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September 24, 1992

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Cheryl A. Tritt
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, D.C. 20554

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SEP 24 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **CC Docket Nos. 90-132, 92-134,**
AT&T Tariff Transmittal No. 4322

Dear Ms. Tritt:

Aeronautical Radio, Inc. ("ARINC"), by its attorneys, hereby supplements its pleadings in the above-captioned proceedings seeking reconsideration and clarification of the Commission's IXC Order and opposing AT&T's third rate revision in eleven months that cumulatively would increase certain analog private line rate elements by almost 1,000 percent.¹ In those pleadings, ARINC noted that the proposed increases were inconsistent with specific Commission objectives to protect captive analog private line ratepayers from this very type of rate inflation.

Background and Introduction

ARINC understands that, in various ex parte meetings with Commission staff, AT&T has taken issue with ARINC's and other petitioner's claims that analog users are captive

¹ Competition in the Interstate Interexchange Marketplace, CC Docket No. 90-132, "Petition for Clarification and Reconsideration," filed Nov. 25, 1992, and "Supplemental Comments," filed May 22, 1992, by Aeronautical Radio, Inc.; Price Cap Performance Review for AT&T, CC Docket No. 92-134, "Comments of Aeronautical Radio, Inc.," filed Sept. 4, 1992; AT&T Communications Transmittal No. 4322, "Petition for Partial Rejection, Suspension or Investigation," filed by Aeronautical Radio, Inc., on August 7, 1992 ("ARINC Petition"). ARINC respectfully requests authorization, to the extent necessary, to file these supplemental comments. See 47 C.F.R. §§ 1.45(c), 1.411(d) (1991).

ratepayers. It has argued that there are competitive alternatives to AT&T's analog services, including additional suppliers and substitutable services.

At the outset, ARINC notes that AT&T's argument amounts to an untimely petition for reconsideration of the Commission's decision in the IXC Order, in which the Commission found precisely the opposite.² The FCC there stated:

Analog private line services are of diminishing importance in the marketplace and these services are consequently less subject to competition than other business services. Under the circumstances, we are concerned that elimination of price cap restraints for analog private lines services could lead to higher prices for these services. While many customers would likely respond to higher prices by switching to digital services, adequate substitutes using digital technology are not available to all users of analog private line services.³

Given these conclusions, AT&T's arguments should be rejected out of hand.

In any event, ARINC believes that attempting to change its existing analog services to equivalent analog services offered by a competing carrier or to change to alternative services would not be in the best interest of ARINC or its customers.

Conversion to an Alternative Analog Service Provider

ARINC acknowledges that certain common carriers do claim to offer equivalent services; however, none have the extensive network presence of AT&T. Thus, local access costs to reach the points-of-presence (POP) of competitive carriers would be higher than those to reach AT&T POPs.

In addition, the performance of LEC access circuits is significantly worse than that of interexchange circuits when

² Competition in the Interstate Interexchange Marketplace, 6 FCC Rcd. 5880 (1991) ("IXC Order") (emphasis added).

³ Id. at 5895.

calculated on a per mile basis. The effect of switching carriers would shift the number of circuit miles in favor of LEC miles instead of interexchange miles. This would likely have a negative impact on the performance of ARINC's network, and consequently upon ARINC's service quality to serve the airline industry.

Most importantly, the cost and disruption associated with changing carriers has been clearly understated by AT&T. Local exchange companies impose stiff installation charges for implementation of analog private line access, which when added to the installation costs of the interexchange carrier amount to several thousands of dollars per circuit.

Any conversion to an alternate analog multidrop service provider would entail a lengthy and complex coordination-intensive process requiring personnel at every location to simultaneously effect the cutover. In addition, the planning and engineering which would accompany such a project would be very costly. Altogether, the labor costs may equal or exceed the installation costs cited above.

The planning process cannot be underestimated when the final product serves the airline industry and the FAA. Selection of an inferior vendor, or inadequate engineering in advance, could result in poor network performance and interruption of essential safety of flight services. Even if a reliable cost-effective alternative were available, it would be months and perhaps years before the rigorous planning and approval process could be completed.

No such transition occurs without interruption of service. When AT&T unilaterally converted ARINC's analog services to the ASDS program, hundreds of hours of service interruptions occurred. The potential for engineering errors, installation errors, or planning errors is significant when multiplied by the literally thousands of network components associated with such a migration.

Conversion to Truly Digital Services

Planning costs, installation costs, and the potential for service disruption are significant in any change that ARINC chooses to make, whether changing analog carriers or moving to new digital services with any carrier. Therefore, it only makes sense that the risk and cost of such transition should be incurred only once, not twice.

ARINC recognizes the long-term promise of digital services and, as these new services become available, ARINC is evaluating and testing them. However, ARINC's networks do not necessarily follow the deployment pattern of these new digital services. In many cases, the sites must be located where enroute aircraft fly regardless of surrounding population. Digital services are not yet available in all of these locations to meet the demands of ARINC's network. Attached for the agency's information is a description of ARINC operations currently supported by AT&T's private line services.

The data communications equipment industry also is working to create the products necessary to fulfill ARINC's needs, but cannot do so yet. Specifically, ARINC's requirements for backup systems have not yet been met. Failures within the existing analog network can be recovered through the Public Switched Telephone Network (PSTN). This is known commonly as "dial backup." No such alternative exists for the new digital services. In fact, the only solution is to retain the analog equipment in use today to create a parallel on-demand analog network. Ultimately, this need will be met through the emerging ISDN networks and the on-demand digital services they promise.

In its objective of providing highly reliable and cost efficient service to its customers, ARINC believes that digital networking will soon be available and a viable alternative. Until then, however, ARINC feels that effecting two network transitions would be too costly and too risky for the short term benefit of avoiding AT&T's aggressive rate manipulation. ARINC would have no other choice than to bear the cost increases and hope that digital networking is just around the corner.

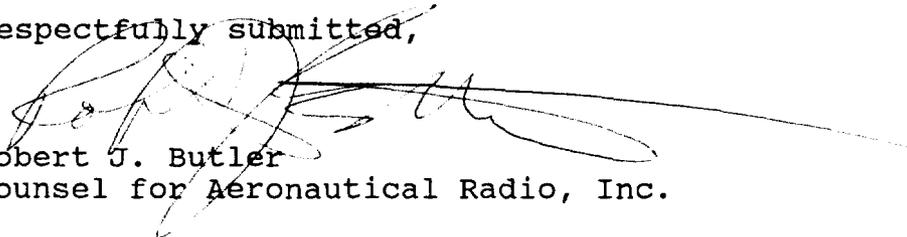
Conclusion

AT&T's ability to raise rates as high as almost 1,000 percent in some cases is unequivocal proof that it has market power in this service segment and that ARINC and other analog users are captive ratepayers; ARINC simply does not have competitive alternatives. Unless the Commission takes action in these proceedings, ARINC will be required to absorb the exorbitant charges associated with these services, and the public will likely suffer the consequences associated with the economic impact of these increases. The FCC in the IXC Order was almost prophetic in its warning in this regard.

ARINC therefore urges the agency to reject AT&T's pending tariff proposal and grant its petition for clarification and reconsideration in Docket 90-132. As a minimum, the FCC should investigate the tariff rates, suspend the tariff for a day, and impose an accounting order so that users will be entitled to a refund for any overcharges that are allowed to become effective pending the outcome of such investigation.⁴

Should you have any questions regarding this matter, please call me at (202) 429-7035 or my associate Kurt E. DeSoto at (202) 429-7235.

Respectfully submitted,



Robert J. Butler
Counsel for Aeronautical Radio, Inc.

RJB/krr

cc: Gregory J. Vogt, Esq.
Chief, Tariff Division

Mr. M.F. DelCasino
American Telephone & Telegraph Company

All parties

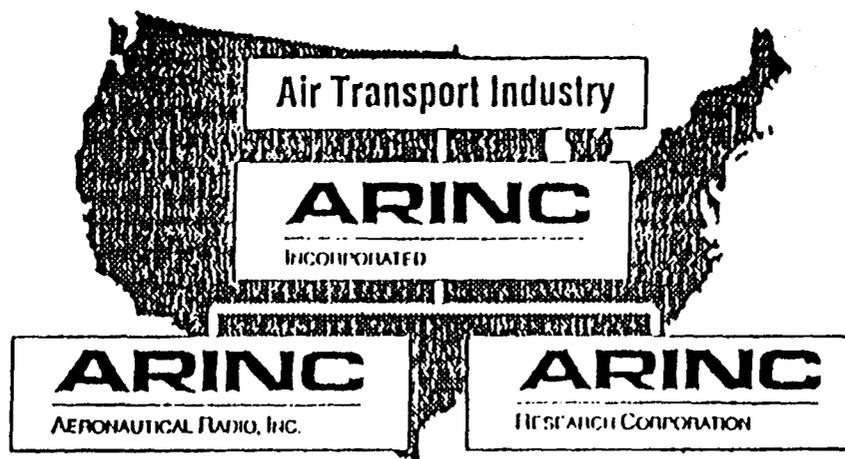
⁴ See generally Illinois Bell Telephone Company v. FCC, No. 89-1365 (D.C. Cir. June 16, 1992).

COMPANY OVERVIEW

Aeronautical Radio, Inc.
(ARINC)

September 21, 1992

CORPORATE HERITAGE



Aeronautical Radio, Inc., Founded	1929
Initial Service to Department of Defense	1951
VHF Air/Ground Networks Operational	1956
ARINC Research Corporation Founded	1958
First ARINC Network Established	1961
ACARS Air/Ground Data Link Operational	1978
Aeronautical Satellite Communications Initiated	1990
Automatic Dependent Surveillance Pacific Engineering Trials	1990

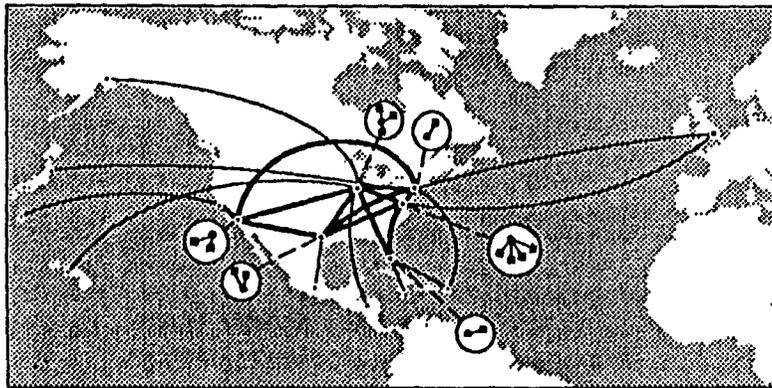
ARINC STOCKHOLDERS

Aero Services International, Inc.
Aerovias Nacionales de Colombia, S.A.
Air Canada
Air France
Alaska Airlines, Inc.
Aloha Airlines, Inc.
Amalgamated Wireless (Australasia) Ltd.
American Airlines, Inc.
Braniff, Inc.
British Airways Board
Chicago Helicopter Airways, Inc.
Compania Mexicana de Aviacion, S.A. de C.V.
Continental Air Lines, Inc.
Delta Air Lines, Inc.
Det Danske Luftfartselskab A/S
Eastern Air Lines, Inc.
Empresa Consolidada Cubana de Aviacion
Federal Express Corporation
Ford Motor Company
Frontier Airlines, Inc.
General Motors Research Corporation
The Goodyear Tire and Rubber Company
Hawaiian Airlines, Inc.

Hughes Aircraft Company
International Aeradio, PLC
KLM Royal Dutch Airlines
Lufthansa German Airlines
Lukens, Inc.
McDonnell Douglas Corporation
Northwest Airlines, Inc.
Pan American World Airways, Inc.
Penzell Company
Petroleum Helicopters, Inc.
Philippine Air Lines, Inc.
Pilgrim Airlines
Radio Aeronautica de Cuba, S.A.
R.E. Ruch
Scandinavian Airlines System
Swiss Air Transport Co. Ltd.
Taca International Airlines, S.A.
Trans World Airlines, Inc.
United Airlines
Universal Airways, Inc.
USAir
USX Corporation

ARINC COMMUNICATIONS SERVICES

ARINC Data Network Service (ADNS) Packet Switch Network for the Aviation Industry



Aircraft Communications Addressing and Reporting System (ACARS) VHF Voice and Data Link to Aircraft



Other Services

Industry Coordination of Communications and Avionics Standards

- Avionics Specifications
- Aircraft Avionics Standards
- Standards for Test Equipment

Shared Information Services

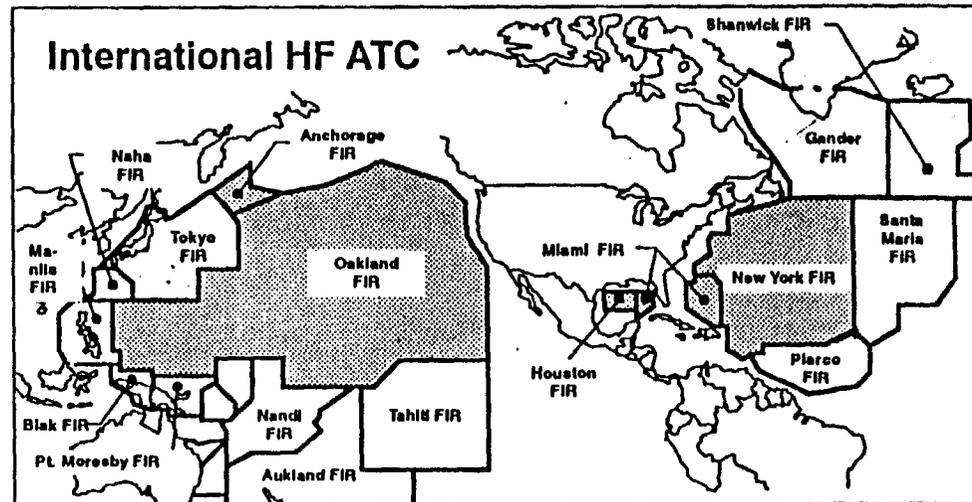
- Data Bases for Aviation Industry

Shared Airport Radio Services

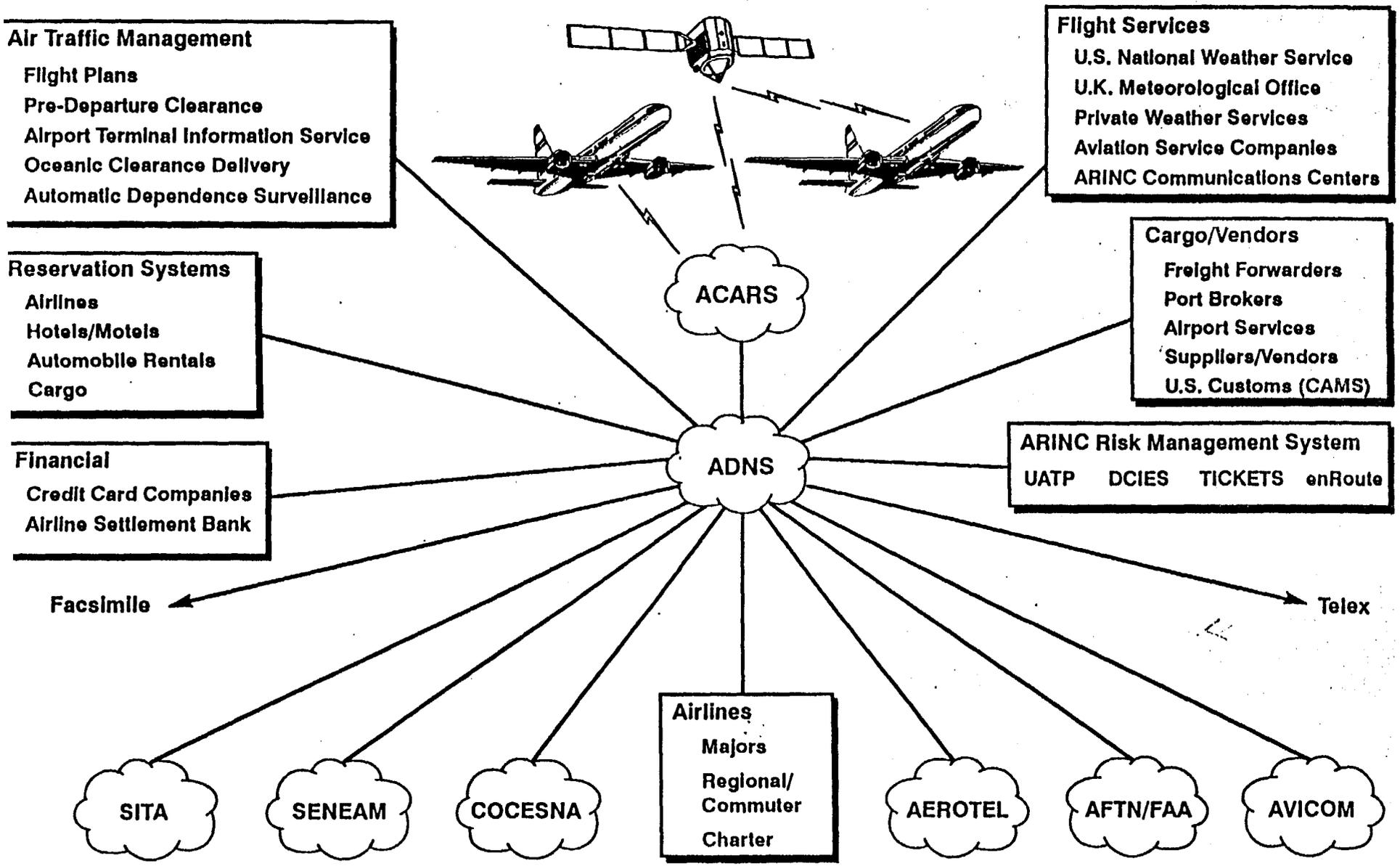
- Conventional
- Trunked

ATL BWI BOS CLT ORD DFW LAX MIA
BNA EWR JFK PHL RDU SFO SJU

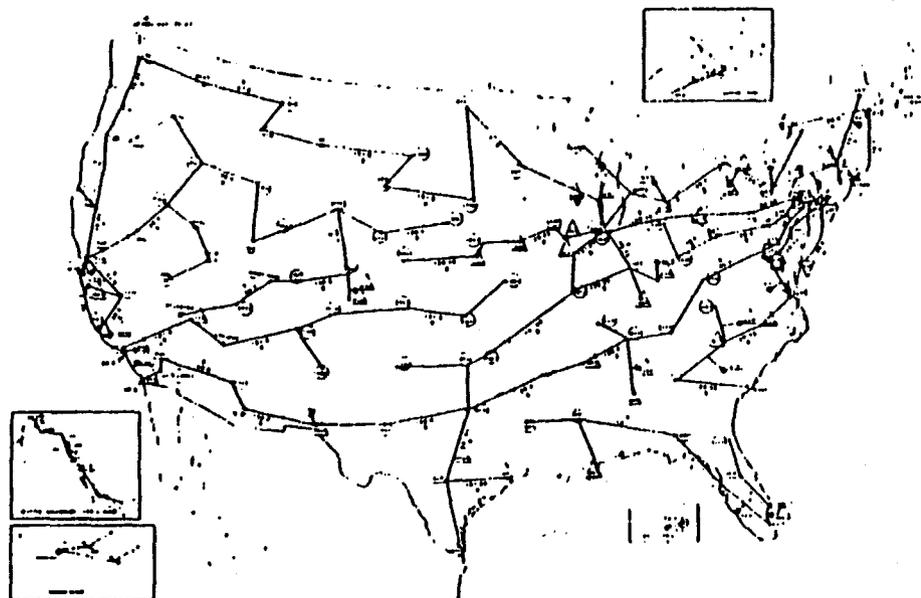
International HF ATC



ARINC Communications Services



AIR/GROUND VOICE SERVICES



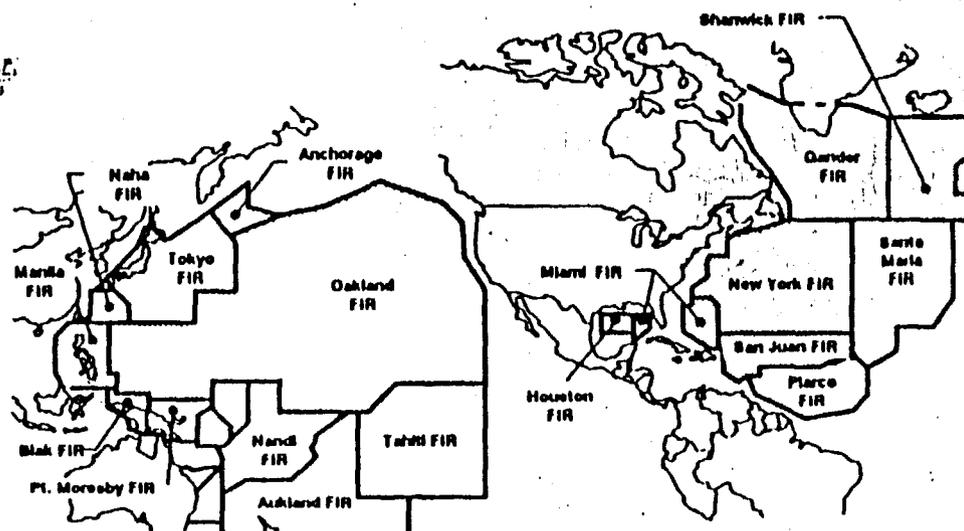
VHF Domestic Coverage

Domestic:

- License holder for all the aeronautical frequencies
- Domestic VHF coverage provides continuous coverage above 20,000 feet
- On-ground coverage at most major airports
- Meets airline/FAA operations requirements
- Always required as a "safety network"

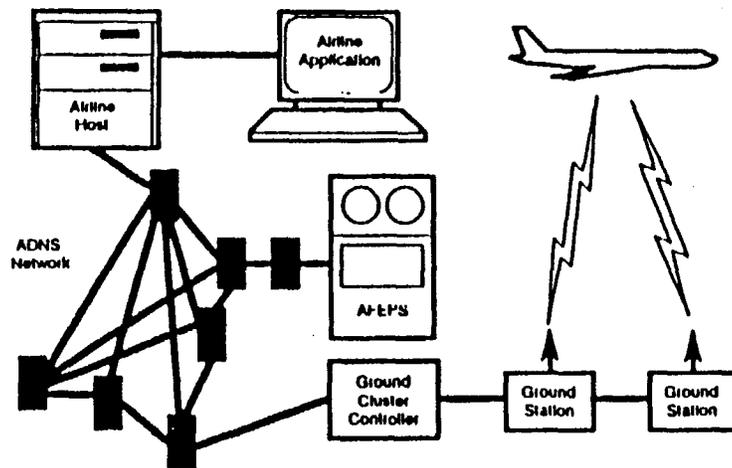
International:

- Service provided to FAA and airlines for all U.S.-controlled oceanic airspace
- ARINC provides radio operators and communication facilities for all areas
- Meets FAA requirements for zero errors



HF International Coverage

AIRCRAFT COMMUNICATIONS AND REPORTING SYSTEM (ACARS)



Continuous Coverage Above 20,000 Feet
On-Ground Coverage Provided at +250 Airports
Allows Aircraft to Perform as Mobile Data Terminal
Ground Stations Networked Through Private Line, Satellite, and V-SAT Technologies
ARINC Front-End Processor System (AFEPS)
Manages Data Link Communications with More Than 2,600 Aircraft Daily

More Message Traffic Handled at Chicago (ORD) in One Day Than All Other Service Providers Handled in a Month

Provides Airlines with Information Regarding:

- Air traffic control
- On-board systems' performance
- Crew pay
- Passenger service
- Weather
- Operational requirements

