October 27, 2008

Subject: Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; In the Matter of Federal-State Joint Board on Universal Service, CC Docket 96-45.

Dear Chairman Martin and Commissioners:

We agree with the agency that fundamental reform is needed in telecommunications, but fundamental reform requires great care and sensitivity to detail. Broader reform needs to be done carefully, and must begin with a thorough analysis of whether policy proposals can accomplish their stated goals, given the agency’s resources, regulatory tools and ability to predict future events.

While we support intercarrier compensation reform, it is impossible to evaluate the impact of these massive rule changes on ratepayers and companies when the agency has not described the actual rule on paper, or in any kind of thorough manner that the public can evaluate.

Consumers may see an increase in the Subscriber Line Charge (SLC) on their local phone bills. But we have seen no accounting of the reduction in access revenues, and therefore have no sense of whether the resulting increase in SLC is fair for consumers or necessary for local exchange companies. Based on what we know, such increases cannot be justified. Will some consumers see their bills go up, or down? What pressures will be put on the states to increase local rates? We simply do not know, and these questions need to be vetted carefully.

While the proposed shift of costs correctly aims to end the over-compensation of a few smaller companies, it ignores the widespread over-recovery of access costs by the vast majority of companies and there is no clear mechanism for preventing the over-recovery of costs from increasing.
Furthermore, we might agree with the agency that a numbers based contribution plan may streamline administrative complexities, but what is the number going to be? Will it have a cap? Will business contribute at a higher rate? What will the effect be on the average and median subscribers? What will be the effect on low volume users with fixed budgets? What will be the effects on innovative new services?

Though we have heard accounts of a $300 million broadband Lifeline pilot project, we still don’t know if it offers adequate resources to meet the needs of low-income consumers, and it’s hard to determine whether it will have an impact without fixed details. With seven million lifeline subscribers, it is hard to see how such a fund could make broadband affordable for current program participants, not to mention the millions more who are eligible but have not joined the program.

The need to ensure deployment of broadband services in rural and high cost areas is urgent, but we are concerned that the pending proposal takes a leisurely approach to extending broadband availability and has no clear path to reach the areas least likely to be served. As we understand the proposal, sometime in the future incumbents will identify areas that they do not wish to serve and then a reverse auction will be held. What happens if no one bids?

We earnestly desire to support the FCC in getting to the right result on this agenda for consumers. However, until the details are presented to the public, there is no way even to know what is truly in the proposals, much less evaluate their impacts. We urge the agency to present these details for review, so we can provide meaningful input on how to adjust them to meet consumers’ needs.

Sincerely,

Chris Murray, Senior Counsel
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