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Before the
Federal Communications Commission
Washington, D.C. 20554

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JUL 11 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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 No. 91-213
	)	
End User Common Line Charges	)	CC Docket No. 95-72

REPLY COMMENTS OF GTE

GTE Service Corporation and its affiliated telephone operating companies[1] (collectively, "GTE") respectfully submit these reply comments in the above-captioned proceeding. As set forth below, commenters unanimously object to requiring application of a presubscribed interexchange carrier charge ("PICC") to special access services, and the record does not justify modifications to the General Support Facilities ("GSF") cost allocator.

I. LOCAL EXCHANGE CARRIERS, INTEREXCHANGE CARRIERS AND TELECOMMUNICATIONS END USERS OVERWHELMINGLY OPPOSE SPECIAL ACCESS PICCS.

There was unanimous opposition to any requirement that an incumbent local exchange carrier must charge a PICC on special access lines; and, all but one commenter objected to the

[1] GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North

(Continued...)

Commission's permissive approach. Interexchange carriers and telecommunications end users alike urged the FCC to reject adopting a special access PICC because it would further distort the market for access services, be inconsistent with cost-causative principles, and harm telecommunications end users, such as Internet access providers.[2] In addition, several parties, like GTE in its comments, questioned the validity of the Commission's underlying assumption that imposing a special access PICC would be effective in preventing the migration of current switched access customers to special access services.[3] Given that the record provides no support for imposing a special access PICC and the adverse effects of such a proposal, GTE maintains that the Commission must refrain from extending the ill-conceived PICC concept to special access lines.[4]

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Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

[2] *See, e.g.,* Comments of the Ad Hoc Telecommunications Users Committee at 14; Comments of America Online at 10-12; Comments of AT&T at 5-6; Comments of US West, Inc. at 2-4.

[3] Comments of Bell Atlantic/NYNEX at 3; Comments of BellSouth at 4; Comments of the Information Technology Association of America at 8-9. Indeed, several commenters echoed GTE's concern that the FCC ignores the much more likely scenario that imposition of PICCs on switched access lines will lead to the migration of customers to competitive switched access providers, rather than ILEC special access services. *See, e.g.,* Comments of Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell at 2-3.

[4] GTE reiterates that should the Commission determine that a PICC may be applied to special access services, it must clarify that such a charge is permissive. The Commission should not preclude the recovery of any foregone revenues under a permissive approach, but should allow LECs that do not assess a PICC on special access services to recover all common line costs from switched access elements.

Moreover, the proposals offered by AT&T and others advocating selective application of a special access PICC, if such a charge is adopted, merely underscore the problems inherent in recovering implicit subsidies through a PICC. For example, AT&T's proposal to apply a special access PICC only to special access services used for long distance service (rather than to special access lines that function as unbundled network elements) perpetuates the erroneous conclusion that access charges should not be levied on unbundled network elements.[5] This proposal should be rejected because common line costs should be recovered through access charges *and* unbundled network elements, absent full recovery from end users and/or the universal service mechanism.[6]

Further, GTE opposes the American Petroleum Institute's suggestion that certain classes of customers be exempt from a special access PICC.[7] Such a proposal would only serve to further the migration of access customers to competitive providers by encouraging the inefficient provision of access services. Moreover, both proposals also perpetuate subsidies that would violate the FCC's cost causation principles and the FCC mandate to eliminate implicit subsidies under Section 254(e) of the Act. Therefore, the Commission should clearly reject these proposals if it determines that a PICC must be applied to special access lines.

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[5] *See* Comments of AT&T at 7.

[6] *See* Comments of GTE Service Corporation, CC Docket 96-262, at 32 (filed Jan. 29, 1997).

[7] *See* Comments of American Petroleum Institute at 9-10.

II. THE RECORD HIGHLIGHTS THE SPECULATIVE CLAIM THAT GSF IS MISALLOCATED AND THE PROBLEMS INHERENT IN THE COMMISSION'S PROPOSALS.

GTE submits that the record does not justify any action to modify the existing General Support Facilities allocator. While AT&T, MCI and Sprint supported various changes to the GSF allocator, they failed to offer specific evidence of the magnitude of any cost missallocation or the potential impact of any such change. Rather, they proceeded quickly to place additional burdens on local exchange carriers in order to remedy a conjectural harm. The lack of evidence to justify a reallocation of GSF expenses underscores the speculative nature of the IXC's claims, and thus, the Commission need not adopt any changes to its GSF expense allocation rules.

If, however, the Commission nonetheless finds that a modification to the GSF allocator is warranted, a number of commenters clearly explained the difficulties in implementing either of the Commission's proposed allocation methods. For example, BellSouth explained that undertaking a burdensome special study would not result in a cost-causative cost allocation, while Bell Atlantic/NYNEX noted that applying the Big Three Expense allocator to GSF would "inappropriately allocate investments other than general purpose computers to [billing and collection]" and "would also shift significant amounts of investments and expenses among the access charge categories."[8] Instead, if the FCC deems that any change to the GSF

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[8] Comments of BellSouth at 6; Comments of Bell Atlantic/NYNEX at 6-7; *see also* Comments of Sprint at 4-5 (noting that the FCC's proposal to use a modified "Big Three Expense" allocator to total GSF "grossly over-allocates costs to billing and collection, which in turn causes an inappropriate reduction in access rates through the exogenous cost treatment of such a cost shift").

allocator is warranted, a number of commenters joined GTE in noting the benefits of an approach that avoids the collection of additional data or the problems associated with an overly broad allocator, such as that proposed by the United States Telephone Association ("USTA").[9]

III. CONCLUSION

The record clearly demonstrates that the Commission should neither impose a special access PICC nor modify the present GSF allocator. Nonetheless, if the Commission decides that a modification to the allocator is necessary, it should adopt USTA's proposed methodology.

Respectfully Submitted,
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and its affiliated telephone operating companies

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[9] *See* Comments of Cincinnati Bell Telephone at 3; Comments of Southern New England Telephone Company at 5-6. In addition, a number of commenters proposed allocation methods substantively identical to the USTA approach. *See e.g.*, Comments of Bell Atlantic/NYNEX at 7-8; Comments of US West, Inc. at 6-7.