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APR 14 2000

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

<b>In the Matter of</b>	)	
	)	
<b>Access Charge Reform</b>	)	<b>CC Docket No. 96-262</b>
	)	
<b>Price Cap Performance Review for Local Exchange Carriers</b>	)	<b>CC Docket No. 94-1</b>
	)	
<b>Low-Volume Long Distance Users</b>	)	<b>CC Docket No. 99-249</b>
	)	
<b>Federal-State Joint Board on Universal Service</b>	)	<b>CC Docket No. 96-45</b>

**REPLY COMMENTS OF CABLE & WIRELESS, INC.**

Cable & Wireless, Inc. ("C&W"), by its attorneys, hereby submits these reply comments regarding the revised access charge reform proposal submitted by the Coalition for Affordable Local and Long Distance Service ("CALLS") on March 8, 2000. C&W strongly supports the recommendation in two sets of comments – one by Global Crossing North America, Inc., and another by Cincinnati Bell Telephone Company and Broadwing Communications Inc. – that incumbent local exchange carriers ("ILECs") should be required to target a proportionate amount of additional switched access reductions to tandem-switched transport rates. C&W relies heavily upon tandem-switched transport in the provision of its interexchange services, and therefore it is directly interested in this matter.

C&W previously submitted comments and reply comments in which it supported the CALLS proposal as a significant improvement over the current access charge system. At the same time, C&W identified problems in the CALLS proposal that must be corrected before adoption. In particular, C&W asked the Commission to accelerate the reductions while making certain that the target rates would not be a floor, and to eliminate the \$650 million add-on to the

“universal service” fund. Those flaws have not been corrected in the revised CALLS proposal, and C&W urges the Commission to address them in any final rules it adopts.

C&W is submitting these reply comments to address the issue of whether additional access charge reductions should be targeted at tandem-switched transport rates. Section 3.2.4 of the modified CALLS proposal provides for an additional one-time switched access reduction. That section allows ILECs to choose which rate elements should be targeted with additional reductions, except that “a proportionate share will be taken to local switching rates.” CALLS does not explain how that “proportionate share” will be calculated. Like Global Crossing, Cincinnati Bell and Broadwing, C&W is concerned that the ILECs will construe this provision to allow them to pick and choose among direct-trunked transport rates and tandem-switched transport rates in targeting the additional reductions once local switching has received its “proportionate share.”

C&W supports the comments proposing that tandem-switched transport rates receive a proportionate share of the additional reductions. In order to achieve that result, the Commission should require ILECs to target the additional reductions first at tandem-switched transport rate elements until the overhead loadings for such elements are consistent with the overhead loadings for local switching (after its “proportionate share” reduction has been implemented). To the extent there are any further reductions to be taken, they should be allocated proportionately among local switching, direct-trunked transport and tandem-switched transport.

These requirements are necessary to ensure that access charge reductions do not undermine local and long distance competition by unduly favoring one group of long distance carriers over another. The largest carriers have the long distance traffic volumes to justify extensive reliance upon direct-trunked transport, while smaller carriers are forced to use tandem-

switched transport, in some cases for 100% of their long distance traffic. As the Commission has recognized, direct-trunked transport (which reflects special access overhead loadings) already is priced much closer to underlying economic costs than tandem-switched transport (which reflects higher switched access overhead loadings). See *Access Charge Reform*, 12 FCC Rcd 15982, ¶¶ 161, 200 (“*First Report and Order*”). If ILECs have the discretion to choose how to allocate additional reductions, they will target them at direct-trunked transport rates. Because the ILECs face some competitive alternatives for direct-trunked transport but not for tandem-switched transport, their profit-maximizing behavior will be to allocate all of the reductions to direct-trunked transport while keeping tandem-switched transport rates high. This ILEC behavior would undermine competition by exacerbating the artificial cost disparity between large and small carriers. Moreover, the harm will not just be to small long distance carriers. Smaller competitive local exchange carriers seeking to offer a one-stop-shopping package of local and long distance services will be harmed by uneconomic rate disparities between direct-trunked and tandem-switched transport.

Past Commission decisions support reducing tandem-switched transport rates at the same time as the ILECs reduce local switching rates. Three years ago in the *First Report and Order*, the Commission adopted rules which caused ILECs to increase tandem switching rates by approximately 400%. *First Report and Order* at ¶¶ 195-96. The Commission took that action so that tandem switching rates would reflect the fully-distributed switched access overhead loadings that applied to local switching. The Commission stated: “We find that it is reasonable to have set overhead loadings for tandem switching consistently with the overhead loadings for local switching.” *Id.* at ¶ 203. Since the Commission increased tandem switching rates so recently by

linking them to local switching rates, the Commission should make sure that tandem-switched transport rates decline at the same time and to the same extent as local switching rates.

Further, mandatory reductions in tandem-switched transport rates will promote the efficient use of the local exchange network. If ILECs are free to allocate additional reductions to direct-trunked transport, while leaving tandem-switched transport rates at current levels, they will change the cross-over point at which carriers minimize costs by purchasing direct-trunked transport rather than tandem-switched transport. The result will be that carriers will be ordering dedicated transport circuits even when they will be using a relatively small portion of the total capacity of the circuits. By ensuring that tandem-switched transport rates are reduced commensurately with local switching rates, the Commission will support an efficient distribution of traffic between the direct-trunked and tandem-switched transport options.

For the foregoing reasons, the Commission should require the ILECs to implement proportionate reductions for tandem-switched transport rates.

Respectfully submitted,

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April 14, 2000

**CERTIFICATE OF SERVICE**

I hereby certify that I have, this 14 day of April, 2000, caused a copy of the foregoing "Reply Comments of Cable & Wireless, Inc." to be hand delivered to the following:

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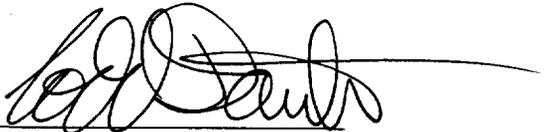
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