

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C.

**ORIGINAL  
FILE**

SEP 4 1992

In the Matter of )  
Price Cap Performance Review )  
for AT&T )  
FEDERAL COMMUNICATIONS COMMISSION )  
OFFICE OF THE )  
SECRETARY )

CC Docket No. 92-134

**COMMENTS OF COMMUNICATIONS WORKERS OF AMERICA**

These are the Comments of the Communications Workers of America (CWA), an affiliate of the AFL-CIO, on the Commission's "Notice of Inquiry," or "NOI," released July 22, 1992, in the above-cited review docket on "price cap" regulation of AT&T.

CWA is a labor organization which represents in collective bargaining several hundred thousand American men and women employed by American Telephone & Telegraph Co. (AT&T), the Bell Operating Companies and many other local exchange carriers.

As adopted by the Commission, the price cap style of regulation is to allow AT&T and other dominant carriers to retain profits which, under the current cost-of-service (Rate-base, rate of return) style of regulation, otherwise would be flowed back to users. The Commission laid out the perceived advantages and disadvantages of the previous system and its proposed replacement, and tentatively concluded the latter would be more appropriate in today's new competitive climate.

The instant proceeding has been convened to serve as a fourth-year review of the performance of AT&T under price cap regulation, which was instituted July 1, 1989, by the Commission in its CC

No. of Copies rec'd 077  
LISTABODE

Docket 87-313 proceeding. The Notice of Inquiry of June 18, 1992, released July 17, 1992, states that the Commission finds that price cap regulation has worked well, resulting in lower rates, introduction of new services and improved efficiency by AT&T. Clearly the Commission intends to retain price cap regulation.

Matters of "Service Quality and Network Reliability" are discussed in the NOI in Paragraphs 25-30. The Commission's initial conclusion was that AT&T would be unlikely to ". . . pursue short term profits at the expense of maintaining facilities and making necessary investment." (Par. 25) The NOI notes the public concern over major AT&T service outages in the last 3 years (Par. 28). Establishment of the Network Reliability Council by the Commission as a means of enhancing service quality is cited in Par. 29. In its NOI, the Commission reports on its investigation of the major service outages and concludes: "None appeared to be directly traceable to price cap regulation or to any AT&T strategy to maximize short-term profit. (Par. 29)

In the CWA Comments, filed at the Commission July 25, 1988, we included the following 2 paragraphs as part of the Union's views:

In its final actions on price cap regulation, the Commission is urged to give more detail in several aspects of service quality maintenance. In the FNPRM, at paragraphs 486-495, the Commission briefly outlines methods of overseeing service quality. Given the strong reservations and oppositions registered to date on price cap regulation, CWA urges the Commission to expand on its assurances of service quality protection.

Related to service quality is the array of services to be capped in price, as discussed at paragraphs 210-236 of the FNPRM. CWA believes the Commission must clarify the terminology associated with services described as "basic," "existing," "new" and "restructured." Such clarification would enhance the Commission's assurances that the first-rate telephone service to which all Americans are accustomed will continue. CWA believes the institution of price cap regulation will help the dominant carriers maintain adequate staffing levels by which good service is to be provided, while at the same time meeting the competition now pervading the industry. CWA Comments at 3-4.

Developments over the last four years lead CWA to believe, to the contrary, that price cap regulation has been a contributing factor to excessive reductions in the workforce and consequent reductions in the quality of service provided to customers.

As CWA President Morton Bahr stated at the first meeting of the Network Reliability Council on February 27, 1992, price caps are providing an additional incentive to companies to cut costs and boost profitability by cutting front line forces and by placing less attention on training.

A significant weakness in the ability of the Commission and of other experts to measure the degree to which price caps have affected service is that the Commission lacks national telephone service quality standards, a fact which is cited thus by the National Association of Regulatory Utility Commissioners in its March 1992 publication "Telephone Service Quality Handbook":

It is important to recognize that the FCC has not established service quality standards for telephone companies. In ordering the additional reporting and monitoring requirements of carriers subject to price cap regulation, the

FCC reiterated their [sic] position that "there is no present need to develop national standards for service quality . . . ." The FCC's monitoring programs are designed to evaluate performance based on industry standards and analysis of trends rather than national standards. At this writing, the United States Congress is debating the need for standards in view of regulatory changes and recent service outages.

While the Commission learned by investigation that the serious New York City AT&T service outage of September 17, 1991, was due to a management decision to leave power supply facilities in the care and custody of unqualified and untrained personnel, the Commission appears unlikely to examine matters of workforce adequacy. CWA directs attention to Commission Chairman Sikes' responses to certain questions posed by Chairman Edward J. Markey after a hearing October 1, 1991, before the House Subcommittee on Telecommunications and Finance. The October 8 letter of Chairman Markey to Chairman Sikes posed 15 major questions on service reliability matters. Of particular interest to CWA -- and to other parties, as noted below -- are Questions 10 and 11, with the Commission's responses, from pages 84-85 of the Subcommittee's printed hearings (attached). In Response No. 10, the Commission contends that "human factors" matters appear to be outside the agency's domain. CWA disagrees with the Commission's position, as stated in Response No. 10.

Responses 10 and 11 very strongly suggest the Commission is under-informed as to the service quality of the industry it is

charged with regulating. By maintaining the position that human factors are not pertinent, the Commission closes off an area of legitimate inquiry from its work and enforcement activities.

Workforce adequacy is a significant issue not only to this Union: a major users' group, the Tele-Communications Association (TCA) has publicly suggested that carriers' personnel reductions in recent years may have contributed to service reliability problems. On behalf of TCA, former FCC Chairman Richard E. Wiley on April 15, 1992, sent a detailed statement of TCA concerns to Paul Henson, Chairman of the Network Reliability Council. TCA specifically calls for establishment of a "working group regarding work force reductions," reporting that ". . . TCA's members have found that telephone company employees often are under-trained to diagnose and correct particular problems." (Pages 5-6 of the TCA recommendation to Network Reliability Council Chairman Henson are attached hereto.)

The extent of AT&T's workforce reductions is plainly stated by the facts. At the time of divestiture AT&T had 385,000 employees. By the end of 1991 its workforce had been cut by almost a third to 262,100 (See Table 1. This figure excludes the employees of NCR which was acquired by AT&T in 1991.) AT&T has used these large cuts to sustain and boost its level of profitability at a time of serious competitive challenges in its long-distance telephone business and at a time it has chosen to write off billions of dollars of assets.

CWA continues to believe that these reductions have affected the quality of service to AT&T customers. We should remind the Commission that prior to the power outage at AT&T's Thomas Street facility in New York City, the company cut the number of power technicians in the affected operation from 10 to 3 to save costs. Other technicians in the area at the time of the outage had not received updated training on power systems after an internal reorganization of the company prevented them from handling problems with the power systems.

**Conclusion**

CWA urges the Commission to improve its regulation of AT&T -- and other carriers -- under the price cap system by actively monitoring the adequacy of workforces for customers' demands. CWA believes the TCA suggestions on workforce matters are sound and reasonable. Finally, CWA urges the Commission to adopt service quality standards for all regulated carriers, to ensure validation of the instant fourth-year review of price cap regulation and any future reviews of this downscaled form of incentive regulation.

Respectfully submitted,

  
John Morgan  
Adm. Asst. to Secy.-Treas.

Dated: September 4, 1992  
(Copies to Commissioners)

# TELEPHONE NETWORK RELIABILITY

---

**HEARINGS**  
BEFORE THE  
SUBCOMMITTEE ON  
TELECOMMUNICATIONS AND FINANCE  
OF THE  
COMMITTEE ON  
ENERGY AND COMMERCE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SECOND CONGRESS

INCLUDING

**H.R. 4789**

A BILL TO AMEND THE COMMUNICATIONS ACT OF 1934 TO REQUIRE  
THE FEDERAL COMMUNICATIONS COMMISSION TO ESTABLISH AND  
ENFORCE TELECOMMUNICATIONS NETWORK RELIABILITY STAND-  
ARDS

---

OCTOBER 1, 1991, APRIL 7 AND MAY 13, 1992

---

**Serial No. 102-125**

---

Printed for the use of the Committee on Energy and Commerce



U.S. GOVERNMENT PRINTING OFFICE

57-1024

WASHINGTON : 1992

---

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-038864-3

mandate to forestall any such occurrence. We believe that such an approach is unnecessary and undesirable.

The goals of increased reliability and continued innovation and excellence are better served by (1) working with the industry to decrease the likelihood and the impact of any disruption; and (2) propounding policies that encourage and reward excellence, and put companies at risk when they fail to achieve excellence. The notification and information-sharing procedures we are advocating, combined with our policies of increased competition and incentive regulation, are designed to serve these dual goals. There is no denying that United States carriers' networks are providing users with increasingly diverse and better service. Users today have more options in the form of features, prices, services, carriers and technologies than ever before. Overall, service quality is better than it has ever been. We do continue, however, to review both industry performance and our policies, to ensure the most reliable and efficient services possible.

✓ 10. What human factors analyses has the FCC performed to identify procedures or processes that put our communications network at risk to high consequence failures and how were they considered in identifying and planning network reliability/service quality reviews?

It is outside the purview of our statutory mandate, and of our public service responsibility and obligation, for us to perform "human factor analyses." It is vital, however, that carriers factor both workforce and management performance into their network quality planning. We recognize that human error plays a significant role in the providing of any service, and that this factor is key in the provision of reliable telecommunications service. Human error is therefore one of the factors we consider when we review instances of service disruption. We encourage the carriers to improve their management approach to reduce human error -- for example, through augmenting existing training and testing procedures, and through maintaining effective fallback and notification procedures.

✓ 11. Please provide a detailed listing of all the FCC network reliability/service quality reviews FCC has undertaken since January 1, 1988, including investigations of telephone service outages. For each of the listed reviews, please provide in table format the following information: (a) significance of issue or outage reviewed; (b) underlying cause of any problem(s) identified; (c) solutions recommended by common carrier; (d) solutions recommended by the FCC; (e) number of other common carrier facilities susceptible to the problem(s); (f) number of locations adopting recommended solutions; (g) specific regulatory actions or requirements resulting from FCC review; (h) extent of FCC follow-up to determine implementation of recommended solutions; and (i) extent of FCC follow-up to determine compliance with regulatory requirements.

We are able to accommodate only part of our response to this question in the format you request. The table on outage investigations follows, but our ongoing monitoring and review of LEC service quality and infrastructure indicators is not adaptable to a table format. While we would state in row (a) that significance of the issue is high, because our monitoring program does not

rest on evaluation or resolution of any problem, there would be no response for rows (b) through (i). However, a copy of the Common Carrier Bureau's May 1991 order establishing a three-part monitoring program for price cap LECs consisting of quarterly, semi-annual, and annual reporting on many data points related to service quality, infrastructure development, and reliability, is attached.

Regarding the table on our investigations of telephone service outages, we have completed detailed investigations into three incidents, which are outlined in the following chart. Our investigation of the fourth, the AT&T outage in September, will be completed by the end of this month.

In addition to these incidents, I would like to note another, potentially more significant event which did not occur, due to direct Commission intervention. I refer to the nationwide 800 number promotion planned by Pepsi for the January, 1991 Super Bowl game. Pepsi's "giveaway" plans could have caused widespread congestion in the telephone network. We summoned the interexchange carriers, the local exchange carriers, Pepsi, and ABC to a meeting at the Commission. After protracted discussions, the participants agreed to a plan of careful monitoring. When Pepsi could not receive assurances from the telephone companies that there was no risk of congestion, however, the company cancelled the promotion.

Following this experience, the industry convened the Media Stimulated Calling Working Committee, which devised a better way to estimate the impact of such events on the network, and it developed a contact list for sharing of information among local exchange and interexchange carriers. Commission staff have closely monitored these industry developments, and we will continue to do so.

I bring this instance to your attention because it reflects the Commission's proper role in assuring network reliability. The Pepsi case illustrates how the Commission can encourage, facilitate, and serve as a catalyst for industry efforts to solve reliability problems.

- 5 -

Carrier cooperation. The Council should recommend that the FCC require carriers to work together to minimize the disruption caused by outages. For example, carriers should be directed to develop traffic hand-off agreements and to implement the necessary interconnection arrangements to provide for a smooth transition. In particular, TCA urges the Council to examine whether the service disruption plan recently adopted in New York City can be used as a national model.

Working group regarding work force reductions. Over the past two years, interexchange and local exchange carriers have laid off or given early retirement to thousands of experienced technicians. As a result, TCA's members have found that telephone company employees often are under-trained to diagnose and correct particular problems. TCA also is concerned that the experience of its individual members may be indicative of a greater degree of risk to the network as a whole.

To determine the extent of this risk and develop means of reducing it, TCA urges that the Council establish a separate working group. This group should assess whether work force reductions may adversely affect network reliability and should examine methods for ensuring that telco employees are adequately trained. Because of the direct impact of under-training on users, TCA also recommends that at least one of the Council's user members be included on the working group.

Network survey and reliability task force. In his February 27 letter to you, Commissioner Duggan made two proposals about the FCC's role in addressing reliability concerns. First, he suggested that the agency launch a "comprehensive 'state-of-the-network' survey to identify vulnerabilities, to evaluate backup and default mechanisms, and to recommend needed action." Second, he urged that the Commission create a formal unit to investigate and report on major outages.

TCA endorses each of these recommendations. The survey would provide a cohesive and overarching examination of a network that, since divestiture, has had no entity responsible for end-to-end performance and reliability. It also would ensure that the parochial interests of individual service providers do not create risks for the network as a whole. The network reliability task force would develop valuable experience in addressing the causes of outages and could act as a central point of contact for users and service providers with particular reliability-related concerns.

TCA accordingly urges the Council to consider and recommend options for structuring and performing the network survey. In addition, the Council should resolve that a network reliability task force is warranted. Agreement to such a resolution by the

TABLE 1: AT&T NUMBER OF EMPLOYEES

	Number of Employees
DIVEST (1/84)	385,000
1984	365,000
1985	338,000
1986	317,000
1987	303,000
1988	304,500
1989	283,500
1990	273,700
1991	262,100

NOTE: The figure for 1991 excludes  
the employees of NCR.

SOURCE: AT&T Documents Filed with  
the Securities and Exchange  
Commission.