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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of

Regulatory Treatment of LEC Provision of
Interexchange Services Originating in the LEC's
Local Exchange Area

and

Policy and Rules Concerning the Interstate,
Interexchange Marketplace

CC Docket No. 96-149

DOCKET FILE COPY ORIGINAL

CC Docket No. 96-61

REPLY OF GTE

GTE Service Corporation, and its affiliated domestic telephone operating companies,¹ (collectively "GTE") hereby files its Reply in this proceeding.

I. The Commission Should Promptly Grant GTE's Unopposed Petition for Clarification

On August 4, 1997, GTE filed a Petition for Clarification, which asked the Commission to clarify that the Second Report and Order in CC Docket No. 96-149² does not require the GTE telephone operating companies ("GTOCs") to provide interstate, intraLATA toll service through a separate subsidiary.

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

² FCC 97-142 (released April 18, 1997), 62 Fed. Reg. 35974 (July 3, 1997) ("Order").

Although there are other controversial issues pending in this matter, GTE's request is unopposed. No party disputes GTE's interpretation that the term "interexchange" as applied to an independent local exchange carrier ("LEC") has an equivalent meaning to "interLATA" as applied to a Bell Operating Company ("BOC"). Accordingly, to remove any uncertainty as soon as possible, GTE asks the Commission to act favorably and promptly on its petition. It is not necessary to delay this action awaiting the Commission's decision on the other unresolved issues.

II. The Commission Should Not Impose More Onerous Separation Requirements on GTE Than on Other Independent LECs

For the reasons given in USTA's Petition for Reconsideration,³ the Commission should reconsider its decision to require independent LECs to provide long distance service through a legally separate affiliate. Maintaining a separation requirement for independent LECs runs wholly contrary to the deregulatory trend of the 1996 Act, including the specific elimination of a separate subsidiary requirement for the GTOCs.⁴

Moreover, there is no record basis to distinguish between GTE and mid-sized LECs in granting this relief.⁵ All Independent LECs generally share the characteristics of serving less-densely populated areas with fewer access lines per switch, and providing relatively little interexchange traffic that both originates and terminates in their

³ Petition for Reconsideration of United States Telephone Association, CC Docket No. 96-149, filed August 4, 1997.

⁴ See Comments of GTE, CC Docket No. 96-149, filed Aug. 29, 1996 at 25-36. Congress specifically superseded the *GTE Consent Decree*, which had prohibited the GTOCs from providing interexchange telecommunications services directly, in Section 601 of the Telecommunications Act of 1996. The legislative history confirms that Congress did not intend GTE to be subject to separate affiliate requirements.

⁵ *Cf.* Petition for Reconsideration of ALLTEL Communications, Inc. CC Docket Nos. 96-149 & 96-61, filed Aug. 4, 1997. (Proposing relief for companies with less than two percent of the nation's access lines.)

operating areas. Instead, the record supports removing the separate affiliate requirement for all independent LECs, based on Congressional intent, lack of market power, and Commission precedent.

The reasons advanced by ALLTEL to exempt "two percent" companies apply equally to GTE. Like the two percent companies:

- There have been "few if any complaints" against GTE under the *Competitive Carrier Fifth Report and Order* rules;⁶
- GTE provides CMRS without a separations requirement and there is no record of any complaint alleging discriminatory treatment between GTE's LECs and GTE's CMRS affiliates;⁷
- The GTOCs do not have interLATA toll facilities;⁸
- GTE's local exchange territories are discrete, largely rural, and geographically dispersed;⁹
- GTE is offering interLATA services through resale;¹⁰

⁶ No GTOC has been the subject of the types of complaints or allegations of misconduct purportedly to be deterred by the separation rules. See Comments of GTE, *In the Matter of Amendment of the Commission's Rules to Establish Competitive Service Safeguards for Local Exchange Carrier Provision of Commercial Mobile Radio Services*, WT Docket No. 96-162, filed Oct. 3, 1996 at 7.

⁷ See *id.*

⁸ Like other independent LECs, the GTOCs have no significant "official network" facilities for internal purposes that can readily be used to provide interexchange services. The interexchange components of GTE's internal communications travel almost exclusively on the facilities of unaffiliated IXCs.

⁹ The GTOCs operate in 28 states, two of which are Hawaii and Alaska, and in the Commonwealth of the Northern Mariana Islands—a more dispersed operating area than any other Independent LEC. See, e.g., *United States v. GTE Corporation*, 603 F. Supp. 730, 736-737 (D.D.C. 1984) (noting that GTOC operations are widely scattered and include few inter-city facilities).

¹⁰ While the GTOCs possess some in-region facilities typically used for intraLATA toll,
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- GTE cannot discriminate in favor of interexchange facilities it does not have;
- GTE is subject to the 1996 interconnection safeguards;
- The GTOCs are required to convert to equal access (indeed, on a faster timetable than some smaller LECs);
- GTE is subject to the Commission's cost allocation rules; and
- GTE has no incentive or ability to engage in a price squeeze

In sum, the record compels that GTE not be regulated more restrictively than other independent LECs. All should be freed from the unnecessary and burdensome separate affiliate requirement.

Respectfully submitted,

GTE SERVICE CORPORATION AND ITS
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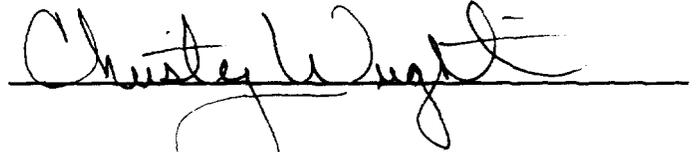
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GTE does not have interLATA facilities in place. Thus, like other independent LECs, GTE currently is entering the interLATA market as a reseller.

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The undersigned hereby certifies that the preceding document was delivered by United States first class mail (except as otherwise indicated), postage prepaid, to the persons listed below.

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