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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	
Access Charge Reform	CC Docket No. 96–262
Price Cap Performance Review for Local Exchange Carriers	CC Docket No. 94–1

COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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Summary

In an order addressing proposals by a coalition of carriers to reform access charges for LECs under price caps, the Commission abolished the PICC and tentatively established annual increases in the cap on SLCs for primary residential and single business lines. In taking this step, however, the Commission stated that it would reconsider increases in the SLC cap above the level effective on July 1, 2001.

In response to the Commission's request, several LECs recently submitted cost data to support the increase in the SLC cap scheduled for this coming July. In these Comments, GSA provides its conclusions and recommendations on the basis of these submissions.

To begin, GSA notes that the data support an increase in the cap for primary residential and single business lines to the $6.00 a month level previously set for July 1, 2002. Indeed, the LECs' filings show that most carriers are incurring interstate access costs of $7.00 monthly or more.

Even with the presently scheduled increases, SLC caps continue to permit substantial cross subsidies by business multi–lines. For example, while business multi-line costs are no greater, the SLC cap for these facilities continues at $9.00 monthly, and they are subject to PICCs that can be as great as $4.31 a month.

GSA urges the Commission to take steps to reduce the cross–subsidies by increasing the cap for primary residential and single business lines to a level above the $6.00 previously prescribed. Alternatively, the Commission should transition to a single SLC cap for all types of lines by reducing the cap for business multi–lines. Either or both steps are justified by the cost submissions, and both will help eliminate a significant cross–subsidy in the access charge structure.

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COMMENTS
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GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA") submits these Comments on behalf of the customer interests of all Federal Executive Agencies ("FEAs") in response to the Public Notice ("Notice") in CC Docket Nos. 96–262 and 94–1 released on September 17, 2001. The Notice seeks comments and replies on cost submissions by local exchange carriers ("LECs") concerning the caps on subscriber line charges ("SLCs") for primary residential and single business lines.

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. From their perspective as end users, the FEAs have consistently supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services.

On May 31, 2000, the Commission released an order adopting parts of a proposal by the Coalition for Affordable Local and Long Distance Service ("CALLS") to

reform the system of interstate access charges for LECs under price cap regulation.[1] In that order, the Commission prescribed an increase in the SLC cap for primary residential and single business lines from $3.50 monthly to $4.35 monthly on July 1, 2000, and another increase to $5.00 monthly on July 1, 2001.[2]

Also, the Commission tentatively set further increases in the cap to $6.00 monthly on July 1, 2002, and $6.50 monthly on July 1, 2003.[3] However, the Commission stated that it would review any increases above $5.00 monthly to ensure that they were appropriate in view of the carriers' costs.[4]

Eight LECs submitted data on their access costs for review by the Commission.[5] Since Federal agencies are major users of telecommunications services, GSA has a vital interest in this proceeding. Consequently, GSA has reviewed the cost submissions, and respectfully offers its conclusions and recommendations in these Comments.

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1 *In the Matter of Access Charge Reform and Price Cap Performance Review for Local Exchange Carriers*, CC Docket Nos. 96–262 and 94–1, Sixth Report and Order, *Low–Volume Long–Distance Users*, CC Docket No. 99–249, Report and Order, *Federal–State Joint Board on Universal Service*, CC Docket No. 96–45, Eleventh Report and Order, 15 FCC Rcd 12962 ("*CALLS Order*"), *aff'd in part, rev'd in part, and remanded in part, Texas Office of Public Util. Counsel et al. v. FCC*, 5th Cir. Nos. 00–60434 (5th Cir. September 10, 2001).

2 *CALLS Order*, paras. 76–104.

3 *Id.*

4 *Id.*, para. 83.

5 Cost data were submitted by Aliant Communications Co. ("Aliant"), BellSouth Telecommunications Inc. ("BellSouth"), Cincinnati Bell Telephone Company ("CBT"), Citizens Communications Company ("Citizens"), Qwest Corporation ("Qwest"), SBC Communications ("SBC"), Sprint Corporation ("Sprint"), and Verizon Communications Corp. ("Verizon").

II. EVEN WITH PRESENTLY SCHEDULED INCREASES, SLC CAPS CONTINUE TO PERMIT CROSS–SUBSIDIES BY BUSINESS MULTI–LINES.

In the *CALLS Order*, the Commission prescribed a temporary reduction and then a small increase in the maximum total access charge for primary residential and single–line business customers. Although it tentatively established a series of further increases in the SLC cap, the Commission abolished the Presubscribed Interexchange Carrier Charge ("PICC") for these users.

The PICC had been capped previously at $1.04 a month. With the elimination of the PICC, the maximum access charge for primary residential and single–lines total declined slightly from $4.54 to $4.35, and then increased slightly to $5.00 on July 1, 2001. In addition, the Commission suggested further increases in the SLC cap to $6.50 monthly in mid–2003.[6] However, the Commission said that any increases above $5.00 monthly would be contingent on meeting established cost tests.[7]

The Commission has been cautious in increasing SLCs for residential and smaller business users, but business multi–lines continue to incur much higher charges that bear no relationship to costs. The business multi–line SLC continues at $9.00 monthly.[8] The PICC for these users has not been abolished, and is now capped at $4.31 monthly.[9] Thus, the combined maximum SLC and PICC for business multi–lines is now $13.31 monthly — more than two times the $6.00 monthly slated for primary residential and single–line businesses in July 2002. A phase down in the $4.31 multi–line PICC is anticipated but not certain.[10]

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6 *Id.*, para. 79.

7 *Id.*

8 *Id.*, para. 106.

9 *Id.*, para. 105.

10 *Id.*

In establishing these access charges, the Commission stated:

> For most price cap LECs, a SLC of $9.00 or less fully recovers average per line permitted revenues, and the multi–line business PICC represents a subsidy running from business long–distance to residential users.[11]

From GSA's perspective, the subsidy is significant. Even for a LEC with $9.00 monthly access cost, the subsidy of $4.31 is nearly a third of the total $13.31 monthly access charge per line for business multi–line users. If a LEC's costs are less than $9.00, the subsidy is even greater.

III. CARRIERS' SUBMISSIONS DEMONSTRATE THE NEED TO INCREASE SLC CAPS FOR PRIMARY RESIDENTIAL AND SINGLE BUSINESS LINES.

Four LECs specify the interstate costs associated with the SLC cap on a weighted average basis for their entire operating region. On such an average basis, Aliant supports a cap of $7.21, BellSouth supports a cap of $7.01, Cincinnati Bell supports a cap of $5.65, and Quest supports a cap of $7.00.[12]

The other LECs with cost submissions do not show an overall weighed average, but their costs are generally in the same range. For example, costs for the eight Verizon operations prior to merger with GTE range from $6.00 for Verizon Delaware to $12.39 for Verizon West Virginia.[13] The unweighted average for the eight operations is $7.60 monthly.

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11 *Id.*, para. 106 (emphasis provided).

12 Submission of Aliant, p. 1; Submission of BellSouth, p. 1; Submission of Cincinnati Bell, p. 4; and Submission of Qwest, Attachment 1.

13 As displayed in Attachment D of Verizon's cost submission, the costs for other operations are $6.04 for Verizon Washington DC, $6.24 for Verizon New York/New England, $7.08 for Verizon Maryland, $7.32 for Verizon New Jersey, $7.54 for Verizon Virginia, and $8.44 for Verizon Pennsylvania.

The Commission's price cap rules prevent a LEC from raising its SLC to a level that reflects its exact forward–looking costs, unless its costs are below the cap However, if a LEC can demonstrate that its costs exceed the cap, the exact cost level is not relevant.

Many LECs show access costs averaging $7.00 monthly and more. Therefore, the submissions justify the cap increase to $6.00 scheduled in the middle of this year. Indeed, the submissions support a SLC cap of at least $7.00 a month at the present time.

IV. THE COMMISSION SHOULD ACCELERATE PHASE–OUT OF THE BUSINESS MULTI–LINE PICC AND ALSO TRANSITION TO A SINGLE SLC CAP FOR ALL TYPES OF LINES.

As the LECs obtain additional revenue from SLCs on primary residential and single business lines, they will reduce their PICCs on multi–line business lines according to the procedure specified in the CALLS plan.[14] Overall, these shifts will help to make the system of access charges more cost–based.

Cost–based access charges are important to LECs and also to end users. Addressing this issue, Qwest states:

> By raising the SLCs as allowed by the current rules and in concert with the Commission's goals and the Telecommunications Act of 1996, Qwest will be able to remove much of the subsidy running from multi–line business subscribers to residential and single–line business subscribers in the form of PICCs paid by interexchange carriers.[15]

Since end users such as the FEAs ultimately pay the PICCs, they also have a direct interest in this matter.

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14 *CALLS Order*, para. 105.

15 Cost Submission of Qwest, pp. 7–8.

The cost data show that as a minimum step the Commission should maintain currently scheduled increases in the cap for primary residential and single business lines. Moreover, GSA urges the Commission to further rationalize the system of interstate access charges by transitioning to a single SLC cap for all access lines.

There are two approaches for transitioning to a single SLC cap:

1. The Commission can increase the SLC cap for primary residential and single business lines. For example, the Commission can prescribe a cap of $7.00 monthly for July 1, 2002. Or, the Commission can state that the cap of $6.50 monthly now scheduled for July 1, 2003 will become effective in the current year.

2. The Commission can reduce the SLC cap for multi–line business lines in phased steps to meet the cap for primary residential and single business lines. For example, as a first step, the Commission can set the multi–line cap at $8.00 monthly on July 1, 2002.

GSA urges the Commission to take one or both of these steps.

Both approaches are well supported by the cost submissions. For example, an additional increase in the cap for primary residential and single business lines is supported by the fact that most carriers are incurring access costs of $7.00 monthly or more. Also, a $7.00 SLC cap would not unreasonably increase the cost to end users, because carriers must employ a SLC at their actual costs or the cap whichever is less. Moreover, a $7.00 cap for primary residential and single business lines (as opposed to a $6.00 cap) would give higher cost carriers more latitude to increase their actual SLCs, leading to faster elimination of the subsidy by the remaining PICCs for business multi–lines.

A reduction in the SLC cap for business multi-lines is also supported by the cost data. Except in a few cases, where carriers display highly disaggregated data for small rural areas, access costs claimed by the carriers are well under $9.00 monthly. Data provided by LECs should reflect the costs for residential and smaller business configurations. If accurate, this data should provide an upper bound to the costs for

business multi–lines because access costs for multi–line business users should average less than access costs for other subscribers. This is because larger business and government users are generally located in the relatively more populated areas where (1) local loops to the telephone company central offices are shorter, and (2) there are greater economies of scale in providing telecommunications services.

Moreover, while carriers should be supporting primary residential and single line business SLCs with costs for these lines, it is not evident that the carriers have excluded the multi–line facilities from their analyses. If they have incorrectly shown the average cost for all types of access, the cost for their primary residential and single business lines is even greater than displayed, providing even more justification for an increase in the SLC cap for these facilities.

Finally, the discussion so far has not addressed SLCs for the fourth major type of wireline access — non–primary residential lines. The number of these lines is increasing as persons add more lines in their homes to connect modems or provide additional voice paths.

The present SLC cap for non–primary residential lines is $6.07 monthly.[16] This cap is slated to become $7.00 monthly on July 1, 2002.[17] Thus, prescribed increases in the cap for primary residential and single business lines — say to $6.50 or $7.00 monthly — and prescribed reductions in the cap for business multi–lines would each reduce the cross–subsidies currently provided non–primary residential facilities.

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16 *CALLS Order,* para. 80.

17 *Id.*

V. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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January 24, 2002

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I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Comments of the General Services Administration" were served this 24th day of January 2002, by hand delivery or postage paid to the following parties.

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