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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
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JUL 7 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
Amendment of Part 36 and) RM-8480
Part 69 of the Commission's)
Rules to Effect Comprehensive)
Reform of the Access Charge System)

COMMENTS OF THE NYNEX TELEPHONE COMPANIES

The NYNEX Telephone Companies¹ ("NYNEX") pursuant to the Commission's June 8, 1994 Public Notice, Report No. 2013, hereby submit their comments on the Ad Hoc Telecommunications User Committee's ("Ad Hoc") Petition for Rulemaking for Amendment of Part 36 and Part 69 of the Commission's Rules to Effect Comprehensive Reform of the Access Charge System ("Petition").

I. INTRODUCTION

In the Petition, Ad Hoc requests that the Commission initiate a rulemaking proceeding to consider comprehensive access charge and separations reform, noting that there is a "general consensus that changes in the now ten-year old access

¹ The NYNEX Telephone Companies and New York Telephone Company ("NYT") and New England Telephone and Telegraph Company ("NET").

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charge rules are required."² Ad Hoc suggests that the Commission accomplish this reform through two parallel proceedings, one to examine the Part 69 access rules and the other to examine the Part 36 separations rules. This approach is necessary, according to Ad Hoc, because efforts to implement broad access charge reform without also reforming the Part 36 jurisdictional separations rules "are inherently futile".³ Ad Hoc does not, however, support the consideration of further pricing flexibility for the LECs as an element of its access reform proposal.⁴

NYNEX agrees with Ad Hoc that a comprehensive review of the Commission's interstate access rules is required. Regulatory policy has failed to keep pace with the rapid advances in technology and the growth of competition that has occurred in the last decade, and fundamental access reform is necessary. NYNEX does not believe, however, that Ad Hoc's Petition provides the appropriate framework for that access reform. Rather, the Commission should instead promptly issue a Notice of Proposed Rulemaking ("NPRM") based on the interstate

² Petition at p. 2. Ad Hoc also acknowledged that their call for access reform "represents a departure from the Committee's past opposition to proposals calling for a general overhaul of the access charge rules..." (Petition at p. 4).

³ *Id.* at p. 5.

⁴ *Id.* at p. 14.

access reform proposal advanced as the United States Telephone Association ("USTA").⁵

II. FUNDAMENTAL ACCESS REFORM SHOULD BE IMPLEMENTED WITHOUT FURTHER DELAY

The telecommunications industry in 1994 is vastly different from that which existed just a decade ago. The LECs' so called "bottleneck" control of local switches and circuits has clearly been eroded by changes in technology and market conditions.⁶ Competition has grown dramatically in that time as competitive access providers, interexchange carriers and cable companies have offered alternatives to the LECs' networks. The existing access charge rules were not designed to address the impact of such competition on the access marketplace. The Commission must consider fundamental changes to price regulation and the access structure that reflect the new technological and competitive facilities.

Ad Hoc's proposal does not, however, provide the appropriate framework for necessary access reform. While Ad Hoc has "modified its ... view that full separations reform must be implemented before the Commission initiates significant access

⁵ See In the Matter of Reform of the Interstate Access Rules, RM-8356, Petition for Rulemaking, filed September 17, 1993 ("USTA Petition").

⁶ See In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Comments of the NYNEX Telephone Companies, dated May 9, 1994, at pp. 11-18; NYNEX Transition Plan to Preserve Universal Service in a Competitive Environment, Petition For Waiver, filed December 15, 1993.

reform,"⁷ Ad Hoc continues to insist that Part 36 and Part 69 reform proceed in lockstep. Such an approach is unnecessary, and will unduly delay access reform. Delay would be inevitable, as many state regulatory Commissions would oppose large cost shifts to the state jurisdiction, which would be a likely outcome with any separations reform. Moreover, as USTA demonstrated in its petition, fundamental access reform can be accomplished without rewriting the separations rules. The most effective way to address the problem of support obligations contained in interstate access rates is to permit alternate recovery mechanisms within the interstate jurisdiction.

Furthermore, while Ad Hoc's Petition contains several modest proposals for access pricing reform,⁸ it does not contemplate providing the LECs with the pricing flexibility necessary for them to compete effectively. Rather, the Ad Hoc Petition is fundamentally a request for separations reform, rather than a request for access charge reform.⁹ As NYNEX, and others, have demonstrated, the need for access reform is critical. The Commission should instead issue an NPRM based on the rule changes proposed by USTA. Of the various proposals

⁷ Petition at pp. 4-5.

⁸ For example, Ad Hoc proposes that the Commission uncap the EUCL for residential and single line business customers, a proposal in which NYNEX concurs.

⁹ See Petition p. ii. ("Therefore, the Committee's proposal calls for initial focus on reform of uneconomic subsidies, including both direct subsidy flows under the current universal service funding mechanisms, and indirect subsidies embodied in the current Part 36 separations procedures.").

made to the Commission, USTA has proposed the most comprehensive, and most workable, blueprint for access reform. Adoption of the principal points contained in the USTA Petition would provide the LECs the flexibility they need to offer rate levels and rate structures that reflect real costs rather than arbitrary cost allocations, and to introduce new service offerings more expeditiously, while ensuring continued support of public policy obligations.

III. CONCLUSION

For the reasons set forth above, the Commission should reject Ad Hoc's Petition and should instead promptly issue an NPRM based on USTA's Petition.

Respectfully submitted,
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Dated: July 7, 1994

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **COMMENTS OF THE NYNEX TELEPHONE COMPANIES**, was served by first class United States Mail, postage prepaid, on the party indicated below, this 7th day of July, 1994.


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