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

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

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GTE'S REPLY COMMENTS

GTE Service Corporation ("GTE") on behalf of its affiliated domestic telephone and wireless companies, hereby submits its reply comments in response to the Federal Communications Commission's ("FCC" or "Commission") Notice of Proposed Rulemaking ("Notice" or "NPRM") in the above-captioned proceeding.[1]

GTE limits its reply comments to two issues. First, GTE supports calculating the regulatory fees for non-mobile common carriers based on each carriers' interstate revenues. Second, GTE affirms its position that resellers should not directly pay regulatory fees.

DISCUSSION

1. Regulatory Fees for Providers of Non-Mobile Common Carrier Services Should be Based on Interstate Revenues

In the NPRM, the Commission requested comment on whether it should calculate regulatory fees for interexchange carriers ("IXCs"), local exchange

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[1] **Assessment and Collection of Regulatory Fees for Fiscal Year 1995, *Notice of Proposed Rulemaking*, MD Docket No. 95-3, FCC 95-14 (released January 12, 1995).**

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carriers ("LECs"), competitive access providers ("CAPs"), pay telephone providers, and other non-mobile providers of interstate service based on the number of customers units provided by each carrier,[2] or, alternatively, on the number of minutes of interstate service.[3] GTE supports parties asking the Commission to choose a different method -- namely, a proposal whereby providers of non-mobile common carrier services calculate regulatory fees based on interstate revenues.

Most commenters expressing a preference between the Commission's proposals favored the customer units approach.[4] A number of commenters, however, oppose both the customer units and minutes of use approaches. Parties oppose the customer units approach because it would require them to convert private line services into equivalent voice grade units.[5] Competitive access providers, in particular, argue that the conversion method proposed by the Commission does not accurately reflect the manner in which customers use

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2 *NPRM* at 27-28. For example, under the Commission's proposal, the customer units for LECs' switched access services and interexchange services would be the number of presubscribed lines, for special access and other non-switched services, the customer units would be the number of voice grade equivalent lines provided. *Id.*

3 *Id.* at 28-29.

4 The customer units approach was supported by Allnet (at 2-3), Alltell (at 7-8), Ameritech (at 1-2), Bell Atlantic (1-2), Hertz Technologies (at 5-6), LDDS (at 18), MCI (at 2-4), Sprint (at 2-4), Telecommunications Resellers Association (at 9-10), and Teleport (at 5-6).

5 MFS Comments at 3-6; Teleport Comments at 1-5; US West Comments at 7.

data circuits and fails to consider that a CAP's earning potential on a private line circuit is less than that of a LEC.[6]

Others argue that the Commission's method of calculating customer units for switched services not billed to the number from which the call is placed -- such as MTS, WATS, 800, and operator calls -- would require special tracking programs to be instituted by all carriers, adding unnecessarily to a carrier's cost of doing business.[7] In addition, pay telephone providers argue that the customer units approach proposed by the Commission could tax independent pay telephone providers more heavily than LEC providers of pay telephone service.[8] Finally, AT&T argues that the customer units approach should not be adopted because allocation methods based on presubscribed lines do not accurately reflect market share for switched services.[9]

Parties are equally critical of the minutes of use approach for calculating regulatory fees. Several parties argue that a minutes of use calculation would be complex because it would require crossover assumptions in order to capture

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6 MFS Comments at 3-6; Teleport Comments at 1-5. While GTE does not necessarily agree with the arguments made by Teleport regarding the comparative earning potential per circuit, these arguments nonetheless highlight the problems inherent in a customer units approach.

7 US West Comments at 7-8. For these services, if the billing accounts can be associated with a carrier's presubscribed line counts, then the carrier does not have to include such accounts in its regulatory fee calculation. Otherwise, the account must be reported. *NPRM* at 28.

8 APCC Comments at 3-5.

9 AT&T Comments at 4-5.

services that are not billed on timed-usage.[10] Parties also contend that minutes of use data is subject to wide variation that could distort the measure of a companies' market presence.[11] In addition, SBC argues that the proposed minutes of use method is discriminatory in that it would charge LECs for both originating and terminating minutes of use, while IXCs would only count billed minutes.[12]

To remedy the problems with each of the proposals set forth in the NPRM, a number of parties, representing a broad cross-section of the common carrier industry, propose a third alternative.[13] These parties argue that interstate revenues are the most appropriate basis for computing regulatory fees. GTE agrees that the Commission should adopt interstate revenues as the basis for calculating non-mobile common carrier regulatory fees.

Parties supporting an interstate revenue approach note that interstate revenue data is already reported to NECA for purposes of administering the telecommunications relay services ("TRS") fund.[14] As such, by using TRS data

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10 *See, e.g.*, Allnet Comments at 3; AT&T Comments at 7; NECA Comments at 3; Sprint Comments at 3-4; US West Comments at 8.

11 *See, e.g.*, Bell Atlantic Comments at 2; MFS Comments at 5; NECA Comments at 3.

12 Thus, SBC argues, a 30 minute call would generate 60 minutes of use for LECs (30 originating and 30 terminating) compared to only 30 minutes of use for an IXC. SBC Comments at 6.

13 *See* comments of AT&T (at 2-8), MFS (at 5-6), NECA (at 4-5), SBC (at 2-4), US West (at 5-8).

14 AT&T Comments at 6; NECA Comments at 4-5; US West Comments at 6-7. Although mobile services providers and other common carriers also contribute the TRS fund, GTE is only suggesting that the fees for those carriers addressed in section III.A.4.g. of the NPRM (interexchange and local exchange, competitive access providers, pay telephone providers and other non-mobile providers of interstate service) pay regulatory fees on the basis of interstate revenues reported to the TRS fund administrator.

to compute regulatory fees, carriers would not have to undertake any additional administrative burden to calculate their fees. Parties also prefer the interstate revenue method because it would obviate the need to convert data in order to devise a common unit of measurement for all carriers.[15]

Finally, several parties argue that the interstate revenue method is the most equitable method of assessing the regulatory fee burden. These parties argue that assessing fees based on revenues is competitively neutral[16] and is the best surrogate for network usage.[17] Parties also contend that basing regulatory fees on interstate revenues is consistent with Commission policies and actions in analogous proceedings.[18]

GTE agrees that regulatory fees for non-mobile common carriers should be assessed on the basis of interstate revenues. This method best promotes administrative ease, is reliable and verifiable, and equitably distributes the regulatory fee burden in a competitively neutral manner. Should the Commission fail to adopt the interstate revenue method, however, GTE prefers the customer units approach.

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15 AT&T Comments at 6-7; MFS Comments at 5-6; NECA Comments at 4; US West Comments at 6.

16 AT&T Comments at 3, SBC Comments at 3-4; Teleport Comments at 5.

17 MFS Comments at 5.

18 AT&T Comments at 3, 6; US West Comments at 5-6.

2. Several Parties Agree with GTE that Resellers Should Not Directly Pay Regulatory Fees

In its earlier comments, GTE opposed the Commission's proposal to require resellers to pay regulatory fees directly. It reasoned that under the customer units approach, the facilities used to provide resale services would be counted twice.[19] Several other parties made similar comments.[20] These parties asked the Commission to remedy the problem either by not assessing regulatory fees on resellers, or by requiring that only one entity be required to pay a regulatory fee based on a resold facility.[21]

The interstate revenue method that GTE now supports does not prevent the double counting of resellers, because, under a revenue approach, revenues from resold services would be counted by both the facilities-based carrier and the reseller. GTE notes, however, that the solution to the reseller problem we proposed for the customer units approach, will also prevent double counting for the interstate revenue method.

Because double counting of resellers is a problem not remedied under any of the suggested methods of calculating common carrier regulatory fees, and in light of the support received for GTE's proposal, GTE renews its request that the Commission not require resellers to directly pay regulatory fees.

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19 GTE Comments at 5-7.

20 ACTA Comments at 5-6; AVIS Comments at 2-3; CompTel Comments at 6-8; Hertz Technologies Comments at 4-5; LDDS Comments at 9-13; TRA Comments at 7-8.

21 ACTA Comments at 9; AVIS Comments at 2-3; CompTel Comments at 8; Hertz Technologies Comments at 2-4; LDDS Comments at 16-18; TRA Comments at 6-9.

CONCLUSION

A number of parties comment that the two alternatives proposed by the Commission as the basis for calculating the regulatory fees for non-mobile common carrier service providers would discriminate against groups of carriers or would be cumbersome to administer. Accordingly, several parties recommend that the Commission base regulatory fees for such carriers on interstate revenues as reported to the TRS fund administrator. GTE agrees that regulatory fees for non-mobile common carriers should be based on interstate revenues.

Basing regulatory fees on interstate revenues will not prevent the revenues for resold services from being counted twice -- once by the reseller and once by the underlying carrier. In order to prevent the double counting of resellers, GTE renews its request that the Commission not require resellers to directly pay regulatory fees.

Respectfully submitted,

GTE Service Corporation and its affiliated domestic telephone and wireless companies

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February 28, 1995

Their Attorney

Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing ""GTE's Reply Comments" have been mailed by first class United States mail, postage prepaid, on the 28th day of February, 1995 to all parties of record.

Judy R. Quinlan

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