

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Presubscribed Interexchange Carrier	)	CC Docket No. 02-53
Charges	)	CCB/CPD File No. 01-12
	)	RM-10131

**REPLY COMMENTS**

BellSouth Corporation, on behalf of itself and its wholly-owned subsidiaries, hereby submits its Reply Comments in the above referenced proceeding.

1. The purpose of this proceeding is to reexamine the safe harbor associated with the primary interexchange carrier (“PIC”) change charge in light of the market and industry changes that have occurred since the safe harbor was created. For many interexchange carriers, the proceeding is an opportunity to craft a stilted view of the market that ignores their positions as local exchange competitors. It becomes readily evident that for these commenters, this proceeding presents yet another chance to advocate increased, asymmetrical regulation of the ILECs.

2. As an initial matter, the Commission must be mindful of the market distortions that over-regulation can and does create. In the case of PIC change charges, only ILECs have the obligation to permit customers to presubscribe to an interexchange carrier of choice. ILECs’ competitors, including AT&T and WorldCom, have no such obligation when they provide local service. Thus, the regulations the Commission imposes regarding PIC change charges have an uneven impact on competition in the local market. Certainly, one of the changed circumstances

BellSouth Reply Comments  
CC Docket No. 02-53  
July 1, 2002

that the Commission must consider is local competition. As BellSouth noted in its comments, the Commission should, at a minimum, adjust its regulation to reflect the changed market environment by making the PIC change charge subject to price cap regulation.

3. Even if the Commission does not take such a bold, pro-competitive step to apply price cap regulation to the PIC change charge, it must resist embracing the mythology composed by some commenters. For example, WorldCom fabricates the scenario that the costs of changing a PIC are dramatically decreasing because of mechanization.<sup>1</sup> WorldCom asserts that virtually all of its PIC change requests are submitted on a mechanized basis and, thus, implies that the same circumstance must apply to all PIC changes.

4. The PIC change charge must permit ILECs to recover their actual costs of performing the operation.<sup>2</sup> The idea that all PIC changes are mechanized or will become mechanized is just wrong. BellSouth, in its comments, pointed out that one third of its PIC changes are manual and that BellSouth has no reason to believe that the percentage of manual PIC change requests will decrease. Indeed, a totally mechanized process would preclude most end users from making PIC changes, which, for the most part, are handled on a manual basis. Likewise, assuming only a mechanized change process ignores the fact that some carrier change requests must be processed manually.

5. Another fallacy promoted by some commenters is that mechanization means that PIC costs are decreasing. As BellSouth and Sprint point out, the PIC change process has grown in

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<sup>1</sup> WorldCom at 4.

<sup>2</sup> The cost of PIC changes includes direct cost and a reasonable portion of common and joint costs. Indeed, the Commission has long recognized that it is appropriate for service rates to reflect not only direct costs but also a reasonable allocation of joint and common costs. *See, e.g.*, 47 C.F.R. § 61.49(h).

complexity.<sup>3</sup> The systems necessary to support the process are more costly to maintain and implement. BellSouth's experience is that its PIC change costs are increasing.

6. Finally, some commenters argue that PIC change charges should not include the costs associated with PIC freezes.<sup>4</sup> Given that the Commission's rules permit authorized third parties to submit PIC changes, the PIC freeze is the mechanism by which the end user makes known to the ILEC that he is withholding authorization to alter his PIC from all third parties—a right that an end user has. Thus, a PIC freeze is directly related to executing an end user's selection of a presubscribed interexchange carrier.<sup>5</sup> Accordingly, a PIC freeze is an integral part of the implementation of the Commission's PIC policies, and the costs are properly recovered in the PIC change charge.

Respectfully submitted,

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<sup>3</sup> BellSouth at 5; Sprint at 7.

<sup>4</sup> WorldCom at 5. *Cf.* National Association of State Utility Consumer Advocates (“NASUCA”) at 7-8.

<sup>5</sup> Recovering the cost of PIC freezes independent of the PIC change increases complexity and, hence, administrative costs. *See, e.g.*, Sprint at 12.

**CERTIFICATE OF SERVICE**

I do hereby certify that I have this 1<sup>st</sup> day of July 2002 served the following parties to this action with a copy of the foregoing **REPLY COMMENTS** by electronic filing and/or by placing a copy of same in the United States Mail, addressed to the parties listed on the attached service list.

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