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Corporation
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Washington, DC 20006

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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June 5, 1992

Ms. Donna Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington DC 20554

Re: In the Matter of Local Exchange Carrier Line Information
Database.

Dear Ms. Searcy,

Enclosed herewith for filing are the original and seven (7) copies of MCI Telecommunications Corporation's Opposition To Direct Cases in the above captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Petition furnished for such purpose and remit same to the bearer.

Yours truly,

Andrew L. Regitsky

Andrew L. Regitsky
Senior Manager
Regulatory Analysis

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JUN - 5 1992

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
)
Local Exchange Carrier Line) CC Docket No. 92-24
Information Database)

MCI OPPOSITION TO DIRECT CASES

MCI Telecommunications Corporation ("MCI") hereby respectfully files its opposition to the direct cases filed by certain local exchange carriers ("LECs")¹ in response to the Order Designating Issues for Investigation released by the Common Carrier Bureau in this docket on March 20, 1992.²

I. INTRODUCTION

The LEC LIDB Order has designated for investigation several issues arising from LEC tariffing of line information database service ("LIDB") that were previously set for investigation by two Common Carrier Bureau Orders.³ The following issues were designated for investigation:

¹ Specifically, MCI is opposing the direct cases of the following LECs; Ameritech Operating Companies ("Ameritech"), Pacific Bell ("Pacific"), BellSouth Telephone Companies ("BellSouth"), Southwestern Bell Telephone Company ("Southwestern"), U S West Communications, Inc., ("U S West"), NYNEX Telephone Companies ("NYNEX"), Bell Atlantic telephone Companies ("Bell Atlantic"), GTE Telephone Operating Companies ("GTE"), Southern New England Telephone Company ("SNET"), United Telephone Companies ("United").

² Hereinafter referred to as the ("LEC LIDB Order").

³ Local Exchange Carrier Line Information Database, 7 FCC Rcd 525 (Com.Car.Bur. 1991) and, Southern New England Telephone Company, Transmittal Nos. 531 and 533, 7 Rcd 1474 (Com.Car.Bur. 1992).

FCC Issue I

Have the LECs adequately described the LIDB query service in the tariff? Petitioners allege that the tariffs lack sufficient detail for potential customers to be certain of what service they are receiving. Parties have argued that the LECs should provide the following information in their tariffs:

- (1) the frequency, nature and priority of database updates;
- (2) the liability for erroneous information in the database;
- (3) to the extent that carriers reference technical publications, the dates of the latest revisions to any referenced technical publication should be in the tariff,
- (4) liability for fraudulent use of calling cards;
- (5) "Call gapping" procedures;
- (6) additional technical parameters.

FCC Issue II

Should the tariffs contain additional detail regarding the technical parameters for the CCS interconnection link?

In order to access LIDB, customers must purchase a CCS interconnection link. The tariff descriptions of the CCS interconnection service contain cross references to the technical publications and state that the CCS interconnection link is technologically equivalent to a 56 kbps special access line. In their special access tariffs, carriers specify a number of technical parameters for a 56 kbps line. Parties should address whether tariffs for CCS interconnection links should include a similar level of detail regarding technical parameters.

FCC Issue III

Are the rate levels established in the tariffs excessive? To assist in our resolution of this rate level issue, we direct the carriers specified below to provide the following information:

- (1) Bell Communications Research, Inc., has developed a cost model called "Common Channel Signalling Cost Information System" (CCSCIS). Any carrier who relied on CCSCIS to develop its rates must explain why use of such a model is appropriate for common channel signalling services.
- (2) Those carriers who did not use CCSCIS to allocate investment should fully explain how they identified the plan used to provide LIDB service.
- (3) All filing carriers should provide total investment underlying each of the four rate elements and identify the accounts established by Part 32 of the Commission's Rules, 47 C.F.R. Part 32, in which these investments are recorded.
- (4) All filing carriers should identify and fully document all factors applied to the investment identified in response to the requests for information above to develop the rates, cross-referencing to Automated Reporting Management Information System (ARMIS) data where possible.
- (5) Bell Atlantic, BellSouth, NYNEX and Pacific Bell were providing CCS interconnection service under tariff before the filing of the transmittals under investigation in this docket. Those carriers should demonstrate how their CCS interconnection service rates meet the requirements for restructured services in Part 61.49(f) of the Commission's Rules.

II. MCI'S RESPONSE TO THE DIRECT CASES

The LEC direct cases contain few surprises. Except for a few notable exceptions, the LECs were consistent in all their responses. The LECs all believe their LIDB and Common Channel Signalling ("CCS") rates are appropriate. They further believe that they have included in their tariffs the appropriate amount of detail about their LIDB service and their 56 kbps CCS interconnection. Moreover, they refuse to accept any liability for fraudulent use of calling cards, and do not believe that erroneous database information warrants any liability except that assessed on any access service. Thus, in general, the LECs believe that their LIDB tariffs, including terms and conditions, are appropriate as filed.

Although MCI will respond separately to each of the questions included in the direct cases, it should be noted here that, MCI strongly disagrees with most of the conclusions drawn by the LECs. First, MCI believes that the LECs have failed to justify the lack of details in their tariffs describing their LIDB service. Second, their continued refusal to assume liability for database errors and fraudulent use of calling cards is unacceptable. Third, LEC tariffs must include all technical differences between the CCS 56 kbps interconnection and the 56 kbps special access line. Fourth, to the extent that any charges for LIDB are appropriate, these charges must be strictly cost-based. The only way for LIDB customers to determine the actual LIDB costs is through access to the LEC LIDB costing models. Since LIDB is a monopoly service, LEC attempts to price at a market (or cost plus) basis, are completely inappropriate and must be rejected.

A. LIDB TARIFFS MUST INCLUDE FREQUENCY, NATURE AND PRIORITY OF DATABASE UPDATES, PERFORMANCE STANDARDS FOR LIDB VALIDATION SERVICE INCLUDING CALL GAPPING, AND THE DATES OF THE LATEST REVISIONS OF REFERENCED TECHNICAL PUBLICATIONS

Section 61.54(j) of the Commission's Rules states that the terms and conditions under which a tariffed service is offered be explicitly stated in the tariff. Specifically, the rules dictate that:

The general rules (including definitions), regulations, exceptions and conditions which govern the tariff must be stated clearly and definitely. All general rules, regulations, exceptions or conditions which in any way affect the rates named in the tariff must be specified.⁴

When tariff terms and conditions are not explicit, the service provider has free rein to vary them at will depending upon its market objectives, or in fact, as MCI has found to be the case, actually fail to provide adequate service.⁵ For example, MCI has found that since it has been using the LIDB Validation service, some LECs have not been updating their database on weekends, although that is certainly one of the prime times for fraudulent use of calling cards. In addition, MCI has been unable to obtain from several LECs their scheduled downtime for LIDB maintenance. It is obvious how important this information is to interexchange carriers as they attempt to verify the integrity of calling billing numbers. Furthermore, the tariffs do not guarantee availability of service. Similarly, MCI has been unable to obtain from certain LECs, a single point of contact in cases of end user complaints on a 24 hour basis. In fact, in response to a request for a single point

⁴ 47 CFR at Section 61.54(j).

⁵ This is especially true for a monopoly service such as LIDB.

of contact, one LEC provided a list of all its business offices. Clearly, this is unacceptable.⁶

In addition to sub-standard database administration, the lack of specificity about LIDB also provides the opportunity for LECs to discriminate between access customers. Although MCI has no knowledge of other how the LECs are treating other LIDB customers, without explicit tariff language, the potential exists for the LECs to have differing service standards for different customers.⁷

Thus MCI believes, at a minimum, the LEC LIDB tariffs must contain the following language:

1. An explanation of the data that is available in the LIDB database.
2. Identification of the LECs stored in the database (i.e., independent companies).
3. The LIDB database will be updated daily, by adding, deleting and modifying end user customer accounts as such customers move, become delinquent on their accounts, order service or cancel service.

⁶ These are only some of the problems MCI has encountered since the inception of LIDB service. Other areas of concern include missing customer records, vacant NXX codes incorrectly mapped in the database, and invalid NPA NXX information.

⁷ This unreasonable discrimination, of course, would violate Section 202(a) of the Communications Act.

4. Emergency updates relating to lost or stolen cards will be made on a real-time, on-line basis.
5. A guarantee that there will be daily 24 hour, single point of contact for LIDB customers to reach the database administrator.
6. A guarantee that LIDB customers will be provided with the scheduled downtime for the database. The downtime should be scheduled to coincide with minimum traffic.
7. A section listing LIDB performance standards.
8. The dates of the latest revisions of all referenced technical publications.
9. A description of the company's call gapping procedure, including the threshold levels that trigger the use of gapping.
10. A description of the carrier's fraud prevention system.

In general, most LECs do not feel it is appropriate to provide the above information. However, their actual performance under the LIDB tariffs has been so poor, it is clear that more specific LIDB requirements must be tariffed. LEC arguments against more detailed tariff language can be summarized as follows. BellSouth believes that

"service parameters and administrative requirements" of a service should not be included in a tariff, because they might impede a LEC's "flexibility to address questions arising in the daily transaction of business."⁸ Other LECs contend that the inclusion of database information will lead to increased fraud, arguing that "this detail would provide a road map for the sophisticated abusers of the telecommunications network."⁹ Southwestern argues that "because these procedures are evolving and subject to change, it is inappropriate for SWBT to detail day-to-day operations in its tariff."¹⁰

Some LECs believe that it is sufficient to include much of this LIDB information in their replies to petitions against their LIDB tariff, or in their direct cases, rather than their actual tariffs.¹¹ Pacific contends that including LIDB database information in the tariff would be encumbering because it would lead to continued Commission review whenever changes were filed. Pacific argues, instead, that it provides customers with this information before they are provided with LIDB service.¹² Finally, several LECs assert that LIDB database update information and performance standards are properly included in technical publications that are referenced in the tariff.¹³

In sum, LEC arguments against inclusion of LIDB information in their tariffs consist of concerns about limitations on their day-to-day ability to operate the database, and

⁸ BellSouth Direct Case, at pp. 1-2.

⁹ United Direct Case, at p. 4; Southwestern Direct Case, at pp. 1-2.

¹⁰ Southwestern Direct Case, at p. 1.

¹¹ U S West Direct Case, at p. 7; Bell Atlantic Direct Case, at pp. 1-2

¹² Pacific Direct Case, at pp. 2.

¹³ Ameritech Direct Case, at p. 4.; BellSouth Direct Case, at p. 2.

worries about telecommunications users reading explicit tariff descriptions to learn how to commit fraud. The LECs, however, have it backwards. MCI is not attempting to dictate to the LECs how their daily business operations should be performed. On the contrary, it is because the LECs have so far performed so poorly in their database management role, that MCI asks here for tariff language that will mandate minimum standards that LIDB customers can expect under the tariff. It is precisely because of the lack of tariff detail specifying their LIDB requirements, that the LECs have been permitted to operate their databases so poorly. Furthermore, although MCI does not have the information to determine if other LIDB customers have had similar problems with LEC database management, it is clear, however, that the less specificity that exists in the tariff, the more the potential arises that customers will be treated differently.

The LEC concerns about specific tariff language leading to fraud are also unfounded. It is certainly doubtful that most potential abusers of the LIDB database read access tariffs before they begin criminal action. However, assuming some sophisticated users do read the tariff, it is more logical to believe that they will be deterred if they see that the LECs are actively attempting to limit fraud through frequent updates of the database and real-time emergency responses to attempted fraud. MCI is not asking the LECs to include a "how to beat the system" package in their tariffs, for that would be clearly inappropriate. Instead, MCI believes that the inclusion of language mandating minimum standards for LECs regarding fraud control will force the LECs to be more responsive to this concern, something many of them do not appear to be ready to do on their own volition.

Finally, MCI wishes to state that some LECs have been more responsive than others. For example, Pacific is taking steps to improve its fraud detection. NYNEX has agreed to include more information on database updates, call gapping procedures, and the current date of technical publications.¹⁴ Similarly, GTE's tariff already contains this information and also includes LIDB validation system performance standards. The fact that these LECs have been more responsive to MCI's concerns, further suggest that the arguments raised by the other carriers for providing this information are baseless. In sum, the Commission should require all the LECs to include in their tariffs the information MCI has listed above. It is the only way to ensure that all LIDB customers receive a minimum level of service and are treated equally.

B. THE LECS MUST ASSUME RESPONSIBILITY FOR THE ACCURACY OF THEIR DATABASE INFORMATION

The importance of an accurate LIDB database cannot be overstated. This is because MCI and other LIDB customers are totally dependent upon LECs for the validation of LEC calling cards. There can be no dispute that the LECs are the monopoly providers of this portion of access service that, under the terms of the Modified Final Judgement, is defined to include "the provision of information necessary to bill customers...for the purpose of originating or terminating interexchange telecommunications."¹⁵ It is only the individual LECs who have direct contact with their

¹⁴ NYNEX Direct Case, at pp. 9-12.

¹⁵ 522 F.Supp. 131(1982), Section IV.F.

customers and have the opportunity to obtain information to validate their calling cards. LIDB users face the negative repercussions of receiving incorrect data while not being able to contact customers directly to collect unpaid charges or investigate suspect calling patterns. Incorrect data harms LIDB customers in several ways. Obviously, IXCs are denied the opportunity to receive revenues from these calls, but in addition, must pay for access, LIDB query and transport, and billing and collection charges. Thus, it is extremely important for IXCs that the information received from the LIDB database be as accurate as possible. MCI is aware that no system will be without errors. However, the best and fairest way to encourage an accurate LIDB database is through the assumption of at least some responsibility by the LECs.

In their direct cases, the LECs contend that their liability for erroneous information in the database is limited to the tariffed charge for the LIDB query. They explain that this interpretation of liability is consistent with the limitation of liability for all services provided thorough the access tariffs.¹⁶ They further argue that since they utilize the information in LIDB to validate intraLATA calls, they have as much interest as IXCs in ensuring that the LIDB database is accurate.¹⁷

MCI has two concerns with the LEC arguments. First, unlike other access services, limiting liability to the LIDB query charge does not fully cover the costs accrued by IXCs when they utilize the LIDB database. As stated above, IXCs cannot collect revenues from these calls, and also must pay for originating and terminating access,

¹⁶ GTE Direct Case, at pp. 4-5; Ameritech Direct Case, at p. 6; NYNEX Direct Case at p. 8.

¹⁷ Ameritech direct Case, at p. 6; Bell Atlantic Direct case, at p. 2; U S West Direct Case, at p. 5; NYNEX Direct Case, at pp. 5-9.

access to the LIDB and billing and collection charges. While it is true that for problems with other services, LECs are not responsible for IXC lost revenues, the extent of their liability does cover all access costs. Therefore, MCI believes that at a minimum, LECs should also have liability obligations for all costs borne by the IXC in accessing the LIDB database.

Moreover, since it is clear from the LEC comments that they share MCI's concerns about the accuracy of the LIDB database, their reluctance to include language in their tariffs describing the measures taken to improve accuracy is simply baffling. It would appear that all parties using the LIDB database would profit from specific measures taken industry-wide to ensure database reliability. MCI emphasizes that it is always ready to work with the LECs to achieve high database accuracy. However, it also must stress that since the LECs have a monopoly on the provision of the LIDB database, all standards and actions must be tarified.

C. THE LECs MUST IMPLEMENT FRAUD CONTROLS AND ASSUME RESPONSIBILITY FOR INCORRECTLY VALIDATED CALLING CARDS

An issue closely related to database accuracy, is the critical issue of LIDB fraud control. When IXCs query the LIDB, the LECs respond by indicating whether or not a particular calling card or billed number being used by a LEC customer should be honored. If the LEC approves the card or billed number for use on a particular interexchange call, the IXC will then complete the call for the end user customer. If the LEC does not approve the card, the IXC will not complete the call. Without question, the

best way to deter fraud is to establish a reliable means of detecting card misuse. The LEC direct cases however, do not include fraud control mechanisms and the LECs generally argue that such controls should not be in the tariff.¹⁸

As MCI has stated above, LEC fears about sophisticated telecommunications customers using the tariffs as how-to-commit-fraud manuals are groundless. The inclusion of specific fraud control actions in the access tariff would reduce the incentive sophisticated users would have to abuse the LIDB. An analogy should make this clear. Statistics indicate that auto and house theft are reduced when alarms and anti-theft devices are used. However, potential thieves may still attempt criminal actions, unless they are aware that a specific house or specific auto are well protected. Similarly, a potential LIDB abuser would be less likely to attempt to fraud the system, if it is made clear that each specific LIDB database is well protected from fraud.

MCI continues to suggest to the LECs that they take the following action. The LECs should set up a fraud prevention system that would (1) establish a threshold number of attempts after which a card or billed number would be automatically be invalid; (2) set low and high velocity checks (of card use or billed numbers) that would send warnings to either investigate or invalidate the card or billed number; and (3) include range restrictions for card or billed numbers. Further, since different classes of customers have needs for varying threshold levels, MCI believes that all the LECs should utilize different threshold options in their tariffs.¹⁹

¹⁸ Southwestern Direct Case, at pp. 1-2; United Direct Case, at P. 4

¹⁹ Of course, MCI would support other LEC actions which would also reduce fraud.

Because LIDB users have no other independent validation data source, they are captive to the quality of the data the LEC chooses to provide. The only incentive LECs have to ensure their data are as reliable as possible is if they too, face financial risk if the data are not. Only if the Commission requires the LECs to offer reasonably non-discriminatory fraud controls and to be accountable for inaccurate data will there be any incentive to guarantee that LIDB users will receive reasonably accurate data, and prevent fraud.

The LEC concerns about including their fraud controls in their tariffs have been discussed above. LECs however, make three chief arguments for why they should not be liable for fraud.²⁰ First, LECs argue that,

LIDB Access Service is not a guarantee against calling card fraud. Rather, it is simply information which the LIDB Access Service customer may or may not use in its decision to accept or refuse certain traffic. the final decision to accept or refuse calls for completion must be made by the LIDB Access Service customer, based on its own business judgment.²¹

Second, some LECs argue that if they were forced to bear responsibility for lost IXC revenues, they would be forced to increase their LIDB rates.²² Finally, most LECs argue

²⁰ Of the parties filing direct cases, only BellSouth did not provide a specific response to the issue of fraud liability.

²¹ NYNEX Direct Case, at p. 5 (footnote omitted). Other LECs make a similar argument including, U S West Direct Case, at p. 6; United Direct Case, at p. 3; Southwestern Direct Case, at p. 2; Ameritech Direct Case, at p. 7.

²² GTE Direct Case, at p. 5; U S West Direct Case, at p. 7; Pacific Direct Case, at pp. 3-4; Bell Atlantic Direct Case, at p. 3; Ameritech Direct Case, at p. 7.

that they already have financial incentive to reduce fraud since they too are impacted financially, when intraLATA fraud occurs.²³

The LEC responses strongly suggest that they misunderstand the function of LIDB service as it relates to IXC requirements and expectations. The Commission has defined LIDB service as follows.

LIDB service will enable LEC customers such as interexchange carriers (IXCs) to query the database to determine whether a caller is the authorized user of a valid LEC joint use card, or whether a particular telephone number can accept collect or third-party billed calls, before transmitting any call using that card or line number.²⁴

Unfortunately, none of the LECs are currently offering this service. When a LEC calling card is presented to MCI for credit, MCI has no ability to exercise business judgment as to the cardholder's credit history or creditworthiness, his or her calling patterns, historical usage or frequency of use over other networks. In addition, when a card is suspected of being used fraudulently, MCI lacks the ability to either contact the end user to verify his or her identity or check a PIN number. In fact, the sole option available to LIDB customers is to ask the LEC to validate the card. Only the LEC has the ability to obtain all the items discussed above.

U S West attempts to distinguish LIDB information from commercial credit cards. The carrier contends that "[u]nlike commercial credit cards, LIDB is not a product wherein the LEC proposes to buy all of MCI's receivables for calling cards and incur all loss for

²³ NYNEX Direct Case, at p. 8; GTE Direct Case, at p. 6; U S West Direct Case, at pp. 5-6; Pacific Direct Case, at p. 3; United Direct Case, at p. 3; Bell Atlantic Direct Case, at pp. 2-3; Ameritech Direct Case, at pp. 6-7; SNET Direct Case, at pp. 3-4.

²⁴ In the Matter of Local Exchange Carrier Line Information Database, Order, released December 30, 1991, at para. 3.

fraud."²⁵ U S West however, fails to explain why this distinction between these products should exist. In both cases, only the card issuer has knowledge of the end user customer's card history. Perhaps the only difference between the two services is the fact that there are alternatives for commercial credit cards. The IXCs simply have no alternative to the calling card and line number information available from LIDB. Thus, MCI believes, it is only because LECs have a monopoly over LIDB information needed by the IXCs that they are able to provide an inferior product to commercial credit cards. Moreover, for every other telecommunications calling card, the issuer assumes responsibility for fraud. For the LECs to absolve themselves of all liability for misuse and theft of its cards is clearly unreasonable. For the IXCs to pay originating and terminating access, LIDB access and query, and subsequent billing and collections charges, at total risk of loss after having validated a LEC calling card is unacceptable. The LECs should not be permitted to offer an access service that essentially responds to a validation query about a given card by stating, "this card currently exists in our billing system - good luck guessing if the caller is authorized to use the card." Obviously, this is not what the Commission has envisioned as LIDB service.

Let it be clear, that it is for the benefit of the LECs that their cards are honored for interLATA service. MCI is not asking the LECs to guarantee the card's collectability. Rather, MCI is asking the LECs to warrant that the card is being used properly, the way a merchant asks VISA whether a charge can be made to a commercial credit card. The LECs have made a strong case that their cards should be used in the interLATA market.

²⁵ U S West Direct Case, at p. 6.

They have marketed their cards accordingly, and have built and designed the LIDB systems. MCI and other IXCs must build into their business cases the cost of managing and absorbing fraud on IXC calling cards, but to date, the LECs have avoided such responsibility, by shifting the cost of their service to the IXCs.²⁶

If the situation does not change, the only option available for IXCs will be to randomly and broadly block LEC cards at the slightest thresholds of suspected fraud, which would be a disservice to end users who expect reasonable access to IXC networks. By assuming no meaningful responsibility for validating cards in the face of fraud, the one party most in a position to combat fraud and make reasonable creditworthy business decisions, the LEC, is forcing the IXCs to absorb otherwise industry avoidable costs. The LEC industry must wake up and accept responsibility for its issuance of credit to end users.

MCI agrees with the LECs that meaningful fraud control for LIDB has certain costs, and MCI would agree to pay a higher query charge if these controls are guaranteed. However, as will be discussed below, current LIDB rates are already priced too high, and appear to be priced as if the LIDB market was competitive, rather than the true monopoly it is.

MCI believes that the Commission must take immediate steps to reduce the level of calling card fraud. It must first require that each LEC assume responsibility for calling card fraud arising from use of its LIDB database. Second, it should require the LECs to tariff their fraud control mechanisms. Finally, the Commission should direct the LECs to

²⁶ It should also be remembered that in cases of intraLATA fraud, LEC losses are at least partially recovered through access charges borne by IXCs.

calculate cost based LIDB query charges, which would include any additional costs incurred by the LECs to ensure fraud control.

D. LEC TARIFFS MUST EXPLAIN ANY DIFFERENCES BETWEEN THE 56 KBPS CCS INTERCONNECTION LINK AND A 56 KBPS SPECIAL ACCESS LINE

GTE and SNET both argue that there are no technical differences between the 56 kbps CCS interconnection link, and a 56 kbps special access line, and therefore, no additional technical information is required.²⁷ NYNEX and U S West conversely contend that these 56 kbps lines do have technical differences. U S West argues that the CCS 56 kbps "must be provisioned on a 1.544 Mbps facility, which is not the case for all 56 kbps channels used in digital data service..."²⁸ NYNEX asserts that the Signaling Transfer Points ("STPs") used for CCS interconnection have technical requirements that exceed the technical requirements of multiplexed 56 kbps digital data circuits.

In addition to the technical requirements for multiplexed 56 kbps data circuit, the STP links must be specifically timed, diversely routed and meet specific availability requirements. In addition, they have a unique application in network to network CCS signaling.²⁹

In their direct cases, the remaining LECs make no technical comparisons between the CCS interconnection and the 56 kbps special access line. Rather, these carriers simply affirm that the technical aspects of these services can be found in technical publications, which they reference. MCI believes this is unsatisfactory. Clearly, there is disagreement

²⁷ GTE Direct Case, at p. 12; SNET Direct Case, at p. 5

²⁸ U S West Direct Case, at p. 11.

²⁹ NYNEX Direct Case, at p. 14, n. 23.

among the LECs about these two 56 kbps services. It should not be left to a technical publication for a discussion of the differences. Making this situation even more confusing, is the fact that all the LECs including NYNEX,³⁰ use their tariffed 56 kbps DDS rates as the rates for their CCS interconnection.³¹ While this would be appropriate if the two services are the same, it clearly would not be so if they have different costs. MCI requests the Commission to direct the LECs to state in their tariffs the similarities and differences between these two 56 kbps services. To the extent that there are differing technical requirements and costs, these should be included in the tariff. Finally, to the extent that costs do differ, the LECs should be required to develop specific CCS interconnection rates.

E. LIDB CUSTOMERS MUST HAVE ACCESS TO THE COMMON CHANNEL SIGNALING COST INFORMATION SYSTEM

In the LEC LIDB Order, the Commission required the LECs to reveal how they had determined LIDB investment.³² Carriers who used CCSCIS were further required to explain why this costing model is appropriate to determine LIDB costs.³³ The LEC direct cases reveal that of the ten responding carriers, seven have utilized the CCSCIS

³⁰ Even more remarkably, and contrary to its previous position in its direct case, NYNEX also claims that the two 56 kbps services are equivalent. In its discussion of its rate calculations, NYNEX asserts that "[t]he STP link is equivalent to the 56 kbps DDS II service offered in the NTCs' Special Access Tariff, [thus] the rates for STP link in the CCSA interconnection filing were taken directly from the existing effective rates for 56 kbps DDS II service." NYNEX Direct Case, at p. 17.

³¹ For example, see Bell Atlantic Direct Case, at Attachment B.

³² LEC LIDB Order, at p. 2.

³³ Id.

model. Only BellSouth, GTE and U S West have not used CCSCIS. To determine its LIDB investment, U S West has utilized its own computer based engineering Signaling System No. 7 model which is apparently similar to the Bellcore generated CCSCIS.³⁴ BellSouth conversely did not utilize a cost model to determine LIDB investment. Instead, it identified LIDB incremental investment by having its network personnel determine the "system design, vendor prices, installation labor and supporting equipment associated with the new offering."³⁵ GTE identified its CCS Port termination and query costs using "the accounting books of the company or based on contracted or anticipated future costs from the hardware and software vendors...Allocations to LIDB service were made on the basis of assignment or forecasted relative use of common equipment."³⁶

Exhibit 1 summarizes the LIDB and CCS Port Termination unit investment for each LEC. As can be seen, the level of investment varies significantly between LECs, and by the method used to calculate investment. For example, GTE's LIDB Transport investment is \$0.00869, or more than 43 times the LIDB Transport investment of \$0.00020 calculated by BellSouth. Even carriers purporting to use CCSCIS show wide variances in investment. For example, Southwestern's LIDB Transport investment of \$0.00410 is 51 times the \$0.00008 calculated by Pacific.

Since in their direct cases, the LECs were required only to reveal how their investments were calculated and the actual investments, without releasing their cost

³⁴ U S West Direct Case, at p. 14.

³⁵ BellSouth Direct Case, at p. 4.

³⁶ GTE Direct Case, at pp. 14-15.

models, the Commission and LIDB customers have no means of determining if these investment levels are appropriate.

Similarly, Exhibit 2 provides a comparison of the overhead loading used by each carrier to calculate their actual LIDB and CCS interconnection rates. As can be seen, overhead loadings range from a low of 1.2580 for Southwestern to a high of 5.58 for U S West's LIDB Transport. From the direct cases, it is clear that the amount of overhead is largely determined by the calculation method used. For example, several carriers including Bell Atlantic, United, Southwestern, SNET and Ameritech calculated LIDB and CCS interconnection overhead by dividing the fully loaded Local Transport cost by the Average Cost Factor.³⁷ These carriers calculated overhead levels which were fairly consistent, varying from approximately 1.26 to 1.47. Other carriers however, have not calculated overhead based on specific Local Transport Costs. Instead, these carriers have calculated overheads using their total switched access costs. MCI believes this methodology is not an appropriate means to allocate shared costs for a Local Transport service such as LIDB, and leads to excessive overhead recovery. For example, BellSouth asserts that it selected an overhead factor of 3.0.

This factor, representing the contribution of LIDB Access Service to recovery of general overhead costs, was selected because it is comparable to the level of overhead loadings established for services with which LIDB access is grouped for purposes of Price Cap Administration.³⁸

³⁷ Generally, the Average Cost Factor is calculated by dividing direct annual costs by their associated investments.

³⁸ BellSouth Direct Case, at. p 8.

Similarly, Pacific used its entire interstate switched access revenue requirement and direct costs to determine its LIDB overhead loading of 5.535.³⁹ Likewise, U S West developed its overhead factors in two different ways. The carrier used its total traffic sensitive revenue requirement and direct costs to calculate its LIDB overhead factors, while its CCS overhead loading purports to use only its Local Transport revenue requirement and direct costs. However, this method has resulted in an overhead loading of 10.54, which is a significantly greater loading than other LECs claiming to use only Local Transport revenue requirement.⁴⁰ Since this factor varies so significantly between U S West and the other LECs using Local Transport cost to calculate overhead loadings, the Commission should require U S West to provide further details about how this loading was calculated.

Since the investments and the overhead loading varied so significantly between LECs, it should come as no surprise (as shown in Exhibit 3) that the LECs have wide variations in their LIDB and CCS rates. Therefore, LIDB customers find themselves in a situation largely identical to one faced by prospective customers of the LEC ONA tariffs. In that proceeding, the LECs have proposed widely diverging basic service element rates ("BSEs") which were also developed from investments calculated through the use of a Bellcore costing model called the Switching Cost Information System ("SCIS").

There can be no doubt that the SCIS and CCSCIS costing models are similar.

³⁹ Pacific Direct Case, at pp. 8-9.

⁴⁰ U S West does not appear to have allocated the entire amount of its CCS overhead factor to its Port Termination charge. See, U S West Direct Case, at pp. 17-20.

The CCSCIS model uses the same approach as the SCIS model, which has been used for many years to develop the direct cost of multifrequency signaling services. Both models assign the investment of shared switching equipment to specific services based on the utilization of those services relative to the capacity of specific hardware required to supply [the] service.⁴¹

Since it is clear that the ongoing LIDB investigation is the only opportunity for LIDB customers to determine if they are paying lawful LIDB rates, the Commission must require the LECs to make their CCSCIS costing model available for public scrutiny.⁴² MCI will not restate the history of its attempts to obtain access to the SCIS models here. However, it must be emphasized that in the ONA investigation, the Bureau did conclude that a review of the costing model was necessary.

We have now concluded that SCIS should be subjected to the fullest practicable examination by parties to the investigation, consistent with protection of competitively sensitive materials, to assure through review of these elements of the ONA rate development process. There is a strong public interest, both generally in developing the new services to be furthered by ONA and, more narrowly, in the setting of reasonable prices for ONA services that will not constrain that process. The broad public purposes of the Commission's ONA initiative will unquestionably be far better served if prospective customers of these offerings are enabled to contribute their specialized expertise to the resolution of issues in the ONA tariff investigation.⁴³

⁴¹ Pacific Direct Case, at p. 6.

⁴² The Commission should also require access to U S West's Signaling System No. 7 costing model which appears similar to CCSCIS, and should require GTE and BellSouth to provide more specific details regarding their investment calculations.

⁴³ In the Matter of Commission Requirements for Cost support Material To Be Filed with Open Network Access Tariffs, DA 92-129, Memorandum Opinion and Order, Released January 31, 1992, at para. 39 (emphasis added).

In addition to requiring CCSCIS disclosure, the Commission should require the LECs to respond to a variety of other costing issues currently part of the ONA investigation, but which are clearly also applicable to the LIDB rates.

1. Is use of a cost of money that exceeds 11.25 percent reasonable?
2. Are the BellSouth, U S West and Pacific overhead loading excessive?⁴⁴

F. LIDB SERVICE MUST NOT BE PRICED TO MEET MARKET CONDITIONS

MCI believes that a LIDB query should be a non-chargeable tariffed option like Automatic Number Identification ("ANI") is today.⁴⁵ First of all, IXCs add value to LEC calling cards by completing calls for LEC customers over their networks. In addition, since LECs receive access revenues for calls completed over the IXC, they should absorb the incremental costs - if any - which might be related to the validation and provision of billing name and address.

If the Commission does conclude however, that the LECs are to be permitted to recover incremental LIDB costs (and a reasonable amount of overhead) through tariffed rates, these rates cannot be priced above fully distributed cost ("FDC"). As discussed above, some LECs have already established excessive rates for LIDB through the use of improper overhead loadings. In addition, through lack of public information about CCSCIS, and other LEC costing methodologies, LIDB providers have had the opportunity

⁴⁴ In the Matter of Open Network Architecture Tariffs of Bell Operating Companies, CC Docket No. 92-91, Released April 16, 1992, at pp. 3-4.

⁴⁵ ANI is non-chargeable option as part of today's feature group access environment. At this time, the Commission still plans on eliminating feature groups as part of its ONA implementation. If that were to occur, ANI would be a chargeable basic service element.