



SUMMARY OF THE COMPLAINT

This complaint requests the FCC redo the entire data collection and analysis for the creation and implementation of the FCC Line Charge ceiling, as well as “rates”. We believe that the data presented are faulty beyond use, that the FCC’s own objective analysis is non-existent, and therefore incomplete and unreliable. Also, there has been no transparency to be able to reproduce the results and, in fact, the public has been entirely left out of the analysis and creation of said data and analysis.

NOTE: We have filed a separate petition as to the “Truth-in-Billing” issues.

Major Points:

- Since 2000, the FCC Line Charge has increased some 86%, from a cap of \$3.50 to \$6.50, adding approximately \$14.3 billion — \$126 to customer’s phone bills per line, counting taxes.
- The “*Information Dissemination*” product are the analyses and all data that was used to determine the cap of the FCC Line Charge, also called FCC Subscriber Line Charge, and a host of other names.
- Teletruth and our members are “*Affected Parties*” .

1) The “Influential” data points provided by the phone companies for the raising of the FCC Line Charge cap were flawed in numerous ways, according to numerous sources.

Copps wrote: “A significant number of carriers, however, submitted summary data without disclosing the inputs used, cost models that were not transparent.”

Other commentators during the proceedings also agreed with this conclusion.

Not reproducible. In examining the data independently, it is impossible for an analyst to reproduce any of the phone company submissions because there are not enough specific pieces of information to replicate these studies.

SBC wrote: “The numbers reflected in the attached documents are illustrative only. SBC is not providing the actual inputs for the cost models, which are proprietary and competitively sensitive.”



Wrong methodology being presented, therefore not quality data. The FCC requested something called “Forward-Looking Costs”, which are models of what an efficient network would cost to run, to set access fees. The California Commission stated that the model Verizon presented was previously rejected in the state and others.

Wrong methodology being presented, therefore not quality data. Phone company submissions also presented “embedded” cost models, which are models for costs based on the equipment in the networks. Unfortunately, the FCC did not request this type of model and it does not translate into what was requested or what was presented by others, such as NASUCA.

Conclusion: We can not request that the phone companies to redo their submissions to include the missing critical data, match the format and deliver the proper methodologies for analysis. However, since their entries were deficient, and the FCC used this data as one of it’s major inputs, it is clear that this would make the overall analyses “unreliable”, lacking objectivity or utility, and can not be reproducible and fails the Data Quality Act standards.

2) **The second “Influential” data point provided by NASUCA for lowering the FCC Line Charge was not accepted, and therefore was also considered flawed..**

NASUCA’s data showed that while the phone companies stated that 100% of their customers had costs above \$5.00, NASUCA found that only 24% had costs above this cap, and only 14% above the \$6.50 cap and concluded that the raises were not justified. Another way of expressing this information is to say that over 76% of residential subscribers would be overcharged above an increase to \$5.00, 86% above at or above \$6.50. However, because of the variances of universes of data that were examined, the FCC felt that NASUCA’s analysis does not include the residential and SLB lines of all price cap carriers.

Conclusion: The second major “Influential” data points were also considered to be flawed and therefore could not be relied to draw conclusions. Also, while NASUCA concluded that the costs should NOT be raised, the FCC, using the same data, concluded that it should be raised. Thus, this data lacked reliability and utility.



3) If the two major data points have a 76% differential, neither data point is reliable enough to base multibillion dollar increases.

If data point “A” is flawed and data point “B” is flawed, and the differential between the data points was 76% or more, then this data is unstable and could not produce an objective solution for multi-billion dollar rate increases.

4) Lack of Accurate, Objective Independent Analysis by the FCC.

The FCC did not conduct its own independent analysis.

Copps wrote:

“The Commission then **failed to conduct its own independent analysis** of the cost data. By failing to undertake the thorough analysis of cost data that was promised in the access reform order, we are neglecting our obligation to consumers.” (Emphasis added.)

5) “Substantial” is not a formula or model. It is a non-objective hunch and it is a failure to be reproducible, objective, reliable, quality analysis.

The FCC’s conclusion was to drive through the agreement to increase the FCC Line Charge cap, even though the creators of the data they would rely on, NASUCA, claimed that the charge should NOT be raised. The FCC states that there were a “substantial number” of customers who costs over \$5.00 and \$6.50.

“We find that the most conservative estimate on the record in this proceeding demonstrates that there are a **substantial number of residential and single-line business price cap lines** – at least 27 million non-rural and 33 million total – with forward-looking costs above the current \$5.00 SLC cap, as well as a substantial number of lines – at least 14 million non-rural and 20 million total – with forward-looking costs above the ultimate \$6.50 SLC cap. We therefore find that it is appropriate to allow the SLC cap increases set out in the *CALLS Order* to take effect as scheduled. On the current record, these increases in the SLC cap are justified because we conclude that the current cap may prevent efficient cost recovery in a meaningful number of cases.”



Total Lack of Data and Final Analysis. There is no new spreadsheet to examine, no series of calculations with forward-looking analysis. It is simply “substantial”. It is not even the majority of customers, which would be ethically more logical. For example, a new calculation might have found — *“the average cap should be \$5.55 because of this analysis.”*

Thus, the analysis is not reproducible, not accurate, not the basis for a \$14.3 billion dollar charge to customers.

6) Lack of Transparency Throughout the CALLS Proceedings.

The increases to the FCC Line Charge were based on closed door negotiations without the public being involved in agreement to raise the FCC Line Charge.

According to Former Furchtgott -Roth,

“...The public generally was not notified that the CALLS negotiations were taking place, nor were a number of parties that wished to be included in these negotiations permitted to participate. Not surprisingly, the final CALLS deal does not reflect the views of parties that were not included in the CALLS negotiations, such as the Ad Hoc Telecommunications Users Committee.”

“Not only were interested parties excluded from the CALLS negotiations, but also the substance and scope of the CALLS negotiations was not made public, and there is no public record describing whatever consensus was finally reached. And, inconsistent with the policy set forth in 5 U.S.C. § 566(c), the Bureau participated in these negotiations both substantively *and* as a facilitator.”

Lack of Transparency — There is no data and analysis of the creation of the parts of the deal that were to raise the FCC Line Charge cap.

7) Other Significant Data Were Ignored or Scuttled.

FCC scuttled the audits of Bell companies’ network equipment accounting books, which would have lowered the cost of the FCC Line Charge. In 1999, the FCC released a series of audits that showed that 15-25% of the network equipment was



missing or “Unverifiable”. However, this equipment was used in the establishing of the costs of local phone service and the original FCC Line charge price at \$3.50.

The FCC neglected to examine the other charges on the phone bill or profits or other significant influential items. At the time of the increases to the FCC Line Charge, every indicator showed that the phone companies had become some of the most profitable companies in America from local phone service, with returns for 2001 212% higher than the Business Week Top 10. The FCC refused to examine this data properly or give it the proper weight in the analysis.

There is an additional tax burden to customers for the line charge increases. Unbeknown to most, the FCC Line Charge is taxed and surcharged exorbitant amounts. In New York, the charge has 27% taxes being applied, including a Universal Service Fund tax, Surcharges, (multiple), Federal, State and Local taxes. While it varies, in some other states we found that it was taxed almost 18%. Any increases add additional charges.

Data analysis of “Forward-Looking costs” showed Access Fees were excessive. An economic analysis in 1998 revealed that the costs to long distance companies were seriously inflated.

The FCC didn’t examine business subscriber line charges or their profits. The FCC’s examination and decision to raise the FCC Line Charge for residential customers was not “holistic” and did not examine the FCC Line Charge costs to businesses, schools, government agencies, etc.

Conclusion: Lack of Objectivity, Reliability, Quality Data. All of these other data points are significant and should have been included in the analysis of the FCC Line Charge.

8) Data Quality Act violation — The actual name “FCC Line Charge” was never used by the FCC.

The name of the Subscriber Line Charge (SLC) should be changed in all instances. As we demonstrate in our related “Truth-in-Billing” complaint, the “FCC Line Charge” or “FCC Subscriber Line Charge”, which include the abbreviation “FCC”, are the most commonly used terms on phone bills for this charge. The FCC has refused to make this point in almost all data throughout its web sites, press releases, or even in the orders we are contesting.



As we argue, how would the customer know that the “SLC” was on their phone bill as the FCC Line Charge? How are they to also know that it is revenue to the local phone company and doesn’t go to fund the FCC or is some government tax, as is the common belief? More to the point of this complaint, how were customers to get involved in the complaining about the setting of this charge’s cap, when there was no mention of the actual charge, as it appears on the majority of phone bills, in any FCC document?