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

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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

REPLY COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Reply to Comments filed in response to the Commission's Notice[1] in the above referenced proceeding.

The Commission stated that its primary goal in this proceeding was to develop and implement methods to increase telephone subscribership levels. The Notice indicated a belief that disconnection for nonpayment of toll service was a primary reason households, particularly low income households, do not subscribe to telephone services. The Notice proposes various solutions with the intent of making telecommunications services available and affordable to all Americans. However, the facts do not support the presumptions or proposed solutions set forth in the Notice.

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[1] Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115, Notice of Proposed Rulemaking, released July 20, 1995, ("Notice").

Over sixty parties filed comments in this proceeding including local exchange carriers (LECs), interexchange carriers (IXCs). competitive access providers (CAPs), state regulators, and public interest groups. As the Comments show, factors which affect subscribership levels are much more complicated than the Notice reveals. Customers may not subscribe to the public switched telecommunications network for a variety of reasons including cultural differences, personal preferences, demographics and other regional differences. For these reasons, most commenters agree that it would be inappropriate for the Commission to attempt to increase subscribership levels in the manner proposed in Notice, particularly by issuing federal mandates requiring toll blocking services and prohibiting disconnect for nonpayment. In addition, the issues raised in the context of this proceeding further demonstrate the need for the Commission to begin a comprehensive review of universal service.

The Notice concludes that the single most significant cause of nonsubscribership is disconnection of subscribers because of inability to control toll charges. The Notice proposes that prohibiting disconnection of local service for nonpayment of interstate charges will be a cost effective method of keeping subscribers on the network. As empirical evidence of this presumption, the Commission makes reference to a program in Pennsylvania, known as "Chapter 64" under which carriers are prohibited from disconnecting for nonpayment.[2]

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[2] Notice at Para. 30.

The record however does not support this presumption. As Bell Atlantic stated in its comments, although subscribership has increased somewhat in Pennsylvania, the increases have been at a slightly slower rate than the national average. Implementation of Chapter 64 has had a considerable price. Uncollectables have increased nearly 400% and administrative costs have risen more than twenty-four million dollars per year. For those charged with implementing Pennsylvania's Chapter 64 program, it "has proved to be administratively complex and expensive to administer."[3]

In fact, it is not even clear that Chapter 64 is the primary cause for Pennsylvania's high subscribership level. Other factors may have led to this high penetration level, including demographics and economic factors.[4] Indeed, in Delaware, where a similar program was instituted, the subscribership rate has remained flat.[5]

The comments also reveal that most State Commissions, including the Pennsylvania Public Utility Commission, as well as LECs and IXCs do not support a federally mandated selective disconnection policy.[6] Most agree that the States are in the best position to individually identify and address the factors that affect subscribership

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3 Bell Atlantic at 4.

4 Bell Atlantic at A-2.

5 Id. at 3.

6 See comments of ATA, Ameritech, Bell Atlantic, Cincinnati Bell, NYNEX, Pacific Bell and Nevada Bell, Rochester, TDS, USTA, AT&T, CompTel, MCI, SPRINT, Iowa Utilities Board, Pennsylvania Public Utilities Commission, Indiana Utility Regulatory Commission, Idaho Public Utilities Commission, Public Utilities Commission of Ohio.

including issues and decisions involving disconnect for nonpayment.[7] Among the reasons given for opposing such a program are: (1) the states proximity to local markets and the differences among states[8], (2) customers faced with service disruptions are more likely to contact their State telecommunications regulatory agency rather than the FCC[9], (3) without a high level of commitment of PUC staff, national mandates would be ineffective[10], (4) the Commission lacks jurisdiction[11].

SCA asks that the Commission encourage states to require LECs to unbundle basic local service from long distance services by offering "Safenet Services". Customers subscribing to Safenet would receive, at no additional charge, basic local service only with no access to "outward interstate long distance service." [12] This is an

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7 Even the State Consumer Advocates ("SCA") for Delaware, Florida, Maine and Missouri support the continuation of Federal policies that leave the terms and conditions of providing local exchange service to the states. See, Joint Comments of SCA at 3. SGA asks the FCC to encourage the states to eliminate or lower deposits required for reconnection, and to require LECs who publish telephone directories to include information on programs for the economically disadvantaged. These recommendations fail to account for costs and the manner by which LECs can recover costs for implementing these policies. The State Commissions, not the FCC, are in the best position to address the problems with subscribership and determine a competitively neutral way of dealing with costs if the circumstances warrant adoption of new policies.

8 PaPUC at 5-7.

9 Indiana Utility Regulatory Commission at 6.

10 PaPUC at 5-7.

11 See accord, Public Utilities Commission of Ohio, Maine Public Utilities Commission at 2, MCI 9-13.

12 SCA at 3, 9.

irrational approach to the problem. The public switched network is designed to be interconnected. Thus, some type of restriction would need to be put on the network in order to restrict the connectivity that currently exists.[13]

BellSouth shares with the Commission a commitment to develop reasonable, targeted and cost effective measures to increase telephone subscribership and to keep subscribers connected to the public switched network. BellSouth would be willing to implement a program which offers toll blocking service as an alternative to disconnect to customers unable to pay their bills and/or to customers seeking to restore phone service who were previously disconnected for non-payment. Under such a program, customers could be given a grace period to make outstanding balance payments provided they have chosen the toll blocking service option.[14] This alternative, while under the jurisdiction of the state commissions, would be consistent with the Commission's objectives in this proceeding.

Finally, as some parties have observed, the Commission's current expression of interest in boosting subscribership, in this docket, while at the same time outlining proposals for the elimination or reduction of programs such as USF and DEM weighting

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[13] BellSouth currently offers two types of toll-blocking options to its residence subscribers in each of its nine states; Selective Class of Call Screening (SRG) Service and Customized Code Restriction (CCR) Service. Both services are available at low monthly rates. The rates range between $1.10 and $2.80. In some states a one time nonrecurring charge for CCR service may also apply. This charge does not exceed $10.00 in any state in the BellSouth region. Special assembly is currently required for SRG Service in Georgia, however, a general tariff filing is planned.

[14] BellSouth would reserve the right to disconnect immediately for misuse of the public switched network or fraud.

in a companion docket is inconsistent.[15] The comments express the concern that one of the surest ways to lower subscribership would be to tinker with high cost assistance.[16] As BellSouth has stated previously, adjustment of high cost assistance cannot be confined to some narrow predetermined focus and outcome. Thus, eliminating explicit funding mechanisms may indeed have a far greater impact on subscribership than anything the Commission has contemplated. The broad policy questions regarding universal service and identification of the Commission's responsibility for preserving universal service cannot be resolved one issue at a time. The best way for the Commission to proceed is to review universal service concerns in their entirety and design a solution whose component parts compliment each other.

Conclusion

For the reasons stated above, the Commission should not mandate a Federal disconnection policy. Instead, the Commission in partnership with the States should

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[15] Montana Independent Telecommunications System, Inc. at 3. See also Mid-Rivers Telephone Cooperative, Inc. at 2.

[16] Id.

commence a complete examination and evaluation of universal service issues, which would include methods the state commissions can employ to increase subscribership levels within their own jurisdictions.

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CERTIFICATE OF SERVICE

I hereby certify that I have this 20th day of November, 1995 served all parties to this action with a copy of the forgoing REPLY COMMENTS by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.

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