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Federal Communications Commission
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Washington, D. C. 20554

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See *MCI v. FCC*, 515 F.2d 385 (D.C. Cir. 1974).

FOR IMMEDIATE RELEASE:
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COMMON CARRIER ACTION

FEDERAL COMMUNICATIONS COMMISSION SEEKS COMMENT ON PRICE CAP X-FACTOR PRESCRIPTION

Washington, D.C. – The Federal Communications Commission (FCC) has adopted a Further Notice of Proposed Rulemaking seeking comment on the X-factor in the local exchange carrier (LEC) price cap formula. The FCC's LEC price cap scheme allows prices to decrease by a measure of productivity offset, or X-factor, minus an inflation offset. The X-factor represents the amount by which price cap LECs can be expected to outperform economy-wide productivity gains. In 1997, the Commission re-prescribed the amount by which it annually adjusts price caps for incumbent LECs subject to the price cap rules. The revised price cap adjustment required price cap LECs to reduce inflation-adjusted prices for interstate access services by an X-factor of 6.5 percent annually. Pursuant to petitions for review of the Commission's order, the United States Court of Appeals for the District of Columbia Circuit reversed and remanded the Commission's decision on the productivity factor.

The Further Notice of Proposed Rulemaking seeks comment on the prescription of the X-factor retroactively for the period affected by the court's remand, July 1, 1997 to June 30, 2000, and prospectively from July 1, 2000 going forward. Specifically, the Commission seeks comment on three possible bases for setting the historical component of the X-factor:

- (1) by relying on the results of the 1997 staff total factor productivity (TFP) study used in the 1997 order;
- (2) by relying on the results of a new 1999 staff TFP study that makes several adjustments to the 1997 staff study; or,
- (3) by relying on the results of a new staff Imputed X study that determines the X-factor that would have produced a competitive level of capital compensation in the interstate jurisdiction during the period between price cap performance reviews.

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In addition, the Further Notice of Proposed Rulemaking seeks comment on whether to include a consumer productivity dividend (CPD) in the X-factor, to ensure that consumers receive a reasonable portion of the benefits of the elimination of LEC sharing requirements. These requirements had compelled price cap LECs to share a portion of their earnings above set percentages with access customers. The sharing requirements were eliminated in the 1997 order. If a CPD is warranted, the Further Notice of Proposed Rulemaking seeks comment on how to quantify the CPD. Comment is also sought on whether the Commission should correct for prior years when the X-factor may have been set too low.

Comments on the Further Notice of Proposed Rulemaking must be filed with the Commission not later than December 30, 1999, and reply comments must be filed not later than January 14, 2000.

Action by the Commission, November 12, 1999, by Further Notice of Proposed Rulemaking (FCC 99-345). Chairman Kennard and Commissioners Ness, Furchtgott-Roth, Powell and Tristani.

Report No. CC 99-52
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