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FEDERAL COMMUNICATIONS COMMISSION
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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	

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COMMENTS OF BELL ATLANTIC[1]

I. *Introduction and Summary*

Bell Atlantic commends the Commission for initiating this proceeding to prescribe the number of subscriber line charges ("SLCs")[2] to be assessed in connection with Integrated Services Digital Network ("ISDN") and other derived-channel services.[3] As Bell Atlantic has previously shown, ISDN is the first widely-available "on-ramp" to the Information Superhighway and holds the promise of affording consumers and business personnel efficient access to the Internet.[4]

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[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

[2] Also known as the End User Common Line charge. *See* 47 C.F.R. § 69.104.

[3] ***Notice of Proposed Rulemaking***, FCC 95-212 (rel. May 30, 1995) ("NPRM").

[4] *See* Emergency Petition for Waiver (filed Feb. 10, 1995) at 5-7 ("Emergency Petition").

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In order to prevent a substantial increase in ISDN prices that will seriously stifle demand, while having little or no impact on Carrier Common Line ("CCL") charges, Bell Atlantic suggests that the Commission adopt a variation of the proposals presented in the NPRM. The Commission should prescribe a single SLC for an ISDN service, but with a small cost-based surcharge for each voice-grade or "B" channel (after the first) to avoid increases to the CCL charge. This surcharge, which is likely to be less than fifty cents per channel, would cover the increased interstate loop costs of providing ISDN service, as compared with the cost of dial tone lines. A customer of ISDN Basic Rate Interface ("BRI") service will pay the single-line SLC charge, but with a surcharge for the second "B" channel.[5] Similarly, a subscriber to ISDN Primary Rate Interface ("PRI") service would pay a single SLC, plus the surcharge on each of the twenty-two additional "B" channels (after the first).[6] The revenues from these surcharges should be sufficient to meet the Commission's policy goal of preventing upward pressure on CCL charges which could increase interstate toll rates.

The results of this proceeding, however, should be viewed as only an interim solution to a much larger problem. While not delaying a decision here, the Commission should quickly initiate a rulemaking aimed at comprehensively re-examining its access charge rules in light of the major changes in the telecommunications marketplace in the dozen years since it adopted the present rules.

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[5] BRI provides the customer with two voice-grade "B" or "Bearer" channels that are capable of being used for voice, data, or image services, plus one "D" or "Delta" channel that provides signaling and may be used for packet switched data.

[6] PRI provides 23 "B" channels plus one "D" channel.

II. *An ISDN Surcharge Will Promote New Technology and Keep CCL Charges Low, While Placing Additional Loop Costs on the Cost-Causing Service.*

Congressional policy requires the Commission "to encourage the provision of new technologies and services to the public."[7] As Bell Atlantic has discussed in detail in its Emergency Petition, ISDN provides the first widely-available "on-ramp" to the "information superhighway."[8] It will soon be the service of choice for consumers gaining access to the Internet, as well as providing subscribers with efficient, high-speed voice, data and image communications.[9] A Commission policy that imposes a SLC charge for each ISDN voice channel will unduly increase the price of the service, thereby discouraging customers from subscribing and, likewise, will deter exchange carriers from expanding ISDN deployment.[10] In furtherance of Congressional policy, therefore, the Commission should require local exchange carriers to charge one SLC for each ISDN service.

Such a rule could, however, apply some upward pressure on the non-traffic sensitive costs that would be recovered from CCL charges if SLC revenues cannot recover the proper amount of interstate loop costs. Such upward pressure is by no means certain, however. It is likely that at least some of the demand for derived-channel digital services

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[7] 47 U.S.C. § 157 (a).

[8] Emergency Petition at 1-2 and 5-7.

[9] *Id.*

[10] Likewise, perpetuation of the non-enforcement condition which reduces interstate revenue in the Common Line price cap basket would discourage such investment, because an increase in the number of derived channels would result in a loss of revenue.

will be new demand, not replacement of existing switched services. Some may replace special access or private line services, which are not subject to SLCs. In still other cases, customers may replace a single analog channel with an ISDN BRI service which delivers two voice-grade channels.[11] In that scenario, a single SLC for ISDN would produce no change in the number of SLCs the customer would pay.

Because of the unknowns, and because demand levels are unrelated to cost differences in providing ISDN and existing dial-tone services, the Commission should not focus on demand when examining the impact of ISDN growth on the CCL charge. Instead, it should take steps to ensure that increased CCL charges are not required to cover any increased costs of providing ISDN services. This can be accomplished by imposing a small "ISDN surcharge" on each ISDN "B" channel after the first such channel provided with any ISDN service, i.e., on the second "B" channel of a BRI service and the second through twenty-third "B" channels of a PRI service. This charge will place on the ISDN customer those increased costs caused by that service.

This ISDN surcharge would defray the additional interstate end user common line costs caused by ISDN service, in order that those costs will be borne by the cost-causing service, rather than the CCL rate element.[12] It would be determined by calculating the interstate portion of the loop costs of existing ISDN services provided by

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[11] BRI rides on existing loop facilities, and, therefore, the loop costs for BRI and analog dial-tone loops are about the same.

[12] To accomplish this goal, the Commission must establish a mechanism to recognize the surcharge revenues, along with SLC revenues, when calculating the CCL revenue requirements in the Common Line basket. This mechanism could be developed as part of the Commission's upcoming further notice in the LEC price cap proceeding, CC Docket No. 94-1.

an exchange carrier, then subtracting from that amount the relevant costs of a comparable number of that carriers' ordinary dial tone services.[13] This difference would then be divided by the total number of "B" channels on which the surcharge would be applied to determine the per-channel surcharge (i.e., one for each BRI service, twenty-two for each PRI service). Bell Atlantic estimates that the initial surcharge for each "B" channel covered by the surcharge would be no higher than fifty cents per month and is likely to be lower.[14] If the surcharge were set at fifty cents, a residential or single-line business BRI customer[15] that now pays the maximum $3.50 monthly SLC rate would pay $4.00 for the SLC and ISDN surcharge. A PRI customer would pay $11.00 in addition to the multi-line business SLC in the particular jurisdiction (a maximum of $6.00).

These relatively small surcharges will have minimal impact on ISDN demand. On the other hand, they place the additional loop costs only on the cost-causing service, not other ratepayers, while preventing upward pressure on CCL charges and toll rates. By contrast, the existing rule, as the Commission has interpreted it, is unrelated to cost and places an undue burden on ISDN customers. It would sharply curtail demand, deny customers efficient and affordable ISDN service and seriously inhibit access to the Internet and other Information Superhighway services.

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[13] In effect, this calculation would be made only on PRI services, because the cost of a BRI service is roughly equivalent to the cost of a dial-tone line.

[14] The amount of the surcharge should be re-calculated annually.

[15] A business customer with one BRI service and no other dial-tone services would be classified as a single-line customer for the purpose of calculating the SLC.

III. *Rules Adopted Here Should Be Viewed As Interim, Pending Comprehensive Access Reform.*

A dozen years have passed since the Commission adopted the present access charge structure.[16] It is undisputed that the nature of the telecommunications industry has changed markedly in the intervening period. These changes necessitate a comprehensive re-examination of access charges and the mechanisms that are designed to preserve universal service. The Commission has before it several unopposed petitions asking the Commission to conduct such a comprehensive proceeding.[17] The Commission should grant those petitions forthwith.

The issues in this proceeding are dependent upon, and interrelated with, the issues in any comprehensive access reform investigation. If, for example, the Commission selects a mechanism other than SLCs and CCL to recover non-traffic sensitive costs, this proceeding would be moot. On the other hand, if the SLC/CCL mechanism is retained, the Commission will need to consider the impact on future SLC revenues of new technologies and growing local exchange competition.

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[16] ***MTS and WATS Market Structure, Third Report and Order***, 93 F.C.C.2d 682 (1983).

[17] ***See*** National Association of Regulatory Utility Commissioners' Petition for Notice of Inquiry Addressing Access Issues, DA 93-847 (filed June 25, 1993); United States Telephone Association, Reform of Interstate Access Charge Rules, RM-8356 (filed Sept. 17, 1993); and Petition of MFS Communications Company, Inc. for a Notice of Inquiry and *En Banc* Hearing, RM-8388 (filed Nov. 1, 1993). In addition, the Commission's Common Carrier Bureau's Access Reform Task Force has issued, and received comments on, a paper which addresses many of the relevant universal service and access charge restructuring issues and suggests that reform is critically needed. ***See*** Federal Perspectives on Access Charge Reform (April 30, 1993).

Despite this interrelationship, however, there is an immediate need to decide the number of SLCs to charge for ISDN. ISDN deployment is growing rapidly -- Bell Atlantic is actively marketing ISDN as a business service and will tariff a residential offering later this year. Widespread public acceptance of ISDN is price-sensitive, especially with residential customers, and a requirement to charge additional SLCs could seriously constrain new demand. The condition placed on "non-enforcement" of the multiple-SLC requirement -- that local exchange carriers must keep CCL rates artificially low -- cannot long be sustained, because it requires Bell Atlantic to subsidize CCL charges.[18] Accordingly, the Commission should resolve the immediate issue on an interim basis, then re-examine imposition of SLCs in the broader context of comprehensive access reform.

[18] Public Notice, DA 95-1168 (rel. May 30, 1995).

IV. *Conclusion*

Accordingly, the Commission should, as an interim step pending comprehensive access reform, prescribe a single SLC for each derived-channel service, but with a modest surcharge for ISDN "B" channels to prevent upward pressure on CCL charges.

Respectfully Submitted,

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June 29, 1995

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Comments of Bell Atlantic" was served this 29th day of June, 1995 by hand on the parties on the attached list.

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