ORIGINAL

DOCKET FILE COPY ORIGINAL

RECEIVED

AUG 2 0 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45

AT&T REFRESH THE RECORD COMMENTS

Pursuant to the Sections 1.106 and 1.429 of the Commission's Rules, 47 C.F.R. §§ 1.106, 1.429, and its Public Notice (DA 01-1647) ("Public Notice"), published in 66 Fed. Reg. 37963-02 (July 20, 2001), AT&T Corp. ("AT&T") submits this update pertaining to petitions for reconsideration filed concerning the rules the Commission adopted in the *First Report and Order* in CC Docket No. 96-45, 12 FCC Rcd 8776 (1997) (*Universal Service Order*). In the Public Notice, the Commission notes that given litigation, the passage of time and other developments, some issues raised in the petitions "may have become moot or irrelevant in light of intervening events." The Public Notice further indicates that "to the extent parties do not indicate an intent to pursue their respective petitions for reconsideration, the Commission will deem such petitions withdrawn and they will be dismissed."

AT&T hereby notifies the Commission that it intends to pursue two outstanding reconsideration issues. One relates to the fact that the universal service fund ("USF") assessment and recovery mechanism must be competitively neutral. The other relates to the fact that carriers that purchase unbundled network elements ("UNEs") and are certified as eligible telecommunications carriers ("ETCs") under Section 214(e) of the

No. of Copies rec'd 0+11
List A B C D E

Communications Act, as amended, must be entitled to receive the same amount of per-line high-cost support in a given area as the incumbent local exchange carrier ("ILEC").

(1) Competitively Neutral USF Assessment and Recovery. AT&T raised the need to have a competitively neutral USF assessment and recovery mechanism in its July 11, 1997 petition for reconsideration, and also in its March 1, 2000 petition for reconsideration. Most recently, AT&T's views on this subject were addressed in its comments and reply comments, filed June 25, 2001 and July 9, 2001, in response to the Commission's Notice of Proposed Rulemaking, FCC 01-145, released May 8, 2001, in this docket.

AT&T's current position is as follows. First, the Commission should require all carriers to pass through a prescribed USF contribution amount and to remit only what they collect from end users -- a mechanism that will provide uniformity of universal service line-items across all carriers because it would remove lawfully the need for variation among carriers' universal service recovery amounts. Second, the Commission should eliminate, once and for all, the lag between accrual and assessment of universal service obligations. Third, the Commission should transition from its existing revenue-based assessment method to a flat-rated assessment method. This mechanism can be implemented immediately for residential, wireless and switched voice business customers. Further investigation is required for business customers that use special access. If due to the complexities of business services, a flat-rate mechanism cannot be implemented immediately, then the Commission should maintain the current, revenue-based method for *all* business customers on an interim basis until the issues concerning a transition to flat-rated charges, and the impacts on the market, can be more thoroughly explored. If, for

any reason, the method summarized above is not adopted, the Commission should adopt a mandatory end-user surcharge, as described in AT&T's July 11, 1997 petition for reconsideration.

(2) Identical High-Cost Support for UNE-based Entrants. AT&T raised the need for UNE-based ETCs to receive the same amount of per-line high-cost support in a given area as the ILEC in its January 3, 2000 petition for reconsideration in this docket. AT&T's position is that in order to avoid competitive harm, and given the implementation of support based on forward-looking cost in nonrural LEC serving areas, targeting of support to high-cost serving wire centers, and deaveraged UNEs, the new entrant should get the *full* measure of high-cost support that the incumbent had received for the line, regardless of whether the entrant is using entirely its own facilities or providing service via UNEs. Like the incumbent, the new entrant also has costs that are in addition to the cost of the UNEs and should receive the full measure of support. There is nothing unfair about this to the incumbent because the incumbent will be compensated by the new entrant for the full forward-looking cost of the UNEs that it is providing to the entrant. Indeed, if the support amount above the cost of the UNEs were to go to the incumbent, the incumbent would be compensated above economic cost even though it is no longer serving the customer. The paradigm that the Commission has established is anticompetitive because the incumbent would keep part of the support which belongs to the *customer* not the incumbent, even though the incumbent has failed to retain the customer in the market.

CONCLUSION

For the reasons summarized above, the Commission should grant AT&T's petitions for reconsideration and: (1) establish a competitively neutral USF assessment and recovery mechanism, and (2) authorize UNE-based ETCs to receive the same amount of per-line high-cost support as the ILEC.

Respectfully submitted,

AT&T CORP.

By /s/ Judy Sello

Mark C. Rosenblum
Judy Sello

Room 1135L2
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Its Attorneys

August 20, 2001