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FEDERAL COMMUNICATIONS COMMISSION  
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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
 )  
AD HOC TELECOMMUNICATIONS )  
USERS COMMITTEE )  
 )  
Petition for Amendment of )  
Part 36 and Part 69 of the )  
Commission's Rules to Effect )  
Comprehensive Reform of the )  
Access Charge System )

RM-8480

AT&T REPLY COMMENTS

Pursuant to Section 1.405 of the Commission's Rules, 47 C.F.R. § 1.405, and the Commission's June 8, 1994 Public Notice, AT&T Corp. ("AT&T") submits this reply to the comments of other parties on the petition filed by the Ad Hoc Telecommunications Users Committee ("Ad Hoc") for a rulemaking proceeding to consider and implement a comprehensive reform of the Commission's interstate access rules and policies.<sup>1</sup>

<sup>1</sup> In addition to AT&T, comments were filed by Ameritech, BellSouth Telecommunications, Inc. ("BellSouth"), the Public Service Commission of the District of Columbia ("DCPSC"), the International Communications Association ("ICA"), MCI Telecommunications Corporation ("MCI"), the NYNEX Telephone Companies ("NYNEX"), Southwestern Bell Telephone Company ("Southwestern Bell"), Sprint Corporation ("Sprint"), the United States Telephone Association ("USTA"), and US WEST Communications, Inc. ("U S WEST").

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The comments reflect essentially unanimous agreement with Ad Hoc concerning the imperative need for the Commission to undertake a sweeping reform of its access rules and related regulatory policies. Moreover, although these parties do not agree fully on the proper scope and sequence of a comprehensive rulemaking on access reform, their substantial concurrence regarding the core elements of such a proceeding clearly warrants immediate action by the Commission to address these critical issues.

The differences reflected in the comments primarily relate to procedural, rather than substantive, matters. For example, while all commenters acknowledge the need for substantial access reform, a few suggest that the Commission should initiate a Notice of Inquiry ("NOI") as a prelude to conducting a rulemaking to implement those changes. See MCI, p. 3; Sprint, p. 3. There is no need at this juncture, however, to conduct an NOI to identify the issues warranting inclusion in an access reform rulemaking. The Commission has already collected voluminous data on the impact of its access charge plan in recent dockets on expanded interconnection and local transport pricing.<sup>2</sup> Moreover, AT&T

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<sup>2</sup> See Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141; Transport Rate Structure and Pricing, CC Docket No. 91-213.

demonstrated in its Comments (p. 2) that the Commission has compiled an extensive analysis from a variety of perspectives concerning the shortcomings of current access rules and policies.<sup>3</sup> Against this background, an NOI on comprehensive access reform would serve no purpose other than to unconscionably delay the implementation of changes that no party disputes are urgently required.<sup>4</sup>

Some parties (e.g., MCI, p. 4; ICA, pp. 3-4) also note the challenge of conducting a comprehensive access reform rulemaking in light of the variety of issues to be addressed and their relationship with other pending access-related proceedings before the Commission. Rather than implementing these broad-ranging changes in the access rules in a single proceeding, therefore, ICA proposes (id.) that these issues be addressed through multiple rulemakings, conducted sequentially, with different comment cycles and deadlines for action.<sup>5</sup>

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<sup>3</sup> See NARUC Petition for a Notice of Inquiry Concerning Access Issues, DA 93-847, released August 3, 1993; Petition of the United States Telephone Association for Reform of the Interstate Access Rules, RM-8356, released October 1, 1993; Access Reform Task Force, Common Carrier Bureau, Federal Perspectives on Access Charge Reform: A Staff Analysis (April 30, 1993).

<sup>4</sup> MCI's proposal (p. 5) to conduct separate NOIs on access charge, separations, and universal service issues is all the more dilatory and unwarranted.

<sup>5</sup> ICA illustrates its proposal with a suggested sequence of access reform through three new rulemakings to be conducted at various points as the Commission

Proliferating rulemakings in the manner ICA suggests is scarcely suited to achieving its stated objectives of promoting administrative efficiency and logical consistency in implementing access reform. AT&T showed in its Comments (pp. 3-5) that a broad-ranging rulemaking such as Ad Hoc requests will provide the Commission with an effective vehicle for overseeing the complex and interrelated policy issues raised by comprehensive access reform, without impairing the resolution of access-related issues in other pending Commission proceedings.<sup>6</sup> In the event that access reform may require the Commission to implement sequenced changes in its access rules and policies, the broad rulemaking proceeding can readily be conducted in phases to accommodate that requirement.

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completes action in three pending rulemakings and related tariff review proceedings. See ICA, p. 5.

<sup>6</sup> For example, a rulemaking on comprehensive access reform should not affect the timely completion of the Commission's current proceeding to evaluate the causes of the recent unexpected growth in the universal service fund ("USF"), which is expected to be completed by January 1, 1996. See Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, 8 FCC Rcd 7114 (1993), 9 FCC Rcd 303 (1993). Nor should that broad-ranging rulemaking delay Commission action on AT&T pending rulemaking petition (RM-8408) to implement a revenue-based method of allocating USF obligations, which has already been fully briefed for several months.

Additionally, some commenters express concern that comprehensive access reform will be delayed if that objective is tied to reform of the Commission's jurisdictional separations rules, which may require resort to Federal-State Joint Board procedures, and for this reason suggest that the Commission defer or entirely forego major changes in its separations rules. E.g., NYNEX, p. 4; Southwestern Bell, p. 9. The separations process plainly cannot be omitted entirely from comprehensive access reform, because those rules are integrally related to mechanisms such as the USF that contribute substantially to the problem of uneconomic subsidies in access rates. However, as AT&T and other commenters have demonstrated,<sup>7</sup> "de-linking" reform of the Part 36 and Part 69 rules, as Ad Hoc proposes, will eliminate any undue delay in achieving access reform. This procedure will permit the Commission not only to conduct simultaneous access and separations rulemakings, but also to rely on its own administrative procedures to the fullest extent possible in implementing access reform.<sup>8</sup>

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<sup>7</sup> See AT&T, pp. 5-6; Ameritech, p. 1; U S WEST, pp. 5-6.

<sup>8</sup> Additionally, the Commission should make every effort to assure that any separations rulemaking related to access reform is concluded as expeditiously as possible (for example, by establishing reasonable deadlines for issuing any recommended Joint Board decisions).

Finally, BellSouth contends (p. 2) that a separate proceeding specifically addressed to access reform, such as Ad Hoc requests, is superfluous because the Commission is already engaged in just such an analysis through its performance review of LEC price caps in CC Docket No. 94-1.<sup>9</sup> BellSouth claims (id.) that by initiating a new proceeding the Commission would "abandon [in] midstream" its purported access reform initiative in the LEC price cap review.

BellSouth's argument fundamentally distorts the focus of the Commission's inquiry in Docket 94-1. That proceeding addresses the efficacy of the Commission's incentive regulation plan for "Tier 1" LECs; while the Commission has proposed certain modifications of its access rules there, those changes are largely unrelated to the serious distortions in the current access scheme that Ad Hoc correctly describes.<sup>10</sup> The fundamentally

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<sup>9</sup> Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Notice of Proposed Rulemaking, 9 FCC Rcd 1687 (1994) ("LEC Price Cap NPRM").

<sup>10</sup> In particular, nothing in the access rule changes tentatively proposed by the Commission in the LEC price cap review is calculated to remedy the uneconomic subsidies that pervade the present access charge plan and preclude the attainment of cost-based access prices that will create the opportunity for genuine access competition. See Ad Hoc Pet., pp. 5-9. Moreover, only the largest LECs are currently regulated under the Commission's price cap plan, while many access reform issues -- such as the USF --

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different scope of that proceeding is further highlighted by fact that the Commission has solicited comments there on how "best [to] harmonize the review of LEC price caps with other proceedings and proposals" for implementing access reform.<sup>11</sup> Thus, as U S WEST concedes (p. 6), the LEC price cap review is not a substitute for a comprehensive access reform rulemaking.

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primarily affect Tier 2 LECs still regulated under rate of return.

<sup>11</sup> LEC Price Cap NPRM, 9 FCC Rcd at 1704 (¶ 91). The additional suggestion by some commenters (e.g., USTA, p. 2) that greater LEC pricing flexibility should be the primary objective of access reform is likewise misplaced. See [cites to comments]. Permitting LECs to offer geographically targeted rate discounts or other forms of pricing flexibility does nothing to eliminate the uneconomic subsidies that currently distort access rates. In all events, moreover, AT&T has repeatedly demonstrated that greater LEC pricing flexibility is inappropriate so long as the necessary conditions for viable local exchange competition remain to be implemented. See AT&T Comments filed May 9, 1994, and AT&T Reply Comments filed June 29, 1994, in Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1; AT&T Comments filed November 1, 1993, and AT&T REply Comments filed November 16, 1993, in Petition of the United States Telephone Association for Reform of the Interstate Access Rules, RM-8356

WHEREFORE, for the reasons stated above and in AT&T's Comments, the Commission should institute the rulemaking proceeding requested by Ad Hoc to implement comprehensive reform of the Commission's separations and access charge rules, in conjunction with other pending proceedings.

Respectfully submitted,

AT&T CORP.

By

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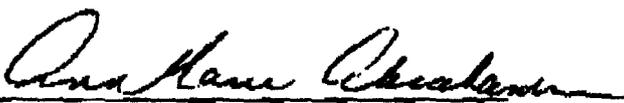
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July 25, 1994

CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that on this 25th day of July, 1994, a copy of the foregoing "AT&T Reply Comments" was mailed by U.S. first class mail, postage prepaid, to the parties listed on the attached Service List.

  
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