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FEDERAL COMMUNICATIONS COMMISSION MOVES TO FURTHER DETARIFF TELECOMMUNICATIONS INDUSTRY

Commission Limits Competitive Local Phone Carriers Ability to File Tariffs

Washington, D.C. – The Federal Communications Commission (FCC) today announced new rules to prevent competitive local exchange carriers (LECs) from using the tariff rate system to impose excessive interstate access charges. The new rules also clarify the obligations of the long distance carriers to exchange telecommunications traffic with competitive LECs. The tariff system permits carriers to file their service rates with the Commission, then obligates the user of the service to pay the tariffed rate. In the past, the Commission noted, certain competitive LECs had used the system to impose excessive rates for access service.

The Commission's Order and Further Notice of Proposed Rulemaking announced today resolves a long-running industry dispute between the long distance carriers and the competitive LECs over the rates that the competitive LECs may tariff, or charge, to the long distance carriers for access to the competitive LECs' end-user customers. The Commission's Order permits the competitive LECs to tariff access rates only up to a Commission-set benchmark. Competitive LECs may charge more than the benchmark rate for their access service only if the long distance carrier agrees to the higher rate in negotiation.

The Commission set its tariff benchmark at 2.5 cents per minute for the first year after the Order becomes effective. In the second and third years, that figure moves to 1.8 and 1.2 cents per minute, respectively. At the end of the third year, the rate parallels the access rate charged by the competing incumbent LEC. Under the Order, a competitive LEC is always permitted to tariff access rates equal to those of the incumbent LEC with which it competes.

The Commission noted that tariffing excessive rates inappropriately shifts onto the long distance market a substantial portion of the competitive LECs' costs, thus potentially increasing long distance rates. The benchmark plan will ultimately bring competitive LECs' tariffed access rates down to the level of the rates charged by the incumbent LEC. But, rather than immediately mandating this change, the Commission's Order provides for a three-year transition period. Additionally, the Commission is currently reviewing the future of access charges in a broader inquiry concerning inter-carrier compensation.

Noting the need to encourage competition in rural areas and the unique difficulties faced by rural competitive LECs, the Commission will permit these carriers to tariff the higher access rates prescribed by the National Exchange Carriers Association (NECA).

The Commission also clarified the obligations of long distance carriers to carry competitive LECs' access traffic. Specifically, long distance carriers must accept access services tariffed at or below the benchmark rate. This action was necessary because some long distance carriers have threatened to refuse to serve end users that subscribe to competitive LECs charging access rates that the long distance carriers believed to be excessive.

Finally, through a Further Notice of Proposed Rulemaking, the Commission sought additional comment on whether a different benchmark mechanism should apply to competitive LEC access service for toll free, or "8YY" traffic.

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Docket No: CC 96-262

Action by the Commission April 26, 2001, by Seventh Report and Order and Further Notice of Proposed Rulemaking (FCC 01-146). Chairman Powell and Commissioners Ness and Tristani; Commissioner Furchtgott-Roth concurring in part and dissenting in part and issuing a statement at a later date.

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