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

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

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REPLY COMMENTS OF AT&T CORP.

Pursuant to the Notice of Proposed Rulemaking released May 30, 1995 ("NPRM"), AT&T Corp. ("AT&T") files these reply comments in the above-captioned proceeding. The NPRM sought comments on applying Subscriber Line Charges ("SLCs") to local loops used with Integrated Services Digital Network ("ISDN") and other services that permit the provision of multiple voice-grade-equivalent channels to a customer over a single facility. The majority of comments agree that SLCs should be applied in such a way as to achieve the Commission's twin goals -- promoting the use of ISDN and maintaining Carrier Common Line ("CCL") rates at current or reduced levels. However, those commenters mistakenly contend that only a per-facility approach will achieve those goals.¹

¹ A list of the parties submitting comments is provided in Appendix A.

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As AT&T demonstrated in its comments (p. 4), the use of a combined per-facility and per-derived channel approach can best achieve the Commission's goals. The Commission should therefore impose a per-facility charge for residential and single-line business Basic Rate Interface ("BRI") service and a per-derived channel charge for Primary Rate Interface ("PRI") service. Like AT&T, the majority of commenters recognize that a per-facility approach for residential and single-line business BRI users will help promote the use of this type of ISDN. Otherwise, these customers would be charged two SLCs when adding a separate second line, instead of being charged a single SLC when two derived channels are provided over a single facility.²

However, extending the per-facility approach to PRI users, as those same commenters suggest, fails to recognize the differences between BRI and PRI users, which compel the conclusion that a per-derived channel approach is appropriate for PRI users. Specifically, PRI users typically are large companies that have business needs for ISDN features, and in some cases are already paying SLCs on a per-derived channel basis.³ These customers are

² See, e.g., Joint Parties, p. 8.

³ AT&T understands that NYNEX charges one SLC per-derived channel for its multichannel services. See NYNEX

(footnote continued on following page)

likely to use PRI as a substitute for multiple individual lines or for existing services using a multichannel facility (such as a T-1 facility), for which local exchange carriers ("LECs") are required to charge a separate SLC for each derived channel. Consequently, both PRI and multichannel facility users will be charged SLCs on a per-derived channel basis. This is consistent with the way SLCs are charged when customers purchase individual lines. Thus, no new regulatory disincentives to the development of beneficial new technologies, such as ISDN, are created.

Several commenters, including Bell Atlantic (p. 3) and USTA (p. 3), argue that a per-channel SLC will raise the rates for ISDN. It is not inevitable, however, for the use of a per-derived channel charge to lead to higher ISDN rates, because LECs, which set those rates, have the option of reducing their intrastate rates in order to avoid raising the total price of ISDN service. For instance, if LECs currently calculate intrastate rates for ISDN service based on a single SLC per facility, then

(footnote continued from previous page)

Telephone Companies Revisions to Tariff F.C.C. No. Transmittal No. 116, Order on Reconsideration, 10 FCC Rcd. 2247 (1995) ("NYNEX Reconsideration Order"). On the other hand, AT&T understands that other LECs are charging SLCs for multichannel facilities on a per-facility basis.

the use of SLCs based on per-derived channels should lead to lower intrastate prices. The LECs apparently have the ability to reduce their intrastate rates because "state ISDN tariffs often are priced well above costs."⁴

The arguments of several commenters that a per-derived channel charge is not cost based has already been addressed and rejected by the Commission.⁵ Because SLCs are based on average loop costs, not the cost of a particular type of loop, "the subscriber line charges recovered from ISDN service need not be based on the costs of actual ISDN loops."⁶ The Commission should, therefore, not address cost and price differentials among the various types of loops. Rather, any cost differences among the various loop types should be reflected in the LEC's intrastate tariffs.

The per-facility approach, when applied to both BRI and PRI users, fails to satisfy the Commission's second goal (NPRM, para. 23) -- ensuring that CCL rates do not increase as a result of a reduction in SLCs. Despite

⁴ ITI, p. 9. ITI includes in its comments a table showing that ISDN prices for business BRI lines average \$50 per month for all LECs, with a high of \$93 per month charged by BellSouth to a low of \$25 per month charged by Pacific Bell.

⁵ See, e.g., CBT, p.5.

⁶ NYNEX Reconsideration Order, 10 FCC Rcd. at 2250.

the claims of some commenters, applying a per-facility SLC will significantly reduce the SLC contribution, and will permit the LECs to charge higher CCL rates under the price cap rules. This would occur because SLCs currently are charged on 23 derived "B" channels per PRI facility. Therefore, the imposition of a single SLC per PRI facility would lead to a significant reduction in SLC revenues, and allow CCL rates to be set at a higher level.⁷ This would be contrary to the Commission's goal of reducing interstate toll charges by reducing CCL rates. NPRM, paras. 6-9.

Some commenters nevertheless argue that the CCL would not increase if the Commission modified the application of SLCs for ISDN service to a per-facility approach.⁸ However, the issue is not whether CCL rates

⁷ For example, Ameritech's argument (pp. 2-3) that a per-facility approach does not raise a substantial risk that CCL rates will increase mischaracterizes the impact of the per-facility charge, because it argues that the number of SLCs is reduced from two to one for both BRI and PRI users. (BellSouth (p. 6), CBT (p. 3), and USTA (p. 12) are incorrect for the same reason.) If this were true, however, then the impact on CCL rates might be less significant.

⁸ See, e.g., BellSouth, p. 6. The comments do not provide sufficient analysis to reach this conclusion. In all events, the Commission should not adopt the per-facility approach without more data as to the impact of that approach on CCL rates, the separations process and the price cap rules.

stay at their current levels. Rather, it is to ensure that these rates continue their historical decline. As Ameritech notes (p. 3), the CCL rates should eventually decline to zero, because all non-traffic sensitive loop costs should be recovered from end users.⁹

AT&T also demonstrated in its comments (pp. 10-11) that under its approach the reduction in SLC revenues should not be significant, because SLC revenues will decrease only as a result of changes to BRI service where SLCs will be charged on a per-facility basis. However, in order to offset any potential reduction in SLC revenues, AT&T proposes that the LECs be permitted to impose a small increase, \$.25 per-facility per month, on the SLC rates of all residential and single-line business lines. Several of the commenting parties confirmed that such a charge would lessen, or perhaps prevent, a potential reduction in SLC revenues.¹⁰

⁹ See AT&T, p. 8 n.8.

¹⁰ See Bell Atlantic, p. 2 (surcharge of less than fifty cents per channel to avoid increases to the CCL charge); CBT, p. 4 (a twenty-five cent increase to the SLC for residences and single-line business customers should lead to a decrease in CCL charges); and Sprint, p. 4 (recommends that LECs be allowed to increase SLC charges by up to fifty cents per month on single-line customers to replace revenue that might otherwise be shifted to CCL charges). No party argues that a similar increase in SLC rates would be sufficient to offset the reduction in SLC rates if the per-facility approach were adopted for PRI service.

Finally, a number of commenting parties propose, as did AT&T (pp. 8, 12-14), that the Commission should initiate a comprehensive re-examination of access charges.¹¹ For example, SWBT correctly notes (p. 7 n.13) that the Common Carrier Bureau has said "[a]ccess charges are important to so many of the Commission's policies that it is critical to keep the access charge rules responsive to the current and future needs of the industry and customers." As these parties recognize, continued revision of Part 69 rate structures and related rules on a piecemeal basis is not calculated to serve the Commission's statutory obligations to assure just, reasonable and nondiscriminatory access charges.

WHEREFORE, for the reasons stated above and in AT&T's Comments, the Commission should modify the existing SLC rate structure for ISDN services by charging multi-line business ISDN PRI users on a per-derived channel basis, and residential and single-line business BRI users on a per-facility basis. In addition, AT&T supports a \$.25 per month increase in the SLC on all residential and

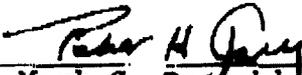
¹¹ Bell Atlantic, p. 6; GTE, p. 2; NYNEX, pp. 20-21; SWBT, p. 8; TCA, pp. 9-10; Rochester, p.1; and USTA, pp. 6-7. See also Petition of Ameritech for Waiver of Part 69 of the Commission's Rules to Restructure Its Rate to Establish Pay Telephone Use Fee Rate Element, AT&T's Opposition, DA 95-1028, filed June 5, 1995, p. 5 n.6. Any re-examination should address the ways to increase SLCs and phase out CCLCs.

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single-line business lines. This approach advances the Commission's goals of promoting the use of new technologies, while ensuring that interstate toll rates will decline.

Respectfully submitted,

AT&T CORP.

By  _____
Mark C. Rosenblum
Peter H. Jacoby
Seth S. Gross

Its Attorneys

Room 3244J1
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-3539

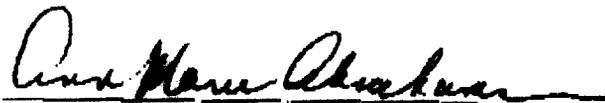
July 14, 1995

LIST OF COMMENTING PARTIES

All Freight Services ("AFS")
America Online Incorporated, CompuServe Incorporated, GE
Information Services, Inc., and Prodigy Services Company
("Joint Parties")
American Petroleum Institute ("API")
Ameritech ("Ameritech")
AT&T Corp. ("AT&T")
Bell Atlantic telephone companies ("Bell Atlantic")
BellSouth Telecommunications, Inc. ("BellSouth")
John D. Bray
Cable & Wireless, Inc. ("CWI")
California Bankers' Clearing House Association, MasterCard
International Incorporated, the New York Clearing House
Association and the Securities Industry Association
("User Parties")
Center for Democracy and Technology ("CDT")
Cincinnati Bell Telephone Company ("CBT")
Commercial Internet eXchange Association ("CIX")
Communications Managers Association ("CMA")
Digital Equipment Corporation
GTE Services Corporation ("GTE")
Information Technology Industry Council ("ITI")
MCI Telecommunications Corporation ("MCI")
Microsoft Corporation ("Microsoft")
National Public Radio, Inc. ("NPR")
National Telephone Cooperative Association ("NTCA")
Northern Arkansas Telephone Company, Inc. ("NAT")
NYNEX Telephone Companies ("NYNEX")
Pacific Bell and Nevada Bell ("the Pacific Companies")
Rochester Telephone Corp. ("Rochester")
Roseville Telephone Company ("Roseville")
Rural Telephone Coalition ("RTC")
Southwestern Bell Telephone Company ("SWBT")
Sprint Corporation ("Sprint")
Tele-Communications Association ("TCA")
Tennessee Public Service Commission ("TPSC")
Public Utility Commission of Texas ("PUCT")
Time Warner Communications Holdings, Inc. ("TW Comm")
United States Telephone Association ("USTA")
U S WEST Communications, Inc. ("U S WEST")
West Virginia University

CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that on this 14th day of July, 1995, a copy of the foregoing "Reply Comments of AT&T Corp." was mailed by U.S. first class mail, postage prepaid, to the parties listed on the attached Service List.


Ann Marie Abrahamson

SERVICE LIST
(Docket No. 95-72)

Bill Franklin
All Freight Services
5311 Schneider Rd.
Newburgh, IN 47630

Randolph J. May
Brian T. Ashby
Sutherland, Asbill & Brennan
1275 Pennsylvania Ave., NW, Suite 1000
Washington, D.C. 20004-2404
Attorneys for America Online Incorporated,
CompuServe Incorporated,
GE Information Services, Inc., and
Prodigy Services Company

Wayne V. Black
C. Douglas Jarrett
Keller and Heckman
1001 G St., NW, Suite 500 West
Washington, D.C. 20001
Attorneys for The American
Petroleum Institute

Michael S. Pabian
Ameritech
2000 W. Ameritech Center Dr., Room 4H82
Hoffman Estates, IL 60196-1025

Lawrence W. Katz
Edward D. Young, III
Michael E. Glover
Bell Atlantic
1320 N. Court House Rd., 8th Floor
Arlington, VA 22201

M. Robert Sutherland
Richard M. Sbaratta
BellSouth Telecommunications, Inc.
4300 Southern Bell Center
675 W. Peachtree St., NE
Atlanta, GA 30375

John D. Bray
200 Bolinas Rd., #38
Fairfax, CA 94930

Jeffrey S. Linder
Wiley, Rein & Fielding
1776 K St., NW
Washington, D.C. 20006
Attorneys for Cable & Wireless, Inc.

Henry D. Levine
Ellen G. Block
Levine, Blaszk, Block & Boothby
1300 Connecticut Ave, NW
Washington, D.C. 20036
Counsel for the California Bankers Clearing
House Association, MasterCard
International Incorporated, the New York
Clearing House Association, and the
Securities Industry Association

Daniel J. Weitzner
Center for Democracy and Technology
1001 G St., NW, Suite 700 East
Washington, D.C. 20001

James R. Lowell
Cincinnati Bell Telephone
P.O. Box 2301
Cincinnati, OH 45201-2301

Thomas E. Taylor
Christopher J. Wilson
Frost & Jacobs
2500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202
Attorneys for Cincinnati Bell
Telephone Company

Ronald L. Plesser
Julie A. Garcia
Mark J. O'Connor
Piper & Marbury, L.L.P.
2100 19th St., NW, 7th Floor
Washington, D.C. 20036
Attorneys for The Commercial
Internet eXchange Assn.

Matthew O'Brien
Andrew Stratford
Communications Managers Assn.
1201 Mt. Kemble Ave.
Morristown, NJ 07960-6628

Doug Pugh
Digital Equipment Corporation
24 Executive Park
Irvine, CA 92714

Gail L. Polivy
GTE Service Corp.
1850 M St., NW, Suite 1200
Washington, D.C. 20036

Rhett Dawson
Information Technology Industry Council
1250 Eye St., NW, Suite 200
Washington, D.C. 20005

Christopher Bennett
MCI Telecommunications Corp.
1801 Pennsylvania Ave., NW
Washington, D.C. 20006

Jack Krumholtz
Microsoft Corp.
5335 Wisconsin Ave., NW, Suite 500
Washington, D.C. 20015

Stanley M. Gorinson
Preston Gates Ellis & Rouvelas Meeds
1735 New York Ave., NW
Washington, D.C. 20006
Attorneys for Microsoft Corp.

Steven E. Nevas
Mary Lou Joseph
Donald Lockett
Michael Starling
Gregory A. Lewis
National Public Radio, Inc.
835 Massachusetts Ave., NW
Washington, D.C. 20001-3753

David Cosson
L. Marie Guillory
National Telephone Cooperative Assn.
2626 Pennsylvania Ave., NW
Washington, D.C. 20037

Steven G. Sanders
Northern Arkansas Telephone Co., Inc.
301 East Main Street
Flippin, AR 72634

Edward R. Wholl
Joseph DiBella
NYNEX
1300 Eye St., NW, Suite 400 West
Washington, D.C. 20005

Sheryl L. Herauf
Pacific Telesis
1275 Pennsylvania Ave., NW, Suite 400
Washington, D.C. 20004

Lucille M. Mates
Nancy C. Woolf
Timothy S. Dawson
Pacific Bell/Nevada Bell
140 New Montgomery St., Rm. 1523
San Francisco, CA 94105

James L. Wurtz
Margaret E. Garber
Pacific Bell/Nevada Bell
1275 Pennsylvania Ave., NW
Washington, D.C. 20004

Michael J. Shortley, III
Rochester Telephone Corp.
180 South Clinton Ave.
Rochester, NY 14646

George Petrutsas
Paul J. Feldman
James A. Casey
Fletcher, Heald & Hildreth, P.L.C.
1300 N. 17th St., 11th Floor
Rosslyn, VA 22209
Attorneys for Roseville Telephone Co.

Caressa D. Bennet
1831 Ontario Pl., NW, Suite 200
Washington, D.C. 20009
Attorney for Rural Telephone Coalition

Robert M. Lynch
Durward D. Dupre
J. Paul Walters, Jr.
Southwestern Bell Telephone Co.
One Bell Center, Room 3520
St. Louis, MO 63101

Jay C. Keithley
Leon M. Kestenbaum
Sprint Corporation
1850 M St., NW, 11th Floor
Washington, D.C. 20036

W. Richard Morris
Sprint Corporation
P.O. Box 1315
Kansas City, MO 64112

R. Michael Senkowski
Jeffrey S. Linder
Wiley, Rein & Fielding
1776 K St., NW
Washington, D.C. 20006
Attorneys for Tele-Communications Assn.

Jeanne Moran
Tennessee Public Service Commission
460 James Robertson Parkway
Nashville, TN 37243-0505

Rowland L. Curry
Telephone Utility Analysis Division
Public Utility Commission of Texas
7800 Shoal Creek Blvd.
Austin, TX 78757-1098

David R. Poe
Catherine P. McCarthy
LeBoeuf, Lamb, Greene & MacRae L.L.P.
1875 Connecticut Ave., NW, Suite 1200
Washington, D.C. 20009
Attorneys for Time Warner
Communications Holding Inc.

Mary McDermott
Linda Kent
Charles D. Cosson
United States Telephone Assn.
1401 H St., NW, Suite 600
Washington, D.C. 20005

James T. Hannon
Dan L. Poole
U S WEST Communications, Inc.
1020 19th St., NW, Suite 700
Washington, D.C. 20036

Neil S. Bucklew
West Virginia University
P.O. Box 6201
Morgantown, WV 26506-6201

Jeffrey N. Fritz
West Virginia University
P.O. Box 6860
Morgantown, WV 26506-6860