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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of	
Request for Amendment of the Commission's Rules Regarding Access Charge Reform and Price Cap Review For Local Exchange Carriers	RM No. 9210
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. 92-213
End User Common Line Charges	CC Docket No. 95-72

REPLY OF BELL ATLANTIC TO COMMENTS IN SUPPORT OF PETITION FOR RULEMAKING

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Dated: February 17, 1998

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SUMMARY

The comments in support of the petition for rulemaking fail to present any evidence of "changed circumstances" that would warrant establishing a new rulemaking proceeding to prescribe access charges at forward-looking cost. As Bell Atlantic and others pointed out, the petition is a thinly-disguised request for reconsideration of the Access Charge Reform Order. As such, it should be dismissed as untimely.

The Court proceedings cited by the commenters in support of their allegations of changed circumstances have not had the practical effect they claim. While the Court vacated the Commission's pricing rules for unbundled network elements and resale, several commenters, as well as the Commission, have acknowledged that the State commissions have adopted pricing policies in Section 251 arbitrations that are consistent with the Commission's views. The Court decision that vacated the Commission's rule requiring the local exchange carriers to "rebundle" unbundled network elements will still allow purchasers of those elements to combine them in order to provide competing local exchange services, as Congress intended in Section 251(c)(3) of the Act. Finally, the commenters' allegations that competition in the local exchange market has failed to materialize are contrary to the facts – competition is robust, and growing rapidly.

The commenters who support the petition for rulemaking also argue that a drastic reduction in access charges would benefit consumers and improve demand for long distance services. However, recent experience with the access restructure tariffs that became effective on January 1, 1998 suggest otherwise. The interexchange carriers took

advantage of those changes in access rates to raise their long distance rates by $2 billion more than the amount of their new universal service obligations. They did this by passing along to consumers and resellers the impact of new flat-rated access charges, while not passing along the substantial reduction in per-minute access charges. This suggests that the interexchange carriers would also pocket any further reduction in access charges that would result from a prescriptive approach.

The best, and in fact, the only way, to benefit consumers is to increase the forces of competition in all markets, both local and long distance, by encouraging entry into all markets. The Commission should promote that objective by retaining the market-based approach to access charge reform. The petition to prescribe access charges at forward-looking cost should be denied.

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REPLY OF BELL ATLANTIC[1] TO COMMENTS IN SUPPORT OF PETITION FOR RULEMAKING

The commenters who support the petition for a rulemaking petition to prescribe access charges at forward-looking cost do not point to any "changed circumstances" that would warrant a reexamination of the market-based approach to access charge reform that the Commission adopted barely 7 months prior to the filing of the petition. As Bell Atlantic and others demonstrated, the petition is a thinly-disguised request to reverse the Commission's decision in

[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

the Access Charge Reform Order.[2] Accordingly, it should be dismissed as an untimely petition for reconsideration of that order.

The commenters in support of the petition invoke their usual claims that a drastic reduction in access charges would (1) benefit consumers; (2) improve competition in the interexchange market, and (3) improve competition in the local exchange market. This time, however, something unusual happened. Their own comments demonstrated that none of these things would actually occur.

The best way to achieve the pro-competitive purposes of the Telecommunications Act of 1996 is to retain the market-based approach and to encourage entry into all telecommunications markets. The Commission should deny the petition for rulemaking.

I. There Are No "Changed Circumstances" That Warrant Abandonment Of The Market-Based Approach.

The "changed circumstances" that the commenters cite in support of the request to abandon the market-based approach really have not changed at all. The commenters refer to (1) the 8th Circuit Court of Appeal's ruling that the Commission may not set pricing standards for unbundled network elements, transport and termination, and resale; (2) the Court's reversal of the Commission rule requiring the local exchange carriers to "rebundle" unbundled network elements; and (3) the asserted failure of competition to develop in the local exchange market.[3] In each case, conditions are substantially the same as those that the Commission relied upon in adopting the market-based approach.

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[2] Access Charge Reform, 12 FCC Rcd 15982, (1997) ("Access Charge Reform Order"). ***See, e.g.,*** Bell Atlantic, pp. 2-4; BellSouth, pp. 2-7.

[3] ***See, e.g.***, AT&T, pp. 4-16; TRA, pp. 11-14; MCI, pp. 5-9.

While it is certainly true that the Court invalidated the pricing rules that the Commission adopted in the Local Competition Order, this has made little practical difference; as noted by CompTel, "virtually all State commissions that have been asked to set rates for unbundled network elements have required ILECs, either in arbitrations or through consolidated cost proceedings, to develop prices for unbundled network elements based on forward-looking cost methodologies."[4] Indeed, the Commission, through its Chairman, has acknowledged that "virtually every state in the union has adopted" the Commission's pricing policies for unbundled network elements.[5]

In addition, the State commissions have approved resale discounts in the "default range" that the Commission had prescribed as a "default proxy." As is shown in Exhibit A, the resale discounts in the Bell Atlantic region are generally within the 17-25 percent range that the Commission determined was presumptively reasonable pending development of cost studies under the Act's "avoided cost" standard.[6]

The commenters also overstate the importance of the Court's decision to vacate the Commission's rule requiring the incumbent local exchange carriers to rebundle unbundled network elements. As Bell Atlantic pointed out earlier, the Access Charge Reform Order did not specifically rely upon rebundling as a prerequisite for the market-based approach, despite the fact

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[4] CompTel, p. 5 n.6.

[5] Reed Hundt, Chairman, FCC, remarks to the Chamber of Commerce, Washington, D.C. (May 29, 1997) (as prepared for delivery). MCI and AT&T have echoed this point. ***See*** MCI's Response to Motion for Summary Judgment, Southwestern Bell Tel. Co. v. AT&T Communications of the Southwest, No. A-97-CA-132-SS, at 7 (W.D. Tex. June 16, 1997); AT&T's Reply Memorandum in Support of AT&T's Motion for Summary Judgment, No. A-97-CA-132-SS, Southwestern Bell Tel. Co. v. AT&T Communications of the Southwest, at 1-2 (W.D. Tex. July 1, 1997).

[6] ***See*** Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 11 FCC Rcd 15499, ¶ 932 (1996) ("Local Competition Order").

that the Commission was well aware when it issued the order that the local exchange carriers had vigorously challenged the rebundling rule in the 8th Circuit appeal. The Court did nothing more than enforce the plain language of the Section 251(c)(3) of the Act, which states that requesting carriers, not the incumbent local exchange carriers, will combine unbundled elements in order to provide telecommunications services.[7] The Commission's rules requiring the incumbent local exchange carriers to provide unbundled network elements, and to provide operations support systems to requesting carriers that order unbundled network elements, still apply with full force.[8] Telecommunications carriers will be able to purchase these elements and to combine them with other elements, or with their own facilities, to compete in the local exchange market with the incumbent carriers, just as Congress intended.

Moreover, a reduction in access charges to forward-looking cost would undermine, rather than promote, competition for access services. If access services and unbundled network elements were priced on the same basis, carriers would have little incentive to use unbundled network elements when they could purchase access at the same price, and they would have no incentive to invest in facilities of their own to offer competing access services.

The commenters' arguments that competition has failed to materialize in the local exchange market are contrary to the facts. As Chairman Kennard recently observed;

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[7] ***See*** Iowa Utilities Bd. et al. v. FCC, 120 F.3d 753, 813 (8th Cir. 1997).

[8] LCI complains that unbundled network elements are not economically viable as a competitive strategy, claiming, for example, that Bell Atlantic charges from $340,000 to $1.4 million to provide physical collocation in each end office. ***See*** LCI, p. 8. This is a gross distortion of the facts. Bell Atlantic testified in state hearings that it could cost that much to prepare "raw" office space that lacked power, heating, ventilation, air conditioning, and other conditions necessary to function as central office space. These are the same costs that Bell Atlantic incurs to convert raw space to its own telecommunications uses. Such costs would be spread among all interconnectors that used the space for physical collocation, and the costs would not be incurred if the space was already "switch ready" or if the interconnector used virtual collocation.

> We recently held a hearing at the FCC on the status of local telephone competition. And it was clear to anybody paying attention that the Act has successfully moved us in the right direction -- toward greater competition.[9]

USTA's comments demonstrated that competition is growing rapidly in local exchange markets throughout the country.[10] ALTS recently testified that the competitive local exchange carriers represent 2.6 percent of total local exchange revenues, that they currently provide over 1.4 million access lines, and that they expect to provide 3 million lines by the end of 1998.[11] This far exceeds the growth rates of the incumbent local exchange carriers. Clearly, the reports of the death of local competition are premature.

II. A Drastic Reduction In Access Charges Would Not Benefit Consumers Or Improve Competition.

As the local exchange carriers pointed out, the Commission has already prescribed large reductions in access charges by adopting, retroactively, a 6.5 percent X-factor.[12] In addition, the Commission adopted rate structure changes in the Access Charge Reform Order to lower per-minute rates for access services significantly and to recover fixed costs on a flat-rated basis.[13] Not satisfied with these significant regulatory prescriptions, the petitioners and the commenters that support them want the Commission to prescribe much greater rate reductions that would drive rates far lower based on hypothetical studies of forward-looking costs.

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[9] Remarks by William Kennard, Chairman, Federal Communications Commission to the National Association of State Utility Consumer Advocates, February 9, 1998.

[10] ***See*** USTA, pp. 6-10.

[11] Presentation of Heather Gold, President, ALTS, January 29, 1998.

[12] ***See*** US West, pp. 5-6; Bell Atlantic, p. 4.

[13] ***See*** Access Charge Reform Order,¶ 43.

Clearly, this would be confiscatory. By definition, prescribing rates at forward-looking costs could arbitrarily deny the local exchange carriers an opportunity to recover their actual costs. If the Commission prescribed rates for access charges at forward-looking cost, it would cause earnings to fall well below the level that the Commission has found is necessary for the local exchange carriers to attract capital and to remain in business.[14] Neither the petitioners nor the commenters who support them explain how such action would survive a constitutional challenge as a "taking" of the local exchange carriers' property interests.

As they have in the past, the commenters claim that a drastic reduction in access charges would serve several public interest goals (and only incidentally their own private financial objectives). First, and foremost, is their alleged concern for the consumer. The interexchange carriers claim that "inflated" access charges cause long distance rates to be high and to suppress demand.[15] Yet, the very same carriers recently increased their long distance rates by passing along the impact of the new flat-rated presubscribed interexchange carrier charges ("PICCs") without giving their customers the benefit of the substantial reduction in per-minute access charges. As is shown in Exhibits B and C, Bell Atlantic estimates that the interexchange carriers increased their net revenues by $2 billion through this maneuver. Both long distance resellers and end users submitted comments in this proceeding testifying that they obtained no benefit from the reduction in per-minute access charges, because their contracts with the interexchange carriers permitted those carriers to assess the cost of new or increased rate elements, such as PICCs, without passing along any reductions in access charges.[16] It is not clear that anyone,

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[14] ***See*** Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd 6786, 6802 (1990) (finding that lower formula adjustment should apply when a carrier's actual earnings fall below 10.25 percent).

[15] ***See, e.g.,*** MCI, p. 2; AT&T, p. 3.

[16] ***See*** API, pp. 12-13; TRA, pp. 2, 7-8.

other than the facilities-based interexchange carriers, would benefit from a further reduction in access charges.

Second, the commenters claim that it is necessary to prescribe access charges at forward-looking cost to foster competition in the interexchange market, by protecting the incumbent interexchange carriers from a potential price squeeze when the local exchange carriers enter the long distance market.[17] In the Access Charge Reform Order, the Commission thoroughly rejected the price squeeze theory, finding that a price squeeze is unlikely to occur, and even less likely to succeed.[18] The commenters argue that this decision was based upon the availability of unbundled network elements as a protection against a price squeeze, and that the Commission can no longer count on unbundled network elements being available.[19] However, as is demonstrated above, the incumbent local exchange carriers will still offer unbundled network elements at forward-looking rates.

Moreover, the availability of unbundled network elements was just one of many reasons that the Commission rejected the price squeeze theory. The Commission recognized that a price squeeze cannot exist unless the local exchange carrier takes some action to reduce the margin between the price for long distance services and the cost of exchange access services.[20] As the Commission noted, its price cap regulations prevent the local exchange carriers from reducing that margin by raising their access charges.[21] The Commission's rules require the local exchange

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[17] ***See, e.g.***, AT&T, pp. 17-18; MCI, pp. 8-9.

[18] ***See*** Access Charge Reform Order, ¶¶ 275-282; ***see also*** Applications of Pacific Telesis Group and SBC Communications for Consent to Transfer Control, 12 FCC Rcd 2624, ¶ 54 (1997).

[19] ***See*** MCI, citing Access Charge Reform Order, ¶ 280.

[20] ***See*** Access Charge Reform Order,¶ 275.

[21] ***See*** *id.*,¶ 276.

carriers to apply the same access charges to their long distance affiliates that they charge to unaffiliated long distance carriers.[22] In its application to merge with British Telecom, MCI itself has said that such an imputation rule is adequate to protect competition.[23]

AT&T nonetheless expresses its fear that SBC, for one, will engage in a price squeeze in the future, based on SBC's statements that it plans to offer in-region long distance service at an introductory rate of 9 cents a minute for the first year, and 14 cents a minute thereafter.[24] AT&T plaintively asserts that no long distance carrier could compete with such prices. This is ludicrous. Any customer can get long distance service today at 9 cents a minute simply by prescribing to America Online's long distance service, and MCI is already offering calls on Sundays for 5 cents a minute.[25]

In fact, the comments show that reductions in access charges would actually harm competition in the long distance market. TRA complains that "access charge reform has been an unmitigated disaster for non-facilities-based resale carriers (and to a lesser degree, for partially 'switched-based' resale carriers)" because the facilities-based carriers passed-through PICC costs without a like pass-through of reduced per-minute charges.[26] This reduced the operating margins of the resellers, making it more difficult for them to place price pressure on the facilities-based

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[22] ***See*** *id.* ¶ 279.

[23] ***See*** Applications and Notification, The Merger of MCI Communications and British Telecommunications, pp. 24-25, GN 96-245 (filed Dec. 2, 1996).

[24] *Id.*

[25] AT&T also claims that SBC will offer below cost rates in the intrastate long distance market, due to excessively high intrastate access charges. *Id.* However, AT&T already competes with SBC, and with most local exchange carriers, in the intraLATA toll market. AT&T does not point to a single instance of an actual price squeeze in these markets.

[26] TRA, pp. 2, 7-8.

interexchange carriers. Clearly, another reduction in access charges would do nothing but enrich the facilities-based interexchange carriers and further reduce pricing pressure from the resellers.

Third, the supporters of prescribing access charges at forward-looking cost argue that it would improve competition in the local exchange market.[27] This is a curious argument, since a reduction in the incumbent local exchange carriers' access charges would reduce the potential profits to new entrants that would offer competing exchange access services. For this reason, the competitive local exchange carriers do not support a prescribed reduction in access charges.[28] MCI claims that a reduction in access rates would give the long distance carriers the financial resources to fund their entry into the local exchange market.[29] But this makes no sense. Why would long distance carriers invest in their own local exchange access facilities when they could obtain exchange access at the same, or lower, costs by purchasing access services from the local exchange carriers? It is a fundamental economic principle that capital flows to the markets with the greatest profit potential. Certainly, lowering prices would do nothing to promote new entry into the local exchange market.

To the contrary, prescribing access charges at forward-looking economic cost would kill competition in the local exchange market. The proponents of the rulemaking petition suggest that the Commission define forward-looking cost with reference to (1) the rates developed by the States in Section 252 arbitrations; or (2) the forward-looking cost proxy models being developed in the universal service proceeding.[30] By definition, these standards represent the forward-

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[27] ***See, e.g.,*** MCI, pp. 2-3.

[28] ***See*** Bell Atlantic, p. 12 n.25, ***citing*** comments of Time Warner and Association for Local Telecommunications Services.

[29] ***See*** MCI, p. 2.

[30] ***See, e.g.,*** AT&T, p. 23.

looking costs that the incumbent local exchange carrier would incur if its network was completely equipped with the newest, most efficient technology.[31] No new entrant would voluntarily incur the significant cost and risk of investing in competing local exchange facilities if it knew in advance that it would have to compete with prices that are already set based on the cost of the most efficient technology possible.

In addition, the Commission's criteria for a forward-looking cost model in the universal service proceeding ensures that no new entrant would have any prospect of recovering its investment. The models assume that a single carrier serves 100 percent of the local exchange market, which obviously does not represent the costs that would be incurred where multiple carriers compete in the market.[32] In the universal service order, the Commission required cost proxy models to include standard Commission-prescribed depreciation rates.[33] However, given the rapid obsolescence of telecommunications equipment due to constant advances in technology, a new entrant will not enter the exchange access market unless prices are high enough to allow recovery of investment far more quickly than is allowed by the Commission's current depreciation rates. For this reason, prescribing access charges at such rates would preclude facilities-based competition in the exchange access market.

It might seem odd to argue that a price reduction would not produce a public benefit, but it is true in this instance simply because competition in the long distance market is insufficient to ensure that the effects of reduction in input prices (that is, the rates for exchange access) are translated into retail long distance rates. The best, and in fact, the only way, to benefit consumers is to increase the forces of competition in all markets, both local and long distance, by

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[31] ***See, e.g.,*** Local Competition Order, ¶¶ 677, 679.

[32] ***See*** Federal-State Joint Board on Universal Service,12 FCC Rcd 8776, ¶ 250 (1997).

encouraging entry into all markets. This is the fundamental premise of the Telecommunications Act of 1996, and the market-based approach is the best way to promote it.

III. Conclusion

Neither the Petitioners nor the commenters supporting them offer any valid justification for abandoning the market-based approach. The Commission should deny the Petitioners' untimely request for a new rulemaking proceeding to prescribe access charge reductions.

Respectfully submitted,

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Dated: February 17, 1998

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[33] *See id.*

EXHIBIT A

Wholesale Discounts In The Bell Atlantic Region

State	Resale Discount	
	with Bell Atlantic Operator Services and Directory Assistance	without Bell Atlantic Operator Services and Directory Assistance
Delaware	**16.0%**	**20.0%**
District of Columbia	[1]	**24.7%**
Maryland	[2]	**19.87%**
New Jersey	**17.04%**	**20.03%**
Pennsylvania	**18.43%**	**20.69%**
Virginia	**18.5%**	**21.3%**
West Virginia	**15.05%**	**17.84%**
New York	**19.10%**	**21.70%**
Massachusetts	**24.99%**	**29.47%**
New Hampshire	**17.30% res.** **18.78% bus.**	**19.04% res.** **20.25% bus.**
Vermont	**18.20% res.** **26.01% bus.**	**20.43% res.** **27.66% bus.**
Maine	**19.80% res.** **23.76% bus.**	**23.03% res.** **25.74% bus.**
Rhode Island	**17.30% res.** **18.78% bus.**	**19.04% res.** **20.25% bus.**

[1] Individually negotiated.

[2] Tariff pending for discount when Bell Atlantic provides operator services and directory assistance.

EXHIBIT B

INTERSTATE ACCESS REFORM
INDUSTRY IMPACTS

In the Access Charge Reform Order, the Commission required the local exchange carriers to restructure their interstate access charges, effective January 1, 1998. Among other things, this restructure increased the flat rated charges paid by end user customers, imposed new flat-rated charges on interexchange carriers, and substantially reduced per-minute access charges paid by interexchange carriers. In addition, the Commission created a new universal service funding mechanism to be supported by all interstate telecommunications carriers. Consumers are beginning to see the effect of these changes in their telephone bills.

This exhibit shows the impact of the restructure on the interexchange carriers and the way that they have translated these impacts into the rates they charge to end users. It shows that the net effect was a $265 million increase in the access charges paid by interexchange carriers, primarily representing the increased costs of funding universal service. However, an analysis of interexchange pricing changes effective January 1 and thereafter shows that the interexchange carriers increased their rates by approximately $2.3 billion, giving them over $2 billion in additional profits. This occurred because the interexchange carriers did not pass along to consumers or to resellers the benefit of the reduction in per-minute access charges.

Interstate Access Reform
What happened on January 1st?

- New Universal Service Fund
  - » Schools and Libraries
  - » Rural Healthcare
  - » Expanded Lifeline
  - » Expanded High Cost
  - » All carriers contribute
- Access Reform for Price Cap LECs Implemented
  - » New flat rated access charges - PICCs
  - » Usage rate reductions
- New IXC charges to end users

Access Reform IXC Impacts

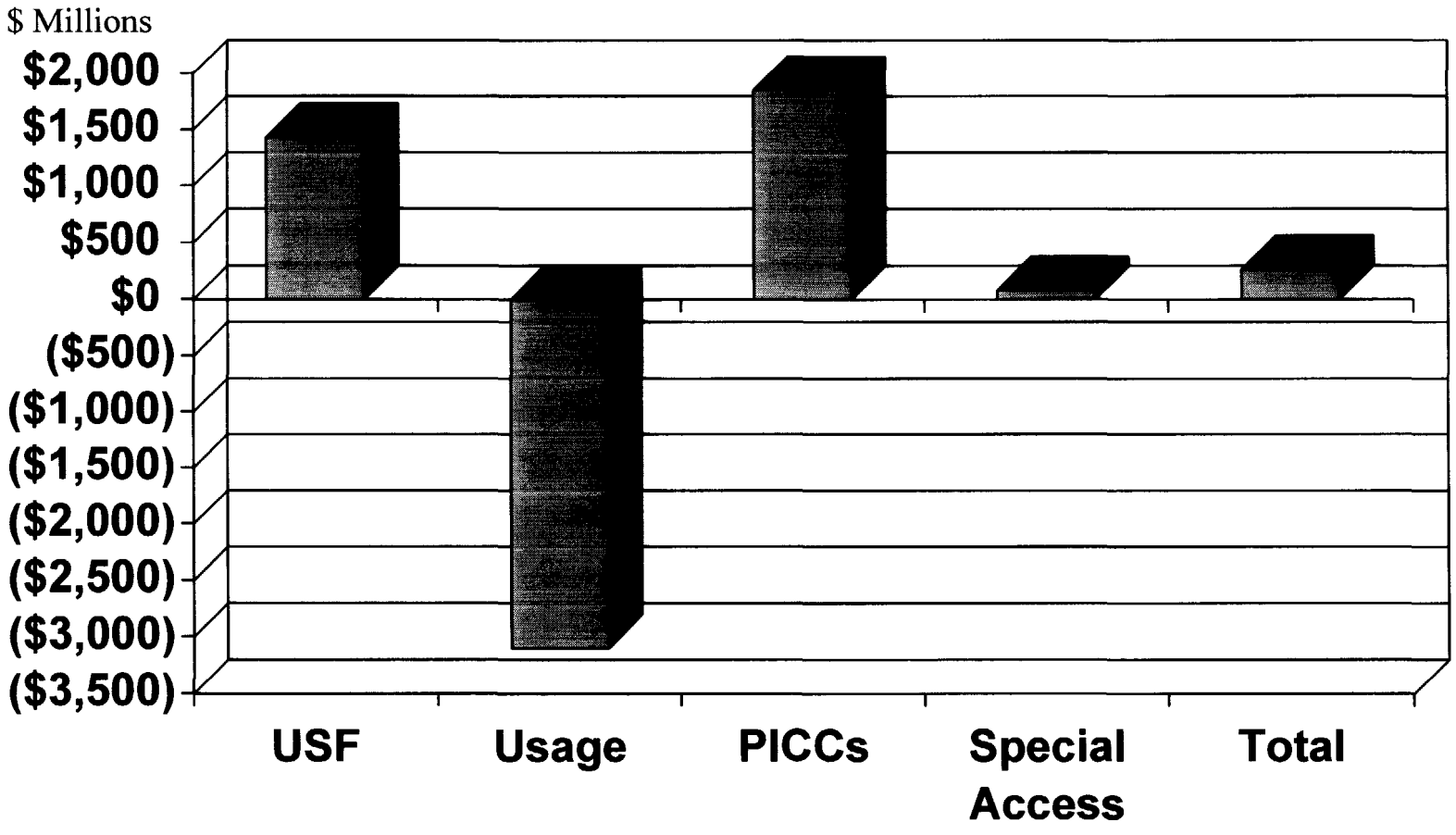
- Increased costs - $ 265M
- Increased revenue - $2,300M

Access Reform IXC Impacts

January 1998

Current Estimate

IXC Industry Impacts



Universal Service and PICC - - New Charges by IXC's

- Universal Service

  For Business Customers --

  ATT & Sprint: 4.9% charge applied to total Interstate and International billed amounts

  MCI: 4.6 to 5% surcharge

- Access Restructure
  - » For ATT Business Customers (Commercial Service)
    - PICC pass through of $.53 per billed location
  - » For ATT Business Customers (Business Service)
    - PICC pass through of $5.50 per billed location
  - » MCI: Surcharge of 13% - 30% for business customers
  - » Other IXC's:
    - Expect pass through of $.53 and $2.75 PICC rates for business, but not for residence
  - » For Residence Additional Lines
    - ATT PICC pass through of $1.50 per additional line
    - MCI PICC of $1.07 for all residence lines

Estimated Impacts of IXC New Charges

- Universal Service "Connectivity" Charge
  4.9% of Business Interstate and
  International Revenues ⇨ $1,400M Annually
- PICC for Single Line Business
  $.53/line/month for ⇨ $ 31M Annually
- PICC for Multi Line Business
  $2.75/line/month for
  50% of lines ⇨ $ 706M Annually
- PICC for Residence Additional Lines
  $1.50/line/month for ⇨ $ 152M Annually

- **Total** **$2,300M Annually**

See attachment 1 for supporting detail.

EXHIBIT B

IXC Impacts of Access Reform
Estimated IXC Revenue From Pass Through Charges

Attachment 1 attempts to estimate the potential revenues the IXCs could obtain from the new IXC pass through charges that we are aware of today.

The SLC annual demand data were obtained from a roll up of the price cap LECs' 1998 filings. Since only the price cap LEC's demand is included, this is a conservative demand count.* The price cap LECs represent about 93% of total LEC demand.

The number of single line business lines was estimated as approximately 5% of total single lines.

We also made a conservative estimate that only about 50% of multiline business lines would be billed the new per line charges, since some IXC tariffs indicated this charge would be applied per location rather than per line.

By using these assumptions and per line rates, the annual revenue the IXCs could obtain by multiplying the rate times the demand was calculated.

The IXCs have also tariffed new Universal Service Surcharges of between 4.4% to 5.0% applied to total billed revenue of only business customers. To determine the amount of revenue the IXCs may obtain from this charge we first estimated the amount of interstate and international retail revenue the IXCs earned in 1997 from the Telecommunications Relay Service report. And then we estimated the percentage of this revenue that was earned from business customers, by using a factor (about 50%) obtained from the last price cap tariff filing made by AT&T in 1988.

The Universal Service Surcharge revenue was then estimated by multiplying total revenue by 50% then by the 4.9% surcharge.

- The rate of return carriers' demand and pass through revenue is noted on Attachment 2.

IXC Impacts of Access Reform
Estimated Revenue From Pass Through Charges

PICC Pass Through		Annual SLC Demand*	IXC Line Charge	Revenue
Non Primary Residence	(Includes BRI-ISDN)	101,409,367	$1.50	$152,114,051
SL Business	(Estimated 5% Primary SL)	59,336,636	$0.53	$31,448,417
ML Business	(Includes PRI-ISDN)	513,717,574		
Application Assumption	50% of Lines	256,858,787	$2.75	$706,361,664

Business Surcharge	Estimate of 1997 IXC USF Interstate/International Retail Revenue	IXC % Business Revenues**	Surcharge	Revenue
	$57,700,000,000	50%	4.9%	$1,413,650,000

* Obtained from USTA rollup of Price Cap LEC 1/1/98 Tariffs

**Estimate of IXC retail revenue earned from business customers based on AT&T's last price cap filing in 1988.

Attachment 1

IXC Impacts of Access Reform
Estimated Revenue From Pass Through Charges

PICC Pass Through		Annual SLC Demand*	IXC Line Charge	Revenue
Non Primary Residence	(Includes BRI-ISDN)	110,865,367	$1.50	$166,298,051
SL Business	(Estimated 5% Primary SL)	71,180,636	$0.53	$37,725,737
ML Business	(Includes PRI-ISDN)	530,433,574		
Application Assumption	50% of Lines	265,216,787	$2.75	$729,346,164

Obtained from USTA estimate of total LEC industry demand