ALTS
Association for Local Telecommunications Services

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RICHARD J. METZGER
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 18, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20036

Re: CC Docket No. 96-98; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

Dear Mr. Caton:

Attached is a copy of a letter sent today to the Commissioners in the above matter, and to members of the Commission's staff as indicated.

Yours truly,

Richard J. Metzger

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Hon. Reed E. Hundt, Chairman
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

Hon. James H. Quello
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

Hon. Susan Ness
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

Hon. Rachelle B. Chong
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-98; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

Dear Commissioners:

ALTS supported the Telecommunications Act of 1996 and has actively participated in the present docket and other Commission implementation proceedings because the Act's fundamental goal is to foster facilities-based local competition by competitive local exchange carriers ("CLECs"). Accordingly, it has been ALTS' expectation that the months of hard work devoted to the interconnection docket by the Commission would produce an order advancing local facilities-based competition, not harming it.

We have now learned that one of the remaining issues in the interconnection docket is how to assure that current universal service subsidy flows from ILEC access charges are not unduly harmed by potential IXC substitution of unbundled network elements. Unfortunately, some of the possible "solutions" would have the effect of putting CLECs in a worse position than they occupied prior to the enactment of the 1996 Act.

ALTS does not believe that potential arbitrage from unbundled network elements poses as great a threat to universal subsidy flows as claimed by the ILECs. However, ALTS has no objection to the Commission insuring such amounts remain unaffected until

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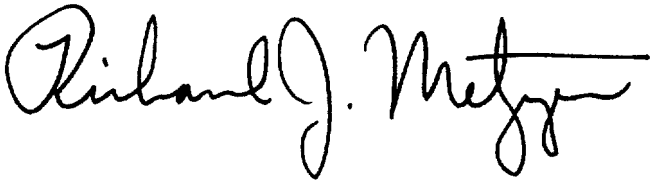
completion of universal service and access charge reform, provided that any parties which do not currently contribute to these amounts, such as the new local entrants, are not harmed by any "keep whole" mechanism adopted by the Commission. In particular, ALTS objects to any mechanism which places additional financial burdens on the unbundled local loops currently being deployed by facilities-based competitors.

The Commission does not need to place surcharges on the unbundled elements currently used by CLECs in order to protect the universal service flows from access charges. The carriers which currently pay access charges have assured the Commission there will be no significant arbitrage prior to universal service and access reform. The Commission need only request these carriers to place their written assurances in the record, and adopt appropriate monitoring and compliance mechanisms in its order. Alternatively, the Commission could require a "bulk billing"of access charges similar to those plans already implemented by waivers in various study areas in order to assure the continued payment of all universal service amounts.

Given the Act's focus on facilities-based local competition, avoiding harm to the CLECs' current ability to use unbundled local loops should be just as important to the Commission as protecting the ILECs' universal service flows. The members of ALTS understand they will contribute to universal service along with other carriers once the Joint Board and the Commission complete their work, and they are willing to help expedite that process. However, until then it would be a cruel irony for the Commission to interpret the Act in a manner which increases the CLECs' financial burdens at the same time they are seeking the capital needed to expand deployment of competitive facilities. ALTS respectfully requests the Commission not to adopt any temporary "keep whole" mechanism which harms the CLECs' current ability to order and use unbundled loops, and thereby advance local competition.

Yours truly,



cc: L. Atlas
W. Caton
R. Keeney
R. Metzger
J. Schlichting
R. Welch