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COMMONWEALTH OF VIRGINIA

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April 1[illegible] 1996

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

APR 12 1996

FCC MAIL ROOM

RE: Federal-State Joint Board on
Universal Service
CC Docket No. 96-45

Dear Sir:

Enclosed please find comments of the Virginia State Corporation Commission Staff in the above referenced case

Very truly yours,

William Irby for

Edward C. Addison
Director

ECA:js
Enclosure

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APR 12 1996

FCC MAIL ROOM

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

In the Matter of	)	
	)	**CC Docket No. 96-45**
Federal-State Joint Board on	)	
Universal Service	)	

INITIAL COMMENTS OF THE

VIRGINIA STATE CORPORATION COMMISSION STAFF

Virginia State Corporation Commission
Division of Communications
1300 East Main Street - 9th floor
P.O. Box 1197
Richmond, VA 23218

April 11, 1996

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

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	**CC Docket No. 96-45**
	)	

INITIAL COMMENTS OF THE

VIRGINIA STATE CORPORATION COMMISSION STAFF

1. INTRODUCTION

The Virginia State Corporation Commission (VSCC) Staff Division of Communications respectfully submits these comments in response to the FCC's Notice of Proposed Rulemaking in this Docket, released March 8, 1996 (Notice). The VSCC had already initiated its own universal service proceeding with an Order in Case No. PUC950081, issued December 13, 1995. While the Staff is in the early stages of its work to produce facts for the VSCC's consideration in its proceeding, we trust these comments will nevertheless be helpful in the FCC's consideration of this vital subject.

2. SERVICE QUALITY

The VSCC addressed the service quality issue in its Rules for certification of new entrants into the local exchange business ("Order Adopting Rules", Case No. PUC950018, December 13, 1995). The VSCC required new entrants to comply with the service quality criteria that have been applied to incumbent LECs for many years (and formally adopted by the VSCC in its Order in Case No. PUC930009: June 10, 1993). We urge the FCC to base its quality measurements on existing standards in the states. Service quality has long been of importance to state commissions, and their experience should be valuable

The goal should be to encourage competition to meet or exceed existing service standards. We believe the way to do that is to maintain minimum standards. Some may believe that in a competitive environment, it is not necessary to provide excellent service, but merely to provide better service than the competition. If the competition's quality is poor, the competitor need only be a little better than poor. However, good and reliable service quality in the United States, based on historical commitment, has come to be assumed, and it should not be allowed to deteriorate.

3. SERVICES TO SUPPORT

In defining the services to be eligible for support, we suggest that the definitions be expressed as capabilities, not as existing services. For example, in paragraph 16 of the Notice, "touch-tone" is expressed in the core group of services. This should be expressed as DTMF signalling, because "touch-tone" is a Bell System name that was not used by the Independents. To remain technologically and competitively neutral, service definitions should be expressed generically as communications capabilities, which has been done for the remainder of the services expressed in paragraph 16.

The VSCC's Rules for certification require new local exchange entrants to provide a core group of capabilities that the FCC should consider in its determination of services to receive universal service support. The VSCC's Rules specify the provision of (1) access to 911 and E911 services, (2) white page directory listings, (3) access to telephone relay services, (4) access to directory assistance, (5) access to operator services, (6) equal access to interLATA carriers, and (7) free blocking of 900- and 700-type services so long as the same requirement applies to incumbent local exchange companies. These Rules presume, of course, that a new entrant will be providing voice-grade calling, among other exchange communications services. We cite this list to urge that peripheral capabilities be considered, along with traditional voice-telephone capabilities, to concentrate attention on customer service, rather than technology.

The same group of capabilities that the FCC determines to be worthy of universal service support should be supported for low-income subscribers. The problems in achieving universal service with affordable rates may be different in high-cost areas and among low-income groups, but the goals should be the same; i.e., universal.

4. AFFORDABILITY

The VSCC addressed the issue of affordability in its Order of October 18, 1994, (Case No. PUC930036) following legislation which established an affordability standard for the first time in the pricing of Virginia telephone services. The legislation, which permitted the Commission to adopt alternative regulatory plans for LECs, directed the Commission to ensure that alternative regulatory plans protect the affordability of basic telephone service. In its Order of October 18, 1994, the VSCC, among other things, found that the LECs' current rates were affordable and could be expected to remain so under alternative regulation. The VSCC based its decision on affordability primarily on the residential penetration rate in Virginia, but first took notice of the fact that there had been no increases in basic rates in Virginia since the spate of rate cases during 1983-85; indeed, there had been only decreases in basic rates since that time. Moreover, the residential penetration rate in Virginia had increased since 1983-85. Based primarily on these findings, the VSCC found that existing rates in Virginia were affordable.

The FCC could take an approach similar to the VSCC's. Residential penetration rates should be a major part of the considerations going into a determination of whether rates are affordable. It should always be recognized, of course, that penetration rates are influenced by the strong demand for basic telephone service. But one cannot escape the conclusion that if penetration rates are high, then most people are able to afford the service in some way.

The Virginia Universal Service Plan was expanded as a result of the Commission's October 18, 1994, Order. It directed the alternative regulatory plan

companies to expand their offering of discounted rates to Food Stamp recipients, in addition to Medicaid recipients, who were already being offered the lower rates. The FCC should rely on existing identifiers of low-income people, instead of pursuing or inventing new methods to define and identify them. A more pressing problem seems to be informing eligible low-income people of the availability of economy options for basic service.

Experience in Virginia has shown that initial nonrecurring charges and deposits are the major barrier to many would-be subscribers. The Link Up America plan was very successful in Virginia, particularly because many Virginia LECs voluntarily relaxed their deposit requirements coincident with the introduction of the plan. Moreover, the Link Up plan was introduced in Virginia along with the Subscriber Line Charge waiver plan. The FCC should remember this experience in considering universal service plans now. Monthly rates are generally available in Virginia at levels where they should be affordable, and even with discounted initial charges, some areas of the Commonwealth have relatively low residential penetration rates. In considering services eligible for universal service support, it is important to remember the initial nonrecurring charges and deposit requirements as well as the monthly rate.

5. RECOVERY OF SUBSCRIBER LOOP COSTS

It is fundamentally important for the FCC to realize that subscriber loops are just as traffic sensitive as anything else in the network. If they were not traffic sensitive, there would be only one loop to each subscriber location. Most all residences and many businesses are served with one loop because there is not enough traffic to justify more, customers are deterred from getting more lines because of the prices, customers are willing to wait to place their calls, and they are willing to let their callers endure busy signals up to a point. However, the popularity of Call Waiting shows that this latter willingness is quite limited. It is essential to realize that the number of loops serving a

given customer's premises is always determined by the amount of busy-hour traffic carried to and from that customer's premises. There may be reasons to have flat rates for the use of subscriber loops, but non-traffic-sensitivity is not one of them.

One of the proposals discussed in the Notice in paragraphs 112 - 115 is to eliminate the Carrier Common Line Charge (CCLC) while concurrently increasing the Subscriber Line Charge (SLC). We believe that thinking about communications prices in terms of "cost-recovery" is out of date. It is related to revenue requirement regulation. Prices should now be considered as payments for the use of facilities, and when interexchange carriers make use of subscriber loops to permit their customers to originate and terminate calls, there is nothing wrong with interexchange carriers paying for that use. The prices they pay may be flat (per line), or usage-based (per minute), or other designs, but there is no compelling reason to jump to conclusions that they need not pay at all.

Subscriber loops are dedicated to the use of one subscriber only for the origination of calls. It has long been assumed that the originator of a call is responsible for it; i.e., the originator pays for it unless the charges are "reversed" in some way. In this sense, any switched (end to end) subscriber loop is "dedicated" for short durations to anyone who originates a call. Thus, there is no good reason to conclude that each subscriber should have a flat charge covering his or her loop costs since loops are available for the use of all subscribers and dedicated to none. We are concerned that increasing the Subscriber Line Charge could be contrary to universal service.

6. CONCLUSION

We have long held in Virginia that poor service at any price is no bargain. Affordable rates must always be based upon good service. We believe good service can be maintained, and we urge the FCC to adopt it as a firm objective.

There is much to do at both the Federal and State levels to ensure a successful implementation of the Telecommunications Act of 1996. We look forward to cooperating with and being as helpful to the FCC as possible

Respectfully submitted.

William Irby for

Edward C. Addison, Director
Division of Communications
Virginia State Corporation Commission

April 11, 1996