessary education, training, or skills to get a job and 28 percent said they lacked accessible transportation.

The Department of Labor found similar trends in a 1999 study:

An additional challenge is raising the labor market activity of people with disabilities. Given their lower educational attainment rates, among other factors, persons with significant disabilities report lower rates of labor market activity. Among labor market participants, persons with disabilities – moderate or significant – were more likely than those with no disabilities to report that they were looking for work or were on layoff rather than working. Persons with moderate disabilities were nearly twice as likely to be looking for work or on layoff as people with no disabilities, and those with severe disabilities were nearly three times as likely. Of persons 20 to 64 years old with severe disabilities, approximately 30 percent either worked, looked for a job, or were on layoff during the last four months of 1994--a stark contrast to the rates of 82 percent and 85 percent respectively for those with moderate or no disabilities.

futurework – Trends and Challenges for Work in the 21st Century, a Report of the United States Department of Labor, September 4, 1999, at 9 [footnote omitted]. See <http://www.dol.gov/dol/asp/public/futurework/>.

The gap between people with disabilities and the rest of the population cannot just be ascribed to such people having poorer educational opportunities. Again, from the *futurework* report:

Education made some difference. Nevertheless, among workers with college degrees, only 52 percent of those with severe disabilities reported labor market activity compared to 90 percent of those with no disability--a gap of 38 percentage points.

Id.

Policymakers commonly ignore the need to assist older adults and people with disabilities to be in the mainstream of society – leaving these population segments underserved. For example, a Missouri study of the needs of older adults showed, among other things, that 67 percent of older Missourians who perceive a need for information services do not get them, 59 percent who perceive a need for elderly care information do not get it, and 37 percent who perceive a need for transportation services do not get them. Missouri Department of Social Services, Division of Aging, *Needs Assessment Study, 1994 Statewide Report*.

All this manifests that people with disabilities and older adults are disproportionately grouped on the wrong side of the so-called “digital divide.” Until recently, statistics were not available to show what is happening in computer and Internet access for people with disabilities. That has changed with a recent report by the National Telecommunications and Information Administration (NTIA), entitled *Falling Through the Net II: Toward Digital Inclusion*, issued in October 2000. See <http://search.ntia.doc.gov/pdf/fttn00.pdf>. Comparing statistics from earlier studies, NTIA concluded that in many demographic segments in which people have less access to computers and the Internet the gap had narrowed – not so, however for people with disabilities and older adults. For example NTIA reported as follows (*id.* at xvi [emphasis in original]):

Nonetheless, a digital divide remains or has expanded slightly in some cases, even while Internet access and computer ownership are rising rapidly for almost all groups. For example, our most recent data show that divides

still exist between those with different levels of income and education, different racial and ethnic groups, old and young, single and dual-parent families, and those with and without disabilities.

- People with a disability are only half as likely to have access to the Internet as those without a disability: 21.6% compared to 42.1%. And while just under 25% of people without a disability have never used a personal computer, close to 60% of people with a disability fall into that category.
- Among people with a disability, those who have impaired vision and problems with manual dexterity have even lower rates of Internet access and are less likely to use a computer regularly than people with hearing difficulties. This difference holds in the aggregate, as well as across age groups.

NTIA further observed as to older adults, “Individuals 50 years of age and older are among the least likely to be Internet users. The Internet use rate for this group was only 29.6% in 2000.” *Id.* at xvii.

The fact that the older adult and disabled populations are behind in obtaining telephone and computer services is made all the more poignant by the special promise that these technologies have for these segments of the population. Consider, for example, today’s telecommunications technologies. Such services as Caller ID screens allow a deaf person to know who is calling even if the caller does not have the sense or knowledge to use a TDD or the Relay Service to call the deaf person. The deaf person can view the screen, return the call via the Relay Service if he or she wants, and complete a communication that previously would have been impossible. Meanwhile, even more recent technology voices the contents of the Caller ID screen, letting people who are blind – and others who simply have their hands full – in on the benefits of Caller ID.

Consider also, for example, the health and safety we entrust to the telecommunications systems. We assume a 911 call, or burglar alarm call to a monitor, or call to a medical care monitor will virtually always go through and go through the first time. Older adults live in their homes longer today, delaying or avoiding moving into nursing homes, because they can rely on the telephone to call for help when they need it. The same is true of many people with disabilities. If the 99.99+ percent consistency of telephone connections declines, people's safety will be put at risk or they will have to give up their independence in live in sheltered situations where that would otherwise be unnecessary.

Tomorrow's telecommunications technologies foretell even greater promise for the Campaign's constituents. Many of the problems people with disabilities and older adults face with obtaining education, transportation, jobs, health care, and other services will be assuaged or eliminated by the advanced telecommunications technologies that Congress encouraged in enacting the Act. Consider a few.

Academic research is now proving that future telecommunications will enhance the lives of older adults and people with disabilities. For example, Dr. Keiko Nakamura and colleagues report:

Home healthcare using the videophone, in addition to visiting and ambulatory services, was more successful in improving the independence of clients than was care under conventional support programs provided through visiting and ambulatory services. These improvements of clients' functional independence have been realized without adding extra time of professionals involved. This evidence shows the potential for telecommunications technologies to improve the quality of home healthcare.

Nakamura, Takano, and Akao, *The Effectiveness of Videophones in Home Healthcare for the Elderly*, 37 *Medical Care*, No. 2, 117, 122 (1999)

Meanwhile, telecommuting will allow people with transportation problems to stay in their homes and neighborhoods and work anywhere in the world. Distance learning will allow students to attend the university from their living rooms. People who lack the physical strength to pick up a book will be able to read books located around the world with the punch of a button.

Videoconferencing will allow deaf people to sign to one another. It will allow deaf students to attend any class and obtain deaf interpretation through a screen in the classroom and a remote interpreter located miles away. It will allow grandparents to watch their grandchildren grow even though they may live a continent or more apart.

The examples possible are inexhaustible. Taken together, they illustrate two needs that people with disabilities and older adults – as well as other residential and many small business consumers – have: They need a local telephone system to bring present and future technology to them, wherever they are located. That is, in regulatory jargon, they need the system to provide “universal service.” And they need whatever system they are using to be easily usable for them regardless of age or disability. That is, in regulatory jargon, they need the system to be “universally designed.”

An irreverent commentary of a British e-zine (one that we disagree with vehemently with respect to its conclusions relative to the African-American and Hispanic populations and with its choice of words in referring to people with disabilities, but nevertheless makes

a cogent comment here) describes the significance of forcing people with disabilities to the wrong side of the digital divide –

In previous coverage of the Digital Divide, The Register ridiculed the Clinton Administration's cultural arrogance in calculating the desire of minorities to emulate Whites by getting wired, as if Blacks and Hispanics should be seen as nothing more than Whites in training. With the handicapped, we see an entirely different picture. Disabled people have little to lose and much to gain from joining the wired community. Internet chat and e-mail can provide relief from social isolation; access to news, academic libraries and research materials can be accomplished with a mouse click; Net entrepreneurship can provide a much-needed opportunity to work from home; on-line shopping promises convenience and independence. With the advent of speech-recognition software, the blind, who normally wait months or years for information to be made available in Braille or on audio tape, can access such material as soon as it becomes available. The motor-disabled can use speech-recognition technology to write e-mail, pay bills, or perform work-related tasks, the report observes. Indeed, the more we think about it, the more convinced we are that the true promise of the Internet is precisely that of service to the disabled. We hope they won't be overlooked, as they so often are, as Washington prepares to propitiate the many competing Sacred Cows of Political Correctness with federal dollars for community investment in technology programmes.

Thomas C. Greene Disabled people represent the true digital divide, The Register, posted 22/03/2000 at 07:57 GMT, <http://www.theregister.co.uk/content/archive/9909.html>. While it has taken some years in coming, finally, the Administration, this Commission, and others acknowledge that older adults and people with disabilities are disadvantaged by being largely left out of these modern telecommunications technologies.

III. The Core Issue

Therefore, the Campaign's foremost concern in all telecommunications cases before the Commission is this: Does each proposal or application guarantee that, or foster a

situation in which, advanced technologies will reach, and current technologies will continue to reach, the Campaign's constituents – geographically, technologically, and affordably – even though the Campaign's constituents are spread all over America?

In this proceeding, that question translates into whether allowing SBC in to the long-distance business in Kansas and Oklahoma (and elsewhere) makes it more or less likely that people with disabilities, older adults, and all Americans living in SBC's universal service areas will continue to get the existing high quality service at affordable prices and will obtain broadband technology and other advanced telecommunications capabilities as fast and as affordably as possible.

The Campaign concludes that allowing SBC into the long-distance business will foster these interests for two reasons:

(i) No one other than the local telephone companies – including SBC with respect to its traditional, universal service areas – guarantees to serve everybody's telecommunications needs, including everybody who has a disability or is older. Competitor local telephone companies pick and choose which customers to target based on which customers are likely to produce the greatest profits. Lower end customers, such as many people with disabilities and older adults, are not attractive to competitors. Denying SBC authority to sell long-distance service in its service areas will create a disincentive to its concentrating on providing full service in its traditional service areas. Therefore, denying SBC the authority it seeks will leave such customers with no competitors seeking their business and a local telephone company with ever declining interest in their business.

Such a result threatens robust universal service that would have provided all customers all present and future telecommunications service sooner and better.

(ii) While choice is a good thing for the economy, many people would choose – and especially many people with disabilities and older adults would choose – to keep telecommunications services simple. Anyone who has attended public town hall meetings, workshops, or the like has heard innumerable complaints that telecommunications services, and their billing mechanisms, are too complex for many consumers – even beyond comprehension for some. One stop shopping may or may not be good business for the providers. That is outside the scope of these comments. But the opportunity to have one telecommunications service provider and one bill is an issue of universal design for some consumers. Allowing SBC to provide long distance in the service areas in which it provides local telephone service will allow consumers to consolidate service providers and simplify their service purchase and payment, thereby assuaging barriers to access that some consumers perceive.

IV. Approving SBC's Providing Long-Distance Service in its Service Areas Enhances the Universality of Telecommunications Services for People with Disabilities and Older Adults

Quite frankly, the Campaign does not care whether it is SBC or someone else who operates a robust telecommunications network that reaches all the Campaign's constituents, no matter where they live and work. Indeed, the Campaign approves of Bell Atlantic's application to provide long-distance service in New York and will support other applications by other local telephone companies that retain their obligation to serve all

people with disabilities and older adults in their service areas. (Of course, under the 1996 Telecommunications Act only the regional Bell operating companies are in a position to need that support.) The Campaign's concern is that, everywhere in the Nation, someone provide new and future telecommunications services in a robust fashion at affordable prices to consumers whom competitors perceive as "marginal."

A. Only the Incumbent Local Telephone Companies Will Provide Universal Service.

For SBC's service areas in Kansas and Oklahoma and elsewhere, the reality of who will provide that service is simple – it is SBC and only SBC. Obviously, SBC's universal service is a heritage of prior regulatory frameworks. Regardless of why it got to the point of providing universal service, however, the fact is it does. And none of the new competitors are willing or interested in taking on that role.

A survey of local telephone service offers in Oklahoma and Kansas and elsewhere makes this observation abundantly clear. For example, My New Phone offers basic local service in Oklahoma, as well as Texas and Louisiana. It also offers vertical services "such as Call Waiting" "free" for the first three months. See <http://www.mynewphone.com/>. But the price for basic service is \$47 per month plus state, local, and federal taxes, and the target market seems to be poor-credit-risk consumers, hardly an attractive offer for a responsible limited income person with a disability or older adult.

Cox Communications (see <http://www.tca-cable.com/OKC/Telephone/>) also offers basic telephone service in parts of Oklahoma, but it makes saving work only for customers who buy more than basic service:

Cox Pricing reflects Cox Preferred Rates (for customers who have at least one other Cox service). Prices do not include taxes or surcharges. Savings of up to 24% refers to the service combination of primary and second line flat rate service, call waiting, and voice mail compared to Southwestern Bell's 4/00 published rates for the same service combination. Pricing for enhanced features does not include per use charges associated with some of those features, a more comprehensive description of pricing can be found in the pricing section of this site.

Birch Telecom provides a full array of competitive local telephone service to small and medium businesses in much of Kansas, but not residential customers. See <http://www.birchtelecom.net/>.

The Commission has seen these patterns elsewhere. For example, Sage Telecom, Inc. advertises local residential service in Texas, but only for customers who buy at least 50 minutes per month of long-distance service with the deal. See <http://www.sagetelecom.net/Residential.asp>. That may be a very attractive program for some residential customers, and still not for someone on a low, fixed income who does not make long distance calls. This competitor is culling many of the Campaign's constituents out from its target market.

The practice of making good deals for residential customers who buy a lot of services is prevalent among competitors. Another example is a Texas offering by an organization called "C2k." According to its advertisements, C2k offers local residential

service coupled with a minimum of 200 minutes of long-distance service per month plus the following “free” features in every package – Local Touch Tone, Call Return, Call Waiting Deluxe, Call Forwarding, Call Select, Call Block, Call Trace, 3-Way Calling, Speed Dialing, Repeat Dial, RingMaster, Caller ID Deluxe, Calling Cards, Web Site w/Hosting, 3 Email Accounts, CBN Family Membership, Family E-R Subscription. See <http://www.cbnagent.com/material/pdf/TX2000.PDF>. The \$45.95 price for that package may be quite a bargain for the upscale residential consumer, but out of the question for many others.

Economic realities of the local telephone business should, and probably do, explain this pattern. Common wisdom in the industry is that commercial, urban, and higher end residential customers subsidize noncommercial, rural, and lower end residential customers. Empirical evidence of that is hard to find.

A study done by SBC of the profitability of its wire offices in its Southwestern Bell states (Arkansas, Kansas, Missouri, Oklahoma, and Texas), however, supports that assumption. SBC examined which wire offices have revenues that exceed costs and vice versa. Knowing that there is debate as to how to calculate costs, the company looked at (i) actual local revenue versus actual local costs, (ii) actual local revenue versus costs calculated using the Commission’s model for forward looking costs, and (iii) total switched revenues (including local, toll, and access services) versus actual total switched costs. The study apparently indicated that 91 percent, 60 percent, or 74 percent of the total wire

offices in the five-state region had costs that exceeded revenue, that is, either 91, 60, or 74 of Southwestern Bell's wire offices operate at a deficit.²

The study demonstrates that there is a substantial trend of wire offices that operate at a deficit, regardless of the best measure of costs. That has to mean that there are a substantial number of telephone customers who do not generate a profit for the local telephone companies. That in turn leads to two conclusions: First, new competitor companies are attempting to cull out non-profitable customers from their target markets. And, second, only the incumbent local telephone companies will offer affordable universal service to everyone in their respective universal service areas without interposing disincentives to the poor and disadvantaged.

B. Allowing SBC Authority to Sell Long-distance Service in its Service Areas Will Give SBC an Incentive to Direct its Attention to Providing Full Service in its Traditional Service Areas.

The Campaign supports regulatory outcomes that work in favor of SBC's economic viability and create incentives to invest in its own universal service area, as the Campaign does with other incumbent local telephone companies. If, as the Campaign fears, re-regulation of the telecommunications industry will make it more profitable for local telephone companies to compete in foreign territories, they will be driven – by legitimate shareholder motives – to look away from their service areas to compete in others' markets that will be freer of regulation and more profitable for them. If so, they will necessarily,

²SBC has given the Campaign summary results of this study and told the Campaign the results have been disclosed to the Commission in various filings, ex partes, and other public communications, and authorized the Campaign to refer to the results here.

simply as a matter of allocating scarce resources, de-emphasize the maintenance and development of their existing universally accessible networks.

What so worries the Campaign is the threat that SBC (and other incumbent local telephone companies) will lose the incentive to maintain their networks on the nearly perfect performance basis of today – and the threat that they will lose the incentive invest in the technologies that will bring telemedicine, distance learning, video-conferencing, and other promises of the information revolution to everybody in their universal service areas, not just the privileged few in other local telephone companies' traditional service areas.

How does the Commission avoid or mitigate that threat? First, it has to recognize what is happening. Then, the Campaign suggests, in the public interest, the Commission should tailor decisions to give incumbent local telephone companies' incentives to retain robust, modern systems in their universal service areas.

1. What is happening?

Decision after decision since the 1996 Telecommunications Act has made competitor local telephone companies winners and incumbent telephone companies losers. Consider two bright, shining current examples.

Reciprocal compensation once made sense for adjusting payments between two local telephone companies exchanging calls across territories where the companies each have customers that originate and terminate telephone calls in their respective service areas. Now in some contexts, reciprocal compensation rules do nothing other than order incumbent telephone companies to transfer wealth to competitors, because, in the context

of Internet access, one company's customers originate the vast majority of the calls and the other terminates them. While even having acknowledged the conundrum, the Commission has deferred solving the problem.

Making Internet access available over cable television modems is another clear illustration. While requiring the incumbent local telephone companies to share their assets with competitors, the Commission is mum on the cable television industry's efforts to tie together provision of access to the Internet through cable lines to selection of an Internet service provider. The cable television companies are attempting to require their customers who use their cable lines for Internet access to use the one and only one Internet service provider each of those cable television companies is offering. Such a tying arrangement suggests antitrust questions.

One way or another, the requirement might have little impact on consumers if all Internet service providers the same. But they are not. Some Internet service providers are designed for people who speak other languages than English. Some are designed to allow consumers to have little technical competence, but tradeoff by restricting flexibility in their use. Others have other variations in design and character that make them more or less attractive to various consumers.

The requirement works especially to the detriment of people with disabilities who commonly have difficulty finding Internet service providers that do not interpose barriers to access to the Internet. This is illustrated by the fact that the National Federation for the Blind sued AOL in Boston in November 1999, because AOL's proprietary software does

not function in the standard way required for screen access programs to convert full the information on AOL screens into synthesized speech or a refreshable Braille display. Unless the cable companies' one and only Internet service provider is fully accessible (and very few, if any, are fully accessible to people with every different kind of disability), some people with disabilities will not be able to use cable modem Internet service.

Yet, in the face of all this, the Commission does not intercede to require cable companies to give their customers the choice of Internet service provider. And it does not for the apparent reason that it should protect cable television industry financial development.

It does not take a genius for an incumbent local telephone company to figure out how to make money in these circumstances – develop strategies that make it more like a competitor telephone company or a cable television company.

2. It Is in the Public Interest for the Commission to Tailor Decisions to Give Incumbent Local Telephone Companies' Incentives to Retain Robust, Modern Systems in Their Universal Service Areas.

How does that play out on the issue of whether the Commission should let SBC into the long distance business in its own territories? It suggests that it is in the public interest for the Commission to let SBC into that business, thereby giving SBC incentives to focus on its local Kansas and Oklahoma service areas will be enhanced. The combined constraints of fair competition and newly created regulation will be somewhat offset. Incentives will tilt in some, admittedly non-quantifiable measure in favor of Kansas and

Oklahoma. That is consistent with the desires of those of us in the Campaign who believe that attention to our local, universal service is threatened.

Moreover, just as it is hoped that competition will make local telephone service more affordable, the prospect of SBC offering long-distance service to its existing customers holds the hope that additional competition will put pressure on all providers to lower long-distance rates. Texas Technology Magazine lauded SBC long distance rate offering when it started providing long-distance service in Texas, saying:

Telecommunications analyst Jeff Kagan said the rates exceed industry watchers' expectations. "SBC's long distance plans are the kind of innovative offerings we expected to see from Bell Atlantic when they first entered the New York market in January, but didn't," said Kagan. "Hopefully it will set the stage for a new wave of competition in long distance, not just in Texas, but nationwide."

Kelsey, *Telecom Six Cents*, Texas Technology Magazine, undated, <http://www.ttechnology.com/articles/2000/08/telecom.html>.

As a result, the Campaign anticipates that allowing SBC to provide long-distance service in its universal service areas will both create incentives for SBC to maintain and invest in the vitality of the networks in those areas and cause SBC and the current long-distance competitors to lower prices in those areas.

Opponents of the Campaign's position may point out that it is only a hope that allowing SBC to see profitability in sales to its home base customers will cause SBC to remain focused on those customers. That may be true, but two other facts are also true – One, if SBC does not remain focused on these of its customers, no one else will. And, two,

if SBC's profitability at home deteriorates, its economic interest will force it to look elsewhere for profit. Allowing SBC into the long distance business is an important piece of insuring the interests of older adults, people with disabilities, and others similarly situated in Kansas and Oklahoma and eventually in other of SBC's universal service areas. Not allowing SBC into this long-distance business may cause a bleep in SBC's profitability. But, more important, it poses a serious threat to some people with disabilities, older adults, and others treated by the competitor companies as marginal customers.

V. Approving SBC's Providing Long-distance Service in its Service Areas Will Facilitate Universal Design of Telecommunications Services for People with Disabilities and Older Adults

Residential consumers commonly reiterate concern that the telecommunications system has become too complex in America. They complain about telemarketing. They complain that bills are not understandable. They complain about multiple vendors and multiple bills. They complain about not knowing who to call if something fails. They wistfully, and only half jokingly, rue that "Ma Ball" was ever divided up.

Competition has created many of these difficulties. If there is going to be competition, we have to have a multitude of providers providing services in a multitude of ways. Thus, the complaints are simply the progeny of the choices consumers are now afforded. That can make it easy for one who espouses competition to fail to take these complaints seriously. The cacophony they suggest is an inevitable corollary.

Still, the citizenry is speaking; that fact cannot be ignored. Moreover, the complaints edge into becoming a disabilities rights issue. Section 255 of the Telecommunications Act,

47 U.S.C. § 255(b), provides that a “provider of telecommunications service shall ensure that the service is accessible to and usable by individuals with disabilities, if readily achievable.” The choices have become so confusing that some older adults, just because of age, and some people of any age, just because of disability, cannot make rational decisions. For some of them, a rational choice is to buy all telecommunications services – meaning local, long distance, and potentially others like cellular telephones – from one provider and have to deal with only one bill per month.

People in that situation who want to use SBC or any other regional Bell operating company for their local telephone service cannot accomplish that goal unless applications like this one are granted. When they establish local phone service, they have to choose or be assigned a long-distance company for long-distance service. For sometime, long-distance companies have allowed local telephone companies to include local and long-distance billing in the same envelope. Many are now moving away from that and issuing their own separate bill. Their customers then receive at least two bills, one for local and one for long-distance service. Of course, a customer could sign up with a new provider of so-called “IntraLATA” long-distance service, meaning the customer could wind up with three monthly bills for local and long-distance service.

One way to avoid the confusion would be to sign up with competitors like My New Phone, Cox Communications, Birch Telecom, Sage Telecom, and C2k, all discussed above. See pages 14 to 16 above. But those were high-end customer services or high-

priced credit-risk offerings whose prices and benefits might be beyond the need or desire of many older adults and people with disabilities.

Another way to mitigate the confusion would be to allow SBC to sell long-distance service to its current local customers. Thus, granting SBC's application here would have the consequential effect of providing a convenience for older adults and the removal of a barrier to access for some people with disabilities. Both of those results are in the public interest.

Indeed, SBC's history in eliminating barriers to access in all of its services is worth noting. For example, SBC is reported to be one of the first two regional Bell companies to adopt a universal design policy to ensure that its products and services are usable by people with disabilities. *See Fortune 500 Companies Take Up Universal Design*, United Cerebral Palsy Washington Watch, vol. 4, no. 5, April 7, 1998, *reprinted at* http://www.upca/html/advocacy/vol4_iss5.html.

In fact, SBC voluntarily committed itself toward making all of its new products and services accessible, and requiring its vendors to assist in that process, notwithstanding the unfortunate battle that ensued in the Commission over whether § 255 covers all information services or just telecommunications services. For example, while SBC has not volunteered to be covered by § 255 regulations for services that are not "telecommunications services" within its understanding of that term, SBC did state in its comments In the Matter of Implementation of Section 255 of the Telecommunications Act of 1996, WT Docket No. 96-198:

[SBC's] Universal Design Policy, which applies to all of SBC's subsidiaries, pledges each company to create new products and services – including information services – that address the needs of customers with disabilities.

Id., at 8.

Thus, SBC has adopted, as a matter of general corporate policy, a commitment to investigate all new products and services with an eye to ensuring they are fully accessible to people with disabilities and to require that they will be so accessible except where having them so is not readily achievable – the standard under the Act for telecommunications services. Such a commitment is a matter of substantial significance for people with disabilities.

Moreover, SBC has now taken serious steps to implement the policy. According to a report from personnel within SBC to the Campaign, staff leading the marketing and procurement functions of the company have included questions designed to insure that the company will be aware of any aspect of a potential product or service that is not fully accessible for and usable by a person with a disability as part of their ordinary course of business checklists for reviewing new products and services. SBC's technological arm, Technology Resources, Inc. (TRI) – which designs, develops, and reviews new products and services, applies similar checklists at the very early stages of product and service development. As such, SBC is putting in place an early warning system that will allow it to select from among alternatives, those products that people can use regardless of disability and to seek the redesign of products when alternatives are unavailable.

Not all competitors have been as forthcoming. One episode in Missouri illustrates the point. One of the Campaign's constituents who is blind reports that he now gets a copy of his local telephone service bill in braille from Southwestern Bell. He gets a separate bill from his long-distance carrier, AT&T – the multiplying bills spoken of earlier. He recently asked AT&T to send him his bill in braille. The service agent assured him that was no problem. AT&T would just have Southwestern Bell handle his long-distance bill from then on!

In a world in which many competitors are totally insensitive to the needs of people with disabilities and older adults, the Campaign suggests that allowing a company that has proven its sensitivity to the varying needs of such people, that is, SBC, into the long-distance business creates another assurance that the Campaign's constituents can get effectively the telecommunications services they need.

VI. Conclusion

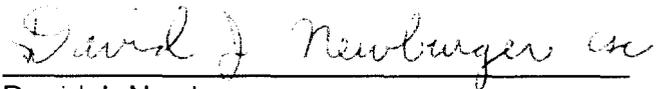
The Campaign believes that allowing SBC into the business of providing long-distance service to customers in Kansas and Oklahoma and its other universal service areas will have at least two benefits in the public interest. SBC's entry into the business will enhance the possibility that SBC will focus on assuring that it provides the best present and future telecommunications services in its service areas, including putting downward pressure on long-distance service prices. Second, allowing SBC into the business will create a choice of a long-distance service provider that will simplify service and billing

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States: Kansas and Oklahoma

options for many customers and otherwise assure that all its services are fully accessible.

Therefore, the Campaign suggests the Commission should approve SBC's application.

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Certificate of Service

I certify that the foregoing has been filed with Magalie Roman Salas, Commission Secretary, Federal Communications Commission, and delivered to SBC Communications Inc., by service on Jonathan Rabkin, Kellogg, Huber, Hansen, Todd & Evans, P.L.L.C., Suite 1000 West, 1301 K Street N.W., Washington, District of Columbia 20005-3317, to Eva Powers, Kansas Corporation Commission, 1500 S.W. Arrowhead Rd., Topeka, Kansas 66604-4027, and to Joyce Davidson, Oklahoma Corporation Commission, Jim Thorpe Office Building, P.O. Box 52000-2000, Oklahoma City, Oklahoma 73152-2000 by U.S. Mails, postage prepaid, this November 15, 2000.

