avoid erecting regulatory barriers to the development of beneficial new technologies. This is particularly important when these services and technologies can facilitate access to the benefits of the National Information Infrastructure. At the same time, we should not amend our rules to favor new technologies and services simply because they are new. Any difference in the regulatory treatment of new technologies and services must have a sound basis in public policy.

12. We also believe that it is desirable to avoid measures that could reduce the level of nontraffic sensitive (NTS) local loop costs now recovered through flat charges. Any reduction in SLC revenues will tend to increase interstate toll rates because lower SLC revenues will cause LECs to seek to recover additional revenues through the per minute CCL charge. We also believe that policies that would appear to reduce dramatically SLC charges to large business customers, but not to residential customers, must be carefully examined.

13. Resolution of the issues in this proceeding should also take into account competitive developments in the interstate access market, and the accompanying need to identify and reduce unnecessary support flows. In light of competitive developments in the interstate access market, rule changes that could result in lower SLC revenues and higher CCL rates, thus potentially increasing support flows, must be carefully examined. Increasingly, IXCs and large business customers have alternatives to use of LEC facilities and can avoid support flows inherent in the current access charge rate structure, including the CCL charge. In the long run, inefficient bypass of the LEC networks by high volume toll customers could threaten to undermine the support flows that foster universal service.

C. Options

1. Overview

14. There are potentially many ways that the number of SLCs for ISDN and similar derived channel services could be computed. At one extreme, we might require customers to pay one SLC for each physical facility serving a given customer, such as a standard local loop or T–1 facility. At the other extreme, we could maintain the current rule under which an SLC is applied to each derived communications channel.

15. There are also intermediate options. For example, the number of SLCs to be applied to ISDN facilities could be based on a ratio of the average LEC cost of providing a derived channel service, such as a BRI or PRI ISDN connection, to the average cost of providing an ordinary local loop or T–1 connection, including the line or trunk card costs in both cases. Under this option, a PRI customer would, for example, pay six SLCs if the average LEC cost of providing an ISDN T-1 connection, including line cards, is six times the average cost of providing an ordinary T-1 facility. It would also be possible to apply one SLC for every two derived channels, an option that would reduce by 50 percent the SLC revenues that would be generated under the current requirement that one SLC be assessed for each derived channel.

16. Another set of options would focus on the increasingly competitive interstate access market in determining how to compute the SLC to be paid by customers of derived channel services. One possibility is to combine a reduction in the currently required level of SLC charges for derived channel services with a small increase in the per-channel SLC for all local loops. Another option involves giving the LECs some flexibility in setting SLC rates for derived channel services, but modifying the price cap rules so that any reduction in SLC flat rate recovery does not increase the CCL rate.

2. The Per-Facility Approach

17. Under this approach, customers pay a single SLC per derived channel service connection. Thus, under this option, both BRI and PRI ISDN customers would pay a single SLC. Under a variation on this option, an ISDN BRI customer with one copper pair would pay a single SLC, and a PRI customer with two copper pairs would pay two SLCs.

3. Intermediate Options

18. An option that may represent a potential middle ground between the per facility and the per derived channel approaches would be to charge SLCs based on a ratio of the average LEC cost of providing a derived channel service, including line or trunk cards, to the average LEC cost of providing an ordinary local loop or T-1 facility. Under this approach, a PRI customer, for example, would pay six SLCs if the LEC cost of providing an ISDN T-1 connection, including line or trunk cards, is six times the cost of providing an ordinary T-1 facility. This approach also includes the cost of the line cards in developing the cost relationship between ISDN connections and non-ISDN connections even though line cards are treated as switching, not local loop facilities for jurisdictional

separations and Part 69 cost allocation purposes.

19. Reducing SLCs for derived channel connections to 50 percent of the level required by the current rules is another intermediate option between the per-facility and per-derived channel approaches. Under this approach, the LECs would charge one SLC for every two derived channels.

4. The Per-Derived Channel Approach

20. The existing rules require that the LECs charge a SLC for each derived channel in the case of ISDN and other similar services.

5. Additional Options

21. There are also several other options that combine reductions in the number of SLCs that our current rules impose on derived channel services with measures to ensure that this does not increase per minute CCL charges, putting upward pressure on interstate toll rates. One such option would be to permit the LECs to impose a reduced number of SLCs for derived channel services, accompanied by a small increase in SLC rates. For example, the current caps on SLCs could be increased by \$.25 per month for all subscribers. A second approach would be to permit, but not require, the LECs to apply fewer SLCs for derived channel services than the current rules require, but to adjust the price cap rule to prevent a reduction in SLC revenues from causing an increase in CCL rates.

6. Request for Comments

22. We ask interested parties to comment on the analytical framework and options for defining the SLCs that subscribers to ISDN and other derived channel services must pay. We also seek comment on our analysis of the various options described in this Notice. Commenting parties are urged to suggest additional or different policy goals as part of the analytical framework for evaluating options as well as to present additional options for the Commission's consideration. We also seek comment on whether any new rules for the application of SLCs for ISDN and similar derived channel services should apply to all local loops provisioned by the telephone company through the use of derived channel technology, regardless of whether the use of derived channel technology in the provisioning of the loop is apparent to the subscriber or not.

23. In addition, we note that it would be helpful if interested parties provide us with specific information concerning the perceived elasticity of demand for ISDN services, the various ISDN service