

correct.

A PICC on Special Access Lines Should Not be Required (¶¶ 403-406).

The Commission should not impose a PICC on special access lines to recover common line revenues. The Commission acknowledges that such a requirement would be a departure from established Commission practice that special access not subsidize other services.¹ Such a requirement would also be a departure from Congress' stated intent that implicit subsidies should, to the extent possible, be replaced by explicit subsidies.² There is no reason to violate these two practices by assessing a PICC on special access. Increasing and/or perpetuating implicit subsidies is directly contrary to the Act and simply is not feasible in a competitive marketplace.

The PICCs were established to recover common line costs. Special access lines are not common lines. Special access prices recover one hundred percent of the cost of the special access line. To require that special access must recover common line costs is just creating more implicit subsidy. There is no reason to create a new subsidy on special access.³

As explained in USTA's comments filed in this proceeding, the market for special access is highly competitive.⁴ Special access services are generally concentrated in high volume, dense

¹FNPRM at ¶ 404.

²Joint Explanatory Statement of the Committee of Conference at 131.

³Certainly the experience of the special access surcharge demonstrates the ineffectiveness of imposing a charge on special access.

⁴Comments of USTA filed January 29, 1997 at pp. 42-46.

markets. Direct substitutes for special access services have existed for years. USTA provided data detailing the large market share losses which incumbent LECs have incurred in every major city in its previous comments in this proceeding. The majority of these losses were incurred even before the availability of unbundled elements and with only limited use of collocation. The Act virtually guarantees ubiquitous availability of products and services which are direct substitutes for special access through the recombination of LEC unbundled elements. In addition, the Act requires collocation of competitor equipment on LEC premises making it even easier for a competitor to combine its facilities with LEC unbundled elements to directly compete with LEC special access services. Given the competitive alternatives that already exist, the ubiquitous availability of unbundled network elements, collocation and the sophisticated nature of special access customers, the Commission should forbear from regulating special access and should not further regulate such services by imposing a subsidy.⁵

The Commission Should Not Adopt Either Option for the Allocation of GSF Costs (¶¶ 412-418).

The Commission proposes two options to change the allocation of price cap LECs' interstate GSF costs to respond to allegations raised by AT&T that the current allocation results in an implicit cross-subsidy of nonregulated billing and collection services. While AT&T has raised such allegations in the past, the Commission has, until now, prudently declined to change the GSF allocation given the fact that AT&T is in the process of replacing exchange carrier

⁵Even if the Commission determines that it will permit LECs to apply a PICC on special access, it should continue to permit those LECs that do not impose a PICC to recover costs on a minutes of use basis from access customers.

billing and collection services with its own billing mechanisms.⁶ The Commission does not offer any justification as to why its prior determination should change. However, both of the alternatives proposed in the FNPRM are unnecessarily burdensome and neither should be adopted.

The first option proposed by the Commission, to require price cap LECs to conduct a special study, would impose unnecessary costs and administrative burdens on these carriers. Price cap LECs currently are not required to perform a special study on the use of general computer investment in Account 2124 to determine the allocation of such costs. There is no reason to impose such a requirement now.

The second option, to revise the allocator for all GSF costs, would result in the allocation of support facilities not associated with billing and collection to the billing and collection category. For example, costs included in Special Purpose Vehicles, Garage Equipment, Other Work Equipment, Aircraft, etc., would be allocated to billing and collection. This method would create anomalous results in other categories, as well.

USTA does not believe that any change in the current Part 69 allocation methodology is required. Further, any such changes should not be considered on a piece-meal basis, but preferably should be part of a comprehensive review. This would ensure that all of the implications of such changes are identified and considered and that the problems discussed above are avoided.

⁶See, Ex Parte Letter filed by GTE, Bell South, NYNEX, SBC, Pacific Telesis and U S WEST, January 6, 1997, CC Docket No. 80-286.

However, if the Commission should determine that it must go forward and adopt a change now, USTA has developed a reasonable alternative to the options contained in the FNPRM which alleviate the problems associated with the options as discussed above by utilizing currently available data and avoiding changes to other access elements. USTA proposes that the general purpose computer net investment in Account 2124 to net investment in Account 2110 be identified using already available accounting data. The interstate general purpose computer investment amount would be allocated using a slightly modified "big Three Expense" allocator. The remainder of Account 2110, would be allocated to all other elements using the current investment allocator. USTA proposes adding a new paragraph (c) as follows and changing the current paragraph (c) to paragraph (d):

69.307(c) All other General Purpose Computer Investment shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Local Switching, Information, Transport, and Special Access elements on the basis of the big three expense allocator, modified to exclude expenses which are apportioned on allocators that include General Support Facilities investment.

USTA urges the Commission not to adopt the proposals regarding special access and the allocation of GSF costs as discussed in its comments.

Respectfully submitted,

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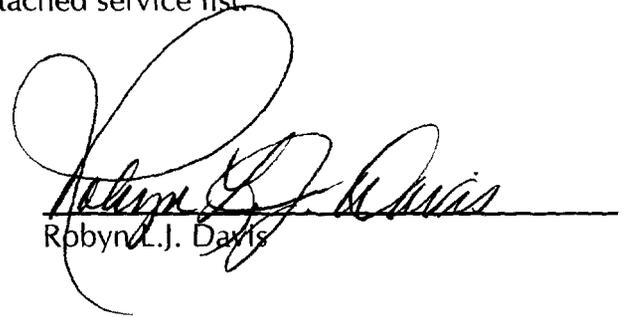
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