

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

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AUG 20 1998

In the Matter of)
)
GVNW Request for Clarification of)
Certain Rules in Parts 32, 36, 54 and 69)

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CC Docket No. 96-45
DA No. 98-1421

REPLY COMMENTS OF GTE

GTE Service Corporation and its affiliated domestic telephone operating, wireless and long distance companies¹ (collectively, "GTE") respectfully respond to comments filed by AT&T in its response to the Public Notice ("Notice") which seeks comments on GVNW's request for clarification of certain rules in Parts 32, 36, 54 and 69.²

¹ These comments are filed on behalf of GTE's affiliated domestic telephone operating companies, GTE Wireless Incorporated, and GTE Communications Corporation, Long Distance Division. GTE's domestic telephone operating companies are: 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 GTE's comments in no manner prejudices its positions set forth in its appeal of the Commission's universal service order. See *Texas Office of Public Utility Counsel v. F.C.C.*, No. 97-60421 (5th Cir.) ("*Texas Ofc. Of Pub. Util. Counsel*"). As fully set forth in GTE's briefs, the Commission's universal service order should be vacated. Unless the Commission were to vacate this order and comply with the statutory requirements to eliminate implicit subsidies and establish an explicit and sufficient universal service funding mechanism supported by all telecommunications carriers on a truly equitable and non-discriminatory basis, the instant proceeding does not and cannot cure the fatal defects in its prior order.

I. INTRODUCTION AND SUMMARY

In its Comments (at 4), AT&T submits that USF obligations are best recovered through an explicit mandatory end user surcharge on all interstate retail telecommunications service revenue. GTE agrees that all carriers, including rate-of-return local exchange carriers ("LECs"), should recover their universal service contributions through a competitively neutral end user surcharge but believes that the appropriate contribution base and the recovery base of the federal plan, as well as state plans, should be based on combined state and interstate retail revenue.

II. END USER SURCHARGES BASED ON COMBINED INTERSTATE AND INTRASTATE RETAIL REVENUE ARE SIMPLE, EQUITABLE AND COMPETITIVELY NEUTRAL.

It is reasonable and equitable, for both customers and carriers, that each carrier should recover its universal service contribution from its customers in a competitively neutral manner. A mandatory end user surcharge is not only the simplest, but the most equitable way of achieving competitive neutrality. The Commission must ensure that artificial market distinctions do not inadvertently result from its decisions affecting the universal service contribution and support mechanisms.

The Commission previously sought comment on alternative proposals to revise the methodology for determining universal service support including the appropriate revenue base.³ GTE's position is well documented³ in its proposal and comments. The combined use of interstate and intrastate retail revenue is consistent with the Joint

³ CC Docket 96-45, DA 98-715, released April 15, 1998. Alternative proposals were filed April 27, 1998, comments were filed May 15, 1998 and reply comments were filed May 29, 1998.

Board's November 1996 recommendation to the Commission and is appropriate because interstate rates today supply a disproportionate share of the implicit support in the system. It is not possible to eliminate the implicit support that currently exists in interstate access charges and still generate the necessary explicit funding on a base of only interstate revenue. It is also important that the basis for a provider's contribution and recovery mechanism be consistent.

For these reasons, GTE supports the use of both interstate and intrastate revenue as the basis for both the contribution and recovery mechanisms of the federal and state plans. Use of the combined revenue base will result in both the federal and state plans having the largest possible base and the lowest possible contribution rate to be applied to all services of all contributing carriers in a competitively neutral manner.

III. CONCLUSION

The Commission must ensure that artificial market distinctions are not an inadvertent result of its decisions affecting the universal service contribution and support mechanisms. All carriers, including rate-of return LECs, should recover their universal service contributions through a competitively neutral end user surcharge based on combined state and interstate retail revenue.

Dated: August 20, 1998

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telephone operating, wireless and
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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Reply Comments of GTE" have been mailed by first class United States mail, postage prepaid, on August 20, 1998 to the following parties of record:

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