maximize the efficient routing of interstate traffic is well documented before the FCC.[15] It is inconsistent for the FCC to prevent ILECs from increasing the transport routing costs of direct-trunked transport users through the ILECs' transport network and routing decisions, while permitting ILECs to inflate the transport costs of tandem users (including carriers serving rural areas) through the ILECs' tandem deployment decisions. The only non-discriminatory rate structure for transport is one which permits long distance carriers to purchase both direct-trunked and tandem-switched transport pursuant to a unitary pricing option.

3. Long Distance Competition. The abolition of the unitary pricing option for tandem-switched transport, but not for direct-trunked transport, would introduce non-cost based competitive distortions into the long distance industry. As noted above, smaller long distance carriers rely more heavily than the largest carriers upon tandem-switched transport. The FCC's decision to increase the costs of tandem-switched transport users by abolishing the unitary pricing option, while permitting directed-trunked users to continue routing traffic through tandem locations pursuant to the unitary pricing option, would skew competitive conditions in the interexchange market without any justification. Further, it would impose a needless penalty upon carriers who serve rural and other areas through tandem routing without any relationship to the underlying costs of providing service.

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[15] E.g., Petition for Expedited Rulemaking, filed by WilTel in CC Docket No. 91-213, June 11, 1992 (requesting, among other things, rules to regulate the ILECs' tandem deployment decisions).

4. Network Inefficiency. The FCC's decision to limit the unitary pricing option to direct-trunked transport users will cause an inefficient migration of traffic from tandem-routed to direct-trunked transport. As with the FCC's new rule on the tandem switching rate, that migration will occur not due to any economic or market-driven cost differences between the tandem-switched and direct-trunked options, but due solely to the rate structure mandated by the FCC for routing traffic on a tandem-switched basis. The extra costs imposed by the FCC upon carriers serving rural areas (i.e., two sets of fixed charges, and additional mileage rates) have nothing to do with the underlying costs of furnishing the transport service. The FCC's abolition of the unitary pricing option for tandem-switched users will create incentives for long distance carriers to engage in direct-trunked routing even when tandem routing is the more efficient alternative. As a result, the FCC's decision is contrary to its long-held objective of encouraging efficient network investment and routing decisions through cost-causative rates.

5. Market-Driven Rate Structure. The unitary rate structure is the preferred choice of transport users today. Given the choice of a three-part or a unitary structure, long distance carriers have selected the unitary structure. Further, the tandem-switched alternatives on the drawing boards of local competitors also emphasize the unitary rate structure. The preference of transport users for a unitary structure stems from the desire of such users to receive access transport service as an end-to-end service at a single rate, not as a piece-part facilities offering at multiple rates. It makes no sense for the FCC to adopt a market-based approach to ensuring reasonable access rates, while mandating a rate structure that ignores the wishes of transport customers and is impervious to market forces.

Further, the FCC's reasons for abandoning the unitary rate structure for tandem routing do not withstand scrutiny. The FCC stated that the unitary option does not reflect the manner in which the ILECs incur transport costs. First Report at ¶ 178. Were that true, the FCC also should have discontinued the unitary option for dedicated traffic that is routed through the tandem location. The only difference in the routing of tandem-switched and direct-trunked traffic is that the former undergoes switching at the tandem location, and the ILECs have a separate charge for that function.

The FCC further asserted that the unitary rate structure impedes the development of competitive tandem-switched alternatives. Id. at ¶ 179. However, that could be true only if current tandem-switched transport rates do not fully compensate the ILECs. Neither the ILECs nor new local entrants have provided data showing that the current rate structure leads to non-compensatory rate levels, and the FCC made no such finding in the First Report. Further, that new local competitors plan to use the unitary pricing option shows that this option is fully consistent with competitive market conditions. Given the FCC's apparent lack of concern that retaining the unitary pricing option for dedicated traffic would undermine competitive alternatives for that routing option, there is no record or market basis for the FCC to blame the unitary pricing option for the paucity of competitive tandem routing alternatives today.

The FCC finally asserted that the unitary pricing option for tandem-switched transport does not promote "full and fair" interexchange competition. Id. at ¶ 180. As CompTel has shown above, the FCC has it backwards. Imposing a non-cost based penalty upon tandem-switched transport users skews competitive conditions in the interexchange market in favor of direct-trunked transport users; it certainly does not rectify an existing discrimination in favor of tandem-switched transport users. Indeed, the FCC's candid

admission in the First Report (at ¶¶ 161 & 200) that it imposes lower overhead loadings upon direct-trunked transport users shows that long distance carriers who rely upon tandem routing are already playing uphill under the FCC's current rules. The FCC should not exacerbate the favoritism its rules show to direct-trunked transport users by selectively removing the unitary pricing option for tandem-switched transport users, particularly when the impact will be felt in the retail rates paid by rural telephone subscribers.

IV. SHARED CIRCUIT LOADING FACTOR

The First Report requires incumbent LECs to set per-minute tandem-switched transport rates using actual voice-grade circuit loadings, rather than the current loading factor of 9000 minutes of use per circuit per month. First Report, ¶ 206. Upon reconsideration, the Commission should return to the 9000 MOU loading factor used to compute tandem-switched transport rates unless an ILEC can make an affirmative showing that another loading factor represents a more efficient use of its shared transport circuits.

Initially, CompTel submits that the FCC should direct ILECs to calculate per-minute rates for shared transport based upon an efficient loading factor, not the ILECs' actual loading factors. The reason is that the traffic loading that an ILEC achieves in the circuits between its end offices and tandems is a matter wholly within the ILEC's control. In most instances, the majority of this traffic will be local and intraLATA toll calls, not interstate access traffic from long distance carriers. The ILEC controls the utilization of those facilities thorugh its decision whether to separate traffic into different trunk groups and what number of circuits to use. Each ILEC is fully capable of obtaining a reasonably efficient loading of 9000 MOU per circuit per month if it pursues the goal of ensuring the efficient routing of interstate transport traffic. If an ILEC departs from the 9000 MOU

loading factor in order to pursue other objectives (e.g., more efficient local and intraLATA toll routing), tandem-switched transport customers should not be forced to pay higher per-minute rates. Therefore, the FCC should continue using the 9000 MOU factor while permitting an ILEC to make an affirmative showing that another loading factor represents an efficient use of its shared circuits for interstate tandem-switched transport traffic.

Moreover, to the extent that the tandem-to-end office circuits may have more excess capacity than efficient loading practices would entail, that is the result of engineering decisions made by the ILECs to accommodate direct-trunked transport users. Direct-trunked transport users typically use tandem-switched transport as a backup routing mechanism to accommodate peak hour traffic and other overflow situations. Because the tandem-switched backup exists, direct-trunked transport users are able to engineer their circuits to a higher capacity than would be optimal if only the direct circuits were available. In other words, because tandem-switched transport is used for peak hour overflow, direct-trunked transport users typically will purchase sufficient capacity to handle average usage needs, and do not need to purchase sufficient spare capacity to handle peak hour traffic. ILECs, in turn, must therefore engineer their common transport circuits to be able to accommodate overflow traffic from direct-trunked transport users. As a result, common transport circuits have more spare capacity built into the circuit (and therefore lower "average" loadings) than are necessary solely to accommodate the needs of those carriers relying on tandem-switched transport for all of their traffic.

V. SS7 SIGNALLING

Although no industry segment appeared to request the change, the Commission on its own initiative extended the SS7 waiver previously granted to Ameritech to all

incumbent LECs. First Report, ¶ 253; see Ameritech SS7 Waiver, 11 FCC Rcd 3839 (1996). Thus, the First Report permits incumbent LECs to assess four separate rate elements for SS7 signalling: signal link, STP port termination, signal transport, and signal switching. First Report ¶ 248. The experience of CompTel's members with Ameritech's rate structure, however, indicates that it is virtually impossible to verify the accuracy of the charge for each element. As a result, the Ameritech waiver is not suitable for general applicability to all incumbent LECs. Therefore, the Commission should reverse its decision and return to the rate structure currently in place for SS7 signalling. Carriers and Ameritech should have more time to address the billing problems encountered with its rate structure before the Commission considers whether it should be applied to all ILECs.

Conclusion

For the foregoing reasons, CompTel submits that the FCC should grant the instant petition.

Respectfully submitted,

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Percentage Change in Company's Interstate Switched Access Cost Due to Introduction of FCC's New Presubscribed Interexchange Carrier Charges (PICCs) and Reduction of Per Minute Charges

Grouped by Member Companies' Annual Revenues

CompTel Member	Scenario 1*	Scenario 2*
	[illegible]	
Company A	499.5%	474.2%
Company B	188.4%	151.8%
Company C	156.4%	130.9%
Company D	99.7%	93.0%
Company E	92.8%	33.4%
Company F	89.7%	66.8%
Company G	61.3%	46.1%
	[illegible]	
Company H	14.5%	-2.7%
Company I	14.4%	12.8%
	[illegible]	
Company J	-2.1%	-2.1%
Company K	-6.8%	-6.8%

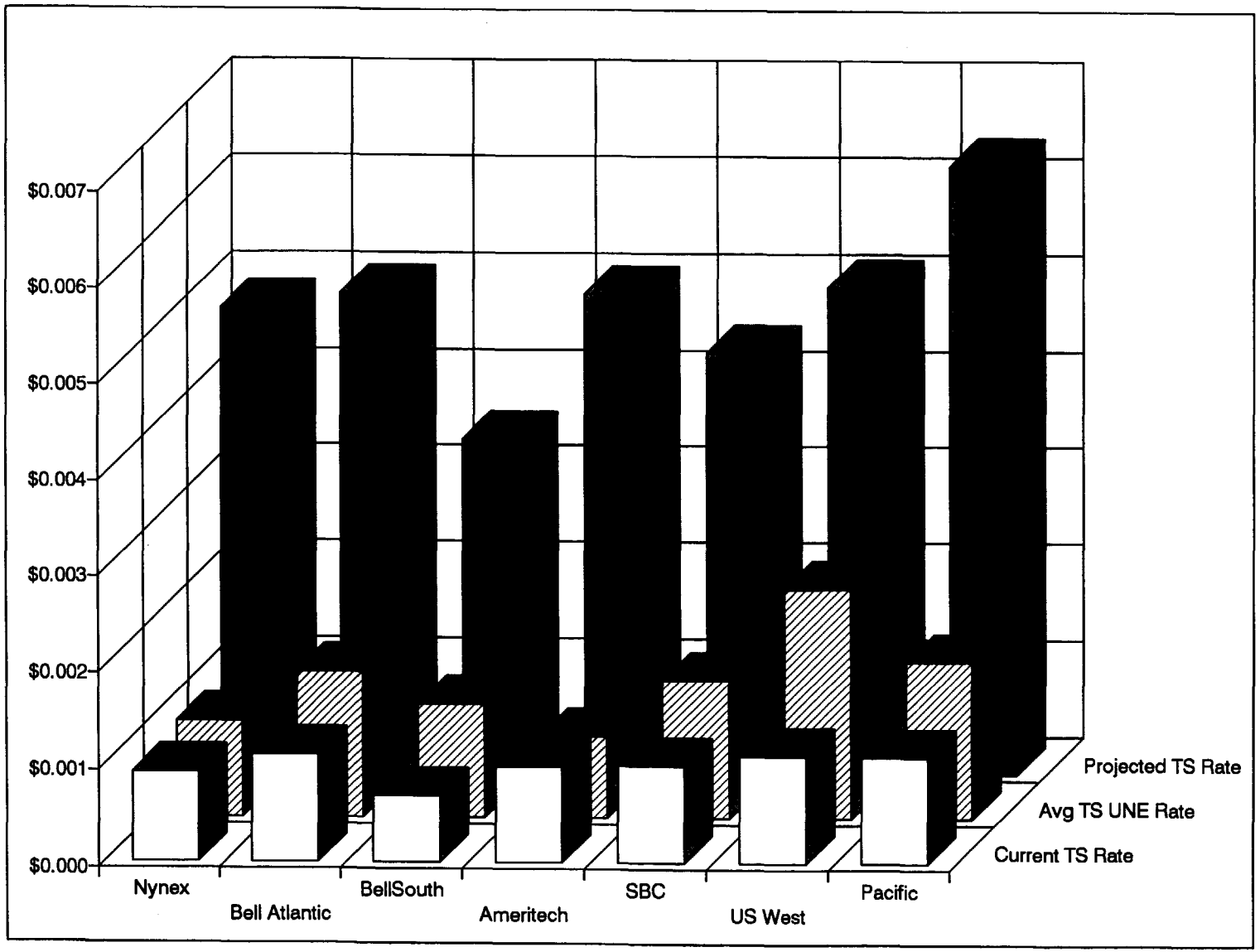
* Scenario 1 - 0% pass-through of decrease in terminating ILEC access cost by underlying off-net carrier.
** Scenario 2 - 100% pass-through of decrease in terminating ILEC access cost by underlying off-net carrier.

Methodology:
The PICC impact analysis isolates the effect of the Introduction of the PICC and the corresponding decrease in traffic sensitive rates. In this way, the analysis demonstrates the relative effect that the PICC has on different carriers, and hence on their customers.

First the ILEC revenues generated by the PICCs, as priced according to the Commission's rules, are calculated. These revenues are then removed from the ILEC switched access revenue requirement. New originating and terminating traffic sensitive rates are then set to recover the remaining revenue requirement. The relationship between the new originating and terminating rates is set to exhibit the same percentage asymmetry as it would have under the Commission's complete rules, if the effect of the PICC were not isolated. This PICC analysis therefore excludes by design any rate level effects of Price Cap Index changes or reallocation of revenue recovery to increased Subscriber Line Charges.

The percentage change in a company's interstate switched access cost is defined as its projected ILEC per-minute charges plus its projected PICC charges, minus its current ILEC per-minute charges, plus the decrease in its off-net terminating access costs (if any) flowed through by its underlying off-net carrier, divided by its current ILEC per-minute charges.

Table I: Comparing Interstate Tandem Switching Charges to their Cost-Based UNE Equivalent



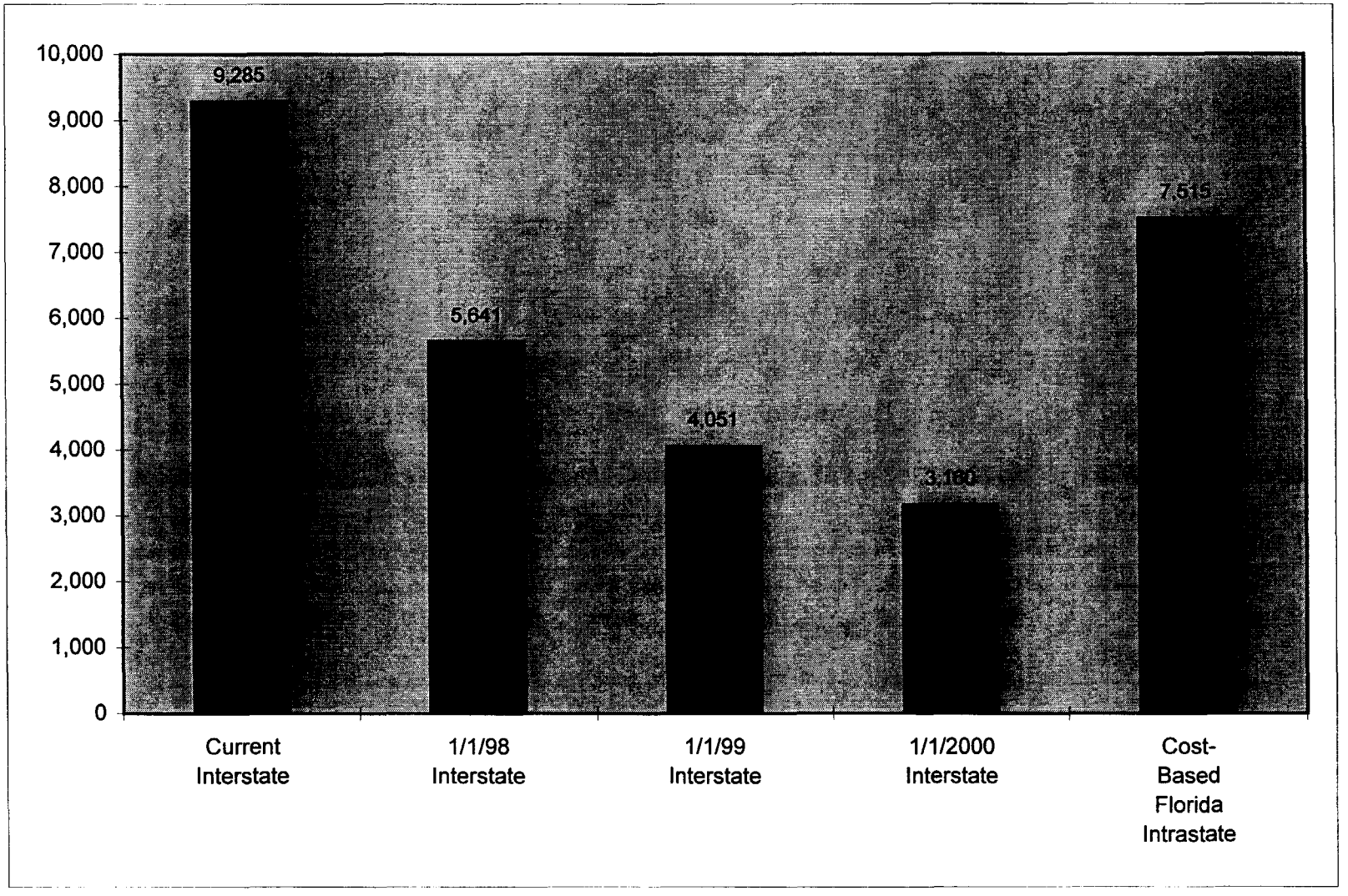
METHODOLOGY FOR TABLE

First, the unbundled network element charge for tandem switching was calculated from information in 22 states that responded to CompTel's requests for rates established under Section 251(c)(3) of the Telecommunications Act of 1996. Tandem switching rates are established either as a separate unbundled network element, or as a rate element in charges for transport and termination. These rates were drawn from interim state decisions, Bell Company proposals, and arbitrated agreements. The states included in this analysis are: Arizona, California, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New York, North Carolina, Oregon, South Dakota, Texas, Utah, Virginia and Wisconsin. Where multiple states are served by the same Bell Company, CompTel used the average unbundled network element rate weighted by switched access lines. The average network element rate for tandem switching is compared to the interstate tandem switching rate as of July 1, 1997. Where the Bell Companies have established zone prices for tandem switching, CompTel calculated an average interstate tandem switching rate weighted by tandem switching minutes.

Second, CompTel estimated the interstate tandem switching rates under the FCC's First Report and Order by applying the percentage of the tandem revenue requirement included in the initial TIC to the June 30, 1997 interstate TIC revenue. That revenue increase was converted to a per-minute charge using 1996 base period tandem switching demand. CompTel then added that per-minute charge to the June 30, 1997 interstate tandem switching charge to estimate the future tandem switching rate resulting from the shift of this revenue to the interstate tandem switching rate element.

3

Bellsouth Crossovers from Tandem Switched Transport to DS1 Direct Trunked Transport
Expressed in Minutes per Month per DS0



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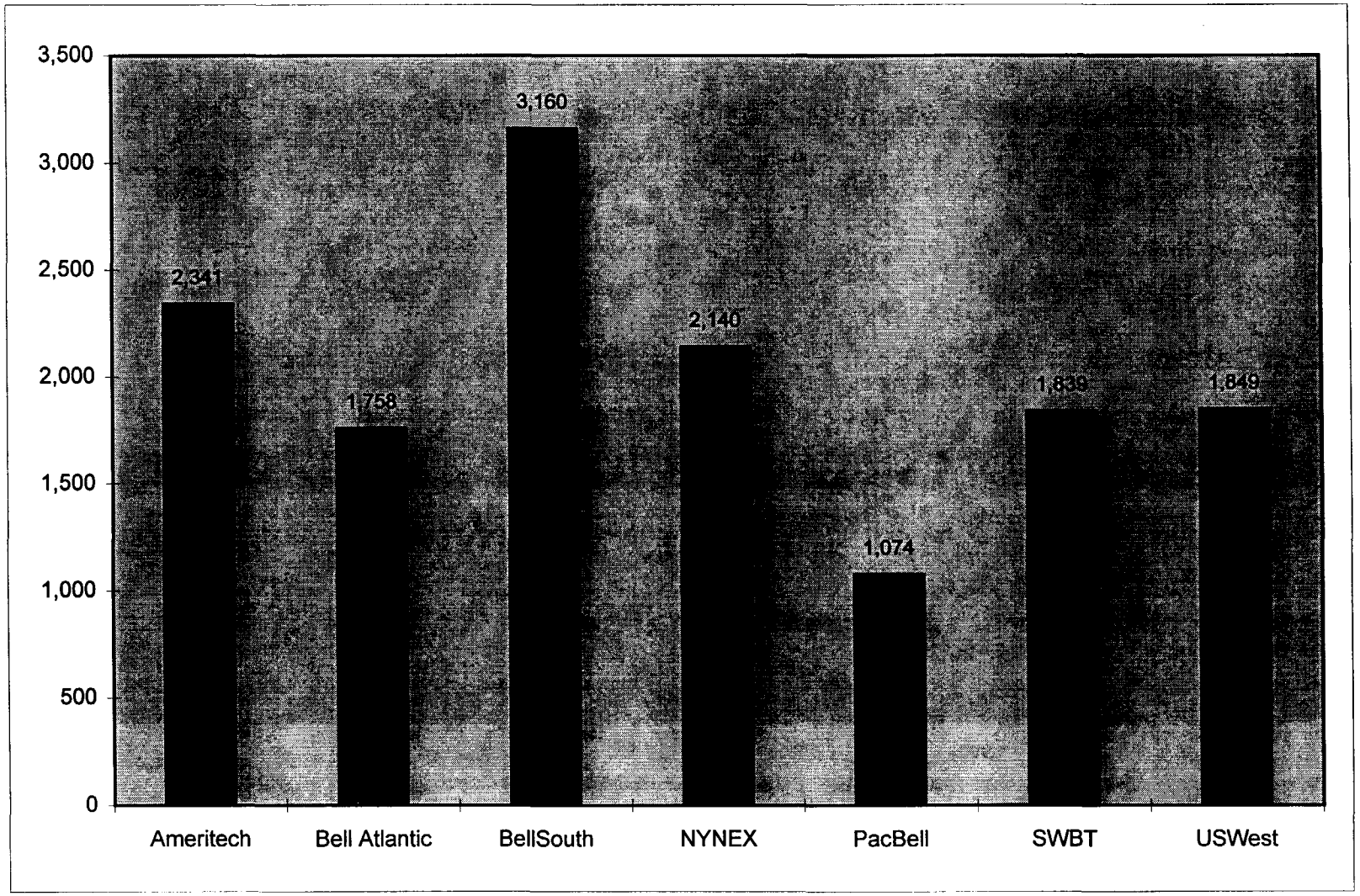
RBOC Interstate Crossovers from Tandem Switched Transport to DS1 Direct Trunked Transport
1/1/2000 Rates Expressed in Minutes per Month per DS0



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Methodology

Crossover Chart 1:
Crossover Chart 1 Compares the BellSouth interstate crossover from Tandem Switched Transport to DS1 Direct Trunked Transport using current rates and projected rates for 1/1/98, 1/1/99 and 1/1/2000. Also shown for comparison is the crossover for currently effective BellSouth intrastate transport rates in the state of Florida.

The crossovers from Tandem Switched Transport to DS1 Direct Trunked Transport are calculated at a distance of 10 miles from Serving Wire Center to End Office by dividing the total DS1 price by the total Tandem Transport per minute price. The results are expressed in minutes per month per DS0.

Current Interstate rates are taken to be those proposed in BellSouth's 1997 Annual Filing, to be effective July 1, 1997. Projected interstate tandem switching rates were estimated by applying the percentage of "tandem revenue requirement" included in the initial TIC to the 6/30/97 interstate TIC requirement. This revenue increase was converted to a per-minute charge using 1996 base period tandem switching demand and added to the 6/30/97 interstate tandem switching charge to estimate the future tandem switching rate. Projected rates for elements other than tandem switching are taken to be equal to their current levels.

Crossover Chart 2:
Crossover Chart 2 compares RBOC interstate crossovers from Tandem Switched Transport to DS1 Direct Trunked Transport using projected 1/1/2000 rates. Projected rates and crossovers are calculated as described in the methodology for Crossover Chart 1, above.

CERTIFICATE OF SERVICE

I, Marlene Borack, hereby certify that I have served a copy of the foregoing "Expedited Petition for Reconsideration of Competitive Telecommunications Association" on this 11th day of July, 1997, upon the following parties by hand:

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