

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

In the Matter of)	
)	
Petition of Verizon for Emergency)	WC Docket No. 02-202
Declaratory and Other Relief)	
_____)	

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), on behalf of its incumbent local exchange ("ILEC"), competitive LEC ("CLEC")/long distance and wireless subsidiaries, and pursuant to Public Notice DA 02-1859 (released July 31, 2002), hereby respectfully submits this brief reply to the initial comments on the above-captioned petition filed by Verizon.

Predictably, Verizon's request for a Commission ruling declaring that it would allow ILECs to expeditiously revise their tariffs to impose new requirements for security deposits/advance payments and that it would expeditiously approve such revisions was supported by other ILECs, with the notable exception of Sprint, and their industry associations. These parties argue without support and with no apparent sense of embarrassment that, in light of WorldCom's bankruptcy filing, the ILECs are now confronting a financial crisis of apocalyptic proportions. They would have the Commission believe that unless they are given unfettered discretion to impose onerous security deposit/advance payment requirements on their access customers, even if such customers have been and continue to pay their access bills on a timely basis to the extent that such bills are accurate, their very survivability is threatened. *See e.g.*, BellSouth at 4 (Verizon's requested declaratory ruling necessary to ensure the "survival" of industry players); SBC at 3-4 (new security deposit/advance payment requirements necessary to

ensure that the “financial stability” and “financial health” of carriers such as SBC); and USTA at 4 (new security deposit/advance payment requirements necessary to enable ILECs to avoid “disastrous impacts to their financial health and their ability to serve their customers”). But as Sprint, AT&T and others point out, given the extremely healthy returns that Verizon, SBC and BellSouth have earned from their provision of interstate access services, any claims of imminent financial doom stemming from the bankruptcy filings of WorldCom and certain CLECs are simply not credible. *See, e.g.*, Sprint at 5-6; AT&T at 6-10; Time Warner Telecom at 11. In reality, the revised security deposit/advance payment requirements that Verizon, SBC, BellSouth and other ILECs are seeking to implement would enable these ILECs to tie up hundreds of millions of dollars of the capital of their competitors who are financially stable and pose no undue credit risk. Such anti-competitive actions can never be justified.

In any event, Verizon’s requested declaratory ruling here is now moot. The Commission has suspended for the full five month period allowed by Section 204 of the Act and instituted an investigation of the onerous and unjustified security deposit/advance payment tariff revisions that Verizon, BellSouth and SBC have sought to impose on their access customers.¹ As a result of these suspension/investigation orders, the ILECs seeking to implement revised security deposit/advance payment requirements on their carrier customers will have the burden of proving with hard evidence, rather than with overblown rhetoric, that such revisions meet the requirements of the Act before they receive Commission “approval.” In sum, the only ruling the

¹ *The Verizon Telephone Companies, Tariff FCC Nos. 1, 11, 14 and 16 (Transmittal No. 226), Order, DA 02-2055 (released August 22, 2002); BellSouth Telecommunications, Inc., Tariff FCC No. 1 (Transmittal No. 657), Order, DA 02-1886 (released August 2, 2002); Ameritech Operating Companies, Tariff FCC No. 2 (Transmittal No. 1312) et al., Order, DA 02-2039 (released August 16, 2002). See also, Iowa Telecommunications Services, Inc., Tariff FCC No. 1 (Transmittal No. 22), Order DA 02-1732 (released July 17, 2002).*

Commission need make this proceeding on the question of the ILECs' security deposit/advance payment tariff revisions is to deny Verizon's requested relief.

Similarly, the Commission should summarily dismiss the attempt of the American Public Communications Council (APCC) to use the instant proceeding to have the Commission become the guarantor of payment to independent payphone service providers (PSPs) of dial-around compensation. APCC asks the Commission "to declare that it would be unreasonable under section 201(b) or the Act for an IXC to refuse a request from a PSP to make special payment guarantees such as security deposits and advance payments, if the IXC has poor payment performance or demonstrates objective indicia of credit risk." APCC Comments at 4. APCC's requested declaration is not only beyond the scope of the matters raised by Verizon's petition, but of equal importance, is beyond the scope of Section 201(b) of the Act. Section 201(b) governs the reasonableness of the rates, terms and conditions of communications services provided by interstate carriers to customers who make a reasonable request for service. IXCs paying FCC-mandated dial-around compensation to PSPs are doing so only because of a Commission directive issued under Section 276 of the Act and do not have a carrier-customer relationship with PSP. Thus, Section 201(b) does not apply to the IXCs' payment of dial-around compensation.

APCC also argues that the Commission should declare that its Rules governing dial-around compensation, *i.e.*, 47 CFR §64.1300, require any IXC "in financial difficulty" to guarantee payment of dial-around compensation to PSPs in the form of security deposits/advance payments. Comments at 4. But there is no language in Section 63.1300 that even remotely suggests that IXCs have to guarantee the payment of dial-around compensation. Indeed, APCC concedes as much since it recognizes that the guarantee payment requirement it asks the

Commission to impose on IXCs must “implicitly” be read into Section 64.1300. Plainly, the Commission cannot impose requirements on carriers by stealth. Such requirements can only be imposed on the basis of a notice and comment rulemaking. APCC’s request for the imposition of an “implicit” requirement must, therefore, be summarily rejected.

Respectfully submitted,

SPRINT CORPORATION

A handwritten signature in black ink, appearing to read 'M.B. Fingerhut', is written over a horizontal line.

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August 22, 2002

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments of Sprint Corporation in WC Docket No. 02-202 was sent by United States First Class Mail, postage prepaid, and/or electronic mail on this the 22nd day of August, 2002 to the following parties.



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