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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

February 13, 1995

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Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

**RE: Assessment and Collection of Regulatory Fees for Fiscal Year 1995; MD
Docket No. 95-3**

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments regarding the above-captioned matter.

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

Sincerely yours,

Don Sussman
Regulatory Analyst

Enclosure
DHS

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of:)
)
Assessment and Collection)
of Regulatory Fees for) MD Docket No. 95-3
Fiscal Year 1995)

Notice of Proposed Rulemaking

COMMENTS

I. INTRODUCTION

MCI Telecommunications Corporation ("MCI") respectfully submits its Comments regarding the above-mentioned Notice of Proposed Rulemaking ("NPRM"), released January 12, 1995. MCI restricts its comments to the proposals on how to restructure fees for wireline common carriers engaged in the transmission of interstate telecommunications. In the NPRM, the Commission requested comment on whether it should base its calculation of 1995 regulatory fees on each carrier's number of presubscribed interstate lines or on each carrier's number of minutes of interstate service in calendar year 1994. In its comments, MCI requests that the Commission base its regulatory fee calculation for interexchange carriers ("IXCs"), local exchange carriers ("LECs"), competitive access providers ("CAPs"), pay telephone providers, and

other non-mobile providers of interstate service, on each carrier's percentage of presubscribed lines, as described in §69.116 of the Commission's rules.¹

If, however, the Commission decides to base its regulatory fee calculations on each carrier's number of minutes of interstate service in calendar year 1994, then the Commission must reduce the amount that it will charge each carrier, from the proposed fee of \$0.08 per 1,000 minutes to \$0.04 per 1,000 minutes. Such a reduction will represent the correct amount that each carrier should be charged per 1,000 minutes based on industry statistics provided by the Commission in the text of its NPRM.

II. REGULATORY FEES SHOULD BE BASED ON PRESUBSCRIBED LINES

The Commission should base its regulatory fee calculations on each carrier's number of presubscribed lines for several reasons. First, the presubscribed-line method has proven to be fair, equitable, accurate and cost effective in the past; the Commission has presented no record information demonstrating that a minutes-of-use approach would better serve the public interest.

Second, the assessment of regulatory fees based on number of presubscribed lines is easy to administer, relative to a minutes-of-use procedure. Each carrier's share of presubscribed lines is reported by the National Exchange

¹ 47 C.F.R. §69.116

Carrier Association ("NECA") every fall. It is quite simple for the Commission to base its regulatory fees on the NECA-reported presubscription rates. Conversely, a minutes-of-use measurement would require many calculations and conversions to determine minutes-of-use equivalents, to derive an estimate that would be no more accurate, yet more time consuming and costly.

Third, assuming the Commission questioned the amount paid by a carrier, it would be very easy to audit carriers using presubscribed lines as measurement. The Commission would simply divide the amount paid by the carrier by that carrier's number of presubscribed lines to ensure that each carrier is paying the required amount per presubscribed line. Under a minutes-of-use approach, on the other hand, detailed records, many of which could be deemed confidential or proprietary by the audited carrier, would have to be analyzed by the auditor. Again, minutes-of-use proves to be detrimental to the public interest because audits would be more time consuming and costly, without adding any degree of accuracy compared to the present presubscription scenario.

Fourth, it is appropriate to assess regulatory fees on a carrier based on its percentage of presubscribed lines because such a fee would be based on the magnitude of the carrier's market presence, rather than on its efficiency at satisfying its customer's demand. Since one of the Commission's goals is to foster competition (i.e., creating an environment that will allow companies to enter markets historically controlled by entrenched monopolies), regulatory fees

should also reflect this goal. A company should not be assessed higher regulatory fees simply because it can either satisfy the demand of larger customers better than other carriers, or because it can stimulate demand more than other carriers. Carriers should not be forced to bear a larger share of regulatory costs simply because they are better at satisfying the demand of their end users.

III. UNDER A MINUTES-OF-USE APPROACH, CARRIERS SHOULD BE ASSESSED A FEE OF \$0.04 PER 1,000 MINUTES, NOT \$0.08 PER 1,000 MINUTES

In the NPRM, the Commission correctly determined that, under a presubscribed lines approach, the amount to be allocated among the carriers should be divided by 300 million customer units.² The Commission properly took into account that 142 million presubscribed lines existed for local exchange carriers, and 142 million presubscribed lines existed for toll carriers.³ However, the Commission incorrectly concluded that 393 billion common carrier line access minutes were reported in 1994, and therefore, that the allocated amount should be divided by this number. The Commission, under the minute-of-use approach, fails to realize, as it correctly did under the presubscribed lines method, that minutes needed to be counted once for access and once for long distance in determining access. Thus, the Commission should have multiplied

²NPRM at ¶59

³NPRM at n. 21.

the 393 billion minutes by two to derive the correct number of access minutes (i.e., to include the toll portions and the LEC portion).

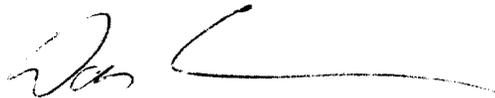
Under the correct minutes-of-use scenario, the toll carriers would have 393 billion common carrier line access minutes and LECs would have an additional 393 billion common carrier line access minutes. The total number of customer units would be 826 billion common carrier line access minutes. Dividing the allocated amount by this correct number reduces the regulatory fee from \$0.08 per 1,000 minutes to \$0.04 per 1,000 minutes.

To ensure that only the amount of funds permitted by Congress are collected, the Commission must recalculate the amount of regulatory fees that it will charge carriers per 1,000 minutes, if the minutes-of-use method is selected by the Commission.

IV. CONCLUSION

For the above-mentioned reasons, MCI requests that the Commission base its regulatory fees on a carrier's share of presubscribed lines. Also, in the event that the Commission selects the minute-of-use approach, the Commission should recalculate its number of common carrier line access minutes that were reported in 1994, which would result in a fee of \$0.04 per 1,000 minutes.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION



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February 13, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on February 13, 1995.

A handwritten signature in black ink, appearing to read "Don Sussman", written over a horizontal line.

Don Sussman
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CERTIFICATE OF SERVICE

I, **Barbara Nowlin**, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 13th day of February 1995.

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