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Washington, DC 20405

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

November 13, 1995

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

DOCKET FILE COPY ORIGINAL

Subject: Amendment of the Commission's Rules and Policies to  
Increase Subscribership and Usage of the Public  
Switched Network, CC Docket No. 95-115.

Dear Mr. Caton:

Enclosed please find the original and nine copies of the General Services Administration's Reply Comments for filing in the above-referenced proceeding. Copies of this filing have been served on all interested parties.

Sincerely,

Jody B. Burton  
Assistant General Counsel  
Personal Property Division

Enclosures

cc: International Transcription Service, Inc.  
Ernestine Creech, Accounting and Audits Division

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BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
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FEDERAL COMMUNICATIONS COMMISSION  
DEPARTMENT OF JUSTICE

In the Matter of )

Amendment of the Commission's )  
Rules and Policies to Increase )  
Subscribership and Usage of the )  
Public Switched Network )

CC Docket No. 95-115

DOCKET FILE COPY ORIGINAL

REPLY COMMENTS OF THE  
GENERAL SERVICES ADMINISTRATION

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November 13, 1995

**BEFORE THE  
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CC Docket No. 95-115

**REPLY COMMENTS OF THE  
GENERAL SERVICES ADMINISTRATION**

The General Services Administration ("GSA"), on behalf of the Federal Executive Agencies, submits these Reply Comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM"), FCC 95-281, released July 20, 1995. In this NPRM, the Commission requested comments and replies on programs to increase subscribership and usage of the public switched network.

**I. INTRODUCTION**

On September 27, 1995, GSA submitted Comments in this proceeding supporting the Commission's proposals to maintain and increase telephone subscribership through targeted assistance to those in need. GSA noted that as competition forces the elimination of economically inefficient cross-subsidies, the achievement of the Commission's universal service goals can be furthered by focused programs designed to

minimize the potentially adverse effect of long-distance charges on subscribership.<sup>1</sup> In particular, GSA urged the Commission to require all local service providers to offer interstate long-distance call blocking options.

Comments were also filed by a broad cross-section of parties interested in telephone subscribership, including:

- the United States Telephone Association ("USTA") and twenty-two local exchange carriers ("LECs") and LEC representatives;
- the Competitive Telecommunications Association ("CompTel") and six interexchange carriers ("IXCs");
- the National Association of Regulatory Utility Commissioners ("NARUC") and eleven individual regulatory commissions;
- five consumer advocate organizations;
- two competitive access providers ("CAPs"); and
- the Information Technology Association of America ("ITAA"), the Opta Phone Systems Division of Carlson Communications, Inc., InterDigital Communications Corporation and Earthcall Communications Corporation.

In these Reply Comments, GSA responds to the Comments of these parties and affirms its conclusion that the Commission should require all local service providers to offer interstate long-distance call blocking options.

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<sup>1</sup> Comments of GSA, pp. 2-3.

## **II. Universal Service Mechanisms Should Be Narrowly Targeted.**

As competition is introduced into the local exchange market, the existing system of economically inefficient cross-subsidies will become untenable. Southwestern Bell describes the situation well:

Southwestern Bell believes that increasing competition in all segments of the telecommunications industry is inevitable and that market forces must be allowed to drive the process in each segment. Southwestern Bell firmly believes that the marketplace should also be depended upon to maximize universal service objectives.<sup>2</sup>

\* \* \*

To date, however, market forces are being stifled in that LECs are prohibited from pricing their services to the market. Prices for some services -- access, toll, local business -- are instead kept artificially high and averaged in order to generate implicit universal service support flows used to keep basic local residential service prices artificially low.<sup>3</sup>

\* \* \*

The present universal service mechanisms support basic local rates for all customers even though not everyone needs that support to afford basic local service.<sup>4</sup>

\* \* \*

As competition inexorably forces the unraveling of the current implicit support built into LEC service prices and more market-based prices ensue, Southwestern Bell envisions the role of targeted support becoming more vital as the support now provided to all customers is replaced with targeted assistance to only those with demonstrable need in affording market-

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<sup>2</sup> Comments of Southwestern Bell, p. 5.

<sup>3</sup> Id., pp. 5-6.

<sup>4</sup> Id., p. 7.

based prices.<sup>5</sup>

GSA commends the Commission for recognizing the value of targeted assistance and proposing a focused solution to address the needs of a targeted segment of the population.

**III. The Commission Should Require All  
Local Service Providers to Offer  
Interstate Call Blocking Options.**

As the Commission noted, "long-distance services differ from most consumer products in that one does not know how much one has spent until the end of the month when a bill arrives. Thus controlling one's usage is more difficult than for most other expenditures."<sup>6</sup> The State Consumer Advocates explain that, for many potential subscribers, controlling usage may be virtually impossible without outside assistance:

But many potential subscribers live in multi-family residential locations with little or no physical security to prevent toll abuse by unauthorized parties (or uncontrollable teenagers). In many cases, the subscriber could be ill or handicapped and unable to control unauthorized use of their telephone by third parties.<sup>7</sup>

CompTel likewise notes that "the principal problem is that certain subscribers are unable to control their usage of interexchange services to conform to their budgetary limitations."<sup>8</sup>

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<sup>5</sup> Id., p. 8.

<sup>6</sup> NPRM, para. 14.

<sup>7</sup> Comments of Delaware Office of the Public Advocate, Florida Office of the Public Counsel, Maine Public Advocate, and Missouri Office of the Public Counsel ("State Consumer Advocates"), p. 11.

<sup>8</sup> Comments of CompTel, p. 6.

To address this problem, the Commission proposed that it require all LECs to offer voluntary interstate long-distance call blocking services. The Commission suggested that "voluntary toll restriction may be essential to maintaining and promoting subscribership to the telephone network."<sup>9</sup>

Virtually all commenting parties agreed with the Commission that voluntary toll restriction would contribute to the maintenance and enhancement of universal service.<sup>10</sup> However, the USTA<sup>11</sup> and a number of individual LECs<sup>12</sup> oppose the Commission's proposal to mandate interstate toll restriction services. USTA bases its opposition on the following points:

First, such a requirement is unnecessary and duplicative, since many states already have an overall toll blocking requirement and many exchange carriers have already implemented it. Second, interstate toll restriction does not help the customer who is unable to pay intrastate and/or intraLATA toll charges. Third, toll restriction would be extremely expensive to implement on a jurisdictionally identifiable basis. Finally, such a requirement does not address all of the problems which result in a failure to pay interstate charges and may not result in improved penetration levels.<sup>13</sup>

USTA's arguments should be given little weight.

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<sup>9</sup> NPRM, para 8.

<sup>10</sup> See, e.g., Comments of Ameritech, p. 5; LDDS Worldcom, p. 3; the Florida Public Service Commission, p. 2; Time Warner Communications Holdings, Inc., p. 4; the American Association of Retired Persons ("AARP"), p. 10.

<sup>11</sup> Comments of USTA, pp. 4-9.

<sup>12</sup> See, e.g., Comments of GTE, pp. 2-6; Pacific Bell and Nevada Bell ("Pacific"), p. ii; Telephone Electronics Corporation, p. 4.

<sup>13</sup> Comments of USTA, pp. 4-5 (emphasis added).

First, the Commission should not rely upon LEC or State Commission initiatives to implement a program which may be essential to the achievement of its universal service goals. Indeed, to the degree that voluntary toll restriction services are already in place, the implementation of the Commission's mandate will be simplified.

Second, while interstate toll restrictions will not prevent customers from incurring intrastate charges, it will prevent the accumulation of charges for calls to distant states and foreign countries. If state commissions mandate conforming rules, intrastate charges will also be prevented.

Third, the expense of jurisdictional identification will not be incurred in any state mandating conforming rules. Before the Commission grants any cost-related waiver to its mandate, the LEC involved would have to demonstrate that its state commission had refused to allow intrastate toll restriction.

Finally, although the mandating of voluntary toll restriction options will obviously not address all of the problems which result in a failure to pay interstate charges, it will address a major one, and it will improve penetration levels. The Public Utility Commission of Texas ("Texas") submitted a study which indicates that 75 percent of the people without phones in Texas showed an interest in obtaining phone service that allowed only for local calls and most stated that the cost of such service was something they could afford.<sup>14</sup> While not a panacea, the Commission's proposal may well be a long-awaited breakthrough in the pursuit of universal service.

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<sup>14</sup> Comments of Texas, the Evolution of Universal Service in Texas, p. 3.

GSA suggests, however, that the Commission's proposal could be improved in two respects. Recognizing that virtually no household would forgo the convenience of making long-distance calls unless cost was an overriding concern, GSA suggests that voluntary interstate call blocking be provided at no charge to single-line residential subscribers. Secondly, the Subscriber Line Charge should be reduced by one-half for subscribers opting for interstate call blocking, since they will only be able to receive interstate calls.<sup>15</sup> Since these proposals will have an economic effect, their implementation should be considered an exogenous factor for price cap purposes.

A number of LECs argue that the imposition of a mandate to provide voluntary call blocking on the LECs and not competitive access providers would lack competitive neutrality.<sup>16</sup> GSA agrees and urges the Commission to require all local service providers to offer interstate call blocking services.

#### **IV. The Commission Should Defer to the States On Matters of Deposits and Disconnection.**

The Commission also proposed that LECs be required to reduce the connection deposit requirements of subscribers who agree to toll restrictions<sup>17</sup> and that the complete disconnection of subscribers for failure to pay their interstate long-distance charges should be prohibited.<sup>18</sup> Virtually all LECs, IXCs, and state commissions vigorously

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<sup>15</sup> See Comments of State Consumer Advocates, p. 9.

<sup>16</sup> See, e.g., Comments of Bell South, p. 7; TDS Telecommunications Corp., p. 11; GTE, p. vi.

<sup>17</sup> NPRM, para. 26.

<sup>18</sup> Id., para. 31.

opposed these proposals on the grounds that such matters fall under the jurisdiction of the states on both practical and legal grounds.<sup>19</sup>

GSA agrees with the Commission that the voluntary acceptance of toll restrictions substantially reduces the risk of non-payment by subscribers, and thus the need for a large deposit. GSA also agrees that the imposition of involuntary toll restrictions, instead of complete suspension of service, would be an appropriate step to take for the non-payment of interstate charges. Each of these measures would tend to promote increased subscribership.

On the other hand, the vehemence of the positions taken by some states and carriers make it clear that the Commission would have to wage a long and costly battle to establish its right to preempt these matters. GSA recommends, therefore, that the Commission reassert its position on these two matters, but defer to the local expertise of the state commissions for implementation.<sup>20</sup>

#### **V. The Commission Should Consider The Provision Of Additional BETRS Spectrum.**

The Commission also invited comments on the extension of telephone service to unserved areas.<sup>21</sup> In its Comments, GSA suggested that the growth of competition and the use of wireless technology would serve to reduce gradually the number of geographic

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<sup>19</sup> See, e.g., Comments of Bell Atlantic, pp. 8-11; MCI Telecommunications Corporation, pp. 7-18; the Public Utilities Commission of Ohio, pp. 3-9.

<sup>20</sup> See Comments of Colorado Public Utilities Commission Staff, p. 2.

<sup>21</sup> NPRM, para. 40-41.

areas without telephone service.<sup>22</sup> GSA also noted that the refinement of the Commission's high cost assistance program would help to ensure that telephone service is available to all households throughout the nation.

Several commenting parties note that Basic Exchange Telecommunications Radio Service ("BETRS") has been of great assistance in the extension of service to previously unserved rural areas.<sup>23</sup> These parties also note that their ability to use BETRS is handicapped by an inadequate spectrum allocation, and that a petition was filed on November 9, 1992, to seek Commission attention concerning this matter.<sup>24</sup> NTCA states:

The record in that proceeding indicates that there is a strong and unabated demand for the BETRS service. There is also an urgent need for additional spectrum for the service. Despite overwhelming support for the petition, the Commission has not initiated a rulemaking.<sup>25</sup>

GSA recommends that the Commission expedite the consideration of the provision of additional BETRS spectrum in order to facilitate the extension of telephone service to unserved areas.

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<sup>22</sup> Comments of GSA, p. 5.

<sup>23</sup> See, e.g., Comments of USTA, p. 15; the National Telephone Cooperative Association ("NTCA"), pp. 6-7; Pacific, pp. 34-36; InterDigital Communications Corporation, pp. 1-9.

<sup>24</sup> Petition to Authorize Co-primary Sharing of 450 Mh Air-Ground Radiotelephone Service with BETRS, Public Notice Report No. 1923, RM-8159, released January 8, 1993.

<sup>25</sup> Comments of NTCA, p. 7.

#### **IV. CONCLUSION**

As the agency vested with the responsibility for acquiring telecommunications services on a competitive basis for use of the Federal Executive Agencies, GSA urges the Commission to require all local service providers to offer interstate long-distance call blocking services and take the other actions discussed in these Reply Comments to maintain and increase telephone subscribership.

Respectfully submitted,

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November 13, 1995

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