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

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket 91-213
	)	
End User Common Line Charges	)	CC Docket No. 95-72
	)	

COMMENTS OF WORLDCOM, INC.
ON
FURTHER NOTICE OF PROPOSED RULEMAKING

WorldCom, Inc. ("WorldCom") respectively submits the following comments in response to the Further Notice of Proposed Rulemaking ("Notice") adopted by the Commission in the above captioned proceeding on May 7, 1997 and released on May 16, 1997.

I. Introduction and Summary

WorldCom believes that the Commission would be committing a grave error if it adopts the Notice's tentative conclusion to require price cap local exchange carriers ("LECs") to assess Presubscribed Interexchange Carrier Charges ("PICCs") on the interexchange carriers ("IXCs") of end users of special access in order to recover revenues for the common line basket.[1]

[1] First Report and Order, Access Charge Reform, CC Docket No. 96-262, adopted May 7, 1997 and released May 16, 1996 ("Order") at ¶ 403.

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The rationale for the Commission's tentative conclusion appears to rest on the presumption that the Commission's decision in the Order to require LECs to collect increased subscriber line charges (SLCs) from end users and PICCs from IXCs based on the number and class of lines presubscribed to them for switched access will lead end users to migrate from switched access to special access services in order to avoid the switched access PICCs. This presumption is flawed for at least two reasons. First, it does not reflect the fact that end users cannot migrate to special access to avoid SLCs and PICCs without also giving up the lines over which they receive local telephone service -- which will make such migration untenable for most end users. Second, although the application of increased SLCs and PICCs in the context of switched access may appear to induce a migration to special access when looked at in isolation, the concomitant switched access usage reductions required by the Commission will substantially reduce this incentive and may, in fact, cause many special access end users to return to switched access.

Further, the Commission's tentative conclusion to apply PICCs to special access will unfairly penalize many end users who use special access for reasons wholly unrelated to the avoidance of switched access PICCs. Many interexchange telecommunications services -- such as certain data applications, broadband video and private line services -- require special access from the end users location to their long distance carrier for which switched access is simply not an adequate substitute. Applying a PICC to the special access used by the end users of these types of services would not incent the end users to return to switched access; these end users have no choice but to use special access.

The Commission could modify its proposal so that the PICCs apply only to special access used in conjunction with switched voice service. But this would require carriers -- both LECs and IXCs -- to go through a complex, burdensome, and ultimately unnecessary verification process to determine to whom special access PICCs appropriately apply.

WorldCom strongly believes that the Commission should not require PICCs to be applied to special access. If the Commission does so, however, the special access PICC should not apply to all voice grade equivalent circuits in a special access trunk. Rather, since the Commission's concern is migration away from switched access to special access, the special access PICC should be applied only to the level that an end user would be indifferent as to whether it is served by switched or special access. To accurately reflect the end user's incentives this analysis must account for end users who will not abandon their local telephone lines and include the effect of the reduced switched access usage rates.

WorldCom urges the Commission not to adopt PICCs for special access.

II. THERE IS LITTLE POTENTIAL THAT END USERS WILL MIGRATE FROM SWITCHED ACCESS TO SPECIAL ACCESS AS A RESULT OF THE IMPOSITION OF INCREASED SLCs AND PICCs

In the Notice, the Commission appears to have tentatively concluded that PICCs should be applied to special access out of a concern that the imposition of increased SLCs to end users and PICCs to IXCs will lead some multi-line business end users to purchase special access circuits instead of switched access. WorldCom believes that this concern is unfounded for two reasons: first, end users cannot move to special access to

escape SLCs and PICCs without also surrendering their local telephone lines and, second, the reduction in switched access usage rates will incent special access customers to return to switched access.

A. MOST END USERS WILL BE UNWILLING TO SURRENDER THEIR LOCAL TELEPHONE LINES IN ORDER TO MOVE TO SPECIAL ACCESS TO AVOID INCREASED SLCs AND PICCs

Very few end users will be able to completely escape the application of SLCs and PICCs by converting to special access for their long distance traffic. Most businesses have a mix of local and long distance calling and a mix of originating and terminating long distance traffic. The only service that a multi-line end user can move to special access is originating long distance access. If the business requires local calling or receives terminating interexchange calls, the business must retain its local service lines. The business will be assessed a SLC and its IXC charged a PICC for its local service lines.[2]

The feared migration from switched to special access because of SLCs and PICCs is not analogous to the movement of businesses to special access to avoid overly high switched access rates. Prior to access charge reform, businesses with significant long distance usage were paying significantly more than their share of access costs through switched access usage charges that recovered costs that more appropriately should have been flat rated. Such businesses could avoid these inappropriately high access usage rates by

[2] The Commission addressed the situation where an end user may decide not to presubscribe its local line to any IXC by allowing the LEC to charge the PICC directly to the end user in that circumstance. Order at ¶ 92.

shifting their long distance traffic to special access. But they could incur the resulting savings without having to give up their local telephone lines.

Unlike the situation with usage rates, to avoid the SLCs and the PICCs, a business would have to forego or reduce local service. Thus, a migration from switched to special access for the purpose of avoiding SLCs and PICCs is severely constrained by the willingness and ability of multi-line businesses to give up their local lines.

B. REDUCED SWITCHED ACCESS CHARGES WILL INCENT MANY END USERS TO RETURN TO SWITCHED ACCESS

Although the imposition of increased SLCs and PICCs, taken alone, appears to increase a multi-line business' cost of switched access, the cost of switched access cannot be examined in such isolation. For most multi-line businesses, the higher fixed costs represented by the SLCs and the PICCs will be offset by reduced switched access usage rates. The usage rate offset will substantially reduce the incentive for an end user to attempt avoiding the SLCs and PICCs by moving from switched access to special access.

In addition, since most multi-line businesses will find the SLCs and PICCs unavoidable because of the need to retain local service and terminating long distance service, they will be incurring those fixed costs no matter the form of access they choose. Having incurred those fixed costs regardless of the nature of their access, the newly reduced switched access rates will induce some multi-line businesses to return to switched access from special access.

Access charge reform, taken in its entirety is unlikely to promote a shift to special access from switched access and may, in fact, create a reverse incentive for business to return to switched access.

III. APPLYING PICCs TO SPECIAL ACCESS IS AN OVER BROAD REMEDY THAT WILL PENALIZE END USERS OF TELECOMMUNICATIONS SERVICES THAT REQUIRE SPECIAL ACCESS

A. MANY SERVICES REQUIRE SPECIAL ACCESS FOR WHICH SWITCHED ACCESS CANNOT SUBSTITUTE

Many telecommunications services, particularly broadband services, require special access from the end user to its IXC. Examples of such services include broadband video, high speed data transmission, point-to-point private line services. For such services, switched access is simply not a substitute. The users of these services did not purchase special access to avoid the application of increased SLCs or PICCs (or even switched access usage rates); they purchased special access because it is required for the telecommunications services they seek to use. Yet the Commission's tentative conclusion to apply PICCs to special access will penalize these end users who have no alternative but to use special access. It will not and cannot induce these end users to return to switched access.

To make their plight worse, the revenues from the increased charges that they will be forced to bear because they need special access will be used to drive down the cost of someone else's service -- switched access service. There is good reason that the Commission has not departed from "established Commission practice that special access will not subsidize

other services."[3] The Commission should not depart from that policy now, particularly where the perceived threat to switched access is minimal and the penalty to special access users would be high and nonproductive.

B. IT WILL BE COMPLEX, BURDENSOME AND, ULTIMATELY UNNECESSARY TO APPLY SPECIAL ACCESS PICCs SOLELY TO SPECIAL ACCESS USED FOR SWITCHED VOICE SERVICE

One alternative that the Commission might consider is to limit the special access PICCs solely to those who use special access as a substitute for switched access. While this may avoid the problem of penalizing those special access users who must use special access, this approach has many problems of its own. It would necessarily mean that carriers -- LECs and IXCs -- would have to constantly police how special access circuits are used. It would require sophisticated software tracking of these customers so that billing can be accurately applied and verified -- at a time when the industry's information services resources are severely taxed dealing with local market entry and other aspects of access reform.

Ultimately, the burdens placed on industry by imposing special access PICCs will not be worth the expense because there is very little danger of a significant number of end users moving from switched to special access. The Commission should not impose such burdens with so very little prospect for reward.

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[3] Order at ¶ 404.

IV. IF ADOPTED, THE SPECIAL ACCESS PICC SHOULD ONLY BE APPLIED TO THE LEVEL OF END USER INDIFFERENCE BETWEEN SWITCHED AND SPECIAL ACCESS

WorldCom strongly believes that PICCs should not be applied to special access. If, however, the Commission decides to adopt its tentative conclusion, it should not apply a PICC to every voice grade equivalent ("VGE") circuit contained in a special access link. Since the Commission's stated concern is the possible movement of end users from switched access to special access as a result of the increased SLCs and PICCs, the Commission should apply special access PICCs only to a level that deters that perceived threat.

If the Commission believes that the SLCs and PICCs will cause end users to leave switched access, then the remedy is to apply PICCs to special access only to the point that special access is no longer attractive. In other words, the special access PICC should only be applied to the point where a customer is indifferent as to whether it is served by switched or special access. Since the crossover point for a DS-1 may be less than the full twenty-eight VGE circuits, PICCs should only apply up to the cross over point which may be substantially less than the full twenty eight VGE circuits of a DS-1. To accurately reflect the end users' incentives in order to determine the cross over point, the Commission's analysis must account for end users who will not abandon their local service and include the effect of the reduced switched access usage rates.

V. CONCLUSION

As there is little demonstrated need for PICCs to be applied to special access and because the application of PICCs to special access will penalize the users of telecommunications services that require special access, WorldCom requests that the Commission decide not to apply PICCs to special access circuits.

Respectfully submitted,

June 26, 1997

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