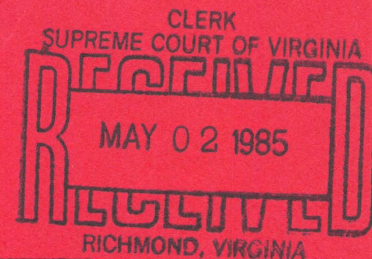


230 Va 295



IN THE

Supreme Court of Virginia

AT RICHMOND

RECORD NO. 841881

GTE SPRINT COMMUNICATIONS CORPORATION OF VIRGINIA,
Appellant,

v.

AT&T COMMUNICATIONS OF VIRGINIA, INC., ET AL.,
Appellees,

RECORD NO. 841882

MCI TELECOMMUNICATIONS CORPORATION OF VIRGINIA,
Appellant,

v.

AT&T COMMUNICATIONS OF VIRGINIA, INC., ET AL.,
Appellees.

JOINT APPENDIX
Volume IV

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF

CASE NO. PUC840023

AT&T COMMUNICATIONS
OF VIRGINIA

For authority to set rates
and charges pursuant to
Section 56-481.1 of the
Code of Virginia

A complete transcript of the testimony and other
incidents of the above-captioned matter when heard on
July 31, 1984, before the Honorable Commissioners of the
State Corporation Commission, Richmond, Virginia.

Reported and transcribed
by: Susan E. Moser

ASSOCIATED REPORTERS
OFFICIAL COURT REPORTERS
STATE CORPORATION COMMISSION
POST OFFICE BOX 1197
RICHMOND, VIRGINIA 23209

1
2
3 NOTE: The matter is called to be
4 heard at 1:00 o'clock p.m., July 31, 1984,
5 having been continued from July 30, 1984,
6 and continues as follows, viz:
7

8 THE BAILIFF: The Commission resumes
9 its session.

10 COMMISSIONER SHANNON: All right,
11 I believe you were in the midst of your
12 direct examination of Dr. Cornell.

13 MR. MARMON: Yes, Your Honor.
14 Mr. Morrissey has requested that Mr. Wilcox
15 go first because of a transportation problem,
16 and that is all right with us.

17 COMMISSIONER SHANNON: All right.
18 Come around, Mr. Wilcox.
19

20 DOUGLAS S. WILCOX, recalled as a witness
21 by and on behalf of the Petitioner, having been previously
22 duly sworn, testifies further as follows, viz:

23 REDIRECT EXAMINATION

24 BY MR. MORRISSEY:

25 Q Mr. Wilcox, during your cross-

1 Wilcox - Redirect 341
2 examination yesterday by Mr. Marmon, there was discussion
3 of your Exhibit DSW-2.
4 A Yes.
5 Q Judge Shannon requested, in light of
6 some of the new information and errors that were indicated
7 on the exhibit, that you redo the exhibit last night,
8 with the latest available information to you; have you
9 done so?
10 A Yes, we have. And I have distributed
11 what is now entitled DSW-2A.
12 MR. MORRISSEY: Judge Shannon,
13 DSW-2A has been distributed to the court
14 reporter and to counsel of record just
15 prior to the start of the hearing today.
16 COMMISSIONER SHANNON: All right,
17 we will receive that as indicated, Exhibit
18 DSW-2A.
19 BY MR. MORRISSEY: (Continuing)
20 Q Mr. Wilcox, would you please describe
21 DSW-2A.
22 A Yes, the first page of the three
23 is a summary page which shows the number of access lines
24 in the exchanges of C&P Company and non-C&P local
25 exchange companies. It also shows those access lines

2 with toll-free availability to OCCs, those access lines
3 with toll-free availability to resellers only, the total
4 of those two, and what percent that is of the total
5 access lines served by C&P and the non-C&P companies,
6 and the total in the State, and those percentages are
7 as shown on the summary page: 90 percent of the access
8 lines served by C&P have access to an AT&T competitor;
9 32 percent of the non-C&P lines have toll-free access
10 to a competitor of AT&T Communications; and then total
11 76 percent of the access lines in Virginia have access
12 to a competitor of AT&T Communications on a toll-free
13 basis.

14 Q And what was the source for the
15 information which appears on your three pages of
16 exhibits?

17 A There are a number of sources. We
18 used data that we received from C&P as to their access
19 lines and to the OCC-served locations and reseller-
20 served locations in C&P territory. I also used information
21 from Mr. Staley of the Independent Telephone Association,
22 as to the location of resellers and independent company
23 territory, or C&P Company territory, and we used the
24 data and the independent company publication which shows
25 the number of access lines as of 1/1/84 in the independent

2 company territories. We also used the tariffs of the
3 independent companies and the C&P Company to show where
4 the EAS points were, so that we could generate the list
5 of cities -- or exchanges -- excuse me -- with toll-free
6 access.

7 Q Does the information contained on
8 DSW-2A cause any changes in your direct testimony,
9 which has been identified as DSW-4?

10 A Yes, it does. Those changes would
11 appear on Page 9.

12 Q Could you read those changes into the
13 record.

14 A Yes. That paragraph -- the first
15 paragraph on that page should now read, "MCI, GTE-Sprint,
16 Western Union, United States Transmission Systems (USTS),
17 and resellers are currently active in the Commonwealth
18 with toll-free access to 96 exchanges serving 76 percent
19 of Virginia customer lines. See Attachment DSW-2A."

20 Q And do you adopt that change, as well
21 as DSW-2A, as part of your testimony in this proceeding?

22 A Yes, I do.

23 COMMISSIONER SHANNON: Give me those
24 figures that you said, the resellers are
25 currently active in the Commonwealth serving,

2 what was that?

3 THE WITNESS: Serving 76 percent
4 of Virginia customer lines.

5 MR. MORRISSEY: Mr. Wilcox is
6 available for cross-examination.

7 COMMISSIONER SHANNON: All right.
8 Mr. Gillespie?

9 MR. GILLESPIE: None, Your Honor.

10 COMMISSIONER SHANNON: Mr. Gambardella?

11 MR. GAMBARDELLA: May I have a moment,
12 Your Honor?

13 COMMISSIONER SHANNON: Yes.

14 MR. GAMBARDELLA: No questions,
15 Your Honor.

16 COMMISSIONER SHANNON: Mr. Marmon?

17 MR. MARMON: Your Honor, we would
18 object to the introduction of this exhibit
19 at this time, not because it's not the kind of
20 information that is needed in this proceeding.
21 It is -- it is exactly the kind of information
22 that we need, that you need to make your
23 decision in this case, but we are here
24 presented with crucial facts, crucial to the
25 determination of the issue here an hour before

2 the last day of the hearing. Any opportunity
3 or-- to check this information, to really
4 know any precise way what the source is,
5 except in the most general terms described
6 by Mr. Wilcox, and we just think that it's
7 improper, this exhibit, to be in this case
8 representing what it purports to be without
9 the sort of examination and study and
10 identification that it deserves.

11 COMMISSIONER BRADSHAW: Well, wasn't
12 it offered, wasn't it proffered in opposition
13 or in response to an exhibit with the same
14 sort of numbers that you had intended to
15 introduce? Isn't that how it came into the
16 record?

17 MR. MARMON: This exhibit that we
18 have here now which goes -- which speaks to
19 access lines is totally different from the
20 original DSW-2.

21 COMMISSIONER BRADSHAW: I mean, but
22 that was your exhibit, right?

23 MR. MARMON: The DSW-2 was
24 Mr. Wilcox's. We attempted --

25 COMMISSIONER BRADSHAW: I stand

corrected. I thought it was -- I thought it was yours.

COMMISSIONER SHANNON: You took DSW-2 and then you added population figures in?

MR. MARMON: That's right. And now we have -- and that was by cities. The original DSW-2 spoke to cities served by different vendors. We now have an exhibit that speaks about access lines, and again, I would concede that the kind of information contained in this exhibit is highly relevant, but I just think it's improper to be presented in this fashion today, at the last moment of the hearing.

COMMISSIONER SHANNON: Well, I think that since you admit it is relevant and since that it is information that was sworn information. --

(Discussion among Commissioners out of the hearing of the reporter.)

That's right, as Judge Harwood said, we're searching for the truth here, and you have a perfect right to probe it, if you think anything is wrong, you may certainly probe into

2 that. That's your prerogative. But we're
3 going to admit this -- and we would have
4 admitted your 2A figures, except for the
5 fact that the Commission of its own knowledge
6 saw that some of them -- some of the figures
7 were understated, and I think Mr. Wilcox
8 said he didn't agree with it. Now, if you
9 want to take your witness and put that same
10 information in there, we will certainly
11 receive it. So we're going to admit this
12 DSW-2A.

13 RECROSS EXAMINATION

14 BY MR. MARMON:

15 Q Mr. Wilcox, how many access lines
16 are served -- how many access lines in the Washington
17 LATA are Virginia lines?

18 A In the Washington LATA? Okay. In the
19 Washington LATA, the exchanges of Herndon, Braddock,
20 Lorton Metro, Alexandria/Arlington, Falls Church/
21 McLean, Fairfax/Vienna, and Engleside, and Dulles
22 are in -- well, let's see -- no, that's not correct.
23 Dulles is not in that LATA. The others I mentioned are.
24 So it would be the sum total of those exchanges which
25 we could compute from Pages 2 and 3 of my exhibit.

2 Specifically, that would be 235,145 in the Arlington/
3 Alexandria exchange; 87,000 --

4 MR. MOORE: Give the exchange first.

5 A All right. In Fairfax/Vienna, there
6 are 87,015. I may have failed to mention Falls Church/
7 McLean. That is in the Washington LATA, and it has
8 151,192. Braddock has 12,655. Engleside has 13,066.
9 Lorton Metro has 669. And Herndon has 40,636.

10 Q Just one moment please.

11 COMMISSIONER SHANNON: Is Lorton
12 Metro shown on --

13 CHAIRMAN HARWOOD: It's on the
14 non-, first page.

15 COMMISSIONER SHANNON: Oh, yes.

16 COMMISSIONER BRADSHAW: How about
17 Lorton; that's not in there?

18 THE WITNESS: Well, on the map I have,
19 I'm not sure whether that's -- I think that is
20 in the Culpeper LATA. That's an independent
21 company territory I believe associated with
22 the Culpeper LATA.

23 CHAIRMAN HARWOOD: Would that be
24 true also of Dale City, Triangle and Occoquan?

25 THE WITNESS: Yes, it would.

2 CHAIRMAN HARWOOD: They're in the
3 Culpeper LATA?

4 THE WITNESS: Yes, Your Honor, they
5 are.

6 BY MR. MARMON: (Continuing)

7 Q Could we go through the Culpeper
8 LATA, Mr. Wilcox, on the same basis, the identification
9 of which exchanges are in the Culpeper LATA?

10 A All right. In the Culpeper LATA
11 would be the exchanges of Leesburg, Catoctin --

12 MR. MOORE: Can you give us the
13 numbers at the same time, or is that --

14 A (Continuing) Leesburg would have
15 7,485. Catoctin, 2,128.

16 MR. MOORE: Say that one again.

17 A (Continuing) 2,128. Mount Gilead,
18 2,886. Middleburg, 1,705. Arcola has 1,009.

19 Q Is that on your list?

20 A Yes, it is.

21 CHAIRMAN HARWOOD: Non-C&P.

22 A Non-C&P, fourth one down, second
23 page.

24 MR. MOORE: We only need C&P, the
25 LATAs.

2 A (Continuing) All right. Scratch
3 Arcola.

4 COMMISSIONER BRADSHAW: Now we're
5 switching questions, right? The initial
6 question was the Culpeper LATA, now Culpeper
7 LATA for only C&P; is that --

8 MR. MARMON: That's correct.

9 A (Continuing) All right. Warrenton
10 has 7,502. Fredericksburg, 21,086. Hartwood, 2,596.
11 Spotsylvania --

12 MR. MOORE: Say Hartwood again.

13 A (Continuing) Hartwood is 2,596.
14 Spotsylvania, 2,090. Those are the only --

15 MR. MOORE: C&P?

16 A (Continuing) C&P exchanges in the
17 Culpeper LATA that I can find associated with this list.

18 MR. MARMON: All right, we're going
19 to add these up, if we may.

20 MR. MORRISSEY: Are you adding
21 both the Washington metropolitan and --

22 MR. MARMON: We're adding the lines
23 of exchanges that you listed, C&P exchanges
24 in the Culpeper LATA.
25

BY MR. MARMON: (Continuing)

Q Will you take, subject to check,
Mr. Wilcox, that the figures that you have given us
add up to 46,778?

A I'll accept that, subject to check.

COMMISSIONER SHANNON: What was your
figure?

MR. MARMON: 46,778.

COMMISSIONER SHANNON: I must be
off; I had 47,478, but I may have --

MR. MARMON: Okay, let's call it
47 for convenience.

BY MR. MARMON: (Continuing)

Q Mr. Wilcox, are you familiar with the
plan, the Bell Atlantic Telephone Company Equal Access
Compliance Plan submitted by Bell Atlantic to the --
Judge Greene on June 22nd, 1984?

A I believe I've seen it. I have
certainly not studied it.

MR. MARMON: I would like to
introduce at this point a Summary of
Preliminary Plans for the Provision of
Equal Access for the Culpeper LATA which
is contained in that Plan and if -- we don't

have 15 copies of the whole Plan, but we would -- we can certainly arrange to have the whole report made part of the record. But this is the Culpeper, the summary for the Culpeper LATA.

COMMISSIONER SHANNON: That's part of the Plan that was submitted to Judge Greene?

MR. MARMON: That's right, by C&P, by Bell Atlantic on behalf of C&P.

COMMISSIONER SHANNON: C&P of Virginia.

MR. MARMON: Pardon?

COMMISSIONER SHANNON: C&P of Virginia.

MR. MARMON: That's right.

BY MR. MARMON: (Continuing)

Q Now, Mr. Wilcox, do you see on this sheet that we should mark, I guess, DSW --

COMMISSIONER SHANNON: We'll tentatively mark this as DSW-6.

MR. MORRISSEY: Judge Shannon, I'm wondering why it should be marked as DSW. It's being propounded by MCI. Maybe we could use Mr. Marmon's initials, but this is certainly not being sponsored by Mr. Wilcox.

MR. MARMON: Make it MCI-6.

2 COMMISSIONER SHANNON: Well, under
3 our rules, of course, we need a sponsor for
4 an exhibit. Tentatively, we will call this
5 MCI-6.

6 MR. MORRISSEY: Thank you.

7 BY MR. MARMON: (Continuing)

8 Q I would like to call your attention --

9 COMMISSIONER SHANNON: Are you --
10 this witness, of course, is not a C&P witness,
11 Mr. Marmon.

12 MR. MARMON: That's right. But he
13 says he got --

14 COMMISSIONER SHANNON: I point that
15 out, if it was an AT&T exhibit, and he was
16 willing to accept it, we would let you put it
17 in through him, but go ahead and use it for
18 purposes of your cross-examination.

19 MR. MARMON: All right.

20 BY MR. MARMON: (Continuing)

21 Q I'd like to call your attention,
22 Mr. Wilcox, to the next-to-the-last column where it
23 says total lines for the Culpeper LATA, and the total
24 represented there is 119,000 lines; is it not?

25 A That is the number, yes.

1
2 Q Is there any reason to believe that
3 this would not be an accurate representation of the
4 number of lines in the Culpeper LATA that C&P has as of
5 9/1/85?

6 A I'm not sure if this would be
7 capacity of their switches or lines and services.
8 It doesn't say.

9 Q I would like you to accept, subject to
10 check, to reference to the entire document that this
11 is lines, which would be subject to conversion to equal
12 access or non-conversion to equal access.

13 A Well, I'm not sure, are you asking me
14 to accept, subject to check, that they would be working
15 lines or capacity at the office?

16 Q These are working lines that C&P
17 intends to convert to equal access, a portion of which
18 they intend to convert to equal access, and a portion
19 of which they will not have converted by 9/1/85?

20 MR. MORRISSEY: Perhaps Mr. Marmon
21 could point out in the entire document where
22 it does say that these are working lines
23 and not capacity lines.

24 MR. MARMON: I see no indication
25 of -- this document is the Compliance, the

2 Plan of Compliance of the Bell Atlantic
3 Operating Companies, and the Plan is being
4 submitted in the context of what -- how many
5 lines will, in fact, be equipped with equal
6 access on varying dates. The first one is
7 9/1/85, then 9/1/86 and then 9/1/88. And
8 if you look at this chart, you see number
9 of switches, number of lines, and then there
10 is a percent of the total number of lines
11 of those equipped for equal access. And
12 then the next category is the number of
13 switches and the number of lines and the
14 percent of the total not equipped for
15 equal access. I don't see how you could
16 equip a line for equal access unless it
17 existed.

18 MR. MORRISSEY: I would tend to
19 disagree and renew my objection. C&P has a
20 lot of equipment for capacity that are not
21 used directly. There have been no indications
22 that this is actual lines in use and not
23 capacity lines. And Mr. Wilcox has further
24 indicated that he has seen this document,
25 but he is not the expert on this, and if

2 Mr. Marmon believes that these are actual
3 lines, I would just ask him to point to the
4 document which shows it is actual lines
5 and not capacity lines. It makes a big
6 difference.

7 The second point is, it does say
8 as of 9/1/85. Mr. Wilcox's information, as
9 he indicated, was information given to him
10 by C&P and the independent telephone companies
11 as a recent date. Most probably it was
12 within the last three or four months. So
13 that the two types of information are not
14 even the same in terms of time.

15 COMMISSIONER SHANNON: Well,
16 Mr. Marmon, it seems to me you're trying to
17 put in through this witness something that
18 was raised in another proceeding which he
19 wasn't, apparently, a party to, and he wasn't
20 involved in, submitted by C&P. My suggestion
21 is that you put this in through your own witness,
22 who is familiar with the proceeding, and --

23 MR. MARMON: Your Honor, my witness
24 is not familiar with this proceeding. This is
25 a proceeding that Mr. Wilcox, if anybody, is

2 familiar with, it should be Mr. Wilcox.

3 COMMISSIONER SHANNON: Well, he
4 doesn't work for C&P.

5 MR. MARMON: He does not.

6 COMMISSIONER SHANNON: Bell Atlantic.
7 He better not be.

8 (Laughter)

9 COMMISSIONER SHANNON: I mean, really,
10 under the terms of divestiture, he really
11 shouldn't know this information, I wouldn't
12 think. Judge Greene has said that you've
13 got to make the cut, and you've got to make
14 it clean. It just seems to me you're trying
15 to -- I understand what you're trying to do,
16 but I think that there is a -- you have to do
17 it in some other means than this witness.
18 He's not a competent witness to put it in
19 anyway.

20 MR. MARMON: Just one second,
21 Your Honor.

22 MR. MOORE: Judge, if I may, and I
23 apologize before I start, we get whipsawed
24 by the lack of fairness in this procedure.
25 I really feel that very strongly. This man

1 came in here today with an exhibit. We saw it
2 about 11:30, Mr. Morrissey got it over to our
3 office. He called me up and said I got it,
4 it's on its way. We got it. We looked at the
5 numbers and said they don't look right. How
6 can we check those numbers? What can we do?
7 We go to the one source of data that we've
8 got. We can't call C&P as a witness now.
9 It's, you know, the last day of the hearing,
10 an hour before the hearing. We can't call
11 them and examine them on this issue, so the
12 only thing we've got is this, the report
13 that C&P made to Judge Greene.
14

15 COMMISSIONER SHANNON: When did you
16 first come in possession of that report?

17 MR. MOORE: We've had the report,
18 sir.

19 COMMISSIONER SHANNON: Well, if you've
20 had the report and intended to use it,
21 Mr. Moore--you've alluded to the unfairness
22 of this proceeding. This Commission has
23 certainly bent over backwards to be fair.
24 Of course, we did have a short time span
25 between the entry of the Order and the setting

2 of this hearing, but that was also for the
3 benefit of MCI and the others, as well as
4 AT&T, because you wanted to be certified
5 before the 1st of September, and we were
6 going to make every effort to do that.

7 But I would say this: That if you had this
8 document and you knew what you wanted to
9 prove, you could have issued subpoenas to
10 C&P or you could have brought down your own
11 witnesses. MCI has been as much a party
12 to this proceeding before Judge Greene as
13 the C&P Companies, AT&T and the others.

14 And I submit that the best evidence would be
15 your own witness, not to try to put it in
16 through another witness who really is
17 unfamiliar with it.

18 MR. MOORE: We didn't know we
19 needed this. We weren't going to use this.
20 I mean we're through. We have presented our
21 case, and we did not use this.

22 COMMISSIONER SHANNON: You haven't
23 presented an operating witness. You had a
24 perfect right to present an operating witness,
25 Mr. Moore. You presented an economic witness,

1 which is all well and good, but if you were
2 going to contest operations, I submit you had
3 the same opportunity that AT&T has had to
4 present any witness that you thought could
5 shed light on your position.
6

7 MR. MOORE: Your Honor, we did not
8 have that opportunity until today. We got
9 this information, we're trying to rebut what
10 is being put on today, and we saw for the
11 first time at 11:30, and it's no way that I --
12 that I think it's reasonable to ask us to
13 have put on a witness. But I will say to
14 the Commission along this very line, when
15 we moved for a special report on July 18th,
16 we asked this Commission to do precisely this.
17 Our Question A is the total number of
18 end offices; our Question B is the total
19 number of lines; to get that information from
20 each of these individual operating companies.
21 We asked for that on July 18th, which was
22 as soon as we could. We had a hearing on
23 that to ask for a continuance so these reports
24 could come in. The continuance was denied,
25 and as far as I know, the motion for the

2 orders was not -- has not yet been denied,
3 but I imagine it's going to be moot if this
4 hearing is over today. So we, we moved in
5 this way on this. We did not know we were
6 going to need this until we got this
7 information today, and looked at it. And
8 it took a while to look at it.

9 COMMISSIONER BRADSHAW: Where did
10 this -- let me get back with this exhibit;
11 where did that exhibit originate?

12 MR. MOORE: That exhibit was --
13 is that the one with our writing on it?

14 MR. MARMON: That is Mr. Wilcox's
15 exhibit with our numbers on it, our population
16 numbers.

17 COMMISSIONER BRADSHAW: I want to get
18 this straight, because I'm the one, I'm the
19 guilty party here. I'm the one that asked
20 for this. It seems to me like yesterday,
21 MCI wanted to introduce this exhibit through
22 Mr. Wilcox; is that correct?

23 MR. MOORE: Yes, that's correct.

24 COMMISSIONER BRADSHAW: Which was
25 your exhibit by population?

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MR. MOORE: Yes, sir.

COMMISSIONER BRADSHAW: And then I asked -- and then we started trying to add to this list from memory, and I said let's bring it back today. And isn't that what we've done? Isn't that what he's gone out and amplified or more particularized your original exhibit?

MR. MOORE: No, sir, that exhibit--

COMMISSIONER BRADSHAW: Correct me where I'm wrong.

MR. MOORE: That exhibit listed locations, and we had listed population centers, trying to show the number of people. He has gone back, he has taken access lines, which is not referred to in that, in that exhibit in any way, and he has created percentages with the access lines. And we have no way of checking whether those access lines are right or not. We are taking what he said was right and working from that. He's now come back with a whole new set of data. And we don't have -- it's no way we know, I think that

1 the 1,793,000 looks low. Mr. Schell, yesterday,
2 if my memory serves me correctly, said it was
3 a million 950. And he said it was 20 percent,
4 the independents were about 20 percent.
5

6 MR. MORRISSEY: Some specific and
7 general comments, with the Commission's
8 indulgence: I'm surprised on one hand by
9 Mr. Moore's reaction, and also I'm not
10 surprised. I'm not surprised in the sense
11 that it's always disturbing when the facts
12 that come out in a hearing disrupts your
13 case. However, I am surprised inasmuch as
14 Mr. Moore, on repeated occasions, in fact
15 every day, extolls the virtues of cross-
16 examination and the facts that are adduced
17 from cross-examination. These facts have
18 now been adduced. What MCI attempted to do
19 was put in an attachment, an exhibit, which
20 broke down serving areas by population,
21 and attempted to do it through Mr. Wilcox.
22 Mr. Wilcox pointed out that that information
23 was wrong, that you should not use population.
24 An example of that is my son is two years old,
25 he's part of the population, and I think he's

1 bright, but I don't think he makes the decision
2 as to who buys long-distance service in our
3 family, nor does he need any extra access
4 lines, even though he's part of the
5 population. And Mr. Wilcox was responding
6 to the direction of the Commission and
7 information that was brought out by the
8 cross-examination of MCI, and I believe it
9 should stand as it is in the record.
10

11 COMMISSIONER SHANNON: Well, Mr. Moore,
12 if MCI was an unsophisticated party, you might
13 be able to, to assert some correctness that
14 they are entitled to have a little additional
15 leeway, but MCI is a very sophisticated
16 party. They've been in these proceedings
17 before the Federal Communications Commission,
18 before Judge Greene from the inception.
19 In fact, they've been the ones that have
20 prevailed at most every stage of the
21 proceeding. And I think if you're going
22 to try your case, you have plenty of
23 competent experts that could come in here
24 and put in this information. You don't have
25 to do it through Mr. Wilcox. And I don't think

2 it's a denial of due process that you're not
3 free to, to accept your exhibits through his
4 testimony, and I think that this information
5 that was asked was asked for by you and by
6 the Commission, and it's his sworn testimony
7 that this is the best evidence. This is it.
8 Now, if you feel that there is some impropriety,
9 you have a perfect right to probe into it
10 on cross-examination.

11 MR. MOORE: May I ask, Judge: Often
12 the Commission doesn't stand on strict rules
13 of evidence as far as hearsay and this type
14 of thing. I see that coming in with our
15 trying to use this as a cross-examination
16 exhibit from Judge Greene's Order. At the
17 same time, we did not object; if it would
18 be appropriate, we could object to their
19 numbers here, because he doesn't have this.
20 What he did was talk to C&P and talk to
21 somebody from the independents. And if
22 that rule is going to be applied to us,
23 perhaps it should be applied to them also,
24 so they have to call a C&P witness to show
25 the 1,793,000 lines.

COMMISSIONER SHANNON: I think he got this in the course of his business. I guess in his business, he is required to maintain contact with, with the other companies.

MR. MOORE: Your Honor --

COMMISSIONER SHANNON: I think this, I think what we're going to do, as Judge Harwood has suggested, we're going to go ahead and put into the record this proffered exhibit by MCI, which shows the population, so that if it does go to the Supreme Court, they won't have a hiatus of what we're talking about. So we ought to go ahead and make that --

MR. MOORE: MCI-6.

COMMISSIONER SHANNON: Beg your pardon?

MR. MOORE: MCI-6 would be the number.

COMMISSIONER SHANNON: 6 we've already identified, this is 6, MCI-6. So we'll make your exhibit here that had the population, that will be MCI-7, although seriatim, it should be before 6.

2 THE BAILIFF: Change it to 7?

3 COMMISSIONER SHANNON: No, we've
4 already identified it for the record.

5 And I want you to have everything
6 in the record that you want, Mr. Moore,
7 that can be properly put in there.

8 We're not putting this in to show
9 the truth or voracity of the population
10 figures, because some of them were probably
11 stated incorrectly because you state that --
12 I don't mean that you misrepresented them --
13 I mean that you have taken the city proper
14 as opposed to the metropolitan area.

15 MR. MARMON: We have represented
16 that those figures come out of the Report
17 of the Secretary for the cities proper, and
18 we made no contentions that it is anything
19 other than that.

20 COMMISSIONER SHANNON: That's right.
21 Well, we're putting it in so that it will be
22 in the record, so that if any reviewing
23 authority gets this, they'll have it before-
24 them.

25 MR. MARMON: All right. I'd like

to ask Mr. Wilcox if he would assume that the 119,000 lines that is listed on MCI-6, I'd like him to assume that they are correct.

THE WITNESS: I would not assume that, but you may if you want to place a hypothetical.

BY MR. MARMON: (Continuing)

Q All right, well, isn't it true that if that is the number of lines that C&P supplies in the Culpeper LATA that your number of some 47,000 lines is, is substantially less than that?

A Yes.

Q And do you have any explanation other than the fact that the lines, that you think that these figures may apply to capacity as opposed to actual lines, do you have any other explanation for the discrepancy in the figures?

A Sure. There are a number of exchanges in the Culpeper LATA that are served by C&P that do not have access to an OCC or reseller. Specifically, those are Brokenburg, Mineral, Louisa, Gordonsville, Orange, Unionville, Sperryville, Criglersville, Madison, Culpeper, Remington, Marshall, The Plains, Upperville, Bluemont, Berryville, Boyce, Stephens City, Winchester, Gainesboro,

and Gore.

Q Could I ask you, Mr. Wilcox, to add those up. We don't have those figures. You didn't supply them with this.

A Neither do I.

COMMISSIONER BRADSHAW: That may well account for the difference here. Are you testifying that if you added all those names you just listed and the ones that do have access might well total 119?

THE WITNESS: Well, it might, it certainly might come close, Your Honor. Again, I'm not sure what the -- if the 119 is supposed to be working lines. Even if it were, that would be as of 9/1/85. The numbers I'm using I got from C&P, which are their lines in service as of April 30th, 1984. So you'd have a discrepancy of time, too, if there's any growth in there. But the substantial difference would be because the exchanges I mentioned do not have access to an OCC or a reseller of which I am aware.

COMMISSIONER BRADSHAW: Can't the Commission do this, can't we take judicial

notice of our own maps and those that have access and those that do not? We've got the same thing he's got, I guess. And add them up, and you can do the same later. Rather than sit here and do arithmetic all afternoon.

MR. MARMON: All right, I'd just like to ask Mr. Wilcox where he got his figures.

BY MR. MARMON: . (Continuing)

Q Where did you get your figures, Mr. Wilcox, the figures you supplied us on DSW --

COMMISSIONER SHANNON: Are you talking about his figures on his Exhibit DSW-2A?

MR. MARMON: DSW-2, Attachment 2A.

A The independent company numbers came from this document which is entitled "The Virginia Exchange Carrier Association, May, 1984, Fifty Years of Service to Member Companies and the Commonwealth of Virginia.

Q What about the C&P numbers?

A The C&P numbers came from Dave Kelly of C&P Company.

Q You got them verbally over the

telephone?

A No, I have them in writing. In both cases, I'd be happy to provide you with copies.

Q We'd like that.

A All right.

COMMISSIONER SHANNON: That independent booklet has wide circulation. I believe the Commissioners have copies of that.

A Sure.

Q Who is David Kelly?

A He is an employee of C&P Telephone Company.

Q And when did he give you these figures?

A I believe he gave them to Johnny Landers last Thursday or Friday.

Q You had them on last Thursday or Friday?

A I had them last Thursday night, yes.

Q Yet you submitted your original DSW-2?

A Well, we did that on Wednesday.

COMMISSIONER BRADSHAW: Let's get that straight.

THE WITNESS: Thursday.

COMMISSIONER BRADSHAW: You admitted that through him, or tried to. That's what's now MCI-6. We keep referring to that, and I think that's critical in here.

MR. MARMON: Well, there was an original DSW-2 submitted by Mr. Wilcox.

THE WITNESS: Yes, Your Honor, I had a DSW-2 in my testimony which was based on information from the first quarter of 1984 out of a central system that we try to maintain on competitive presence.

COMMISSIONER BRADSHAW: Okay.

THE WITNESS: We realized that it was sorely out of date, and had tried to get -- started getting additional numbers, and as we did, we made the corrections that we made.

COMMISSIONER SHANNON: Well, the DSW-2 that you submitted with your testimony, which was DSW-4, the 2, according to my copy here, contained a list of the cities served by the different vendors.

THE WITNESS: Yes, that's right.

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COMMISSIONER SHANNON: And it didn't have any breakdown as to numbers according to population or according to lines?

THE WITNESS: That's right. And the numbers that I introduced, I introduced in my summary statement, because I did not have them in time for my prepared testimony.

CHAIRMAN HARWOOD: I believe I asked you, did I not, that you add to those EAS lines of which somebody obviously reminded you that had access to them, or you thought of it yourself, but added those in.

THE WITNESS: Yes, sir, we did.

CHAIRMAN HARWOOD: I am not surprised, Mr. Marmon, but we can check on the numbers in Mr. Addison's office, those are the number of lines in each of those exchanges, but I'm not surprised to find that's what, 47,000 of the 119,000 in the Culpeper LATA, not having service by OCCs at this time. I think you will find that the Richmond, Washington and Norfolk LATAs are having a very high percentage, the metropolitan areas,

and the ones in the Southwest, probably even less than this.

MR. MARMON: If Your Honors would like, we could go through this exercise for Richmond and Norfolk, and compare the figures that Mr. Wilcox has with the figures that C&P has submitted to Judge Greene. I don't want to be overly tedious about this.

CHAIRMAN HARWOOD: Well, I don't think we need to do it unless you disagree with the figures.

MR. MARMON: We do disagree with the figures. We think they're low.

COMMISSIONER SHANNON: Go right ahead, probe into it if you want. But bear in mind, you're talking about two different things. He's talking about figures as of April, and this is talking about figures as of September, 1985, I believe.

MR. MARMON: That's correct. And they're in that report there. It indicates there's about a three percent growth from year to year in the number of lines.

MR. MORRISSEY: Judge Shannon, I'll

2 say just that the -- that we might expedite
3 matters -- and it's understandable that
4 Mr. Marmon might be confused. I sub-
5 mit that I didn't know all the facts
6 surrounding this. It's come to my attention
7 that another reason for this discrepancy is
8 C&P's requirements under the MFJ, they were
9 supposed to report on main station, main
10 station equivalents, so that we can stay
11 here for three hours and the numbers are
12 never going to jive. Mr. Wilcox talked about
13 access lines. What I'm led to believe is
14 these are main station and main station
15 equivalents, and those will not equal each
16 other.

17 COMMISSIONER SHANNON: That's exactly
18 the point. That's the trouble with using
19 something out of a different proceeding from
20 a different witness to try to make your
21 point, and I still say the best evidence
22 would be if you had gotten somebody from
23 your company, Mr. Marmon, that was familiar
24 with this, that knew it and could put it in
25 on direct testimony; then the other side

could probe it and see whether he was accurate or not.

MR. MARMON: Your Honor, our company doesn't have any access to C&P's figures or lines served by AT&T or --

COMMISSSIONER SHANNON: But I'm sure you could have subpoenaed a C&P witness. We issue subpoenas every day around here.

MR. MORRISSEY: Or, Judge Shannon, he could have done what we did and called Mr. Kelly or anyone at C&P. We're not part of C&P any more. We called and asked. We found that to be very effective sometimes in getting information.

MR. MARMON: We would -- we think that one piece of information from Mr. Wilcox would be very helpful, and that is the percentage of lines not served by an OCC LATA by LATA. If he could give us that.

COMMISSIONER SHANNON: Do you have that information?

THE WITNESS: No, I don't, Your Honor. I'm sure we could get it, but I don't have it with me today.

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line on this chart. It says LEC Access Lines;
is that -- may I ask him a question?

COMMISSIONER SHANNON: Go ahead
and ask your question.

RECROSS EXAMINATION

BY MR. GAMBARDILLA:

Q Is that the total access lines owned
by C&P?

A The number for C&P, as I understand it,
includes all business and residence access lines other than
private lines, with the exception of CENTREX is equated
as if it were PBX main lines, so that in every case --
I've forgotten what the normal way to treat CENTREX is,
I'm sorry -- but rather than counting all lines in a
CENTREX installation, you count them as if it were a
PBX and the equivalent number of trunks that you
otherwise would count as main lines for business.

Q I see. This isn't a matter of going
out and counting up lines. You might have to exercise
some judgment and make some assumptions about, and
actually make some calculations in that million 793;
is that right?

A The only calculation is the one that
I mentioned, the transforming CENTREX lines into the

equivalent business lines. That would pertain to a business PBX account.

Q Did you do that calculation?

A No, C&P did that calculation.

Q You don't know how they did it or what assumptions they made?

A I think the assumption is something like one-eighth of the CENTREX, total CENTREX lines, would be included as business lines. I think that's the typical way it's done.

MR. GAMBARDELLA: Thank you.

COMMISSIONER SHANNON: Any redirect?

MR. MORRISSEY: Just one, Judge Shannon.

REDIRECT EXAMINATION

BY MR. MORRISSEY:

Q Mr. Wilcox, if this Commission had requested C&P to provide their number of access lines, do you believe that they would have calculated them in the same way to provide that information to the Commission as they would --

MR. MOORE: I object to that, Your Honor. He can't testify to that.

1 Wilcox - Redirect

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2 COMMISSIONER SHANNON: I'll sustain
3 that objection.

4 MR. MORRISSEY: I have no further
5 questions.

6 COMMISSIONER SHANNON: You may stand
7 down, Mr. Wilcox, and your testimony will be
8 received as marked.

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10 * * * * *

11 WITNESS STOOD ASIDE
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SUMMARY

	C&P	NON-C&P	TOTAL
1. LEC ACCESS LINES	1,793,111	581,582	2,374,693
2. ACCESS LINES WITH TOLL-FREE AVAILABILITY TO OCC'S	1,579,826	157,641	1,737,467
3. ACCESS LINES WITH TOLL-FREE AVAILABILITY TO RESELLERS ONLY	38,199	29,717	67,916
ACCESS LINES WITH TOLL-FREE ACCESS TO AN AT&T COMMUNICATIONS COMPETITOR (LINE 2 + LINE 3)	1,618,025	187,358	1,805,383
5. PER CENT (LINE 4 ÷ LINE 1)	90	32	76

1307

Exhibit No. DSW-2A
Filed JUL 31 1984
Witness
Douglas S. Smith
Charles R. Smith

VIRGINIA EXCHANGES SERVED BY OCC'S
AND NUMBER OF ACCESS LINES

<u>C&P</u>		<u>NON-C&P</u>	
-Arlington/Alexandria	235,145	Charlottesville	41,454
-Fairfax/Vienna	87,015	Crozet	2,176
-Falls Church/McLean	151,192	Scottsville	1,678
-Braddock	12,655	cArcola	1,009
-Engleside	13,066	Dulles	782
Richmond	234,706	Princess Anne	3,786
Ashland	6,914	Great Bridge	6,289
Bethia	1,496	Hickory	2,379
Chester	9,748	Manassas	25,016
Manakin	1,906	Haymarket	3,805
Rockville	940	Nokesville	889
Sandston	8,748	Independent Hill	2,413
Varina	2,327	Dale City	10,885
Mechanicsville	10,158	Triangle	5,096
Midlothian	9,009	Occoquan	15,090
Roanoke	83,072	Chancellor	5,495
Bent Mountain	575	Stafford	5,153
Montvale	965	Troutville	3,294
Salem	13,407	Bachelors Hall	1,776
Norfolk/Virginia Beach	244,083	Whitmell	1,635
Portsmouth	58,028	Chuckatuck	884
Newport News	40,317	Holland	708
Hampton	52,916	*Lorton	2,793
Peninsula	32,209	-Lorton Metro	669
*Poquoson	3,799	Bristol	12,487
Lynchburg	49,844		
Concord	1,196	Total	157,641
Petersburg	37,726		
Hopewell	13,193		
Dinwiddie	2,936		
cLeesburg	7,485		
Catoctin	2,128		
cMiddleburg	1,705		
cMount Gilead	2,886		
-Herndon	40,636		
cFredericksburg	21,086		
cHartwood	2,596		
cSpotsylvania	2,090		
Suffolk	11,913		
Whaleyville	1,107		
Temperanceville	2,834		
Chincoteague	2,121		
Belle Haven	3,971		
Parksley	1,934		
Danville	30,275		
cWarrenton	7,502		
Toano	2,659		
Williamsburg	15,607		
Total	1,579,826	1308	

VIRGINIA EXCHANGES
SERVED ONLY BY RESELLERS
AND NUMBER OF ACCESS LINES

<u>C&P</u>		<u>NON-C&P</u>	
Christiansburg	8,165	Abingdon	7,515
Blacksburg	18,326	Glade Spring	1,207
Radford	10,036	Meadowview	1,651
Shawsville	<u>1,672</u>	Damascus	1,274
		Konnarock	415
Total	38,199	Fincastle	966
		Eagle Rock	637
		Troutville	3,294
		Woodstock	3,291
		Strasburg	2,518
		Toms Brook	952
		Edinburg	1,888
		Basye	1,032
		Mount Jackson	1,530
		New Market	<u>1,547</u>
		Total	29,717

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CULPEPER LATA

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	40	33				2	40	33
#2B ESS				1	2	2	1	2	2
DIGITAL ESS	2	15	13	3	33	27	5	48	40
* SUBTOTAL *	<u>4</u>	<u>55</u>	<u>46</u>	<u>4</u>	<u>35</u>	<u>29</u>	<u>8</u>	<u>90</u>	<u>75</u>
#2ESS				1	5	4	1	5	4
#3ESS				5	9	8	5	9	8
#5XB				3	8	7	3	8	7
#1XB									
SXS				6	7	6	6	7	6
* SUBTOTAL*	<u>15</u>	<u>29</u>	<u>25</u>	<u>15</u>	<u>29</u>	<u>25</u>	<u>15</u>	<u>29</u>	<u>25</u>
** TOTAL **	<u>4</u>	<u>55</u>	<u>46</u>	<u>19</u>	<u>64</u>	<u>54</u>	<u>23</u>	<u>119</u>	<u>100</u>

4/10/84

MC1-6

1310

VIRGINIA

DSW-2
Pg 1 of

LIST OF CITIES SERVED BY DIFFERENT VENDORS

*POPULATION	CITY	STATE	A L B T	S P R I N T	G T E M L	I S A C O M L	L E X I N G T O N	M C C O R M I C	S A T E L I T E	S B R E W O O D	T Y M S H A R E	U S T E L
103,217	--- ALEXANDRIA	VA	X				X		X		X	X
152,599	--- ARLINGTON (county)		X				X			X	X	X
4,640	--- ASHLAND		X									
-	--- BETHIA		X									
-	--- BRADDOCK		X									
39,916	--- CHARLOTTESVILLE			X			X	X			X	
114,226	--- CHESAPEAKE						X					
5,556	--- CHESTER		X									
6,621	--- CULPEPER										X	
-	--- DULLES		X									
19,450	--- ENGLESDALE		X									
19,390	--- FAIRFAX		X								X	
9,515	--- FALLS CHURCH		X									
15,322	--- FREDERICKSBURG							X				
-	--- GREAT BRIDGE		X									
-	--- GREAT FALLS		X									
122,617	--- HAMPTON						X					
11,449	--- HERNDON		X		X							
-	--- HICKORY		X									
-	--- LANGLEY AFB										X	
8,357	--- LEESBURG							X			X	X
-	--- LORTON		X									
-	--- LORTON METRO		X									
66,743	--- LYNCHBURG						X			X	X	X

*1980 Census

VIRGINIA

LIST OF CITIES SERVED BY DIFFERENT VENDORS

<u>*POPULATION</u>	<u>CITY</u>	<u>STATE</u>	<u>A</u> <u>L</u> <u>L</u> <u>N</u> <u>E</u> <u>T</u>	<u>S</u> <u>P</u> <u>R</u> <u>I</u> <u>N</u> <u>T</u>	<u>G</u> <u>T</u> <u>E</u> <u>N</u> <u>T</u> <u>L</u>	<u>I</u> <u>S</u> <u>A</u> <u>C</u> <u>O</u> <u>N</u>	<u>L</u> <u>E</u> <u>X</u> <u>I</u> <u>T</u> <u>E</u> <u>L</u>	<u>M</u> <u>C</u> <u>I</u>	<u>S</u> <u>A</u> <u>T</u> <u>E</u> <u>L</u> <u>C</u> <u>O</u>	<u>S</u> <u>B</u> <u>S</u>	<u>T</u> <u>M</u> <u>S</u> <u>H</u> <u>A</u> <u>R</u> <u>E</u>	<u>W</u> <u>U</u>	<u>U</u> <u>S</u> <u>T</u> <u>S</u>	<u>U</u> <u>S</u> <u>T</u> <u>E</u> <u>L</u>
-	MANAKIN	VA	X											
15,438 ---	MANASSAS							X						
18,149 ---	MARTINSVILLE											X		
-	MCLEAN		X											
5,189 ---	MECHANICSVILLE		X											
841 ---	MIDDLETOWN											X		
600 ---	MIDLOTHIAN		X											
144,903 ---	NEWPORT NEWS			X	X		X	X				X	X	X
266,979 ---	NORFOLK		X	X	X		X	X	X		X	X	X	X
-	PENTAGON											X		
41,055 ---	PETERSBURG							X				X		X
104,577 ---	PORTSMOUTH		X				X					X		X
-	PRINCESS ANNE		X											
-	PUNGO		X											
219,214 ---	RICHMOND		X	X	X	X	X	X	X		X	X	X	X
100,427 ---	ROANOKE			X	X		X	X			X	X		
-	ROCKVILLE		X											
4,300 ---	SANDSTON		X											
-	SPARTANBURG												X	
2,000 ---	VARINA		X											
15,469 ---	VIENNA		X											
262,199 ---	VIRGINIA BEACH		X				X					X		X
3,907 ---	WARRENTOWN [sic]											X		
20,217 ---	WINCHESTER											X		
1,925,082 ---	TOTAL OF ABOVE													
5,239,600 ---	TOTAL POPULATION OF STATE OF VIRGINIA													

*1980 Census

13 COMMISSIONER SHANNON: All right,
14 I believe we're ready to hear again from
15 Dr. Cornell.
16

17 NINA W. CORNELL, recalled as a witness
18 by and on behalf of the protestant, MCI, having been
19 previously duly sworn, testifies further as follows, viz:

20 DIRECT EXAMINATION (CONTINUED)

21 BY MR. MARMON:

22 Q Good morning, Dr. Cornell.

23 A Actually, I believe it's afternoon.

24 Q Dr. Cornell, yesterday, Mr. Wilcox
25 spoke, in answer to questions from Mr. Gambardella and

myself about the AT&T Block-of-Time Plan, and he testified that the AT&T Block-of-Time tariff offering represented a service that was -- that would produce revenues in excess of costs. And there was a difference of opinion about that. Mr. Gambardella introduced the Justice Department Petition to challenge that, that tariff, where the Justice Department claimed that the Block-of-Time tariff was below cost and anti-competitive, and Mr. Wilcox said that the Justice Department didn't understand access charges. I would like to ask you some questions about the AT&T Block-of-Time Plan.

Could you please tell us what that is?

A The Block-of-Time Plan, there are a couple of them, but the simplest one is a plan in which customers can subscribe in advance and pay \$10 a month and get an hour's worth of night/weekend calling for that flat rate of \$10, and if they go over the hour, they pay 8.75, I believe it is, for each additional hour of calling. Flat block of time, that's what you get.

Q Now, have you -- did the Common Carrier Bureau assess this tariff and issue a report and Order on it?

A They allowed it to go into effect, yes.

Q Yes. And I'd like to hand you what would be marked as NWC--

COMMISSIONER SHANNON: NWC, the next number would be 8.

MR. MARMON: 8.

COMMISSIONER SHANNON: Would you describe what it is, please.

MR. MARMON: This is the Memorandum Opinion and Order in the matter of AT&T Communications, Inc., Division of Tariffs, FCC No. 263 and FCC 1, released June 6th, 1984, by the Chief of the Common Carrier Bureau of the Federal Communications Commission.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, did the Common Carrier Bureau conclude that the AT&T Block-of-Time tariff was offered in such a way that it would recover the costs of providing that tariff?

A No, in fact, they concluded the opposite. The numbers which are -- can be found in two places, on Page 2 in paragraph 3, and in Footnote 2 at the bottom of that page, show that for a user who

uses the entire hour for the first hour of \$10 is going to pay the equivalent of 16.67 cents per minute. That's about the one, two, three, four, five, six, seventh line down in paragraph 3. But AT&T is going to pay 16.9 cents per minute in access charges. For the second and subsequent hours, these are the high volume, profitable users that AT&T witnesses referred to yesterday, they will receive 14.6 cents in revenue to cover all their costs, including access charges, and just for access charges, they will still have to pay 16.9 cents a minute. It's called losing 2.3 cents in every minute and making it up in volume, I guess. I don't know.

Q Now, yesterday, did Mr. Wilcox attempt to make an argument that indicated that, in fact, AT&T's costs would actually be less than the revenues received, and if he did, could you please comment on that?

A Well, Mr. Wilcox seemed to be saying that you could look at -- that access charges have two components to them. There is the costs of -- that are imposed upon the local exchange company for providing access, and then there is the carrier common line charge, which is the element that is designed at the moment to pick up the non-traffic-sensitive costs that have been assigned to the interstate jurisdiction under the

2 separations formula. He was arguing that the reason
3 that AT&T does not believe they're providing it below
4 cost is that they view the carrier common line charge
5 portion as a fixed cost, which economists use that term
6 to mean costs that don't vary with the quantity of the
7 substance that you use. But it's like, if you build a
8 factory, the whole factory is a fixed cost, and it
9 doesn't vary if you turn out two units of production,
10 or 22 units of production, or 222,000 units
11 of production. He argued that the FCC has made it
12 clear that they have a revenue target that they're
13 looking for for the carrier common line charge, and
14 that they aren't going to let it go over that, and
15 they will do a variety of things. The only problem is,
16 that isn't the way access charges are set up. Access
17 charges are set up to be so much per minute, and on
18 average, it's going to be, according to the FCC's
19 calculations, 16.9 cents per minute. And that's going
20 to remain true no matter how many minutes AT&T uses.
21 The FCC has said that they'll go back to access charges
22 in six months if they need to and if there's some big
23 glitch in the numbers, in the charges that they've set
24 versus where they want to be. But the FCC has neither
25 put a cap on the total amount to be collected from AT&T,

nor have they set up any retroactive refund possibility if AT&T overprovides to the carrier common line charge collections. They've made no provision, moreover, I might say if there is a great underrecovery of that revenue requirement, they've made no provision for going back and asking the carriers to ante up more money. So it is not a fixed cost. It is a variable cost.

COMMISSIONER SHANNON: Dr. Cornell, you referred earlier to 16.9?

THE WITNESS: It's in Footnote 2, Your Honor. It's the third line from the bottom of Footnote 2 on Page 2. The reason that I used that is that the petitioners who asked that -- this document was in response to petitioners who asked that the Block-of-Time tariff be rejected or suspended and investigated. And the petitioners said it would cost AT&T 18.5 cents per minute. The Common Carrier Bureau, the Chief of the Common Carrier Bureau, has noted that they have recalculated based on changes in the access charge tariff, but they believe it will cost AT&T 16.9 cents per minute, and I was comparing 16.67 that's in the text of

Paragraph 3, to 14.6 that's in the text, to the cost of 16.9.

COMMISSIONER SHANNON: I see. Okay.
Thank you.

COMMISSIONER BRADSHAW: Were you a party to this?

THE WITNESS: No, I was not.

COMMISSIONER BRADSHAW: I'm having a hard time seeing the relevance, frankly.

MR. MARMON: The relevance --

COMMISSIONER BRADSHAW: I know this is a brilliant lady, but what is the relevance here of Tuesday afternoon quarterback of another proceeding?

MR. MARMON: The relevance, Your Honor, is you have to decide whether AT&T is going to be offering services on a competitive basis. In June of this year, the substantial evidence was that AT&T offered its services on a non-competitive basis, which has been challenged by the Justice Department, and we think that it's relevant to bring that before you.

COMMISSIONER BRADSHAW: I see, okay.

BY MR. MARMON: (Continuing)

Q Is this, Dr. Cornell, is this tariff in effect at this time?

A Yes, this tariff is in effect at this time.

Q Now, subsequent to the proffering of this tariff and its going into effect, did AT&T attempt to amend this tariff to lower it by some figure?

A Yes, AT&T filed a tariff change proposal, proposing to reduce this by 6.1 percent, the same across-the-board percentage that the FCC ordered them to reduce their MTS rates.

COMMISSIONER BRADSHAW: Dr. Cornell, do you think in a competitive society, people can't offer things below cost? I mean, the grocery stores have loss leaders over the weekend, and Greyhound, you can ride the bus anywhere you want, any time you want to, for \$75.

THE WITNESS: Well, first of all, Your Honor, I don't -- the evidence that they really are loss leaders is not too good, that they are really offering those things below the variable cost of offering them. That's one.

Number two, the purpose of this is to bring in customers. If you are offering something that's way below cost, the reason is that you're going to bring people into your store, they're going to purchase a wide variety of other goods and services, and the value that those purchases bring in make it have to have been profitable. It's like an expenditure in advertising, in other words. This doesn't have those same characteristics.

COMMISSIONER BRADSHAW: Let's assume that it is below cost, okay?

THE WITNESS: Yes.

COMMISSIONER BRADSHAW: What's wrong with the concept, from an economic point of view, that people can make business judgments to obtain business any way they want to?

THE WITNESS: Okay, but the problem is, first of all, this isn't to obtain business. This is offering to a group of high-volume customers a service below cost. AT&T, in fact, justified this by noting that its entire MTS category was still going to earn its proposed rate of return. That means

they're making it up on some other group of customers, Your Honor. Those are the people who aren't high-volume users who are going to pay for the high-volume users to be provided below-cost service.

COMMISSIONER BRADSHAW: Well, aren't all loss leaders in the free enterprise system made up somewhere?

THE WITNESS: No, usually -- well, they're made up someplace, but they're made up like an advertising expenditure is, which is that I make an advertising expenditure if I'm a business person, and it lures, let's say, you into my store or into my place of business, and then you both pick up what is below, what is advertised below whatever price you want to think is the cost-based price, and you pick up a variety of other goods. And in the combination, in the bundle of what you buy, you have made a profit for the store.

COMMISSIONER BRADSHAW: You're saying the difference is the way it's advertised? Is that what you're telling me?

1 THE WITNESS: It isn't a question
2 of advertising. It is a fact that if you sign
3 up for this, and you use a block of time, an
4 hour of night/weekend calling, there's nothing
5 there that is going to induce you to also,
6 let's say, use an hour of daytime calling
7 or an hour of regular MTS, in addition.
8 You are going to substitute this for normal
9 MTS use, and therefore, the people who use
10 this are not going to be purchasing additional
11 goods and services from AT&T, in other words,
12 MTS calling, to bring in the revenues to
13 cover the losses incurred on this service.
14 It's the other folk who don't -- I would
15 note moreover that this is not offered
16 every place in the United States. This is
17 offered out of 19 BOC's at the moment,
18 not even independent companies.

19 COMMISSIONER BRADSHAW: And that's
20 my next question: It's not offered in
21 Virginia, is it?

22 THE WITNESS: I do not know which
23 local exchange companies --

24 COMMISSIONER BRADSHAW: I don't think
25

it is.

THE WITNESS: But there is nothing
to bar --

COMMISSIONER BRADSHAW: If it's not,
how is it relevant, if it's not offered in
Virginia?

THE WITNESS: Because if you
deregulate AT&T as is being proposed for
you to do, there is nothing to bar AT&T from
introducing in Virginia an exactly similar
plan.

COMMISSIONER SHANNON: Well,
Dr. Cornell, in every competitive business,
you have loss leaders; don't you? I mean,
the grocery store, Safeway out here may sell
a can of beans at ten cents to get me to come
in and buy a can of 75-cent peaches.

THE WITNESS: Well, I once again
say, I think you better be careful about what
you mean by loss leader, because there's very
little --

COMMISSIONER SHANNON: Well, selling
a product below cost --

THE WITNESS: It's very little

evidence that people really price below their basic variable costs of offering that. In other words, if I bought a can of beans from the wholesaler at eight cents and offered it to you for ten, it's true, I may not be covering as much of my overhead costs on that can of beans, but if beans are really popular, and if by advertising beans, I get most of the housewives in that area to do their weekly grocery shopping that week in my grocery store, those same housewives who buy the beans are going to cover my overhead.

COMMISSIONER SHANNON: Well, wouldn't it be true to the extent that MCI is offering, or Sprint, or any of the other OCCs are offering services, interstate service in Virginia, how do we know they're not offering some of their services at below or at cost? We don't; do we? It's a competitive market.

THE WITNESS: Well, first of all, you know it adds to MCI and GTE-Sprint, because they have no other group of customers who can cover and make up for. If they do

1 something like this, where they offer a
2 service that is below even their access
3 charge, you know, AT&T has to fork that money
4 over to the local exchange company, and it's
5 not going to get back as much revenue from the
6 customer, and we haven't even talked about
7 AT&T's own costs, using their own transmission.
8

9 COMMISSIONER SHANNON: Well, using --
10 MCI, they have to pay access charges,
11 too.

12 THE WITNESS: That's correct.

13 COMMISSIONER SHANNON: If they offer
14 their services below access charge, then
15 they're making it up somewhere else in a
16 more profitable area.

17 THE WITNESS: They have no other
18 place to make it up, one, and if they do
19 lose it, it's their stockholders who take it,
20 you know, the management gets turned down.
21 What I'm saying is, in this case, it seems
22 pretty clear, if MTS as a whole service is,
23 in fact, earning its rate of return, it means
24 there is a bunch of users who are not being
25 offered and not subscribing to the Block-of-Time

Plan who are paying much more than cost for their MTS service in order to cover the losses from this particular offering.

COMMISSIONER SHANNON: Well, in the regulated community, don't life line rates generally fall below costs?

THE WITNESS: Yes, but that, you have made a decision that that's in the public interest and that people should do that. I don't know where it was decided in the public interest that people who want to do a high volume of night/weekend calling should get that calling for below cost.

COMMISSIONER SHANNON: Well, I guess we're here determining whether it's in the public interest to put everybody on the same basis competitive-wise.

THE WITNESS: I have a point to make to that. You can't put everybody on the same basis competitive-wise if there's circumstances by deregulating AT&T on the grounds that the other guys are going to be deregulated when their circumstances are so vastly different.

1
2 Fairness - I heard you use the
3 term the other day. Fairness comes in
4 treating people who are in like circumstances
5 alike. These companies are not in like
6 circumstances. They are in very different
7 circumstances. AT&T has captive customers,
8 it serves monopoly customers who have no
9 place else to go. MCI and GTE-Sprint and
10 the OCCs and the resellers do not.

11 COMMISSIONER SHANNON: But you have
12 to admit, don't you, Dr. Cornell, that these
13 other companies, and MCI, and Sprint, and
14 so forth, have done pretty well, haven't
15 they, in getting into the market?

16 THE WITNESS: Well, it depends
17 how you want to define pretty well. I'm
18 not going to argue that they're not
19 profitable; it would be silly to try.
20 But if you look at national statistics for
21 interstate traffic, which is where they've
22 been the longest, and where the data is the
23 most open to collect, they have less than
24 ten percent of the total minutes of use
25 after having been in this market unambiguously

since 1978, when they got the stuff sorted out.

COMMISSIONER SHANNON: AT&T has been in the market a hundred years, and they've been in ten years and got ten percent. It looks like that's pretty good, pretty good inroads.

THE WITNESS: I would disagree. I would very respectfully disagree that that is not a very high inroad and not an indication that these companies are fully competitive in any way, shape, or form with AT&T.

COMMISSIONER SHANNON: Let me ask you one other question on this, this matter before the Federal Communications Commission, this Transmittal No. 79, Memorandum Opinion and Order. This was really in connection with a rate proposal they filed for these two options under the -- under the, I guess it's the -- what do you call it -- the Time Optional, Block-of-Time Optional Calling. And here you had a Staff Report arguing that this one service offering was below cost. And they made some comments in here, the Staff did, that such below-cost pricing will

1
2 be predatory, contrary to the Communications
3 Act, and would inhibit -- and inhibit
4 development of competition of long-distance
5 message service, but we're talking about
6 a regulated environment here. They're
7 applying the, the provisions of the
8 Communications Act of '34 in making these
9 determinations. You're not comparing like
10 with like. If this were a competitive
11 situation, I think it would be an entirely
12 different situation; don't you?

13 THE WITNESS: No. When you have
14 a firm that has market power, it is --

15 COMMISSIONER SHANNON: Of course,
16 that's the assumption, that they have market
17 power.

18 THE WITNESS: Well, but, Your Honor,
19 I would respectfully submit that the fact
20 that they can lose 2.3 percent on their
21 high-volume customers and still make their
22 authorized rate of return says to you
23 they've got power someplace to go back
24 and get it out of the low volume. Remember,
25 you must be way overcharging the low-volume

1
2 customers, because, by definition, they're
3 low volume. They've got to pay an awful
4 lot for those low-volume calls to make up
5 losses on your high-volume users; now,
6 admittedly, it's night/weekend, and not
7 your big business daytime MTS users, but
8 nonetheless, you're still talking a lot of
9 market power to be able to get away with
10 losing 2.3 cents on every call and making it
11 up someplace else in volume.

12 COMMISSIONER SHANNON: Yeah, but
13 doesn't the OCCs have the power to go out
14 here and to enter the market at any place
15 they think that it's economically feasible
16 to do so?

17 THE WITNESS: They have the power,
18 that is correct, they do.

19 CHAIRMAN HARWOOD: Dr. Cornell,
20 let me just ask you a couple of things as a
21 matter of clarification from the Opinion. It was
22 my understanding from a brief sketch reading
23 that the Bureau of Common Carrier recommended
24 approval in the public interest?

25 THE WITNESS: They approved the

1
2 tariff, or they allowed it to go into effect,
3 I think is the proper way to put it. It has --
4 the petition that was referred to from the
5 Department of Justice yesterday, has asked
6 the full Commission to hear it, and I
7 understand that in combination with the
8 request by AT&T to reduce the rates by 6.1
9 percent, there is going to be an investigation
10 of this tariff.

11 CHAIRMAN HARWOOD: My trite under-
12 standing as a lawyer of this Opinion, if I
13 were citing it, I would have to cite it
14 for the position that they approved it,
15 and found it in the public interest; would
16 I not?

17 THE WITNESS: Well, from my years
18 at the FCC, let me suggest that the problem
19 with the way the Communications Act is
20 worded is that it is -- it is true they could
21 have suspended the tariff, and they chose not
22 to do that, but they let things go into
23 effect, even though that doesn't mean they
24 approve them, that they haven't made an
25 affirmative finding, the Commission hasn't,

because this is under delegated authority.
And what has been appealed has been to say
to the Commission, you need to look at what
your Staff has done.

COMMISSIONER SHANNON: But it's
not unlawful, per se, otherwise they would
have had to suspend it.

THE WITNESS: I mean I -- you're
sort of miring me into lawyer's terms, and
I apologize, Your Honor, I'm not a lawyer.
My understanding is that they are now looking
into this. Whether it's unlawful, per se,
is something the Commission will decide.

COMMISSIONER SHANNON: Well, my
understanding is, when you file a rate with
the ICC -- it used to be with the ICC --
or with the FCC, if the rate is unlawful,
that is, noncompensatory rate, I believe,
was an unlawful rate -- then they would have
to suspend it. So there is some question
as to whether this was compensatory or not,
because they let it go into effect, I suppose,
subject to further investigation.

THE WITNESS: There is no question --

I respectfully request that you read the entire document, because there's no question that the Common Carrier Bureau did not find it compensatory. What they said -- what they said was, for a variety of reasons, including the fact that they're concerned that the entire night and weekend rate structure also may not be compensatory, that they decided they couldn't say no at the Staff level to this particular rate plan. They also felt they have a variety of reasons in there that are precisely the reasons that if you read the Justice Department's Application for Review, the Justice Department makes a point those aren't very good reasons for letting this tariff go into effect. And the issue is now in front of the Commission proper, as opposed to any longer being handled by delegated authority.

COMMISSIONER SHANNON: But actually what we're talking about, we're talking about an Order of the Common Carrier Bureau, which let a rate go into effect and then the Justice Department and the other parties here

1 had certain positions on it, which apparently
2 were commented upon, but were not accepted
3 as such. Otherwise, they would not have let
4 the tariff go into effect.
5

6 THE WITNESS: Well, sir, I don't
7 know -- I don't remember -- I don't believe,
8 in fact, that these -- in the first paragraph
9 on Page 1, I do not see the Department of
10 Justice. It may be that I just don't read
11 it there. But I don't see that the
12 Department of Justice commented the first time
13 around. The Department of Justice responded
14 to the action, to this Memorandum Opinion
15 and Order, letting the tariff go into effect.
16 And that is when they petitioned for review,
17 saying wait a minute, this is noncompensatory.

18 COMMISSIONER SHANNON: But that's
19 my point. We're talking about a Staff
20 Opinion -- correct me if I'm wrong,
21 Mr. Marmon -- it's still on appeal at the
22 Federal Communications Commission. The
23 Federal Communications Commission hasn't had
24 the final word on this yet.

25 MR. MARMON: That's correct. And I

would like to, since we're talking about it,
I'd like to introduce into evidence the
Justice Department Application for Review
of that Order as NWC-9.

COMMISSIONER SHANNON: Well, I
really don't see the relevance, but since
we're talking about it, we're going to let
it in, just because of the fact that it was
referred to by Dr. Cornell and maybe I asked
a question about it. But it's of limited
value, except just for historical purposes,
to make sure the record is complete.

We'll mark this for identification
as NWC-9.

MR. GAMBARDILLA: Your Honor --

CHAIRMAN HARWOOD: So we don't
get hung up in this: The three members of
the Commission -- I think I can speak for
them -- and if they don't, they'll both punch
at me, I know -- accept the fact in a
regulated environment, or nonregulated,
if you charge below cost for something,
you've got to make it up somewhere, or else
it would eventually go out of business.

That's the point, I think, that's been trying to be made here. Whether we agree or disagree with doing it, I think that's all that is attempted to be proved in the case; isn't it? And I think we all accept that.

MR. MARMON: Your Honor, I think that I'm trying to prove more than that. I'm trying to prove that AT&T is still capable of acting in an anti-competitive way, that this is an indication of that capacity.

CHAIRMAN HARWOOD: We can't -- I disagree with you on that. I can't accept the fact that the truth or the falsity of the allegations in the petition, because I notice in my sketchy reading that the AT&T claims that their costs are 10.3 cents for instance, and doesn't agree with the Common Carrier Bureau or the petition. So, the matter is still in litigation, I would think, and the contention of the parties, I can't accept the Chief of the Common Carrier Bureau's findings, which ultimately said it was in the public interest or wasn't, and let it

1
2 go into effect as being determinative of
3 whether it was or wasn't. I'd be interested
4 in what the Federal Communications Commission
5 does.

6 MR. MARMON: Your Honor, I think
7 at the very least, it raises a question,
8 and I think that that's the sort of question
9 that is relevant in this proceeding.

10 COMMISSIONER SHANNON: But there's
11 one thing you're overlooking. Interstate
12 costs are vastly different from intrastate
13 costs. Just because something may be
14 true at the interstate level and approved
15 by the FCC doesn't necessarily mean that
16 that's going to be applicable in the
17 Commonwealth of Virginia.

18 MR. MARMON: I would agree.

19 COMMISSIONER SHANNON: Mr. Gambardella?

20 MR. GAMBARDELLA: Your Honor, we
21 originally raised this point yesterday, and
22 I'd submit to you that this does have value
23 for a fairly precise point, and that is that
24 there is a dispute now by someone that is
25 pretty expert in finding out about anti-

1 competitive things, and that is the Justice
2 Department. The dispute between the
3 Justice Department and AT&T, no matter how
4 that dispute comes out--I, too, will be
5 interested to see how it comes out--there
6 is a dispute, and this proves the dispute.
7 The truth or the falsity of each other's
8 allegations is something else again. But
9 the whole colloquy here on this, I think,
10 illustrates a point that we're concerned
11 about in this case, and that is that we
12 want to examine these things, and we really
13 haven't had a significant amount of time,
14 or we feel, an adequate opportunity to do
15 that.

16
17 Thank you.

18 COMMISSIONER SHANNON: Well, the
19 Justice Department and Judge Greene didn't
20 give us a lot of time on this divestiture,
21 either, did he, Mr. Gambardella?

22 MR. GAMBARDELLA: No, sir.

23 MR. MORRISSEY: I've not objected
24 to the relevancy of this material at this
25 point, in the hopes that it would expand the

1 record; and of course, the Commission can
2 always take public knowledge of these points,
3 but I would point out the fact, it, that rather
4 than undercutting our case, in fact strengthens
5 our case. What it shows is this supposed
6 anti-competitive activity went into effect
7 at the Federal level, which is pervasively
8 regulated. It's indicated that whether
9 we're regulated or deregulated had no
10 impact on this alleged anti-competitive
11 activity, and I would submit to you that
12 that would be the same in Virginia. It
13 is not germane to the facts of this case
14 and would have no impact as to whether we
15 are regulated or not regulated.
16

17 COMMISSIONER SHANNON: All right,
18 let's get on. This is interesting. I think
19 you all have a --

20 MR. MARMON: In response to that
21 particular point, I would like to ask
22 Dr. Cornell one follow-up question:

23 BY MR. MARMON: (Continuing)

24 Q Have other rates that have subsequently been
25 found to be unlawful been allowed to go into effect by the

FCC, or Bureau thereof?

A I'm sorry, could you repeat that?

Q In the past, have rates that have subsequently been found to have been unjust or improper been allowed to initially go into effect?

A Yes.

COMMISSIONER SHANNON: But isn't that where they are filed and they are -- there's a subsequent investigation?

THE WITNESS: They are filed, there's a subsequent investigation, the Commission finds the tariff unlawful and -- WATS is a good case in point. It went on for years and years and years. The difference between a regulated and an unregulated market, however, Your Honor, is that in a regulated market, when somebody is the victim of that kind of behavior, they have a forum they can go to and have it investigated. If you deregulate AT&T, you have removed that forum.

COMMISSIONER SHANNON: Well, of course, under the Virginia law, you know, we have the sword of Damocles hanging over

us. If it ceases to be in the public interest, we can always bring them back under regulation. I know somebody said -- I think that you said reregulation is a difficult matter, but I don't think it would be that difficult.

THE WITNESS: But, you see, the problem, Your Honor, is you won't know, nor will the people who are victims know.

COMMISSIONER SHANNON: You don't think we'll hear from the public?

THE WITNESS: You won't have the information that anybody can compare it to. Nobody will be able to look. It won't be on file.

CHAIRMAN HARWOOD: I might say, Mr. Marmon, this Commission has allowed rates to go into effect, that later have been reversed by the Supreme Court of Virginia. We know about that. Only the courts of last resort are infallible.

(Laughter)

BY MR. MARMON: (Continuing)

Q Dr. Cornell --

COMMISSIONER SHANNON: This might be
a good time to take a short recess.

(Recess)

THE BAILIFF: The Commission resumes
its session.

COMMISSIONER SHANNON: Please continue,
Mr. Marmon.

MR. MARMON: All right.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, last Friday, were you
in the courtroom when Dr. Alessio was testifying?

A Yes, I was.

Q He claimed that this Commission should
deregulate AT&T because the interLATA market in Virginia
fits the definition of a contestable market; do you
agree with that?

A No, I do not. Dr. Alessio, I don't
believe correctly described contestability. In response
to cross-examination, he denied that hit-and-run
entry was a vital condition which directly contradicts
the senior author of the theory. I should note that
contestability is a new theory that's been developed by

1
2 economists who work for AT&T, and it's currently being
3 subjected to peer review and discussion within the
4 profession, but it so far has not been adopted as a
5 standard for regulatory purposes by any jurisdiction
6 that I'm aware of.

7 Dr. Alessio also failed to note
8 some additional conditions that Dr. Baumol has said
9 must apply for a market to be contestable, and they're
10 really quite important for communications. Two,
11 in particular. One is that entrants must not face
12 higher costs than the existing incumbent firm, and the
13 second is that entrants must face no disadvantage in
14 terms of customer perceptions of lower product quality
15 relative to the product quality of the existing firm.
16 And, of course, both of those are violated in the
17 present circumstances of unequal access in communications.

18 Q How does AT&T's superior form of
19 access lower its costs relative to the costs of
20 competitors?

21 A AT&T's access lowers its costs in a
22 number of ways, relative to the costs both of OCCs
23 and of resellers, who, of course, have the same form
24 of access that OCCs have at this point. The first is
25 that AT&T receives the signaling information that it

gets from the local exchange company. It is transmitted to AT&T more rapidly than the same information is transmitted to OCCs, that is, all the digits, that whatever number they are, that are inputted by the customer, get sent more rapidly to AT&T than they get sent to the OCCs. And when you combine that with the fact that more digits have to be sent to OCCs, you can see that the OCCs, for a call that to the customer is five minutes -- I'm talking to my mother for five minutes -- the OCC has to use much more time in its switch to get the information and set up the call, time for which it cannot bill the customer, than AT&T has to do for the same five-minute call. So that it gets more conversation time out of the total holding time than an OCC does for the same conversation time duration of a call.

Secondly, AT&T Communications of Virginia can switch those calls without using its switch to collect billing information prior to switching, that is, it can use its switch, real time just to switch. OCCs have to use their switches to collect the PIN number, to verify the PIN number, and collect that billing information, in effect, in real time, which AT&T does not. These two factors alone allow an AT&T switch to have twice as many ports, which is a kind of

measure of capacity on a switch, as the same switch when used by an OCC. That's a real cost penalty to an OCC.

Moreover, AT&T switches do not have to process information that's designed to simulate conversation time and holding time. AT&T doesn't have to do that, because it gets answer supervision and disconnect supervision, and again, that allows it to economize on access costs because it means, again, the holding time relative to conversation time for the same length of conversation is lower.

Third, we're going to be back to the rotary-dial exclusion. You've listened to people talk about, and you've seen the little machine that you can stick on the thing, but I would really -- you really need to realize that if a customer is going to spend \$29 and buy a device by which it can tone signal through a rotary-dial phone, they have, in effect, ceased to be a rotary-dial customer. I can buy a TOUCH-TONE or -- I shouldn't say TOUCH-TONE -- a tone-equipped phone for less than that. TOUCH-TONE is a trade name. But I can buy a tone phone for less than \$29. So if I want tone service, I'm going to buy a tone phone, if I want to spend that kind of money.

The fact that they cannot serve rotary-dial customers who do not wish to equip themselves with tone means that they have to go to more exchanges to even potentially reach the same number of customers than AT&T has, because, in general -- and I have not been able to ascertain precisely the tone penetration of equal usage in Virginia as a whole -- but, in general, it's around 50/50, 60/40, I mean you don't -- the numbers aren't that important to get the point across, that if I want to reach -- if an OCC wants to reach a thousand customers, it's got to go to more exchanges to get the potential of serving a thousand customers than AT&T does, because AT&T can serve every customer in the exchange without that customer having to spend an additional cent on equipment in order to use AT&T. That's not true for the OCCs. And so to get the same number of customers, they have to be able to connect into more exchanges.

Fourth, unlike AT&T, which may have to make some adjustments in its software programs when equal access comes into place, the OCCs face a massive readjustment of their facilities, of their software, and of their marketing programs for equal access. They are going to have to, unlike AT&T, where it is

1 true that some customers will now be told, you have a
2 chance to verify that you wish to be presubscribed for
3 dial 1 with AT&T, OCCs are going to have to say, for the
4 first time, you, you, you and you, but not you, you're
5 on the wrong side of the street, can sign up for dial 1
6 with MCI or with Sprint, or with a reseller, TDX, or
7 any of the others who come before you. They are going
8 to have to engage in these marketing programs repeatedly.
9 Then they're going to be able to come back and say,
10 now you're on the right side of the street, and come
11 back to people they had previously said, no, you can't,
12 even though your neighbor across the street can. None
13 of that is going to be true for AT&T.

14
15 Dial 1 access is here now for AT&T,
16 it's going to be here after equal interconnection,
17 or equal access is made available. It's not going to
18 change for them. There will be some costs. You heard
19 Mr. Schell talk about the adjustment costs of changing
20 the software to receive ANI prior to receiving the
21 calls. For the OCCs, they have to change the way
22 they interconnect, they have to hook up whole new trunks,
23 they have to change their systems to recognize ANI
24 instead of PINs and a variety of others that are
25 probably better addressed by reading the testimony of

Mr. Havens when he submits it, because he's a technical expert. I've only talked with him to learn the economic process of these kinds of adjustments.

Finally, I would note that your rule, the entrants who are stuck with inferior interconnections because that's what they could get originally from C&P, and they still can't get equal ones, that's still to come, are going to be forced to either block or compensate. Now, I'm not questioning whether this is good or bad, but I would note, it's another penalty on the OCCs that AT&T does not have to face. C&P blocks for AT&T.

COMMISSIONER SHANNON: There is one difference. The OCCs under Virginia law have no right to provide intrastate service.

THE WITNESS: Well, they're not offering intrastate service. They're not out there advertising it.

COMMISSIONER SHANNON: I'm not arguing with you, Dr. Cornell, but I'm simply saying you are showing that as a difference, but I'm not sure that's a valid difference because they shouldn't be in Virginia providing intrastate service until they are

newly certificated.

THE WITNESS: But the thing I would say, with all due respect, Your Honor, is that they are doing it because C&P did not provide them with interconnections that C&P itself could block, which they do for AT&T.

COMMISSIONER SHANNON: Go ahead.

THE WITNESS: That was my point.

COMMISSIONER SHANNON: Okay.

THE WITNESS: Those are at least five ways that there are cost penalties on the entrants that AT&T does not face.

BY MR. MARMON: (Continuing)

Q And following up on a point of Judge Shannon's, we're talking about competition in a post-grant period; are we not? If the Commission --

COMMISSIONER SHANNON: What do you mean by post-grant period, Mr. Marmon?

MR. MARMON: After the OCCs are certified. That's what --

COMMISSIONER SHANNON: No, it's been my understanding, Mr. Marmon, that there's been, I think Mr. Moore characterized is as incidental, but they have been giving

intrastate service in Virginia for some years now.

MR. MARMON: The issue that we're talking about though is the comparison between a competing unregulated AT&T and a competing and certified, and also unregulated OCC, after it's been certified.

COMMISSIONER SHANNON: You're asking us to disregard the past?

MR. MARMON: I think, Your Honor, that the -- that what Dr. Cornell was talking about was not how the OCCs are competing with AT&T now for intrastate business, but how they would be, assuming --

COMMISSIONER SHANNON: I understand that. That's clear. I understand it.

THE WITNESS: I would note, if you're not certified, that the OCCs are not going to be in a position to compete at all with the interLATA traffic come equal access.

COMMISSIONER SHANNON: For interLATA?

THE WITNESS: For interLATA. If they're not certified for interLATA, intrastate, then, you know, when the switches convert to

equal access, people looking at one choice to presubscribe for all interLATA services, both intrastate and interstate, have only one option. That's it.

CHAIRMAN HARWOOD: Would the experience any OCC would gain through its interstate operation and incidental intrastate operation, would not be a neophyte then in the market, as you would characterize it, as an economist? Somebody that's trying to do a start-up business, never been in it before.

THE WITNESS: Well, the answer is partially yes and partially no. Where they actually are today, they obviously have been -- they have customers who know about their services, but where they are going to have to go, I understand they're not now in the Norfolk LATA, at least, my understanding is that MCI is not in the Norfolk LATA now, yet that's where the first equal inter-connection switch in Virginia is going to come. So they're going to be a neophyte in that market. They haven't been there. If they don't have anything there, they're

not offering service there, even incidentally. So there, they're going to be a neophyte. They're going to have to get facilities, rent them or lease them. They're going to have to try to interconnect them. They're going to have to debug those interconnections. You know how it is with technical stuff, something always goes wrong. It's all going to be new, all coming in at the same time, and if they're out there trying to market -- and we only have one or two experiences -- Charleston, West Virginia, of course, has gotten a lot of attention with how do you market equal interconnection to people, and these reports are it's been overdone. People got bored, and they sort of said, gee, I wish this whole circus would go away. So they're still learning even how to market the fact that they finally will have in some limited areas dialing parity with AT&T.

CHAIRMAN HARWOOD: Thank you.

MR. MARMON: I think for the record, Your Honors, I think MCI does provide interstate service out of Norfolk, at least in some areas

1
2 of Norfolk. I'm not sure whether they're
3 providing it in the areas that are being
4 turned over, but I do think we have some
5 lines out of Norfolk.

6 CHAIRMAN HARWOOD: My only question
7 was predicated for her expertise as an
8 economist, the difference between a fresh
9 start-up business and handicaps, and one,
10 at least, that's been operating, has
11 accumulated capital and some business
12 knowledge, and I assume business knowledge
13 accumulated in the interstate market would
14 be fairly applicable to the intrastate
15 market.

16 THE WITNESS: Oh, clearly.

17 CHAIRMAN HARWOOD: As opposed
18 to somebody that's starting up today, a
19 bunch of us got together and decided to
20 raise some capital and start a company.

21 THE WITNESS: Clearly, MCI is
22 better off than ABC Telephone Company.

23 CHAIRMAN HARWOOD: I wasn't even
24 talking about MCI. I was talking about any
25 business enterprise that would have some

experience, and accumulated capital, and, you know, from the economic sense would be in a better position than a neophyte.

THE WITNESS: Precisely, but that, of course, points out how much better position AT&T is in than an MCI, or a GTE-Sprint. They've had about a hundred years of experience.

CHAIRMAN HARWOOD: That reminds me, who was it, Procrustes, who was the Attican bandit up in the hills of Greece, that when he took a prisoner, he put them down on his bed, and if they were too tall, he chopped off part of them, and if they were too short, he stretched them. He made them all equal; didn't he?

(Laughter)

THE WITNESS: I think that's precisely the kind of all-equal we're trying to say isn't very comfortable.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, how does the superior form of interconnection that you've just been talking about allow it to provide in a market a better quality of

service than the OCCs?

A Well, obviously, the two most important characteristics are the dialing disparity. Consumers prefer to dial fewer. It's easier. And the fact that to be an AT&T customer, you don't have to invest, if you don't want to, in tone generating equipment of one kind or another. And I think a lot has been said about the dialing disparity by now. It is also true, particularly on longer-haul calls that there are still perceivable quality signal noise echo problems on some OCC calls that are generally not present on AT&T calls. Again, that's caused by the interconnection.

Q Does AT&T exploit these differences in advertising?

A I've listened to Cliff Robertson for a long time now talking about how all these things are benefits, and why you ought to use AT&T, that they can do it and the other guys can't.

Q These advantages that AT&T has, are they the result of superior technical efficiencies on the part of AT&T?

A No, they're the result of the interconnection that was engineered back when AT&T owned the local exchange companies, or owned the Bell Operating

Companies.

Q We've talked about the Modification of Final Judgment that has ordered equal access and ordered equal access by, in most exchanges, by September, 1986. Assuming that that plan is implemented, as it's been ordered, does this not mean that the concerns about the relative disparities between the OCCs and AT&T is at best a two-and-a-half-year problem?

A No. First of all, I understand that C&P is going to have maybe 90 percent of its lines that have to go back to the equal access plan that has been the subject of discussion earlier this afternoon, but approximately 90 percent of C&P's lines will be equal access lines by September, '86, maybe a little bit less than that, but I think 90 is about right. But that doesn't talk about the independents. Now, I'm kind of confused because the numbers that I thought we had, and Mr. Schell gave some yesterday, led me to believe that the independents were about 22 percent. The new numbers that have been submitted by Mr. Wilcox make it look like the independents are 32 percent of, approximately -- I think that's the calculation I made this noon, hurriedly -- of Virginia lines. The point is that those, none of those switches are covered by

1
2 certain equal access requirements at all. They may
3 convert. I'm not saying that they may not, but there's
4 no, there's no knowledge, there's no certainty, there's
5 no timetable, there's no way to look ahead and say,
6 this is when it's going to happen, this is how it's
7 going to happen, this is when this problem is going to
8 be resolved.

9 COMMISSIONER SHANNON: But don't
10 you think if business is there, they'll
11 convert?

12 THE WITNESS: Well, I think there
13 are a lot of things that go into converting
14 because, really, at least, the way people
15 have looked and tried to engineer equal
16 access so far, I'm real hopeful frankly
17 that people will take a step back and
18 say, gee, there may be cheaper ways we
19 could do this than the equal access software
20 generic that is coming out of Western
21 Electric. But that isn't to criticize
22 that when that would make sense with the
23 kind of switches that the Bell Operating
24 Companies have. I'm not quarreling with that.
25 But you've got to have a digital switch

1 to do the kind of things that are set up
2 to be done under Feature Group D, as it's
3 laid out now, and proposed in all the
4 technical documents. If what you have is
5 a whole lot of electromechanical switches
6 out in communities that are still running
7 fine, that are still offering perfectly good
8 local exchange service, do you want to tell
9 them, they're not fully depreciated, do you
10 want to tell them junk them, to get equal
11 access in? It is going to be a hard
12 public policy choice, because people will benefit
13 by having those choices of either interexchange
14 carriers available to them, but there's
15 going to be a cost there that the system
16 is going to have to bear, and that is an
17 issue that has just not been sorted out.
18 Are we going to ask that that cost be borne,
19 by whom, how, how quickly, all of those
20 issues haven't been resolved.

21
22 COMMISSIONER SHANNON: Dr. Cornell,
23 isn't it true that a lot of large industries
24 will be able to put in their own communications
25 system and completely bypass the local company,

be it an independent or one of the BOCs,
and go directly to MCI or Sprint, or one
of the other OCCs?

THE WITNESS: Okay, the answer is,
only partially. They can go directly if they
have enough traffic to make it economically --

COMMISSIONER SHANNON: I assumed
it was a large industry.

THE WITNESS: But if that large
industry wants to reach broadly into the
community wherever that traffic is going
to end up, it doesn't have a bypass. Local
exchanges still have got a lot of monopoly
power. It is still a bottleneck. It is
still the only ubiquitous reach mechanism
in telecommunications. And it's going to be
that way for a long time to come.

COMMISSIONER SHANNON: So you don't
see bypass as a real threat then to the
local exchange companies?

THE WITNESS: I don't see it as the
boogeyman that it's been made out to be,
no, sir.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, in its testimony, and it's mainly Mr. Wilcox, he has argued that resellers and OCCs have achieved a substantial penetration into the market, the telecommunications market, nationally and in Virginia. Can you give your opinion of his comments with respect to the national market and the Virginia market, as you know it?

A Well, Mr. Wilcox talked about the percentage of customers who signed up with an OCC. They talked about AT&T has filed some more information in the national -- in the Federal jurisdiction. But the fact is, when you look at minutes-of-use data, the OCCs, as I said before, have only managed capital for about ten percent, and I would note that in that ten percent, despite capturing that, AT&T's minutes of use have continued to grow, so the OCCs haven't even taken the growth in the interstate market. The problem with talking about numbers of customers is that doesn't deal with the basic issue, which is carrying the traffic. A customer doesn't sign up exclusively with an OCC or a reseller. They may sign up. They may sign up to several of them. The real issue is, where in the end do they send their traffic. The data that's coming out

on the interstate minutes of use for MTS and WATS,
and MTS/WATS-like services, are that it's going 90
percent plus on AT&T.

COMMISSIONER SHANNON: But haven't
the OCCs been growing in their participation
in the interstate market?

THE WITNESS: They have, but they
haven't been growing as fast as even the
market has been growing. You have to
remember something, Your Honor, if you go
from zero to one, that's really an infinite
growth rate. If you grow from one to two,
you have doubled. But those are still very
small numbers.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, did you prepare an
exhibit to indicate the growth of the MTS/WATS AT&T
minutes of use?

A Yes, I did.

MR. MARMON: I'd like to introduce
this as --

COMMISSIONER SHANNON: This will be
NWC-10.

BY MR. MARMON: (Continuing)

Q You have before you, Dr. Cornell, what has been marked as NWC-10, labeled "Interstate Traffic Volume of MTS and WATS Carried by AT&T in Millions of Conversation Hours." Where did you get the figures -- or did you, first, prepare this exhibit?

A I prepared these numbers, yes.

Q Where did you get the numbers?

A I took the numbers from -- the numbers come from numbers that were filed by AT&T and that were compiled in the GTE Service Corp. filing in the FCC's Long-Run Regulation of AT&T.

Q And do these numbers show that the hours, millions of conversion hours, of interstate volume carried by AT&T has grown every year since 1970 through 1983, the last year listed?

A Yes, it does.

Q All right. Do you believe, Dr. Cornell, that the presence of numerous resellers in the Virginia market and in the national market, for that matter, signify any erosion of AT&T's strength or any erosion of AT&T market power?

A Not really. Resale is an important tool and it really is a very important service to continue

1 to have available, because it's a way to try to erode
2 unjustified volume discounts, volume discounts that are
3 too large relative to the real cost savings to the
4 underlying carrier of carrying large volumes of traffic.
5 But the basic fact is, is two-fold: First of all,
6 resellers suffer from the same interconnection handicap
7 that OCCs do. Secondly, resellers cannot really affect
8 the overall price level of AT&T. They have to work
9 within that price structure of AT&T, and if all of the
10 services are overpriced because there's market power,
11 a reseller cannot do anything to drive that, that
12 whole price level down. Only facilities-based competition
13 can do that.
14

15 COMMISSIONER SHANNON: This exhibit,
16 NWC-10, it looks like, between 1970 and 1983,
17 the growth of MTS/WATS for, I guess this is
18 AT&T, grew some 237 percent or something?

19 THE WITNESS: It grew quite a lot.
20 I haven't sat and calculated it.

21 COMMISSIONER SHANNON: Do you have
22 the comparable figures, say, for the growth
23 of MCI?

24 THE WITNESS: I don't have them
25 with me.

CHAIRMAN HARWOOD: Dr. Cornell,

I can believe this exhibit because that's
when my children went to college.

Parents in here will understand well.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, do you believe that the
entry of OCCs into the intrastate inter-city market
in Virginia will restrain AT&T Communications in its use
of market power?

A It will eventually, but you've got
all the problems of non-equal access that are going to
cause problems initially in OCCs being a real constraint
on AT&T. I talked about the way costs, you know, costs
are unequal, for instance, and the service qualities are
perceived as unequal. It's not going to be until you
really have equal interconnections and equal access
that OCCs are going to be an extremely effective
constraint on AT&T's exercise of market power.

Q There's been some discussion of the
difference -- different price charged for access that the
OCCs pay in comparison to the access charge price that
AT&T pays. Does the access, this access charge
differential tend or have any effect on reducing AT&T's
market power?

A It has some, but I'd like to explain the limitations. The differential, if it really took account of the difference in serving tone customers could constrain the market power over tone customers, but the access charge differential cannot deal with the rotary-dial exclusion.

Q And is it your understanding, Dr. Cornell, that the differential in Virginia is the same as the differential on the interstate level or different?

A Oh, no, my understanding is that the Virginia one is only about a 35 percent differential, as compared to the 55 percent differential at the FCC level. Remember, I talked about the switch costs that I have one piece of evidence on, and that's about a 50 percent cost difference.

Q Do you believe that this Commission should continue to regulate AT&T as it does now for the indefinite future?

A No, I do not.

Q Would you please explain that.

A Well, I believe that you should, that this Commission should regulate AT&T until equal access to the local exchanges is fully implemented.

And for this to occur, as I've noted, it's not merely C&P, but the independents that you need to be concerned about. But that doesn't mean that all of the panoply of what is traditionally known as rate of return regulation should be applied during this period. It does seem to me that a transition is in order, a more phased transition than just deregulating them now.

The very --

COMMISSIONER SHANNON: Will you ever have total equal access in a rural state like Virginia?

THE WITNESS: I'm not sure I know the answer to that, but I guess what I'd say to you is: Whether you do or not, someplace down the road -- and I don't mean forever down the road -- you'll know how big a problem that will be in terms of market power and the ability to abuse customers, and you can deal with that much more effectively than you can now, when you just don't know, I mean, because the problems are much bigger.

It seems to me the first thing that needs to be done is that any rules on

facilities authorization, financing approval, could go. Those could go right away.

MR. MARMON: Could they go now?

THE WITNESS: They could go now. There's no need to do that any longer. Facilities increasingly by all carriers will be part of the larger network, and the FCC is retaining some, some look-see over those. It's a kind of double jeopardy to have states and the Federal Government looking and giving approval for the same facilities. I think that's clearly something that can go. It seems to me that once you start having equal access in place for a significant number of Virginia customers -- and that might even be as early as the '85 switch conversion time -- when you know a little bit more about equal access and what the problems are for everybody to make the conversion, that you could move to allow AT&T Communications a band in which its rate of return could fall and allow freedom for across-the-board rate changes, not geographic de-averaging,

and sort of changes in rate design in that fashion, but across-the-board, up-down, you know, some percentage up or down that they want to go, they're free to go, with complaint procedures and good procedures for refund, if they really exceed that banded rate of return that I'm proposing.

When equal access is spread to a higher number, larger number of customers, and when you know what the plans are for it to go across the State, it seems that you might abolish -- seems to me you could abolish the rate of return constraint.

The thing you still need to keep hold of in this process is the rate design question. You ought not, still not, unless you are really quite convinced that there are real significant geographic pockets of market power, not to let in geographic rate de-averaging, not to give them the freedom to end resale, and other kinds of terms and conditions of that nature.

When equal access is in place for the majority, the vast majority of

Virginia consumers, then you can let the whole thing go it seems to me.

BY MR. MARMON: (Continuing)

Q Dr. Cornell, would you please summarize your testimony before this Commission.

A I'll do my best. I really think what I've been trying to say is there are very hard economic reasons right now to be very concerned about deregulating AT&T now, that AT&T is a firm that clearly has market power, that would continue to have market power for some time to come, due to the whole set of problems that are an outgrowth of unequal access being offered to the OCCs from the outset.

We are in a process of transition to equal access. We are in a process of growth to a market that I think will be ultimately competitive, but we're not there now, and that to deregulate AT&T now is to give them enormous flexibility, which I believe, and I think the colloquy about the Block-of-Time rates raises real concerns about how they're going to treat low-volume customers, particularly those who are in places that they have no options. Remember, Block-of-Time isn't available every place on the -- for interstate calling, and how they're going to treat, how they're going to

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compete, if I can put it that way, whether they're going to compete fairly, or whether they're going to use those market pockets that they have real market power over to subsidize services offered that are, in effect, anti-competitive.

Q Does this conclude your testimony, Dr. Cornell?

A Yes, it does.

MR. MARMON: Dr. Cornell is available for cross-examination.

COMMISSIONER SHANNON: Mr. Morrissey?

MR. MORRISSEY: Thank you, Judge Shannon.

CROSS-EXAMINATION

BY MR. MORRISSEY:

Q Good afternoon, Dr. Cornell.

A Good afternoon.

Q This is not the first time you testified for MCI, is it?

A No, it is not.

Q And you have also testified on behalf of GTE-Sprint; is that correct?

A Yes, I have.

Q Now, in your NWC-10, which was the exhibit that you prepared and was given to you by Mr. Marmon today, did I hear you correctly and state that was provided in the GTE Service Corporation filing?

A I took the numbers from the GTE Service Corporation, both comments and reply comments in the Long-RUN Regulation of AT&T. Those numbers were compiled off reports that AT&T has submitted.

Q But you received it from the GTE Service Corporation filing?

A That is correct.

Q Are you aware of any affiliated company that GTE Service Corporation has that might be in competition with AT&T?

A GTE-Sprint.

COMMISSIONER BRADSHAW: What was the answer?

THE WITNESS: GTE-Sprint, I'm sorry.

BY MR. MORRISSEY: (Continuing)

Q You've also indicated that you could prepare identical information for MCI, similar to the information presented here on NWC-10?

A I'd have to go back and see whether

I have minutes-of-use data broken down by individual carrier. I believe I can get it, but I'd have to go back and look, and I simply don't have it here with me. Minutes-of-use data, I believe for the OCCs, is a collectivity; I'm not certain that I have MCI's minutes of use and GTE-Sprint's. I think it is, but I'm not sure.

Q You would be able to provide that?

A If I have it, I would be able to provide that.

Q Without -- and I know you don't, you are at the disadvantage of not having it before you -- but if you do compile it, would you expect that the hours would increase or decrease over the same time period?

A Oh, I would expect they also have grown. In fact, they'd be zero in 1970. They weren't offering MTS/WATS-like services in 1970.

Q But they wouldn't be zero in 1980, for instance?

A No, they would not.

Q They would show an increase between 1980 and 1983?

A Yes.

Q In your discussion with Mr. Marmon, you made the distinction that in Virginia the OCCs would only pay a 35 percent discount, they'd only have a 35 percent discount, as opposed to a 55 percent discount; is that correct?

A That's my understanding.

Q That is assuming they pay for intrastate access under the access charges of C&P; is that correct?

A That is correct.

Q If they don't pay any access charges, they would, in fact, have a hundred percent discount; would they not?

A Well, I'm not quite sure what you mean. If they're using C&P's facilities, they're going to be paying access charges and --

Q They should be paying access charges.

A They would be paying access charges.

Q Now, during your discussion of the contestability theory, you indicated -- and correct me if I'm paraphrasing you incorrectly -- but you indicated that this was a theory developed by economists working for AT&T; is that a correct characterization of what you said?

1 A I'm -- sure.

2 Q Is that--

3 A I think that's correct.

4 Q And you did make a reference to a
5 Dr. William Baumol, I believe?

6 A Yes.

7 Q Was he one of the economists who you
8 said was employed with AT&T?

9 A I said -- well, working for. I don't
10 know that I said employee of, although there are three
11 economists who are associated with the theory. It's
12 Dr. Baumol, Dr. Willig and Dr. Panzar. Dr. Panzar is
13 an employee --I'm not sure where he's gone, but he was
14 at Bell Labs, up until the divestiture. Dr. Willig
15 was at Bell Labs, and then moved to Princeton University,
16 but retained an affiliation with AT&T. And Dr. Baumol
17 has for a long-standing period of time had consulting
18 affiliations with AT&T. All of this is an outgrowth
19 of work that was done by not only them, but Falhaber
20 and some others that began --and I could go into technical
21 or economics papers that led up to this, which were
22 authored by economists who were employed by the Bell
23 Labs.

24 Q Now, when you say employed by the
25

Bell Labs, you mean on a consulting-type basis?

A Not all of them. Some of them were --

Q How about Dr. Baumol?

A Dr. Baumol was a consultant.

Q And you are a consultant to MCI and Sprint; is that correct?

A That is correct.

Q And you don't think that sharpens or changes what your economic principles are?

A I didn't say anything about sharpening or changing anybody's economic principles. I was pointing out the origin.

Q I was just clarifying that for the record.

In your discussion of technical matters involving access, you did concede that you are not a technical expert in this field, and you had received your information from others; is that correct?

A That is correct.

Q I believe you referred to Mr. Havens?

A I have talked at some length with Mr. Havens of GTE-Sprint and Mr. Nelson of GTE-Sprint, and a variety of individuals at MCI, among others. I think I've also talked with some people at SBS. In

fact, I know I've talked to some people at SBS. I'm just not going to be able to give you the long list of names.

Q Mr. Havens is with GTE-Sprint?

A That's correct.

Q In discussing the Block-of-Time proposal earlier today, I believe you made the point, following a question from Judge Harwood, that MCI could not charge below their cost, because they don't have any other customers which they could make up that difference; is that correct?

A That is correct.

Q Are you familiar with the MCI application in their case on Friday?

A I've glanced over it.

Q Are you aware that they stated at Page 8 that the rates proposed by MCI-V for intrastate service are not identical with current interstate rates; MCI's proposed intrastate rates are lower in every mileage band than those currently in effect by AT&T of Virginia?

A That doesn't surprise me.

Q All right. Does it surprise you that in Maryland their rates are different than their

rates in Virginia?

A No.

Q Does it surprise you that their rates in Maryland, in fact, copy the interstate rates that they have on file?

A No.

Q So they do charge different rates in different places?

A Yes, but the question is, do they raise them in other places to make up what they have to give up in some places. If they don't, they simply have to take it out in lower profits.

Q Or charging below cost; that's a possibility as well?

A Well, a company that can't collect from pockets from market power cannot recoup losses from places where they have market power. It goes out of business eventually. The shareholders insist that they cease doing it.

COMMISSIONER BRADSHAW: Does MCI have any rates offered below cost?

THE WITNESS: Not to my knowledge.

BY MR. MORRISSEY: (Continuing)

Q Let me ask you about one. You mentioned

the Charleston area. Are you aware that MCI has a tariff on file which allows them to give one hour of free calling?

A Yes.

Q You believe that is above their costs?

A Well, that's for people who sign up for them. It's exactly like saying I'm going to bring you into my store, I'm going to let you have one thing, you know, it's like giving out door prizes. It's exactly the same kind of thing as giving out a door prize.

Q In your earlier discussion with the various Judges about the threat of reregulation, you indicated that this was, to paraphrase Judge Harwood, a Draconian measure, and would not take care of the problem of informing the Commission of anti-competitive activities taking place by MCI -- AT&T; is that correct?

A I certainly didn't say MCI.

Q I did correct myself, AT&T.

A Yes, that is correct.

Q MCI and the other common carriers have certainly not been bashful about approaching any commission about any complaints they have of AT&T being

2 anti-competitive; have they?

3 A Well, I don't know, quite
4 bluntly, that they have either the resources in the past
5 or the present to approach 50 commissions simultaneously
6 with problems of anti-competitive behavior on the
7 part of AT&T.

8 Q Well, Dr. Cornell, this isn't the
9 first time we've been together in a hearing room; is it?

10 A No, it's not.

11 Q We seem to find each other in all the
12 hearing rooms that we can find; don't we?

13 A Well, I think I said quite clearly
14 that to go in 50 places simultaneously -- I know that
15 right now there are enormous problems with scheduling
16 certification hearings, trying just to get the simple
17 issue of can we come in and do business intraLATA in
18 your state scheduled, and having resources enough to go
19 to those 50 states and make -- or 48 states and make that
20 presentation simultaneously is proving to be an enormous
21 strain.

22 Q In your discussion with Mr. Marmon,
23 you discussed at length the Memorandum Opinion and Order
24 of the FCC Common Carrier Bureau, which was identified
25 as NWC No. 8, and I believe you pointed out at the bottom,

in the Footnote 1, several petitioners who made motions to reject or suspend this proposed rate, including MCI Telecommunications and GTE-Sprint; is that correct?

A That is correct.

Q Are you aware of any major filing by AT&T in the last two years in which MCI or Sprint have not made some complaint to the Commission?

A I'm not aware one way or the other. I haven't monitored the FCC.

Q But you would state that you believe that AT&T possesses competitive advantage over the other OCCs?

A I -- over the OCCs as a whole, yes.

Q So you would disagree with the statement of William G. McGowan, Chairman and Chief Executive Officer of MCI, contained in the 1984 Annual Report which was filed by MCI with this Commission, at Page 4, which states,

"The telecommunications market today is one in which no one has an inherent advantage."

A Frankly, yes, I would.

Q And in your discussion with Judge Harwood about the possibility of the difference between a neophyte operator and one who is experienced, I believe

you made reference to the situation in Charleston, which was the first equal access area; is that correct?

A I made reference to it. I'm not sure if it was quite with regard to the neophyte issue, but --

Q Are you aware that on Page 10 of the same 1984 Annual Report filed by MCI with this Commission contains the following language:

"Charleston residents began choosing their long-distance company on April 15. Within a month, MCI had gained about ten percent of the available market."

A I'm sorry, is there a question --

Q I was wondering if you were aware of that statement.

A Not as you read it to me.

Q Just out of curiosity, you did not prefile your testimony in this proceeding; did you?

A No, I did not.

Q Did I hear you correctly, you have discussed at times your opinion that the OCCs do not have access to rotary-dial customers; is that correct?

A That's correct.

Q And perhaps what you said today, if I heard it correctly, explains your inconsistency with the

public statements of MCI. Did I hear you state that you defined a person who had a rotary-dial telephone who purchased a device, a Touch-Tone pad, was no longer a rotary-dial customer?

A That's what I said, effectively they're no longer a rotary-dial customer.

MR. MORRISSEY: I have no further questions.

COMMISSIONER SHANNON: Any further -- Mr. Gillespie?

CROSS-EXAMINATION

BY MR. GILLESPIE:

Q Dr. Cornell, a few questions. There has been some discussion about the discount that OCCs have on the carrier's common line charge which, at the FCC is a 55 percent discount.

A That is correct.

Q Isn't it true that the FCC derived that 55 percent discount in order to account for some of the unequal access matters that you described in your testimony?

A The answer is a kind of yes and no. The access charge had, I think it's safe to say, a

tortured history at the FCC. They tried -- they sat down at one point and tried to evaluate how much it cost because of switch disparity and how much it cost because of echo suppressors and so on. They eventually gave up, and I think if you'll go back and look at the Order that comes out with 55 percent, they essentially went back to the notion that there had been a differential under ENFIA versus Separations and Settlements, and they shouldn't go very far away from that, in light of how difficult it was to find any other basis for a differential.

Q Well, would it be correct though that it's difficult to quantify the value that AT&T enjoys from the access it has and the disadvantage that the OCCs have by, for instance, the example that you gave, their holding time related to conversation time is a lot longer than it is for AT&T, but wasn't the 55 percent discount, wasn't the purpose of that to be some compensation for the lack of equal access?

A Oh, absolutely, it was meant to be some compensation. The point that I was trying to make is there's no way to come to a conclusion that that is absolutely precisely the number. I don't -- I have testified in other proceedings in other states on this

issue, and the point that I try to get across is that if you were really going to do it right, which you can't -- I mean nobody can get the precise number -- is you'd sit down and try to find out what differential would make the OCCs truly indifferent as to whether they had AT&T's kind of interconnections or their kind of interconnections. I think the whole history -- and I disagree with the concept that OCCs didn't want equal access until the FCC said once it's available, you won't get your discount. The whole history is the history of the OCCs pushing and asking and demanding and insisting that they're entitled to much more equal interconnections than the Feature Group A, which is all they were initially offered. And I think that tells you that the differential has never been sufficient to make them indifferent to that difference.

Q You've also testified about the market power that AT&T has, I guess, interstate/ intrastate, and I was wondering by what criteria the Commission should measure market power?

A I would suggest that what you should be monitoring is the spread of equal access and the availability in real terms of equal access and alternatives to consumers, but equal access alternatives, not inferior

access alternatives, to consumers in Virginia. And that was why I talked about the phased deregulation because it was tied precisely to that notion that as equal access comes in, the ability of AT&T to exercise market power will go down.

Q But it's true that AT&T has no control over the availability of equal access; is that not true?

A Well, with the exception that they're designing the software for the Feature Group D Tandems, yes.

Q Now, you also -- I believe this is related -- you introduced your Exhibit NWC-10, which illustrated the millions of conversation hours that AT&T has and the growth between 1970 and 1983. And I had the impression from your testimony that you thought that the minutes of usage was another criterion for measuring the market power.

A You can try to look at market share data. I am reluctant to try to use just market share data. In fact, the reason that this table got compiled by me in the first place was to try to point out that even in the interstate market, AT&T's usage has grown and the entry of the OCCs hasn't led to stranded investment,

1 which some commissions have been worried about, what
2 happens when competition comes in at all, intrastate.
3 You can try to look at market share, and I would look
4 at minutes-of-use market share. If the conditions for
5 entry are truly open, and entry into the equal inter-
6 exchange market are open all across Virginia, then I
7 think that you are looking more at a market in which
8 you do want to take potential competition much more
9 heavily into account. The problem is, right now,
10 you know you can't take potential competition in
11 the equal access market, because there isn't any
12 potential for it until equal access is made available.

13 If I didn't answer your question --

14 Q Well, are there any other criteria
15 that the Commission should look at in determining what
16 market power is?

17 A Well, I would think if you were
18 looking hard at the spread of equal access and really
19 knowing where it was and where -- when it's coming where,
20 and that it's growing, and it's come to a significant
21 number of Virginia residents or Virginia access lines,
22 probably is the correct technical measure. I'm not
23 sure about the CENTREX discount, but we'll leave that
24 one aside. And if you are looking to see that minutes of
25

1 use are revealing changed market shares, that you would
2 begin to be having good measures that market power was
3 eroded. I'm not going to give you a market share measure,
4 that at X percent, you've got it.
5

6 Q It's your position that there is a
7 relationship between market share and market power?

8 A What I think is that you don't sort
9 of look at market share and close the book and say,
10 aha, we've got you or we don't have you. I think when
11 you've got a market share as large as you're looking at
12 in the AT&T versus OCC market, and you then look to see
13 if there are barriers to the erosion of that, but notice
14 that the market share serves to trigger looking for
15 barriers which I think are the more important issues
16 than just plain market share.

17 Q You mentioned pockets of residual
18 monopoly. I guess that would be an area where AT&T
19 would exercise market power?

20 A That is correct. I think we heard
21 that Sperryville has no alternative carriers today.

22 Q I'm thinking of an analogy, a small
23 town that only has one grocery store. The grocery store
24 there would similarly have market power; would it not?

25 A Well, not necessarily. If there were

only one grocery store and if there were a law, or a way technically by which no other grocery store could enter that market unless it bought all its meat from that grocery store, or from the supplier that the grocery store had previously set the terms and conditions from which meat could be purchased by an alternative, you'd have something analogous. The fact, of course, it's true that you could end up in a world in which there are markets that will be too small, given present technology, which I don't like to give, as fixed, that would only attract a single carrier. And it may well be that in the future, some of those will decide we don't want AT&T, we want, you know, MCI or Sprint, or USTS, or one of the other carriers. But that will only, it can only support a single carrier. But until there is a way for there to be an effective alternative choice for the same quality, the same customer convenience, between carriers to be the one that serves that market, that's what you have in grocery stores. It's true there may only be one grocery store, but if that grocery store starts being so outrageous in its prices that customers say, heck, I'm going to hop in my car and drive to the next town, then that grocery store in the

first town knows it has to quit. But what I'm describing is a world in which there's equal entry and consumers can get equivalent services from somebody else. You don't yet have that in telecommunications. You will, but you don't.

Q With the grocery store example, the local grocery store has an advantage over the one at the shopping mall 25 miles away; does it not?

A That's correct, and it can exploit that advantage up to, but no more than how much it costs people to drive 25 miles. And it has that much market power, that's perfectly true, assuming that somebody else doesn't look at that and say, hey, I can do real nice by exploiting up to how much it costs to drive 15 miles away. And the point is there's freedom of entry. I can go into that small town and open a grocery store. MCI cannot go into that small town and offer dial 1 service.

CHAIRMAN HARWOOD: Mr. Gillespie, let me stop you. The difference you made is the disparity in the number of numbers you have to push?

THE WITNESS: Well, and being able to serve the rotary-dial phones without, I

mean, without --

CHAIRMAN HARWOOD: I'm just saying the availability of tone or an adapter that allows you -- so you're talking about the disparity there is punching some more numbers, however many?

THE WITNESS: And forcing customers who don't want to to acquire new equipment in order to reach them.

CHAIRMAN HARWOOD: But that assumes they don't have -- that is the distinction?

THE WITNESS: Those are the two big distinctions in the two forms of access.

CHAIRMAN HARWOOD: And so to the customer, if I were living in Sperryville, Virginia, I think it was used -- we've gotten off Buffalo Gap at least --

(Laughter)

THE WITNESS: Your Honor, I've been to Sperryville and I like it, so I was able to remember it and bring it forward as an example.

CHAIRMAN HARWOOD: So do I. You're

1 talking about if the availability, you can
2 buy an adapter, or buy tone-pulse to punch,
3 you're talking about punching more numbers.
4 Then as a customer, my decision is saying,
5 you know, if you offer it to me for a dollar
6 less a month than I think some other
7 competitor will, am I willing to punch
8 that many numbers for a dollar, or two
9 dollars, or five dollars, that is an economic
10 choice that I, as a customer, have to make;
11 is it not?
12

13 THE WITNESS: Well, that's correct,
14 but partially correct. Here's the situation:
15 Suppose you're in Sperryville and you either
16 have tone service or you've got one of these
17 tone pads, and you'd like MCI to come in
18 because you're willing to pay a dollar
19 a month less or 20 cents -- 20 percent
20 less per phone call, or five percent less,
21 or whatever it is, but there aren't enough
22 customers in Sperryville who can afford
23 tone generators, tone-pad generators.
24 They've got other things they've got to
25 use their money for in this day and age.

1 MCI may not be able to afford to come in
2 just to serve you. So you aren't going to
3 have that choice. But if it were truly a
4 horse race for dial 1 type access, that
5 might be a different ball game in the
6 economic calculation of MCI or Sprint --
7 I'm here on behalf of MCI, so I'll stick
8 with MCI for now -- that makes it a different
9 horse race, as to whether they want to come
10 in and serve Sperryville.
11

12 CHAIRMAN HARWOOD: So in addition
13 then to having the availability and punching
14 more numbers, you say it will have to look
15 at how many people in Sperryville would like
16 a service other than AT&T?

17 THE WITNESS: Yeah. And you look
18 at -- I don't know the statistics. I asked
19 and understand that my clients weren't able
20 to get all the information that I think is
21 really quite relevant to looking in other
22 states where I've had more time to look
23 at this information and have knowledge. In
24 Massachusetts, I even know how many switches
25 there were that didn't even have tone service

1
2 available at all. You know, these are very
3 relevant considerations. It could well be
4 that the Sperryville, Virginias are the
5 ones that are really the most vulnerable,
6 if they don't have tone service available
7 at all. I just don't know. I don't know
8 what the state of the switch conversions
9 step by step are in Virginia. I wasn't
10 able to get that.

11 CHAIRMAN HARWOOD: Like the local
12 grocery store we're talking about, would
13 move in if there were free market entry,
14 people in Sperryville at some point
15 economically could make a choice to lease
16 a private line, could they not, for themselves,
17 be their own little reseller?

18 THE WITNESS: But to be a reseller,
19 you still have to have the same kind of
20 connections an OCC does, so everybody who is
21 going to use your leased private line is
22 going to have to have tone service. That
23 means your switch has to be equipped to give
24 tone service, or you can't even have that.

25 CHAIRMAN HARWOOD: Now, I'm not

1
2 debating this. I'm saying that these
3 are some of the individual and community
4 economic choices that the people in the
5 microcosm of Sperryville will have to make.

6 THE WITNESS: Yes, but I'm trying
7 to point out that it isn't as free --
8 the folks in Sperryville aren't as free
9 to choose about their phone service as they
10 are about their groceries.

11 CHAIRMAN HARWOOD: Well,
12 a Commission such as this has longed
13 for a grocery store commission or a
14 gasoline sales commission. In fact, a
15 Commissioner in Pennsylvania wrote an
16 article on that, I think, entitled
17 "Why Nobody Loves a Regulator" or something
18 like that, and just longed greatly for
19 everything to be regulated that way. I
20 think you understand as an economist what
21 I mean.

22 COMMISSIONER BRADSHAW: Have you
23 testified in any state where OCCs were
24 required by the regulatory body to give
25 service to a mandatory area, I mean --

1 THE WITNESS: I have testified
2 about that issue.
3

4 COMMISSIONER BRADSHAW: In what
5 state was that?

6 THE WITNESS: I can tell you what
7 I said. I can't remember in what states.

8 COMMISSIONER BRADSHAW: I'm more
9 interested in what you said. Were you
10 opposed to it or in favor of it?

11 THE WITNESS: Yes, I'm opposed
12 to it for the following reasons: It seems
13 to me that if you're going to say you don't
14 come in until you come every place, it would
15 be kinder if you said don't come, because
16 that's what you're really saying. It
17 takes time to build networks.

18 You've heard at one point, I
19 can't remember, I think it was Mr. Schell
20 was pointing out, that you're still in the
21 process, that the Bell System now, the
22 divested parts, the local operating
23 companies, are still in the process of
24 introducing custom calling services.
25 I'm real intrigued about that. It's taken

1
2 them a long time to get custom calling
3 services to everybody. And yet, if what
4 you're saying is, you've got to come in
5 and serve every community at once, or you
6 can't come in, you are ignoring the fact
7 that the Bell System can't do it that fast
8 either when they had to start from scratch.
9 I notice that now that AT&T is putting in a
10 new high-speed data service in the United
11 States. It's going to take them a number
12 of years to get it to every place.

13 COMMISSIONER BRADSHAW: Well, I was
14 interested in the comment about -- what
15 town did you-all use?

16 VOICES: Sperryville.

17 COMMISSIONER BRADSHAW: No, I was
18 thinking of Criglersville. That's in the
19 Culpeper LATA, by the way.

20 THE WITNESS: So, apparently, is
21 Sperryville.

22 COMMISSIONER BRADSHAW: If we don't
23 make them go to Criglersville --

24 THE WITNESS: But let me --

25 COMMISSIONER BRADSHAW: If we just give

you the freedom to go where you want to --

THE WITNESS: Well, let me tell you the second problem.

COMMISSIONER BRADSHAW: -- can you really complain about somebody already being there?

THE WITNESS: The second problem is telling them they have to go someplace where you won't give them equal access it seems to me is the second unfair aspect of trying to do that.

COMMISSIONER BRADSHAW: Say that again.

THE WITNESS: Telling them they have to go every place, but we won't give you equal access.

COMMISSIONER BRADSHAW: Oh, I see.

THE WITNESS: It seems to me a terribly unfair position to put the OCCs in.

COMMISSIONER BRADSHAW: I would agree with that.

CHAIRMAN HARWOOD: Would it be ideal from an economic standpoint to say just delay all OCCs and say to the companies,

1
2 you convert your system so that everyone has
3 equal access and then let all of the applicants
4 in for certification statewide, where everybody
5 would be equal? Would this be a good economic
6 thing to do? That would be in some view, fair.

7 THE WITNESS: Well, no, it wouldn't.
8 And here's why: Starting and switches are
9 converted under the mandatory guidelines
10 of the MFJ. Customers get to choose a
11 carrier for all interLATA calling. If that
12 equal access software generic had been
13 written so that you picked one for interstate,
14 you picked one for intrastate interLATA,
15 it might be less of a problem, but if you
16 say you can't come into Virginia, you've
17 denied the residents of Virginia an
18 effective choice for interstate interLATA
19 calling presubscription other than AT&T.
20 Because they only get to pick one. They
21 don't get to say I want MCI for interstate,
22 but I'm going to -- I only can use AT&T
23 for intrastate, so I'll pick, I'll pick AT&T.
24 More calling in general takes place intrastate
25 than interstate, and so what you're doing, if

1
2 you say that is we're not going to let the
3 residents of Virginia pick effectively an
4 interstate interLATA carrier for
5 prescription. I think that has enormous
6 anti-competitive potential in the interstate
7 market, just enormous.

8 COMMISSIONER SHANNON: How about
9 those residents in areas of Virginia that
10 don't have equal access and want MCI?
11 I don't think they intend to go into all
12 areas of Virginia.

13 THE WITNESS: Well --

14 COMMISSIONER SHANNON: In fact,
15 I had a man talk to me the other day, he
16 said I want MCI in our territory, but I
17 don't think they're coming up there. There's
18 not enough people to serve them.

19 THE WITNESS: Well, with all due
20 respect, my belief is that these carriers
21 really want eventually to have ubiquitous
22 networks. I've heard them say that over --

23 COMMISSIONER SHANNON: Eventually.

24 THE WITNESS: But it takes time,
25 Commissioner, to build facilities. They're

1
2 putting in what, almost a billion dollars
3 last year, and a billion dollars this year
4 to put in facilities. It took AT&T -- I
5 mean AT&T has been in this business almost
6 a hundred years to get the network it has.
7 You've got to give them some time to get
8 their network constructed. Facilities take
9 time to construct. It takes capital.

10 CHAIRMAN HARWOOD: But in the
11 meantime, can't -- I'm not using MCI --
12 just any carrier lease a line into a
13 city they now serve and provide people,
14 if they want to, and make that economic
15 choice themselves without the construction
16 of any facilities?

17 THE WITNESS: Well, you can lease
18 lines, but there are constraints in terms of,
19 again, we have the access problem. I think
20 the access problem is the key. We lease
21 lines to extend your network. Again, you
22 can only go -- I mean, again, you have
23 capital commitments and cost commitments.
24 You can only keep growing and testing out
25 the market so much at a time. And you can't

1 just do it everywhere, and you just can't,
2 you can't walk in, you don't have enough
3 credit, you don't have enough, all of the
4 things you need to suddenly put up a
5 ubiquitous nationwide leased line network.
6 It seems to me that they're growing as
7 fast as they can. And they keep extending
8 their reach to smaller and smaller
9 communities. They're extending within
10 communities they already serve. They're
11 dropping minimum payment -- monthly payment
12 requirements to reach down to smaller and
13 smaller users. They really are moving to
14 be more and more ubiquitous, but to ask
15 for that overnight is really to ignore the
16 realities of construction in this industry.

17
18 CHAIRMAN HARWOOD: Thank you.

19 COMMISSIONER BRADSHAW: One last
20 question. Does MCI have their tariff
21 de-averaged geographically?

22 THE WITNESS: Well, I heard that
23 said yesterday, and I'd have to say I was
24 kind of --

25 COMMISSIONER BRADSHAW: I heard it

yesterday, and I was waiting for an MCI witness.

THE WITNESS: I was kind of surprised. There are several things. They have, as does AT&T, de-averaged tariffs in the sense that they have an interstate tariff and they have in some states a different tariff for the state. Of course, that's one form of geographic --

COMMISSIONER BRADSHAW: I'm talking about geographically within the state for the same service. In other words, does MCI's customers in Norfolk pay the same rate as the ones in Northern Virginia?

Maybe counsel can answer that.

MR. MARMON: Your Honor, I would give you my understanding of the situation. It is my understanding that, at one point, MCI had a different rate for on-net cities, as opposed to off-net cities. An on-net city was a city that was served by, facility-wide by transmission lines that MCI actually owned, and then an off-net city was one that was over leased lines. My understanding is that that has been abolished because of the

1 rapid increase in development of the MCI
2 network, that that is no longer a -- no
3 longer makes marketing sense. So, in that
4 sense, we would not have that.
5

6 CHAIRMAN HARWOOD: But there's no
7 legal constraint on doing it, is it?

8 MR. MARMON: There is not.

9 COMMISSIONER SHANNON: Well, MCI
10 doesn't file any tariffs with the FCC, does
11 it?

12 MR. MARMON: Yes, sir, it does.

13 COMMISSIONER SHANNON: What
14 jurisdiction do they assert over your
15 tariffs?

16 MR. MARMON: They don't assert --

17 COMMISSIONER SHANNON: Is it for
18 information only?

19 MR. MARMON: Yes.

20 COMMISSIONER SHANNON: You just file
21 them there, but you can change them tomorrow, or
22 you can go below cost, or above cost, they
23 don't care?

24 MR. MARMON: No, they have concluded
25 that we are adequately constrained by the

competitive forces.

COMMISSIONER SHANNON: So you have complete freedom to de-average, do anything you want?

MR. MARMON: Yes, subject to complaint procedures and subject to a showing that our tariffs are unjust.

COMMISSIONER SHANNON: Have there ever been any complaints filed against your rates?

MR. MARMON: I honestly do not know that, Your Honor. I suspect that there have been complaints filed against MCI. I would be amazed if there have not been. But I do not think that the FCC has ever adjudged an MCI tariff unfair or illegal.

COMMISSIONER SHANNON: That was my point, thank you.

Mr. Gillespie, go ahead. I don't think you finished.

BY MR. GILLESPIE: (Continuing)

Q Dr. Cornell, we've been talking about the advantages and disadvantages of the OCCs and AT&T.

Is it your contention that there is not competition between those carriers where you can dial 11 digits and between those carriers where you have to beep in 22 or more digits?

A Well, it depends what you mean by competition. Competition is really a whole range of conditions where perfect competition could vary all the way to a monopoly plus one other firm. Obviously, there is, on that continuum, there is that kind of competition, but it's not full-blown, effective competition all across the board.

Q Would it be safe to say that they are rivals for the same telecommunications customers?

A Not for all of the same customers, because MCI can't serve them all.

Q Okay, we have carved out certain customers that cannot be served by MCI. Have you had a chance to fly into the Byrd Airport here in Richmond?

A No, as a matter of fact, I have not. I live fairly close, and I've driven.

Q Those of us who live in Richmond realize that there are a limited number of carriers that have landing permission at Byrd Airport.

COMMISSIONER BRADSHAW: They all have

entry, they just don't want to come.

(Laughter)

BY MR. GILLESPIE: (Continuing)

Q Some kind of barrier limits the number of carriers out there. But if I need to fly to Chicago, I do not limit my choice to those carriers that serve Byrd Airport, because I know there's limousine service to get me into National Airport or Dulles International Airport. So isn't it true then that the carriers who serve Byrd Airport are, in effect, rivals for those Richmond citizens who desire to go to Chicago with carriers who are serving at Dulles and at National Airport?

A Yes.

Q Even though there are distinct disadvantages to those carriers who cannot serve at Byrd Airport?

A Well, I think what your Commissioner said is correct, although obviously, to try to draw an analogy to an airline market I know only a little bit about is not terribly wise. But I don't know of any barrier to United Airlines deciding it wants to serve Byrd Airport. If you said it the other way around, you know, there are real problems with landing slots at

National and Dulles, mostly caused by the -- not Dulles -- at National, caused by the air traffic controllers strike and the aftermath of those problems. But there are, in principle, not the same kind of barriers at Byrd Airport. There are, in principle, not the same kind of barriers in the airline market at all. There are dislocations in the airline market. We're still working through the consequences of previous regulatory controls, but there aren't the same kind of, sort of monopoly barriers, if I can put it that way, like the unequal access barrier that exists in telecommunications. They're really not analogous markets.

Q But it is true that the carriers not serving at Byrd who do serve at Dulles or National Airport, are in competition for Richmond customers who desire to get to Chicago or Los Angeles?

A Absolutely.

Q If I could return briefly to the grocery store in Sperryville. I have not been to Sperryville, but let's just assume that that's where there is only one small grocery store.

COMMISSIONER SHANNON: It's in Rappahannock County, 20 miles from Front Royal.

MR. GILLESPIE: It sounds like good territory.

CHAIRMAN HARWOOD: It's got a bunch of grocery stores. It's even got a supermarket, unless something happened to it.

(Laughter)

BY MR. GILLESPIE: (Continuing)

Q Perhaps that a bad example. Let's take a hypothetical.

A Hypothetical.

Q Hypothetical town that has one grocery store.

COMMISSIONER SHANNON: I'm glad we found a new town.

COMMISSIONER BRADSHAW: Criglersville is a good one.

BY MR. GILLESPIE: (Continuing)

Q It would be unwise for the owners of that grocery market to engage in short-term price gouging, realizing that their customers might drive 15 or 20 miles to another supermarket to do their shopping; would that not be unwise?

A That is correct.

Q That the owner of that grocery market would be looking at the long-term profits, rather than the short-term gain that they would realize from price gouging?

A Well, I guess I should go back and amend my earlier statement. If they want to be the sole grocery proprietor in this hypothetical one-grocery-store town for a long period of time, yes, they would be unwise to make their judgment based on short term versus long term.

Q Okay. And would the owner of that grocery store tend to be customer-friendly?

A Yes, but again, more precisely because they really do face potential competition that could come in quickly and, indeed, real competition from the neighboring towns.

MR. GILLESPIE: Thank you, Dr. Cornell.

COMMISSIONER SHANNON: Any other cross-examination?

MR. GAMBARDELLA: Yes, Your Honor.

COMMISSIONER SHANNON: Go ahead, Mr. Gambardella.

MR. GAMBARDELLA: Thank you, Your Honor.

CROSS-EXAMINATION

BY MR. GAMBARDELLA:

Q Dr. Cornell, I take it from what you've just been talking to Mr. Gillespie about, we have to be precise in applying economic principle to the various industries; is that correct?

A That is correct.

Q Okay. And I'd like to ask you a few questions about principle and theory on the one hand, and what I call practicalities on the other hand.

First, equal access, I take it from what you said that you think the costs of the OCCs will go up after equal access, at least, in terms of access charges; is that right?

A Well, I certainly am assuming that access charges will go up as they come into equal access. They'll also face real costs in converting their system from what it is now to one that uses the new equal access, you know, facilities.

Q All right. So, it's likely that their prices will go up at that time as well; is that correct?

COMMISSIONER SHANNON: Whose prices?

MR. GAMBARDELLA: The OCCs' prices.

A I would expect they would have to raise prices to take into account higher access charges.

Q All right. Now, economic theory tells us that in competition prices move to costs; is that right?

A If you've really got competition, yes, they do.

Q But it doesn't tell us which direction; does it?

A That's right.

Q And there's a case where competition may increase prices; is that right? As you expand competition with equal access, costs go up, and prices, the OCCs' prices go up?

A The OCCs' prices go up. What you want to look at at that point is what happens to the price to consumers for dial 1 telephone service.

Q All right.

That's a place where we ought to study the public interest and decide whether that particular economic theory furthers the public interest more than some other arrangement; would that be fair?

A Well, I guess I'm a little baffled by your question. The point that I was making is, if the

OCCs are going to have to charge consumers for their access costs, there's no question about that. The question that I don't have an answer to is whether the net result of what their prices are going to be in that world is going to lead to dial 1 telephone service in general coming down, that is, they may have to raise their prices, but they may not have to raise them as high as AT&T's are currently.

Q I see. Let me ask you another example about fact and theory. Competition is generally conceived to increase the customers' choices in telecommunications; is that right?

A Yes.

Q Now, you talked a lot about rotary dial service and TOUCH-TONE dial service, and how easy it is to change around, but I take it if the customer wants to use an OCC's service, he's got to somehow convert either with a Touch Pad or change his service to TOUCH-TONE service; is that right?

A I want to say yes, and go back to one thing you said, because I don't think it's all that easy if somebody -- I mean if people don't want to pay 29 bucks for a TOUCH-TONE phone to subscribe to TOUCH-TONE service, they're not going to pay it for

a tone pad converter either.

Q All right, I'll accept that. But the fact is, you've got to switch to become a TOUCH-TONE customer?

A That's right.

Q So that's a place where competition in this particular industry will decrease the customer's choice, won't it? He can't have the OCC and the rotary-dial service at the same time.

A Well, only until equal access, because once equal access comes in, you can have the OCC and rotary-dial service. That's why equal access is very important.

Q But for that interim period of time, that transition you were talking about, he can't have that?

A Can't have both.

Q Incidentally, is there any market research or anything else, either in Virginia or on a national level, which indicates how many of those customers might switch in the meantime, switch from rotary to TOUCH-TONE?

A I don't know of any market research. I will tell you that if you do a straightforward economic

1 calculation, you can figure out -- I mean particularly
2 now, if you live in an exchange that will convert to
3 equal access, you can take a look at how much you'd have
4 to pay for a new TOUCH-TONE phone or a reconditioned
5 one, which is what I bought, and how much you'd
6 have to pay for tone service each month to C&P, and
7 calculate from that-- I haven't done it for Virginia --
8 by how much your phone bill, your long-distance phone
9 bill would have to decrease for it to be worth changing
10 now, as opposed to just waiting until such time as
11 equal access comes into place.
12

13 COMMISSIONER BRADSHAW: What period
14 of time is that calculated for? Six months
15 or a year or what?

16 THE WITNESS: It depends on where
17 you are or when your switch is going to
18 convert. If it's real soon, I mean, if your
19 switch is going to convert in a year to a
20 year and a half, you have to have at least,
21 I did the calculations in Illinois, you have
22 to have a very big phone bill to make it
23 worth making the shift now, if your exchange
24 is going to change in a year and a half.

25 COMMISSIONER BRADSHAW: Yours is

based on volume, rather than, more so than
access for the company?

THE WITNESS: It was based on
two things. It was sort of saying, here's
what you have to pay to convert because
there's a cost, there's a non-recurring
charge, there's a monthly charge from C&P,
and you have to buy the phone, the instrument,
or rent it -- but it's cheapest if you buy it --
so, buy the phone. You take those three
things, and then you figure out how much
those -- that costs you. Now, you're going
to have to save that much in a year and a
half if your switch is going to convert
in a year and a half for it to have been
a wise decision to subscribe now rather than
to wait.

BY MR. GAMBARDELLA: (Continuing)

Q It could be done, but you haven't
done it?

A Not for Virginia.

Q You talked a little bit about people
entering the grocery store market and other things.
Assume for a moment that there is a situation in which --

1 well, let me ask you this, to do this: Focus on
2 contestability theory for a moment and tell me whether
3 it might not be possible that an application of that
4 theory would be for me as a businessman to say, I
5 know that entry can't occur for the next two or three
6 years, effective entry, and in the meantime, I can make
7 an amount of money by charging prices considerably
8 above cost, and that will attract entry, but I'm
9 confident that I can compete in the future when it
10 does attract entry. And in the meantime, I've made
11 this now liquidated sum that I can apply to other
12 businesses. Is that a possible result, even assuming
13 contestability theory, even assuming the market is
14 contestable three years from now?

16 A If it's only contestable three
17 years from now, that's a very clear possible result.
18 I think contestability theory -- I'm not sure of the
19 relevance of contestability theory because, despite
20 what Dr. Alessio said on Friday, the authors of that
21 theory state very clearly you have to be vulnerable
22 to hit-and-run entry, which means there isn't a
23 three-year wait for entrants to come in. And if there
24 is a three-year wait --

25 Q Then contestability doesn't -- theory

doesn't apply?

A Exactly. It isn't a contestable market unless you want to make the word contestable be meaningless. You can sort of make contestable markets be like markets. All markets are contestable, and so why are you bothering with the extra hot air of contestable, essentially.

Q So that little hypothetical is a possibility where there might be no particular barrier to entry except the time to get there?

A That is correct.

Q And I think you said yesterday that there might be a two to three-year period to get to some -- for the OCCs to get into some markets; is that right?

A I think that's correct. It takes time to acquire rights-of-way, and if you're going to do it with fiber, you have to get the right-of-way and dig up and lay the fiber. If you're going to do it with microwave radio, you have to, again, get rights-of-way and you have to get FCC licenses for the proper kinds of frequencies, and then you have to get the radios, and get them installed.

Q All right. And you've characterized the petition here as requesting deregulation and AT&T

characterizes it as streamlined regulation, and I don't want to get into that distinction there. But I'd like to ask you a little bit about the remedies if something goes wrong in this case. Let's assume, for a moment, that the petition is granted, just the way it stands. And if you'll accept for a moment that Rule 7 of the Commission's Rules provides that one of the remedies for violation of those rules for discriminatory service or for complaints against the particular carrier is to revoke its certificate. C&P -- excuse me -- my great apologies to AT&T -- AT&T is ubiquitous. That's the term they use, isn't it, operates throughout the Commonwealth, and has for some period of time?

A That's correct. Call from anywhere to anywhere, thanks to Cliff Robertson.

Q And that's because for many years they had a certificate which excluded everyone else; isn't that right?

A That is correct.

Q Given that situation, does it seem to you a practicable solution for the Commission to revoke that certificate and eliminate that kind of a carrier immediately?

A No.

Q Now, Rule 10 of the Commission's Rules would allow the Commission to step in and reregulate or impose additional regulation, in addition to the streamlined regulation, whichever you care to characterize it, if it saw that, or it deemed that competition was no longer occurring. And I guess, first, I should ask you: Do you -- well, the carriers under that sort of a rule would not be required to keep books under the Uniform System of Accounts, as I understand it. Now, given that situation, are they likely to keep books under the Uniform System of Accounts for any business or economic reasons?

A I'm just not real sure what they're likely to do. The Uniform System of Accounts is not the same as generally accepted accounting principles. I have seen descriptions of the differences, but I couldn't reproduce all of them off the top of my head. There's a kind of, on the one hand /on the other hand, because on the one hand, that's the way their books are set up now, as I understand it. There's a cost to changing them. On the other hand, they really don't account, you know, conform to the generally accepted accounting principles, and in particular, I think, at this stage, they would particularly like to change

depreciation. And I don't blame them; they should. And some other things. So my guess is it wouldn't see books that would be comparable a couple years from now to the books as they exist today.

Q Well, take depreciation, for example, would they likely accrue depreciation on some straight-line method as is traditional in rate-making?

A Now, I'm not an accountant and some sort of an expert on the wrinkles, but I know they would like to speed it up.

Q They'd probably do it on some kind of accelerated basis that gives them the greatest advantage under the tax laws, wouldn't they?

A Exactly.

Q And then if we wanted to reimpose rate-making on the traditional cost of service basis, we'd have to reconstitute everything, wouldn't we?

A Yes.

MR. GAMBARDILLA: Thank you. That's all I have.

COMMISSIONER SHANNON: Thank you. Any other cross-examination of this witness?

Any redirect? Mr. Morrissey -- Marmon?

MR. MARMON: No, sir.

MR. MORRISSEY: Be glad to, Judge Shannon.

COMMISSIONER SHANNON: Thank you very much, Dr. Cornell. You may stand down and your testimony will be received.

* * * * *

WITNESS STOOD ASIDE

COMMISSIONER SHANNON: Well, I guess that concludes the case. Is there anything further? You have witnesses that will file their testimony on or before Friday?

MR. MAGEE: Yes, Your Honor, that's right. We will have that to the Commission by Friday.

COMMISSIONER SHANNON: We will keep the record open for the reception of that testimony.

MR. MAGEE: We'd be glad to have the weekend.

COMMISSIONER SHANNON: I didn't want to spoil your weekend, but if you would like to have until Monday. Monday would be, what,

1
2 the 5th? I believe that's -- I don't have
3 a calendar.

4 MR. MAGEE: It would be the 6th,
5 Your Honor.

6 COMMISSIONER SHANNON: Well, it's
7 up to you, if you could get it in Monday.
8 Let's say it's due on or before Monday.

9 All right, well, I wish to thank
10 the ladies and gentlemen for the manner
11 in which you presented this case. With the
12 reception of GTE-Sprint's testimony --
13 that's GTE-Sprint of Virginia?

14 MR. MAGEE: Yes, Your Honor.

15 COMMISSIONER SHANNON: -- then we
16 will close the record and the Commission will
17 take this matter under advisement, and we
18 will endeavor to render a very prompt
19 decision.

20 MR. MAGEE: Well, Judge Shannon, one
21 last matter, if I may. I'm interested in
22 terms of the possibility of there being
23 briefs submitted in the case.

24 COMMISSIONER SHANNON: Well,
25 normally, I would say yes, but because we

1
2 want to get this case, all these cases
3 decided by the 1st of September -- I might
4 throw this out: If -- no, I think I will
5 say no. I don't think -- I think the issues
6 are clear. I don't think it's necessary
7 to have briefs, because we're going to go
8 to work on this right away, and I'd like
9 to have the transcript just as soon as
10 we could.

11 And, again, I want to thank you-all
12 for the manner in which you've conducted
13 yourselves. It's been a pleasure to have
14 you down here in Virginia, and the record
15 will be closed then, upon receipt of
16 GTE-Sprint of Virginia's testimony.

17 The Commission will stand in recess.

18
19 NOTE: The hearing was concluded
20 and adjourned at 4:01 p.m., July 31, 1984.
21

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NWC-8

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

4711

In the Matter of)

AT&T COMMUNICATIONS, INC.)

Transmittal No. 79

Revisions to Tariffs F.C.C. No. 263)
and F.C.C. No. 1)

MEMORANDUM OPINION AND ORDER

Adopted: June 6, 1984

; Released: June 6, 1984

By the Chief, Common Carrier Bureau:

1. Before the Bureau are petitions to reject or suspend tariff revisions filed under Transmittal No. 79 by AT&T Communications, Inc. (AT&T).¹ AT&T proposes to establish "a nationwide Block-of-Time Optional Calling plan" for Long Distance Message Telecommunications Service (MTS). Under the proposed plan, AT&T customers would be offered the following choice of billing options:

Option A: for a monthly charge of \$10.00, customers would receive up to one hour of interstate dial station calling during the night/weekend rate period. Calling during the night/weekend period in excess of one hour would be billed at the rate of \$8.75 per hour or fraction thereof.

Option B: for a monthly charge of \$11.50, customers would receive the services offered under "Option A" plus a 15% discount for interstate dial station calling during the evening rate period. The 15% discount would be applied in addition to the current 40% rate discount in effect for that period.

¹ Petitions to reject or suspend were filed by the Association of Long Distance Telephone Companies, GTE Sprint Communications Corp., Lexitel Corp., MCI Telecommunications Corp., Satellite Business Systems, Inc., Telephere Network, Inc., Teltec Saving Communications Co., Clark Telecommunications, Inc., and Western Union Telegraph Co.

For both options, a nonrecurring charge of \$10.00 would be assessed when a customer orders a Block of Time plan. This charge would be waived during the first 90 days that the offering is available in a given local exchange area.

2. Although AT&T characterizes the Block of Time calling plan as a "nationwide" offering, the introduction of the service in particular areas is contingent on the billing capabilities of local exchange companies, who will be responsible for implementing Block of Time billing. The tariff contains a listing of 19 local exchange carriers (all Bell Operating Companies) and sets forth specific dates of availability for proposed plans ranging from June 1984 to November 1984. AT&T states that it expects to make this service available in substantially all other areas of the country by January 1, 1985. AT&T explains, however, that the tariff listings merely reflect the current state of negotiations with local exchange carriers. Actual service availability may change depending on the willingness and ability of individual exchange carriers to offer the necessary billing arrangements on behalf of AT&T.

3. Petitioners urging rejection or suspension of AT&T's Block of Time plan uniformly argue that AT&T's proposed rates for Block of Time calling are below even the basic, underlying cost of obtaining Switched Access Service from local exchange carriers and must, therefore, be far below AT&T's actual cost of providing MTS service. Under either option, the flat rate charged for the first hour of calling would result in revenue to AT&T of 16.67 cents per minute (assuming that a subscriber used the entire 60 minutes purchased). At the rate of \$8.75 for succeeding hours, the per minute price would amount to only 14.6 cents. By contrast, AT&T's access costs were estimated by petitioners to equal about 18.5 cents per minute.² Considering AT&T's own costs in providing MTS service, petitioners argue that AT&T's Block of Time calling plan will unavoidably result in significant losses to AT&T. Such below-cost pricing, in their view, would be predatory, contrary to the Communications Act, and would inhibit development of competition in the long distance message service marketplace.

2 These estimates were made using the National Exchange Carrier Association (NECA) Access Service Tariff F.C.C. No. 1, filed on March 15, 1984. Since that time, the Commission has directed NECA to reduce those charges by 8.58 percent. See Investigation of Access and Divestiture Related Tariffs, Phase I, CC Docket 83-1145, FCC 84-201, released May 15, 1984. Under current rates, therefore, AT&T's basic out-of-pocket costs for access would amount to approximately 16.9 cents per minute. This change will decrease AT&T's access costs, but will not affect other expenses encountered by AT&T in its provision of MTS.

Discussion

4. In general, the Communications Act requires that rates for common carrier services regulated by this Commission be based upon costs. 47 U.S.C. § 201(b); See AT&T (WATS), 59 FCC 2d 671, 687 (1976) and cases cited therein. As noted above, assuming that customers make full use of their initial 60 minute time period, AT&T's basic out-of-pocket cost of obtaining access to local exchange networks will alone amount to more than AT&T will realize in revenue from the service offering. Even without considering AT&T's own costs of providing the service, therefore, it is clear that the proposed rates of \$10.00 and \$8.75 per hour will likely be noncompensatory under current access tariffs.

5. In reply, AT&T argues that, because its overall MTS service category is profitable, the Commission should not separately examine individual rate elements within MTS. It is true that we allow AT&T to aggregate its costs within broad service categories such as MTS. See AT&T (ICAM), 84 FCC 2d 384, 400 (1981). The Commission has stated, moreover, that a strict or inflexible rate of return requirement within service categories, including new or reconfigured ones, could stifle innovation and the satisfaction of consumer demands. Id. To a certain extent this flexibility is born of necessity--a requirement that each service earn the exact interstate rate of return would be, under most circumstances, unenforceable. See id. Here, however, AT&T's access costs, at least, are clearly defined. No serious question of cost allocation arises. Instead, simple mathematics reveal that AT&T's Block-of-Time plan is probably priced below its current access costs. For this reason, we reject AT&T's argument that "overall" MTS profitability is the only relevant inquiry.

6. AT&T does not dispute that, when viewed under traditional cost allocation methods, the Block-of-Time plan will operate at a loss in 1984. AT&T would have us take a longer term approach, arguing that consumer acceptance of the Block of Time plan will eventually result in increased night/weekend calling levels. AT&T claims that because certain parts of the access charge burden represent fixed, non-traffic sensitive costs, the increased calling levels attributable to Block of Time calling will result in lower per-minute access charges in future years. Using these long term projections, AT&T calculates that the properly assignable access cost for Block of Time minutes, even in the current year, amounts to only 10.3 cents per minute, rather than 18.5 cents as claimed by petitioners. Therefore, according to AT&T, the Block of Time service would actually be profitable even when viewed separately from the remainder of AT&T's MTS service.

7. We have not accepted AT&T's attempt to justify current losses on these grounds. Until such time that the access charge tariffs are revised, AT&T's Block of Time plan would appear to remain unprofitable. In any event, we cannot be certain that AT&T is correct in its assertion that Block of Time calling will increase overall demand levels, or that access costs will

necessarily be reduced next year or the year after. 3

8. Having weighed these concerns along with the possible advantages of the proposed plan, however, we have determined that it would not be against the public interest to allow AT&T's Block of Time plan to take effect. This optional calling plan appears to be a relatively simple, easy to understand billing system that many consumers would find useful. Moreover, the results of AT&T's optional calling plan experiments, which preceded the instant filing, appear to show that customers who purchase a Block of Time option increase their off-peak usage levels, which in turn may stimulate traffic and increase network efficiency. In view of these potential benefits, we are unwilling to reject the proposed plan summarily.

9. Petitioners opposing the Block of Time filing argue that because AT&T's out-of-pocket access costs exceed revenues, the plan should be rejected on that ground alone. That argument, however, proves too much in that it can also be directed against AT&T's current MTS rates. At the presently effective discount level of 60%, for example, MTS calls during the night/weekend rate period of more than a few minutes duration do not generally recover access costs unless the call distance falls within the uppermost mileage bands. 4 In fact, close examination of AT&T's Block-of-Time plan reveals that the proposed rates approximate an average rate under AT&T's current night/weekend rate schedule.5

10. Moreover, because of the unusual circumstances surrounding the transition from the pre-divestiture settlements/division of revenues process

3 In the event that the Block of Time offering fails to generate sufficient revenue to allow AT&T to realize its authorized rate of return, we will carefully scrutinize losses attributable to the Block of Time plan in determining appropriate rates in the future.

4 Because MTS rate schedules are distance sensitive, and moreover, are priced under an initial minute/additional minute rate structure, it is difficult to compare precisely the price of ordinary MTS calling and the proposed Block of Time prices. For example, one sixty-minute call under ordinary MTS rate schedules would be priced lower than sixty one-minute calls of identical distance because initial minute rates are higher than additional minute rates. This would not be true under the Block of Time rate structure.

5 This assumes an average night/weekend call length of about 12 minutes and 650 miles. Under AT&T's Tariff F.C.C. No. 263, the charge for an hour of such calling (i.e. five twelve-minute calls) would be priced at approximately \$9.96.

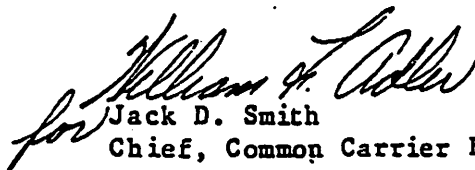
to the access charge environment, we are reluctant to find that the Block of Time plan is unlawful on its face. It may be argued, for example, that the disparity between AT&T's proposed Block of Time price and AT&T's access cost is mainly attributable to the fact that access charge rate schedules are not structured on a peak/off-peak basis. This is essentially an anomaly in the current access charge price structure that is under investigation in CC Docket 83-1145. Should we find in that proceeding that time of day sensitive pricing is reasonable for access charge prices, it would be more than likely that the disparity between AT&T's access costs and its night/weekend rates would disappear. In these limited circumstances, it appears that it would be more reasonable to allow AT&T to develop its Block of Time offering, rather than require rejection of that plan solely for the reason that AT&T's access charge costs exceed per minute revenue from the Block of Time plan. 6

11. As noted above, the availability of the Block of Time plan is contingent upon the development of billing contracts with the various local exchange companies. We expect that this service will be fully available nationwide, and that this availability will take place on an expedited basis. We will therefore carefully monitor AT&T's progress in establishing billing arrangements during the coming six months. If it should develop that the availability of this service is unreasonably withheld, we shall act accordingly.

12. For the reasons stated above, IT IS ORDERED, That petitions filed by the Association of Long Distance Telephone Companies et. al. ARE DENIED.

13. IT IS FURTHER ORDERED, That this Memorandum Opinion and Order is effective upon adoption.

FEDERAL COMMUNICATIONS COMMISSION


for Jack D. Smith
Chief, Common Carrier Bureau

6 Petitioners raise a number of other objections to the Block of Time plan. These appear to be premised on the assumption that the hourly rate from Block of Time calling is not cost justified. For the reasons stated above, we find these arguments, though not without merit, do not warrant rejection of the proposed plan.

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Office of the Secretary

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

In the Matter of)
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AT&T Communications, Inc.) Transmittal No. 79
Revisions to Tariffs F.C.C. No. 263)
and F.C.C. No. 1)

APPLICATION OF THE DEPARTMENT
OF JUSTICE FOR REVIEW

I. INTRODUCTION AND STATEMENT OF POSITION

On June 6, 1984 the Chief, Common Carrier Bureau ("Bureau") acting under delegated authority denied several petitions to reject or suspend tariff revisions filed under Transmittal No. 79 by AT&T Communications, Inc. ("AT&T"). 1/ The tariff revisions establish a "Block-of-Time Optional Calling Plan" for long distance MTS service which would charge callers at a flat rate for each hour of calling during the night/weekend rate period.

The United States Department of Justice ("Department"), the executive agency responsible for enforcing the antitrust laws

~~1/ AT&T Communications, Inc., Revisions to Tariffs F.C.C. No. 263 and F.C.C. No. 1, Transmittal No. 79, Memorandum Opinion and Order (released June 6, 1984) ("Bureau Opinion").~~

and promoting competition, urges the Commission to review and reverse the Bureau's decision. 2/ The Bureau approved the AT&T tariff even though it found that the proposed rates for the Block-of-Time Plan are below AT&T's actual cost of providing MTS service. The Bureau's decision conflicts with established FCC ratemaking policy and could result in harm to the competition developing in interexchange telecommunications. 3/ Indeed, the effect of the decision may be to undermine the Commission policy of cost-based regulation of AT&T. If the Commission determines that the access charge rate structure causes inefficiency, it should address that problem directly, rather than attempt to remedy it by authorizing an MTS tariff that is apparently below cost. It is highly inappropriate in

2/ The submission of these comments does not affect the independent enforcement responsibilities of the Department of Justice. See, e.g., United States v. RCA, 358 U.S. 344, 350 (1959).

3/ The Commission's rules require anyone filing an application for review who has not already participated in the proceeding to describe the manner in which the person is aggrieved by the action taken and to show good reason why it was not possible to participate in the earlier stages of the proceeding. 47 C.F.R. § 1.115 (1983). As the executive branch agency responsible for promoting competition and enforcing the antitrust laws, the Department seeks Commission review of the Bureau's decision, although we did not participate in this proceeding. We are concerned that the Bureau's decision could have significant anticompetitive consequences in the interexchange services marketplace. ~~Moreover, the Opinion constitutes a sharp~~ departure from long-established Commission ratemaking policy that could not have been anticipated at the time AT&T filed Transmittal No. 79.

the context of review of an individual tariff for the Commission to reject the long-standing regulatory practice that a firm's rates for its menu of services should each cover its costs.

II. BACKGROUND

The AT&T tariff would establish "a nationwide Block-of-Time Optional Calling Plan" that would offer two billing options:

Option A: for \$10.00 per month customers could make up to one hour of interstate calling during the night/weekend rate period. Calling during the night/weekend period in excess of one hour would be billed at the rate of \$8.75 per hour or fraction thereof.

Option B: for \$11.50 per month customers would receive the services offered under "Option A" plus a 15% discount for interstate calling during the evening rate period. The 15% discount would be applied in addition to the current 40% rate discount in effect for that period. 4/

The Bureau acknowledged that AT&T's basic cost of access to local exchange networks will exceed AT&T's revenues from the proposed service. 5/ The Bureau rejected AT&T's argument that the Commission is required only to examine overall MTS profitability and need not separately examine individual rate

4/ Bureau Opinion at ¶ 1.

5/ Id. at ¶¶ 3, 4, 7, n.2.

elements within MTS. 6/ It also rejected AT&T's argument that the cost of providing Block-of-Time service will go down as the volume of the service increases. The Bureau found that it could not be certain that Block-of-Time calling will increase overall demand levels or that access costs will be reduced in the next few years. 7/ Despite complete rejection of these arguments, the Bureau allowed the Block-of-Time Plan to be implemented. It cited as its primary justification possible gains in network efficiency resulting from simplification of the billing system and compensation for anomalies in the access charge rate structure, such as the absence of off-peak pricing.

6/ Id. at ¶ 5.

7/ Id. at ¶¶ 6-7.

III. DISCUSSION

The Bureau recognized that the Block-of-Time tariff will not cover AT&T's costs of providing the service. 8/ The Bureau stated:

[A]ssuming that customers make full use of their initial 60 minute time period, AT&T's basic out-of-pocket cost of obtaining access to local exchange networks will alone amount to more than AT&T will realize in revenue from the service offering. Even without considering AT&T's own costs of providing the service, therefore, it is clear that the proposed rates of \$10.00 and \$8.75 per hour will likely be noncompensatory under current access tariffs. 9/

The Commission has long recognized that cost-based pricing is most likely to promote efficient use of the telephone network. 10/ Indeed, one of the central purposes of the

8/ Id. at ¶ 4. The Opinion states that the flat rate charged for the first hour of calling would result in revenue to AT&T of 16.67 cents per minute. At the rate of \$8.75 for succeeding hours, the per minute price would be only 14.6 cents. The Bureau estimated that after the most recent access charge decision, AT&T's costs for access would be approximately 16.9 cents per minute. Id. at ¶ 3, n.2.

9/ Id. at ¶ 4. The Bureau repeated this conclusion in two other sections of its Opinion. At ¶ 5 it stated: "[S]imple mathematics reveal that AT&T's Block-of-Time plan is probably priced below its current access costs." At ¶ 7 it stated: "Until such time that the access charge tariffs are revised, AT&T's Block-of-Time plan would appear to remain unprofitable."

10/ AT&T (WATS), 59 F.C.C.2d 671, 678 (1976); MTS and WATS Market Structure, 93 F.C.C.2d 241, 251 (1983), reconsideration, 48 Fed. Reg. 42984 (Sept. 21, 1983), further reconsideration, 49 Fed. Reg. 7810 (Mar. 2, 1984), aff'd sub nom. Nat'l Ass'n of Reg. Util. Comm'rs v. FCC, No. 83-1225 (D.C. Cir. June 12,

Footnote Continued

Modified Final Judgment 11/ and the access charge decision was to make explicit and visible the relative costs of local exchange services and interexchange services. This information is important primarily to ensure that market power is not exploited to the detriment of consumers through charging excessive prices. Our competitive concerns here are that AT&T may be able to recover the losses resulting from below-cost pricing, either through current cross-subsidization that raises the rates for the provision of services outside the Block-of-Time periods, or from enhanced ability to charge prices in excess of costs in the future. 12/ Moreover, pricing below true costs of services generally is not economically efficient.

10/ Continued

1984)("Economics teaches us that, except in certain circumstances involving market failure, prices equal to the cost of producing another increment of a good, i.e., equal to the marginal cost of production, are optimal).

11/ United States v. American Tel. & Tel. Co., 552 F. Supp. 131, aff'd mem. sub nom., Maryland v. United States, 104 S. Ct. 1240 (1983).

12/ In comments filed in the Commission's Notice of Inquiry examining the need for continued regulation of AT&T, the Department expressed concern that AT&T would continue to have market power in interexchange services for some period of time. ~~See Long-Run Regulation of AT&T's Basic Domestic Interstate Services, United States Department of Justice Comments at 11-20 (filed April 2, 1984), Reply Comments at 4-22 (filed June 4, 1984).~~

In light of the importance of ensuring that prices reflect costs of providing services, it is clear that the reasons advanced by the Bureau provide no basis for approval of a tariff that the Bureau admitted is below cost. The Bureau argued that AT&T's optional calling plan experiments appear to show that customers who purchase a Block-of-Time option increase their off-peak usage levels, which in turn may stimulate traffic and increase network efficiency. 13/ This finding is inconsistent with the Bureau's conclusion in the Opinion's previous paragraph that "we cannot be certain that AT&T is correct in its assertion that Block of Time calling will increase overall demand levels". . . ." 14/

The Bureau then stated that optional calling is a relatively simple, easy to understand billing system that many consumers would find useful. 15/ This observation is of no consequence to the issue of cost-based pricing. Whether pricing by the hour is simpler or more difficult than pricing by the minute has no relevance to the question of whether AT&T's tariff is permissible under the Commission's cost-based pricing scheme. A simplified tariff structure could be implemented at rates that cover AT&T's access charges.

13/ Bureau Opinion at ¶ 8.

14/ Id. at ¶ 7.

15/ Id. at ¶ 8.

The Bureau then also argued that if the Block-of-Time tariff were found impermissible, all of AT&T MTS night/weekend rates would also be suspect. 16/ This argument is hardly a justification for approval of the Block-of-Time tariff. Sound economic theory and regulatory policy generally dictate that each of AT&T's services, regular MTS and Block-of-Time, should cover its costs. If other MTS services do not cover costs, then they ought to be reviewed by the Commission.

Finally, the Bureau also cited the "unusual circumstances surrounding the transition . . . to the access charge environment" and suggested that access charge rates might be restructured on a peak/off-peak basis, a change that would likely eliminate the disparity between AT&T's access costs and its night/weekend rates. 17/ Again this argument provides no basis for approval of the Block-of-Time tariff. The Bureau noted that access charges are under investigation in CC Docket 83-1145, but specifically did not indicate that the Commission intends to order peak/off-peak charges. Moreover, the Bureau made no generalized finding that peak/off-peak rate schedules for access charges would be desirable.

If the Commission determines that peak/off-peak access charges are desirable, it should address that issue directly in . . .

16/ Id. at ¶ 9.

17/ Id. at ¶ 10.

the docket examining access and divestiture related tariffs, 18/ rather than abdicating regulatory responsibility to AT&T. We recognize that if the underlying access charge structure is itself inefficient, then economic welfare may be adversely affected if consumers are forced to pay prices for interexchange services that reflect that inefficiency. As a matter of effective regulatory practice, however, it is most inappropriate for the Commission to rely on AT&T to compensate for otherwise avoidable distortions induced by an inefficient access charge structure. Absent a detailed analysis and prescription by the FCC of MTS prices, the likely conclusion of the Bureau's approach would be carte blanche pricing by AT&T. 19/ Moreover, if the existing access charges do reflect costs appropriately or have been otherwise designed to meet public interest concerns, AT&T's pricing below those costs may be considered blatantly anticompetitive or otherwise contrary to the goals underlying the access charge structure. 20/

18/ Investigation of Access and Divestiture Related Tariffs, CC Docket No. 83-1145.

19/ The Department's comments filed in CC Docket No. 83-1147 recognized the need for continued regulation of AT&T's rates for some period. See Long-Run Regulation of AT&T's Basic Domestic Interstate Services, United States Department of Justice Comments at 32-39; Reply Comments at 26-30.


20/ The Department's comments in CC Docket No. 83-1147 recognized that predatory pricing remains as a possible risk. Comments, *id.*, at n.49; Reply Comments, *id.*, at n.78. We do not argue here that the Block-of-Time tariff is predatory. The inescapable conclusion, however, which is only reinforced by the Bureau's opinion, is that the AT&T tariff is below-cost under any reasonable measure.

IV. CONCLUSION

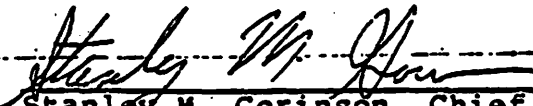
The Department urges the Commission to review the Common Carrier Bureau's decision to approve AT&T's Block-of-Time rate offering. The Bureau's explicit finding that the tariff does not even cover the cost of access charges ordinarily should be sufficient grounds for rejecting the tariff. If the Commission determines that peak/off-peak pricing or other modifications to access rate structures are appropriate, it should consider those changes in its docket examining access and divestiture related tariffs. It is wholly inappropriate to attempt to remedy possible defects in the access tariffs by allowing AT&T to disregard its out-of-pocket costs for access. The Bureau's action could seriously undermine Commission regulation of AT&T and could have serious anticompetitive effects as well.

Respectfully submitted,


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General of the United
States





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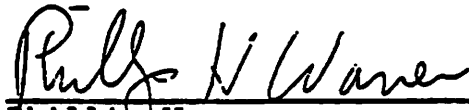

Timothy J. Brennan
Economist, Economic Policy Office

Department of Justice
Antitrust Division
Washington, D.C. 20530
202/724-6742

Dated: July 6, 1984

CERTIFICATE OF SERVICE

I, Phillip Warren, hereby certify that a copy of the foregoing Application for Review filed by the United States Department of Justice was served this 6th day of July, 1984, by United States mail postage prepaid, on all parties of record.



Phillip Warren
Attorney, Antitrust Division
Department of Justice
202/724-6742

INTERSTATE TRAFFIC VOLUME
OF MTS AND WATS CARRIED BY AT&T
(millions of conversation hours)

1970	MTS/WATS Total	333.8
1971	MTS/WATS Total	355.2
1972	MTS/WATS Total	399.1
1973	MTS/WATS Total	451.5
1974	MTS/WATS Total	499.2
1975	MTS/WATS Total	534.2
1976	MTS/WATS Total	595.9
1977	MTS/WATS Total	672.9
1978	MTS/WATS Total	773.3
1979	MTS/WATS Total	873.5
1980	MTS/WATS Total	969.7
1981	MTS/WATS Total	1,035.5
1982	MTS/WATS Total	1,079.6
1983	MTS/WATS Total	1,125.0

**COMPETITION AND REDUCED REGULATION
IN THE INTERLATA MARKETS**

**TESTIMONY ON BEHALF OF
GTE SPRINT COMMUNICATIONS CORPORATION**

**VIRGINIA CASE NO. PUC 840023
MARY FLANNERY BRACKBILL**

August 6, 1984

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Mary Flannery Brackbill. My business address is 1828 L Street, N.W., Suite 500, Washington, D.C. 20036.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by GTE Sprint Communications Corporation ("GTE Sprint") as a Senior Regulatory Analyst.

Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?

A. I received a B.A. in economics from the University of Notre Dame in 1978 and an M.A. in economics in 1979 also from the University of Notre Dame. I have been employed since that time by GTE Sprint in the Regulatory Affairs Department.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES FOR GTE SPRINT?

A. I perform analysis of economic and policy issues raised in various state and federal regulatory proceedings. In recent months, I have been extensively involved in the preparation of GTE Service Corporation's comments in the ongoing FCC

proceeding concerned with the appropriate regulatory scrutiny for AT&T Communications Corporation's interstate operations and services.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to demonstrate that AT&T does not provide competitive services in the Commonwealth of Virginia and that this Commission should continue its detailed regulatory scrutiny of AT&T's intrastate services. In support thereof, I will show that AT&T continues to possess market power by virtue of continuing barriers to entry and expansion for AT&T's competitors. I will further illustrate that these entry and expansion barriers are reflected in AT&T's overwhelming share of the relevant market.

Q. THE VIRGINIA STATE LEGISLATURE HAS DETERMINED THAT THE COMMISSION MAY ELIMINATE RATE BASE REGULATION FOR A COMPANY THAT IS FOUND TO PROVIDE INTEREXCHANGE SERVICE ON A "COMPETITIVE BASIS." HOW DO YOU DETERMINE WHETHER A CARRIER IS PROVIDING ITS SERVICE ON A COMPETITIVE BASIS?

A. Services are provided on a competitive basis only by a firm which does not possess market power. A firm without market power does not have the ability to control prices. That is,

it cannot raise its prices relative to other firms without losing those customers to other carriers. Further, a firm which possesses market power may have the ability to cross subsidize its competitive services with those service which it provides on a monopoly basis.

Q. IN A PARTICULAR MARKET, IS IT POSSIBLE THAT SOME CARRIERS MAY BE ABLE TO OFFER SERVICES ON A COMPETITIVE BASIS WHILE ANOTHER MAY NOT?

A. Yes, as I explained above, whether or not a carrier offers its services on a competitive basis depends upon the extent to which it possesses market power. It is entirely possible for one carrier to possess market power while its competitors do not.

Q. WHAT CRITERIA DO YOU USE TO DETERMINE WHETHER A CARRIER POSSESSES MARKET POWER?

A. A firm possesses market power if its competitors experience barriers to entry and expansion which inhibit their ability to constrain the dominant firm. Further, while market share should not be used as a "stand alone" determinant of a firm's market power, it is generally a reflection of other market structure characteristics such as the presence of

such barriers to expansion. Thus, market share has been traditionally used to infer monopoly power and is the starting point for any analysis of market power.

Q. WHAT DATA DO YOU HAVE CONCERNING AT&T'S MARKET SHARE IN THE TELECOMMUNICATIONS INDUSTRY?

A. I participated in preparing a study for GTE which computed the share of the market for interstate telecommunications services held by AT&T from 1970 to 1983. The study was submitted to the Federal Communications Commission on April 2, 1984, and updated on June 4, 1984, by GTE Service Corporation in support of its comments on the long-run regulation of AT&T's basic domestic interstate rates. The study and its updates are included as Attachment MFB-1 to my testimony.

Q. PLEASE SUMMARIZE THE RESULTS OF THE STUDY.

A. AT&T's share of the market for interstate telecommunications services was overwhelming throughout the period studied. For example, in 1983, 90.7 percent of the MTS/WATS traffic was carried over AT&T transmission facilities. AT&T's private line revenues for the same period were greater than 80 percent of the market total. The study also shows that

despite the slow reduction in AT&T's market share that took place, AT&T's total volume of conversation hours in MTS and WATS services, and its total revenues from private line service continued to increase every year.

Q. WOULD THE FIGURES IN THE STUDY OFFER ANY INSIGHT FOR DETERMINING THE IMPACT OF OTHER COMMON CARRIERS' ("OCCs") ENTRY ON AT&T COMMUNICATIONS' MARKET SHARE FOR INTRASTATE TRAFFIC IN VIRGINIA?

A. The study indicates that through 1983 the OCCs have failed to make significant inroads into AT&T's overwhelmingly dominant position in the provision of MTS and WATS services in the interstate market. AT&T Communications of Virginia ("AT&T of Virginia") starts in a similarly dominant position because it has succeeded to C&P's toll monopoly with respect to MTS and WATS services and is currently the only carrier offering interLATA service in the Commonwealth. Based on experience in the interstate market, OCC entry into the intrastate market should occasion at most a very gradual reduction in AT&T of Virginia's market share.

Q. WOULD YOU DESCRIBE THE METHODOLOGY USED IN THE STUDY.

A. The methodology that was used is described on pages 1 through 7 of MFB-1 to my testimony. It should be noted that

because of the lack of consistent volume data for private line service, it was necessary to utilize revenue data for private line revenues instead of the conversation hours used for MTS and WATS services. However, MTS, WATS, and private line are interchangeable services that together comprise a single market for interstate telecommunications services.

Q. WOULD YOU EXPLAIN THE RATIONALE FOR CALCULATING MARKET SHARE ON THE BASIS OF TRAFFIC VOLUMES RATHER THAN REVENUES?

A. The market share calculation for MTS/WATS services is based on traffic volumes rather than revenues for several reasons. First, varying rates of return have been earned on the different interstate services. Revenues and, therefore, market share based on revenues, are relatively lower for those services with lower rates of return. Moreover, market share calculations based on revenues after the Division of Revenues and Settlements process will be biased by the jurisdictional assignments made. Payments made to the operating companies reflect costs and rate of return based on Separations allocations procedures (e.g., the subscriber Plant Factor ("SPF")). These payments are then revenues for those operating companies and subtracted from AT&T Long Lines' revenues. The result is that AT&T Long Lines' revenues do not accurately reflect the actual traffic carried, and its market share based on revenues will be

distorted. Using volume data, such as conversation minutes of messages, therefore, provides a more precise representation of market share.

Q. AT&T COMMUNICATIONS HAS PRESENTED DATA ON THE NUMBER OF CUSTOMERS, ESPECIALLY HIGH VOLUME CUSTOMERS WHICH THE OCCS HAVE ATTRACTED. PLEASE COMMENT ON THOSE DATA.

A. In support of its assertion that the OCCs have successfully and rapidly penetrated the market, AT&T stated in its comments in FCC Docket 83-1147 that the OCCs have already attracted nearly four million customers. Douglas S. Wilcox submitted similar figures in his testimony in this case. AT&T implies that these customers are exclusively the customers of the OCCs. In reality, however, these customers do not use OCCs for all of their communications needs. Rather, these customers use an alternative carrier in addition to their AT&T-provided services.

The table attached as MFB-2 summarizes the results of a recent market research study, and indicates that AT&T's statistics do not reflect the true competitive status of the OCCs. Thus, while as many as 35.3 percent of the surveyed business establishments that bill between \$1001 and \$5000 subscribe to an OCC, OCCs account for only 8 percent of the revenues in that category. For this reason, using number of customers to reflect market penetration is misleading. It is

also interesting to note that the OCCs' revenue penetration decreases in the very high volume usage category. The revenue penetration in the 0-500 dollar range is nine percent compared to only two percent in the 25,001-50,000 dollar category and zero percent in the billings over 100,000 dollar category. Clearly, AT&T's assertions that its market position in the high volume segment of the market is eroding cannot be given serious consideration.

Q. AT&T COMMUNICATIONS HAS ALSO ASSERTED THAT IN-SERVICE CAPACITY IS ACTUALLY A MORE ACCURATE REFLECTION OF AT&T'S MARKET SHARE. WHAT IS YOUR OPINION OF THIS MARKET SHARE METHODOLOGY?

A. While relative capacity could be utilized to assess a carrier's market power, the ratio must include only that capacity actually usable for services which compete with AT&T services and that are not constrained by some other factor. I will illustrate below that AT&T's figures used to arrive at its market share based on relative capacity are highly flawed.

AT&T has presented capacity data at the FCC which purports to show that AT&T share of domestic interstate capacity was 68.6 percent in 1983 and will be only 45 percent in 1984. Those very same 1984 capacity figures have been submitted by Douglas S. Wilcox in this proceeding and

therefore, the critique set forth in the federal proceeding is applicable here.

First, AT&T has inflated the OCC capacity figures utilized for its calculation by severely overstating the usable satellite capacity. An analysis of the 1983 OCC capacity figures submitted by AT&T in the FCC proceeding revealed that in order to achieve AT&T's estimate of 300 million circuit mile equivalents of satellite capacity available to the OCCs, the average voice channel would have to be close to 4000 miles in length (3,846 miles). If the same analysis were performed using a more realistic length of haul, OCC satellite capacity would be less than 50 million circuit miles and AT&T's share of the in-service would exceed 85 percent. Because the 1984 figures are apparently based on the same methodology, similar questions as to their reliability can be raised.

Another problem with AT&T's capacity figures is the inclusion of BOC capacity figures in the calculation of AT&T's market share. Because the MFJ denies the BOCs the ability to compete with AT&T in the interLATA market, their transmission capacity should not be used in an evaluation of AT&T's market power. Likewise, a portion of the Independents and private microwave capacity should be removed from this calculation.

In summary, AT&T's market share calculation based on relative capacity is highly distorted and inflated. The

Commission should not rely on such data as a basis for determining that AT&T's services are competitive. Further, even if one were to accept AT&T's capacity data on their face, the fact remains that, as explained above, AT&T's competitors have made minor gains in terms of relative traffic volume shares. Such an inconsistency rather than providing support for AT&T's assertion that it does not possess market power would be proof that it did. If OCCs, even with the rate discounts which they offer, still have the excess capacity implied in AT&T's calculation, there would have to be substantial barriers to entry and expansion of AT&T's competitors in the telecommunications industry.

Q. COULD YOU PLEASE ENUMERATE THE ENTRY AND EXPANSION BARRIERS TO WHICH YOU ARE REFERRING.

A. First and most importantly, because of continued inferior access of Feature Group A and Feature Group B and problems related to the transition to Feature Group D access, the OCCs will continue to be at a disadvantage vis-a-vis AT&T for some time to come. Secondly, AT&T's nationwide network and ability to provide ubiquitous service is a significant advantage. Third, there are substantial financial risks for a new entrant in the telecommunications market. Fourth, there are physical constraints to the construction and

expansion of network capacity which present barriers to competition. Finally, AT&T's nationwide base of entrenched customers gives AT&T enormous competitive advantages.

Q. PLEASE DETAIL THE ACCESS-RELATED DISADVANTAGES CURRENTLY EXPERIENCED BY THE OCCS.

A. The type of access currently afforded OCCs effectively precludes them from competing for significant portions of the market. As currently interconnected, OCC networks cannot be utilized without the purchase of additional equipment by rotary dial customers who, according to AT&T, comprise about 40 percent of the total nationwide telephone customer base. To use an OCC service, a rotary dial customer must either convert to Touchtone service or use a tone generator. Either alternative, however, requires a substantial investment that customers will not make unless they can be assured that they will be satisfied with the OCC service. Moreover, it is an investment they can avoid by simply continuing to use AT&T until Feature Group D access is available.

Nor can OCCs offer 800-type Service. 800 Service charges the called party, rather than the calling party, and allows for the completion of a long distance call without use of the subscriber's specific area code. These features require special software and hardware that translate the 800

number to a particular customer's standard telephone number. (For example, 800-295-4440 might be associated with a customer's number 703-295-7530.) The OCCs will not be provided with the means to convert 800 numbers to actual exchange numbers. It is interesting to note that in AT&T's October 3, 1983 filing where it modified its interstate rates to conform with access charges, AT&T increased its 800 service rates by 1.3 percent while its outward WATS rates which are more vulnerable to competition were decreased by 7 percent.

Further, the OCCs will be placed at a competitive disadvantage during the transition to "equal access". The court-mandated timetable allows for end-office conversions by the Bell Operating Companies through September, 1986. Even at that time, however, the BOCs are not required to provide Feature Group D at all of their end-offices. In addition, the Independents, with the exception of GTE, are not under any court mandated equal access conversion schedule. Moreover, because the conversions will be implemented on an end-office by end-office basis, the OCCs will not be able to serve any given metropolitan area utilizing exclusively Feature Group D access. Customer confusion will certainly result from a patchwork of access arrangements. For example, a customer may work in an area where he can access an OCC service with 1-plus dialing and yet, at home, may still be required to input the local

access number, access code, area code and the telephone number. Likewise, when traveling, he will have to determine what type of access is available in that particular location before dialing. Such inconsistency between geographic areas will be perceived by many customers as unacceptable. It will also increase the marketing costs for the OCCs who will necessarily have to implement consumer education programs to minimize the confusion. Additional network reconfiguration costs will also be incurred. Certainly, as long as these conditions continue, OCC services will be viewed as inferior to those provided by AT&T which, of course, will continue to offer the familiar 1-plus dialing in all locations.

Finally, AT&T will enjoy another distinct advantage even after Feature Group D access has been implemented because several regional operating companies have announced that they intend to route all undesignated traffic to AT&T. Moreover, when a customer of a local exchange company uses that company's credit card to complete a long distance call, the call, if interLATA, will be routed automatically over AT&T's facilities even if the customer has presubscribed to another interexchange carrier.

In summary, the advantages AT&T currently enjoys as well as those it will enjoy after Feature Group D access is made available represent a major barrier to the ability of the OCCs to affect AT&T's market power. Until AT&T no

longer can reap any unfair advantage from these factors, its market power is secure and a workably competitive marketplace will not exist.

Q. HOW DO AT&T'S NATIONWIDE NETWORK AND ABILITY TO PROVIDE UBIQUITOUS SERVICE PRESENT BARRIERS TO EXPANSION?

A. AT&T's advertising campaigns exploit its ubiquitous network constructed under a regulated monopoly environment--stressing that the public can call from anywhere to anywhere, anytime on AT&T. This advertising stresses the fact that its competitors do not provide nationwide services.

In order to meet this competitive challenge and offer nationwide termination, many carriers are dependent upon AT&T's transmission capacity in order to complete their networks. Further, carriers such as GTE Telenet, for example, rely exclusively upon AT&T's interLATA transmission facilities in order to provide enhanced services. Thus, AT&T is in the unique position of controlling the services of its competitors. Its "burden" is, in reality, another example of AT&T's continued dominance in the telecommunications industry.

Finally, the fact that AT&T continues to be the sole carrier in many areas of the country provides additional justification for continuing to regulate AT&T fully. It is obviously not the Commission's intention that captive

ratepayers in smaller communities should subsidize AT&T's activities on other routes. However, the incentive for such behavior is obvious and the Commission should not provide AT&T the opportunity to introduce such a rate structure through a reduced regulatory scheme.

Q. PLEASE DETAIL THE FINANCIAL RISKS INCURRED BY AN ENTRANT IN THE TELECOMMUNICATIONS MARKET.

A. AT&T asserts that carriers seeking to enter the market face little financial risk. According to AT&T, the risk is minimal because the sunk costs associated with a telecommunications network are low. This claim is simply unfounded.

In a workably competitive market, a potential entrant would normally accept the reasonable risk of not being able to recover certain costs if it exits the market. Thus, financial risks do not impose an insurmountable barrier to entry if they are reasonable. However, in the case of the telecommunications industry, AT&T's market power, giving it the ability to engage in anticompetitive conduct, makes the risk of failure much greater. Such risk presents a significant barrier to entry--particularly if not only return but recovery of the entrant's investment is at risk.

AT&T's contention assumes that a nationwide network of the magnitude necessary to compete effectively with AT&T can

be easily absorbed by other carriers. However, such carriers may determine that acquiring this transmission capacity may not be economically justified especially if it is duplicative of their existing facilities or cannot be easily integrated into their network. This is particularly a problem in the telecommunications industry because telecommunications network plant cannot be readily transferred from one route to another.

AT&T has also asserted that the financial risk encountered by a new entrant is minimal by claiming that only a small investment is required to enter the market as a reseller. Reliance upon resellers to constrain the market power of AT&T would be dangerous. Resellers are, in fact, a consequence of AT&T's rate structure (i.e., the gap between MTS and WATS rates). It seems clear that, in order to survive, resellers must become independent of AT&T through long-term leases and ultimately construction of their own network.

In fact, rather than being competitors to AT&T, resellers may actually help AT&T achieve its marketing objectives. AT&T can continue to target high volume users with a volume-discounted service without regulatory pressure to increase rates. Meanwhile, the resellers compete with AT&T's competitors, thereby fragmenting the market and reducing the number of customers available to facilities-based OCCs.

In order to be a true competitor of AT&T, a carrier must own its facilities. It must also be a nationwide carrier. Thus, the investment associated with such undertaking combined with the uncertainty of recovery of those costs should the carrier fail, presents a significant barrier to entry.

Q. WHAT ARE THE PHYSICAL CONSTRAINTS TO THE CONSTRUCTION AND EXPANSION OF NETWORK CAPACITY WHICH PRESENT BARRIERS TO COMPETITION?

A. OCCs cannot expand their networks sufficiently and rapidly enough to provide a competitive check on AT&T. Indeed, AT&T's network required decades for its construction. Thus, while the OCCs may be rapidly expanding their networks, the OCCs do not have the ability to absorb the customers diverted from AT&T's network should it raise its prices. The OCCs simply do not have the capacity at present to constrain AT&T's activities.

Q. FINALLY, COULD YOU PLEASE EXPLAIN WHY AT&T'S NATIONWIDE BASE OF ENTRENCHED CUSTOMERS GIVES AT&T A COMPETITIVE ADVANTAGE.

A. While AT&T claims that there is no advantage in having an entrenched customer base on a nationwide basis, AT&T's marketing staff continues to capitalize on this "non-existent" benefit through its advertising campaigns. AT&T readily emphasizes its long relationship with the customer, its history of reliable service and reputation for better quality than its competitors.

Moreover, evidence that AT&T fully intends to exploit its nationwide base of entrenched customers to its competitive advantage was provided recently when AT&T announced plans to offer residential customers discounts on various goods and services. Customers will receive "credits" equal to their monthly long distance bills. Such credits would then be used toward purchasing a variety of products and services listed in a catalogue which AT&T had previously mailed to each of its customers. The companies whose products and services are offered in the catalog offer these discounts for the marketing benefit of exposure to AT&T's expansive market base. This program is clear evidence of AT&T's ability, and intent, to employ its massive nationwide customer base to its own advantage.

Finally, the historical nationwide customer information to which AT&T has access by virtue of this customer base is

a significant advantage. Because AT&T has the ability to perform market analyses using these data, AT&T can identify target segments of its market and offer highly specialized services to attract and retain those customers which it has targeted. The OCCs do not have access to and cannot duplicate such data. As a result, AT&T has a significant marketing edge allowing it to segment the market by tailoring its offerings to particular customers.

Q. SOME ECONOMISTS CLAIM THAT A CARRIER DOES NOT POSSESS MARKET POWER IF THE MARKETS IN WHICH THEY COMPETE ARE "CONTESTABLE." WHAT IS YOUR OPINION OF THIS THEORY AND ITS RELEVANCE TO THE CURRENT SITUATION IN VIRGINIA?

A. The basic premise of the contestability theory is that entry and exit from contestable markets are unrestricted. That is, a market is perfectly contestable if firms can enter it and then, if they choose, exit without losing any of their investment. As I discussed above, there are substantial barriers to the entry and expansion of AT&T's competitors in the telecommunications market. Therefore, the contestability theory is not relevant in this case. The marketplace, therefore, is not workably competitive and contrary to its assertions, AT&T continues to possess market power.

Q. WHAT ACTION DO YOU PROPOSE THIS COMMISSION TAKE CONCERNING AT&T'S REGULATION?

A. I recommend that the Commission determine that AT&T, unlike the OCCs, does not offer its interexchange service on a "competitive basis" and should therefore continue to be subject to Commission regulation with some modifications. Dominant carrier regulation can be costly. However, given the very real risk that a deregulated AT&T would engage in unlawful and anticompetitive conduct, the costs incurred are reasonable until the market becomes workably competitive. The benefits, associated with preventing AT&T from exploiting its dominance to the detriment of the public, certainly surpass the costs.

Some regulatory reforms could be instituted to relieve the administrative burden on AT&T. For example, at the Federal level, the FCC has reduced the tariff notice period from 90 to 45 days. GTE further recommended that AT&T's facilities regulation could be relaxed. Similar reforms could be instituted in Virginia that would reduce AT&T's administrative burden but not the regulatory scrutiny. Until that time, however, and until it can be demonstrated that AT&T's competitors no longer encounter substantial barriers to their expansion and ability to constrain AT&T's

market power, the Commission cannot responsibly reduce its regulatory oversight of AT&T.

Q. WHEN DO YOU ANTICIPATE THAT AT&T WILL OFFER ITS SERVICES ON A COMPETITIVE BASIS?

A. There is no definitive indicator which signals the arrival of true competition. However, the advent of Feature Group D access is an important milestone in the evolution towards a workably competitive telecommunications market. Thus, in the fall of 1986, when Feature Group D access should be available in a substantial portion of BOC end-offices, the Commission once again should examine the question of AT&T's market power to determine whether it should reduce further its regulation of AT&T. While such access will not be universally available at that time, the Commission and the industry should be in the position to develop information to determine the extent to which the availability of Feature Group D access has enabled the OCCs to make inroads into AT&T's dominant position and constrain AT&T's market power. At that point, the Commission, for example, could examine whether the substantial market power AT&T currently enjoys by virtue of its entrenched customer base and ubiquitous network has lessened to any significant degree. It could determine whether any of AT&T's proposed rate structure changes has adversely affected the number of resellers in

the market and whether any increases in capacity by the OCCs enables them to provide an effective competitive check on AT&T's behavior.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

4/2/84

Appendix A

EMPIRICAL ASSESSMENT OF AT&T'S MARKET POWERI. DISCUSSION OF DATA COLLECTION METHODOLOGY

The Commission in its Notice requested "data--but not mere speculation--relevant to the analysis of AT&T's market power for 1984 to 1990."¹ The Commission goes on to say:

Our goal here is not to obtain final empirical estimates of AT&T's future market power. Rather, this Inquiry seeks to start to provide the basis for developing a methodology for collecting, organizing, and analyzing the available information relevant to this question.²

GTE offers the following comments to the Commission as input to this endeavor.

The Commission, as part of its Notice, makes several suggestions regarding possible measures of AT&T market power. The Commission suggests that one measure of AT&T's market power is a ratio of AT&T's actual sales in the relevant market to AT&T's actual sales in the relevant market plus the potential capacity of its competitors to make sales in the relevant market.³ Other units of measurement were also suggested such as numbers of customers. GTE advocates the measurement of market shares by

¹ See Notice at ¶49.

² Id

³ See Notice ¶54.

traffic carried (such as minutes of use) for the reasons detailed below.⁴

First, the Commission's proposed ratio of actual sales to actual sales plus potential capacity of the competitors is not a good measure of AT&T's market dominance. Any formula which includes determination of the capacity of AT&T's competitors as suggested by the Commission, would be speculative at best. Additionally, new construction and capital investment by AT&T's competitors is made in response to the market and to AT&T's pricing structure and service offerings. Given that potential capacity is highly dependent on AT&T's actions and not a figure that can be forecasted with any degree of confidence, it should not be relied upon to measure AT&T's market power.

Likewise, any other indicator which does not reflect the volume of traffic will not result in an accurate market share forecast. A ratio of the number of customers gives no indication as to the amount of traffic generated by those customers. Given that long distance traffic volume is highly concentrated among a small percentage of customers, such information is vital to an accurate depiction of market share. For example, a customer might use GTE Sprint's service for calls made while traveling to avoid AT&T's higher credit card and operator assisted rates but

⁴ Physical output measures have been used as indices of market share in numerous court cases. See, e.g., United States v. Continental Can Co., 378 U.S. 441, 458-461 (1964); United States v. Aluminum Co. of America, 377 U.S. 271, 273-274 (1964); Brown Shoe Co. v. United States, 370 U.S. at 347-353. In Berkey Photo Inc. v. Eastman Kodak Co., 603 F. 2d 263 at 269-270 (2d Cir. 1979), cert. denied, 444 U.S. 1093 (1980), the Court used both revenues and unit sales as appropriate measurements.

use MTS or WATS from the office. The percentage of calls made while traveling may be much smaller than that made from the office. Therefore, simply using the number of customers may not give an accurate indication of the actual usage placed over each carrier or of each carrier's market share.

Thus, as explained above at Section III.A.2, the historical data on the provision of interstate MTS/WATS services have been compiled based on volumes, in this case, conversation hours. The purpose for this compilation is not to dwell on the historical market structure but rather to provide the Commission with a framework in the collection of data in the future which will facilitate the determination of an appropriate regulatory scheme for AT&T. These data reveal the current overwhelming dominance of AT&T and are portrayed graphically in Figures 1 and 2.

Table 1 is a summary of the data gathered by GTE Sprint for this purpose. The chart reflects several important characteristics of useful market data regarding the telecommunications industry. First, as described above at Section III.A.1, the market share for AT&T must be calculated using the total interstate telecommunications market rather than a service by service or a geographic approach. This market will continue to be the relevant market in the future (with the addition of inter-LATA traffic) and therefore the Commission should identify the composite market share as a goal of its future data collection.

Because historical traffic data have generally been collected in terms of originating minutes, these data do not accurately reflect the traffic actually carried over AT&T

facilities. If the call originates in an Independent area but is carried by AT&T for the long haul portion (as is most often the case for interstate traffic), then the call is attributed to the Independent. For this reason, when making its interstate market share calculation, GTE Sprint combined Bell and Independent originating volumes to reach a market share for AT&T. Of course, because of divestiture this calculation will not be necessary for future market share data.

As a byproduct, this data collection exercise has highlighted important information for use in the Commission's determination of market share which is currently not available. First, volume data, i.e. circuits, for private line was difficult to obtain and impossible to integrate in a meaningful way with switched services data. For this reason, the historical market calculation private line market share is calculated separately from MTS and WATS. However, private line and MTS and WATS are interchangeable services and future data must be collected which will allow aggregation of these services on a basis other than revenues. Thus, the Commission should collect numbers of circuits as well as usage statistics to permit integration of private line in the switched services in the future. Likewise, the Commission will need general information on the resale business in order to determine what percentage of traffic is resold and from which carriers those facilities are obtained. In the data submitted here, both AT&T and other carrier volumes have been adjusted to reflect services resold.

Additionally, in the post-divestiture environment these data should be collected and assessed on an interLATA rather than an interstate basis. We do not, at this time, have complete data on interLATA traffic and therefore such information is not included in this filing. Obviously, however, the Commission will need accurate interLATA information in the future to analyze the market structure and make a determination on AT&T's market power.

II. SOURCES OF THE HISTORICAL DATA

A. AT&T Interstate MTS Conversation Minutes

The total (Bell and Independent) interstate domestic MTS conversation minutes were derived in the following manner. Initially, the number of Bell and Independent Company originated interstate MTS messages was derived using data from the Bell System Monthly Analysis No. 9. International messages were subtracted using data available from the Long Lines Statistics. Conversation minutes were computed using the appropriate minute-per-message ratios based on data from AT&T's 1981 Category Equalization/MTS Restructure Filing and Long Lines Statistics. The Bell and Independent volumes were then combined to reach the total AT&T volume. This calculation is shown in Table 2.

B. AT&T Interstate WATS Conversation Minutes

The total Bell and Independent interstate WATS conversation minutes were calculated based on interstate In-WATS and Out-WATS messages derived from the Bell System Monthly Analysis No. 9. Conversation minutes in each category were then computed using the appropriate minute-per-message ratios based on data from the

Long Lines Statistics; from Vol. 4-1 (March 1983) of AT&T's Tariff Filing Reference Package, and from Vol. 4 of AT&T's September 15, 1980 filing entitled "Revision to Wide Area Telecommunications Services, AT&T Tariff FCC No. 259." The data collected for AT&T Interstate MTS and WATS conversation minutes are summarized in Table 1.

C. Bell and Independent Private Line Revenues

Due to the lack of consistent volume data for private line, revenues were utilized to assess AT&T's position in all segments of the telecommunications market. The interstate toll voice private line revenues were obtained from Form M reports for the Bell and Independent Companies. If data were missing for individual companies, a value was computed usually by interpolating linearly between surrounding years. Where the data dictated otherwise, a compound growth rate determined by interpolation was used. These data include revenues from the Telephone category adjusted to include Telpak as well, for the years 1970-1981. Omitting Telpak would have resulted in a discontinuity in the data from 1980-1981 when TELPAK was eliminated as an interstate offering. Private line revenues are summarized in Table 3 and portrayed graphically in Figures 3 and 4.

D. OCC Volume Data

The OCC MTS and WATS equivalent data was obtained using revenues for each carrier and dividing by the rate per minute for

each company over time.⁵ For MCI, GTE Sprint and USTS, the revenues were obtained from Form Ps filed with the FCC. For Western Union, the revenues were obtained from the FCC Form O reports and for SBS the Annual Reports were used. The revenues for private line service were obtained from the above sources but include American Satellite and RCA Americom estimated private line revenues as well. OCC MTS and WATS data are summarized in Table 1 and private line revenues are contained in Table 3.

E. Resellers Volume Data

Data for U.S. Telephone and Combined Network, now Allnet, were derived from their respective Annual and Quarterly Reports. Data for all other resellers were derived using estimates from The Association of Long Distance Telephone Companies (ALTEL). As with the OCC minutes, the revenues were divided by the rate per minute to arrive at the number of minutes. This data is also summarized in Table 1.

F. Resold Services

Resold services have been subtracted from both AT&T and OCC traffic volumes. They were estimated based on GTE Sprint's experience and conversations with other industry personnel.

⁵ Use of each carrier's average revenue per minute to determine the volume produces an unbiased volume result. The above-mentioned problems with revenue (discussed in Section I above) are not applicable.

Table 1
Interstate Traffic Volumes by Carrier

		AT&T ¹	%	Other Carrier	%	Reseller	%	Total
1970	MTS	306.6						
	WATS	27.2						
	<u>Total</u>	333.8	100.00	N/A		N/A		333.8
1971	MTS	323.9						
	WATS	31.3						
	<u>Total</u>	355.2	100.00	N/A		N/A		355.2
1972	MTS	359.5						
	WATS	39.6						
	<u>Total</u>	399.1	100.00	N/A		N/A		399.1
1973	MTS	400.9						
	WATS	50.6						
	<u>Total</u>	451.5	100.00	N/A		N/A		451.5
1974	MTS	436.1						
	WATS	63.1						
	<u>Total</u>	499.2	100.00	N/A		N/A		499.2
1975	MTS	456.2						
	WATS	78.0						
	<u>Total</u>	534.2	100.00	N/A		N/A		534.2
1976	MTS	496.8						
	WATS	99.1						
	<u>Total</u>	595.9	100.00	N/A		N/A		595.9

See Table 2 for derivation of AT&T figures.

Table 1 (con't)

		AT&T	%	Other Carrier	%	Reseller	%	Total
1977	MTS	551.1						
	WATS	121.8		1.8				
	<u>Total</u>	672.9	99.7	1.8	.3	N/A		674.7
1978	MTS	627.8		.7				
	WATS	145.5		2.6				
	<u>Total</u>	773.3	99.6	3.3	.4	N/A		776.6
1979	MTS	710.6		4.7				
	WATS	162.9		3.8				
	<u>Total</u>	873.5	99.0	8.5	1.0	N/A		882.0
1980	MTS	780.2		13.5		.3		
	WATS	189.5		4.4		-		
	<u>Total</u>	969.7	98.2	17.9	1.8	.3		987.6
1981	MTS	820.2		36.1		3.6		
	WATS	215.3		5.7		.1		
	(Resold Services)	(3.1)		(2.2)				
	<u>Total</u>	1032.4	96.0	39.6	3.7	3.7	.3	1075.7
1982	MTS	829.5		56.8		14.9		
	WATS	250.1		8.5		.7		
	(Resold Services)	(10.8)		(4.8)				
	<u>Total</u>	1068.8	93.4	60.5	5.3	15.6	1.3	1144.9

Table 2
AT&T Interstate Traffic Volumes by Originating Company

		<u>Bell</u>	<u>%</u>	<u>Independent</u>	<u>%</u>	<u>Total</u>
1970	MTS	263.7		42.9		306.6
	WATS	26.0		1.2		27.2
	<u>Total</u>	289.7	86.8	44.1	13.2	333.8
1971	MTS	277.4		46.5		323.9
	WATS	29.8		1.5		31.3
	<u>Total</u>	307.2	86.5	48.0	13.5	355.2
1972	MTS	306.8		52.7		359.5
	WATS	37.6		2.0		39.6
	<u>Total</u>	344.4	86.3	54.7	13.7	399.1
1973	MTS	340.0		60.9		400.9
	WATS	47.8		2.8		50.6
	<u>Total</u>	387.8	85.9	63.7	14.1	451.5
1974	MTS	367.5		68.6		436.1
	WATS	59.4		3.7		63.1
	<u>Total</u>	426.9	85.5	72.3	14.5	499.2
1975	MTS	382.2		74.0		456.2
	WATS	73.3		4.7		78.0
	<u>Total</u>	455.5	85.3	78.7	14.7	534.2
1976	MTS	415.8		81.0		496.8
	WATS	92.8		6.3		99.1
	<u>Total</u>	508.6	85.4	87.3	14.6	595.9

Table 2 (con't)

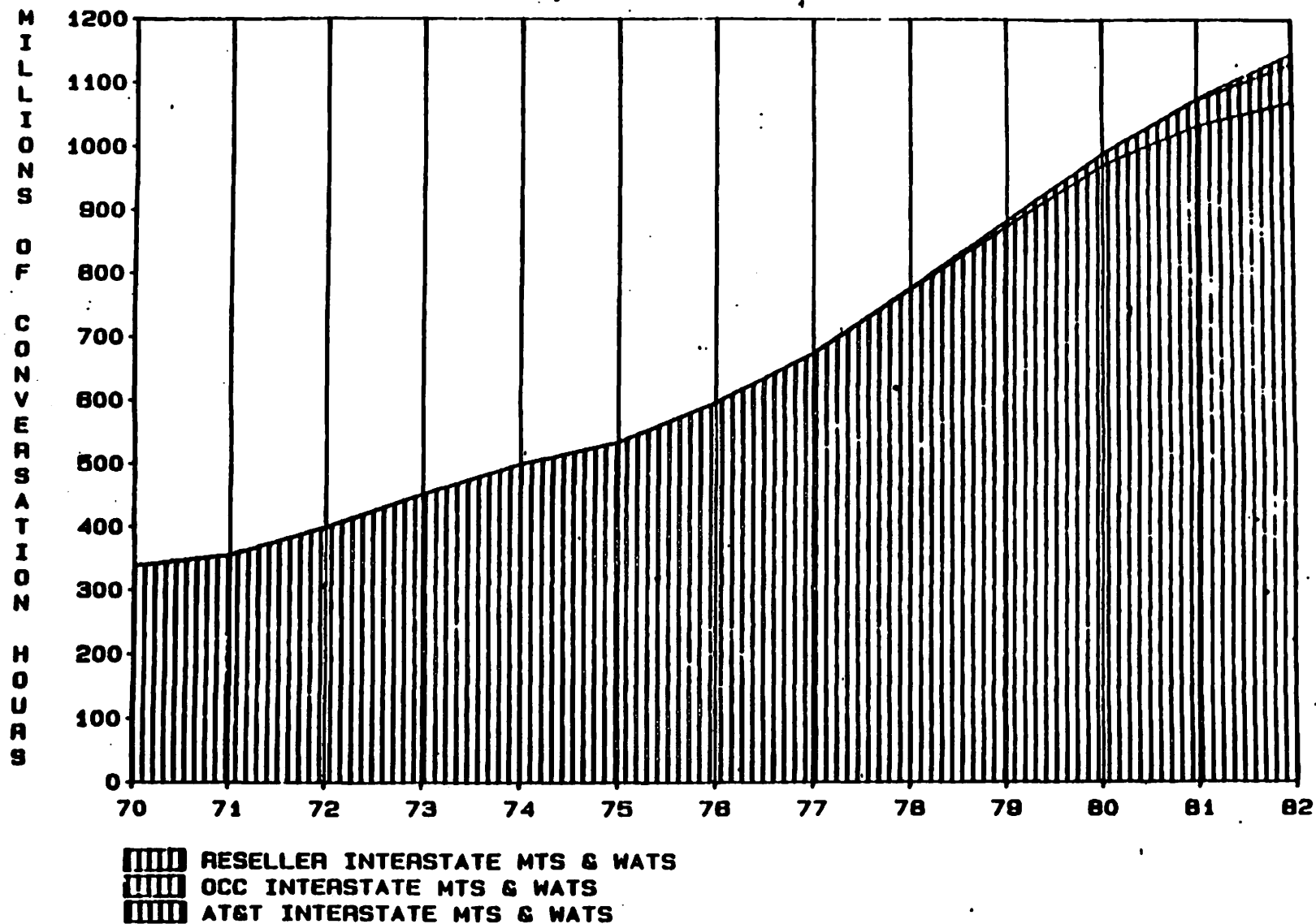
		<u>Bell</u>	<u>%</u>	<u>Ind.</u>	<u>%</u>	<u>Total</u>
1977	MTS	458.4		92.7		551.1
	WATS	113.4		8.4		121.8
	<u>Total</u>	571.8	84.7	101.1	15.0	672.9
1978	MTS	520.4		107.4		627.8
	WATS	134.6		10.9		145.5
	<u>Total</u>	655.0	84.3	118.3	15.2	773.3
1979	MTS	587.6		123.0		710.6
	WATS	150.2		12.7		162.9
	<u>Total</u>	737.8	83.6	135.7	15.4	873.5
1980	MTS	642.9		137.3		780.2
	WATS	174.9		14.6		189.5
	<u>Total</u>	817.8	82.8	151.9	15.4	969.7
1981	MTS	673.5		146.7		820.2
	WATS	197.3		18.0		215.3
Resold Service						(3.1)
	<u>Total</u>	870.8	80.6	164.7	15.2	1032.4
1982	MTS	670.0		159.5		829.5
	WATS	229.0		21.		250.1
Resold Service						(10.8)
	<u>Total</u>	899.0	77.5	180.6	15.6	1068.8

Table 3
Interstate Private Line Revenues
(millions)

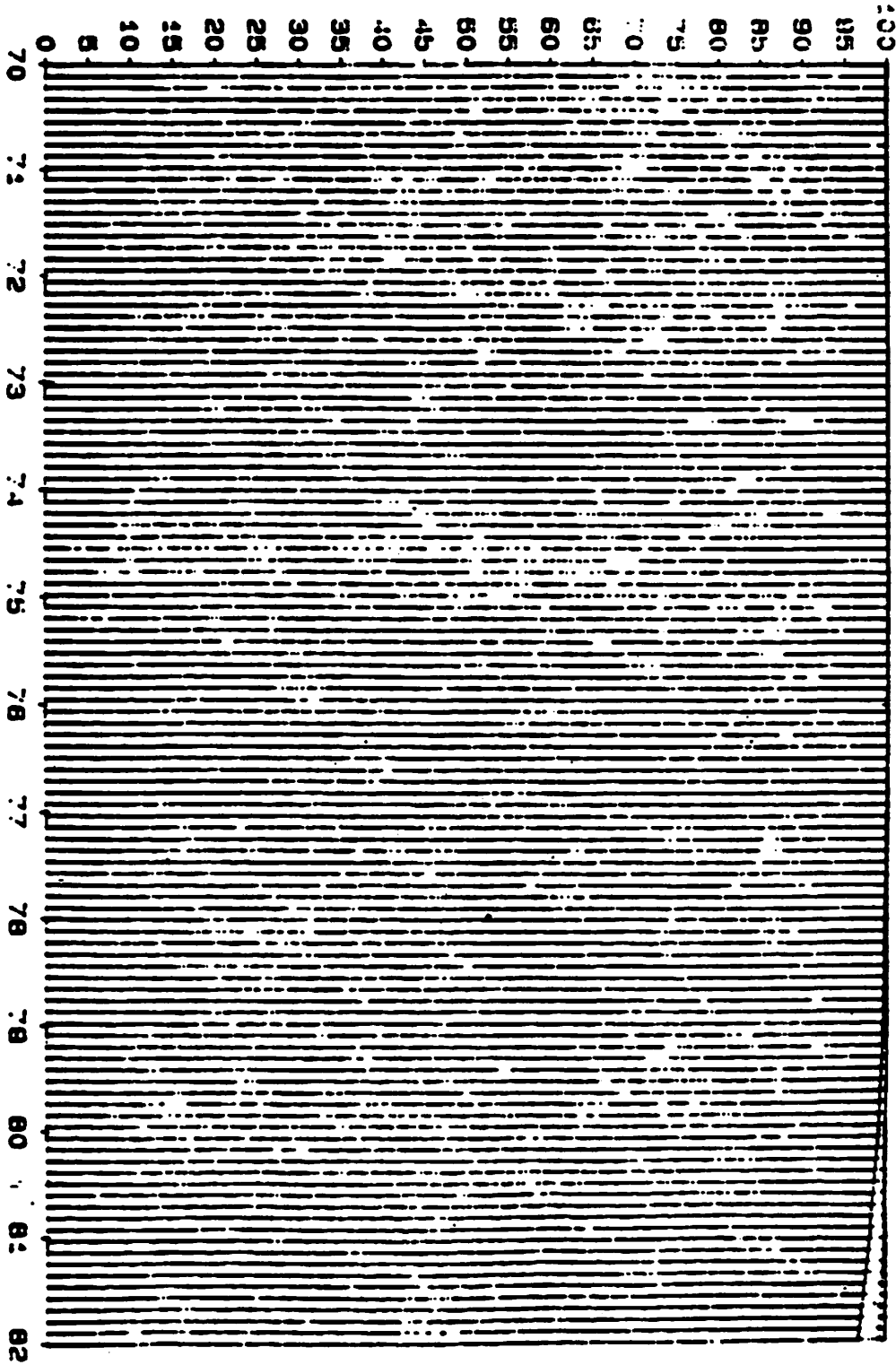
	<u>AT&T</u>	<u>%</u>	<u>Other</u> <u>Carriers</u>	<u>%</u>	<u>Total</u>
1970	503.7	100	N/A	N/A	503.7
1971	518.1	100	N/A	N/A	518.1
1972	558.8	100	N/A	N/A	558.8
1973	609.0	99.9	2.0	.1	611.0
1974	637.9	99.1	6.0	.9	643.9
1975	689.9	95.3	34.2	4.7	724.1
1976	733.7	89.2	87.7	10.8	821.4
1977	763.7	90.1	84.1	9.9	847.8
1978	811.5	89.1	99.4	10.9	910.9
1979	876.3	87.7	122.3	12.3	998.6
1980	984.8	85.8	162.5	14.2	1147.3
1981	1314.1	86.5	204.4	13.5	1518.5
1982	1570.1	85.4	267.6	14.5	1837.7

FIGURE 1

INTERSTATE MTS/WATS SERV. VOL. BY CARRIER



INTERSTATE MTS. WATS WXT. SHARE BY CARRIER



RESELLER INTERSTATE MTS & WATS
OCG INTERSTATE MTS & WATS
AT&T INTERSTATE MTS & WATS

FIGURE 3
INTERSTATE PRIVATE LINE REVENUES

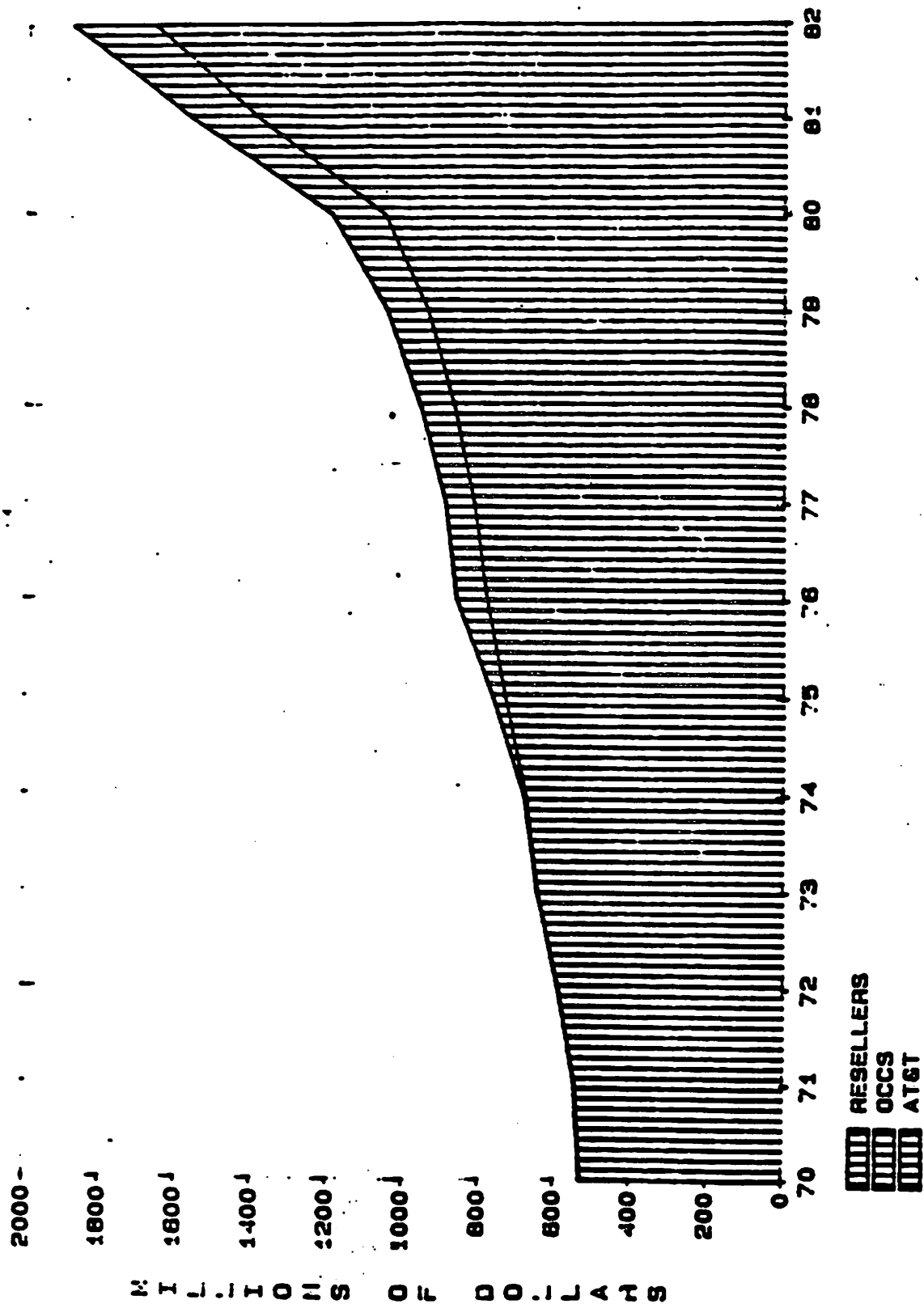
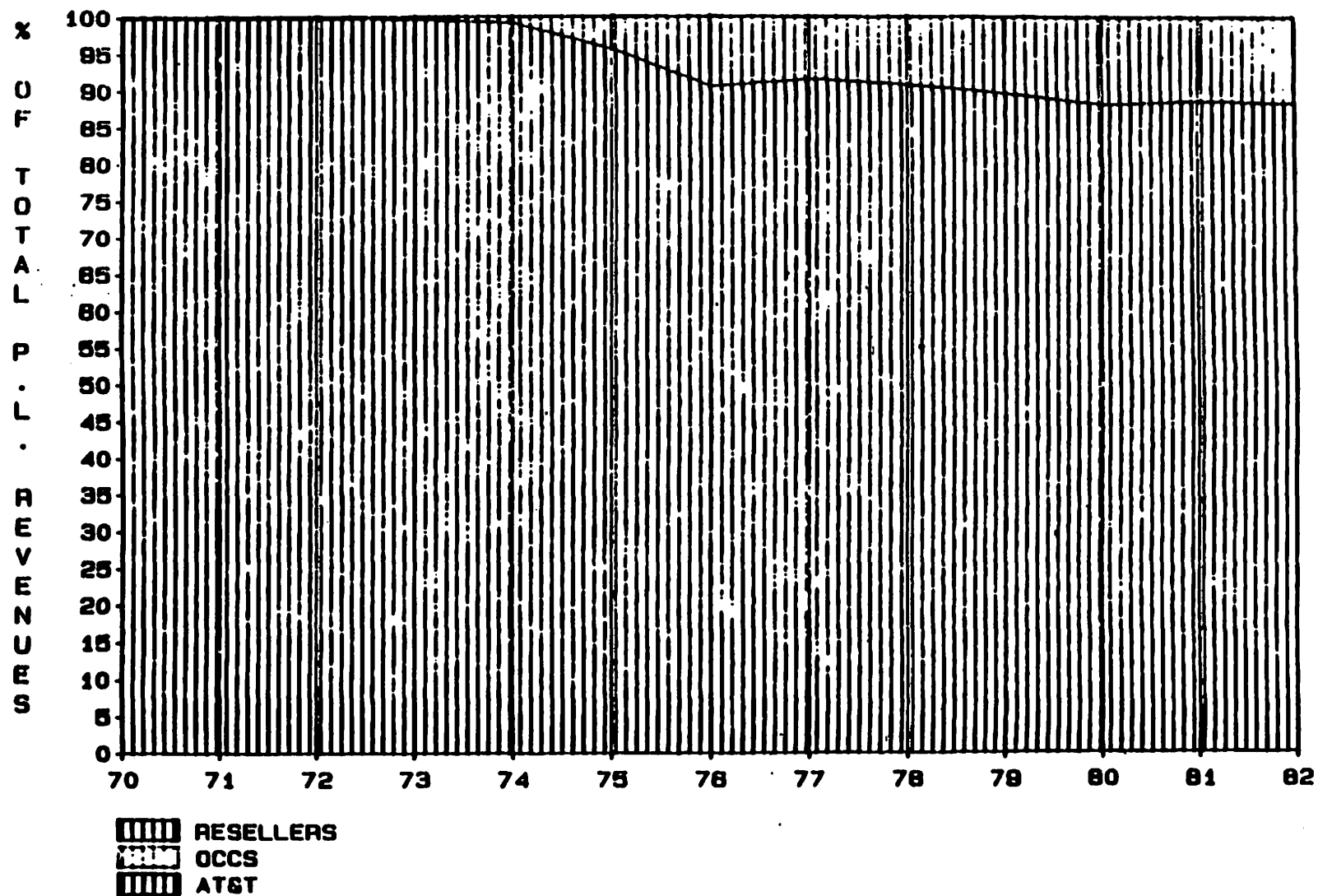


FIGURE 4

INTERSTATE P. L. MKT SHARE BY CARRIER



1983 Market Share Data

The following tables provide 1983 market share data, ~~updating~~ the information submitted with GTE's Initial Comments in Appendix A. The same methodology described in Appendix A of those comments was used to develop the information set forth here. The AT&T interstate MTS and WATS conversation minutes are a combination of Bell System and Independent interstate originating minutes and were derived using data from the Bell System Monthly Analysis No. 9. The AT&T private line revenues were obtained from Form M reports. OCC and reseller MTS and WATS equivalent data as well as OCC private line data were obtained from FCC Form Ps, Form O and Annual Reports. The Resold services that have been subtracted from both AT&T and OCC traffic volumes have been estimated based on GTE Sprint's and other carriers' experience.

Table 11983 MTS/WATS Interstate Retail Market Share
Millions of Conversation Hours

	(1) Total <u>MTS/WATS</u>	(2) Resold by Other <u>Carriers</u>	(3) <u>Retail Total</u>	%
AT&T	1,125	29	1,096	86.6
OCCs	135	5	130	10.3
Resellers	40	-	40	3.1
TOTAL	<u>1,300</u>	<u>34</u>	<u>1,266</u>	<u>100.0</u>

The above table shows AT&T's market share of interstate MTS and WATS services which are billed directly to the customer. This information is summarized in Column 3, Retail Total. To avoid double counting of resold traffic, the traffic resold to other carriers, (Column 2) is subtracted from the total MTS and WATS (and MTS- and WATS-like) conversation hours (Column 1). This table updates Table 1 of Appendix A to GTE's initial comments.

Table 2

1983 MTS/WATS Interstate Market Share--Attributable Traffic
Millions of Conversation Hours

	(1) Total <u>MTS WATS</u>	(2) Resold <u>Traffic</u>	(3) <u>Total</u>	%
AT&T	1125	-	1125	90.7
OCCs	135	19	116	9.3
Resellers	40	40	-	0.0
TOTAL	<u>1300</u>	<u>59</u>	<u>1241</u>	<u>100.0</u>

This table sets forth the market share of AT&T versus the OCCs in terms of the carrier actually providing the transmission capacity and therefore actually carrying the traffic. This market share is calculated by taking the Total MTS/WATS from Table 1, and then subtracting resold traffic. For example, in 1983 the OCCs billed a total of 135 million conversation hours. Of that 135 million hours, 19.2 million were actually carried over facilities leased from another carrier. AT&T, on the other hand, does not resell other carriers' service. Thus, Column (3) represents the traffic attributable to the underlying carrier, either AT&T or the OCCs. The difference between the total traffic attributable to AT&T and the OCCs in Column 3 and the total retail traffic from Table 1, Column 3 is the result of the use of resold private lines for the provision of MTS/WATS services by resellers.

Table 31983 Interstate Private Line Market Share
\$ Millions

	<u>\$</u>	<u>%</u>
AT&T	1,977	83
OCC	<u>407</u>	<u>17</u>
TOTAL	2,384	100

The private line market share data is presented in terms of revenues because, as detailed in GTE's initial comments, there is currently no accurate method of obtaining private line usage data. Private line revenues for resellers are insignificant and therefore are not included in this table.

Revenue Penetration By OCCs

<u>Billings/ Month</u>	<u>% of Establishments that use an OCC</u>	<u>% Revenue Penetration by OCCS</u>
0-500	6.6	9
501-1000	28.6	10
1001-5000	35.3	8
5001-10000	26.1	3
10001-25000	26.4	6
25001-50000	30.5	2
50001-100000	41.3	3
100000+	35.7	0

Source: A multi-client, primary market research study of non-residential, domestic U.S. establishment. COMTEC is a joint venture of Burke Mtg. Services, the Gartner Group and Infratest International. A sample of 7,839 of a universe of 6,253,479 establishments was surveyed to obtain data on their use of telephone systems and telecommunications services as well as computer and other information services.

GTE SPRINT COMMUNICATIONS
CORPORATION OF VIRGINIA

TESTIMONY OF
RONALD D. HAVENS

VIRGINIA STATE CORPORATION COMMISSION

CASE NO. PUC 840023

August 6, 1984

Q. PLEASE STATE YOUR NAME AND POSITION.

A. My name is Ronald D. Havens. I am employed by GTE Sprint Communications Corporation (GTE Sprint) as its Manager, Technical Staff.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND RELEVANT BUSINESS EXPERIENCE.

A. My educational background and relevant business experience are described in Attachment A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide the Virginia State Corporation Commission with technical and other information which relates to the need for continued regulation of AT&T Communications of Virginia (AT&T of Virginia). Specifically, I will describe: the differences between the interconnection facilities provided to AT&T of Virginia and those provided to GTE Sprint; GTE Sprint's use of facilities owned by AT&T; and anticipated problems in the implementation of so-called "equal access." I will also respond to certain representations made in the testimony of AT&T of Virginia's technical witness, Mr. John D. Schell, Jr.

Q. PLEASE DESCRIBE THE DIFFERENCES BETWEEN THE INTERCONNECTIONS TO THE LOCAL EXCHANGE NETWORK WHICH ARE

PROVIDED TO GTE SPRINT AND THOSE PROVIDED TO AT&T OF VIRGINIA.

- A. The Chesapeake and Potomac Telephone Company's intrastate access tariff in Virginia denominates interconnection arrangements currently available to interexchange carriers in the Commonwealth as Feature Groups (FG) A, B and C. Only AT&T of Virginia, however, can order FG C. Therefore, prior to the implementation of so-called FG D "equal access" interconnections, only three forms of interconnection, Feature Group A, Feature Group B direct and Feature Group B tandem, can be ordered by GTE Sprint.

Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THESE FEATURE GROUPS TO WHICH YOU HAVE JUST REFERRED?

- A. Certainly. FG A , formerly known as Exchange Network Facilities for Interstate Access Type-A or ENFIA A, is a lineside class 5 end office connection. With FG A, the Sprint network is connected to the local network in the same manner as a local business or residential subscriber. This form of connection employs local as opposed to toll grade facilities.

Feature Group B interconnections come in two forms, direct and tandem. Feature Group B direct is a trunk side interconnection similar to, but not identical to, AT&T of Virginia's Feature Group C connection. Feature Group B direct, formerly known as ENFIA B, provides call

origination capabilities only out of 1 ESS and 1 AESS stored program control (SPC) switch equipped end offices.

Feature Group B tandem, formerly known as ENFIA-C, provides a trunk connection to a local access tandem. Sprint has ordered and uses FG B tandem connections. Although this form of connection provides more features and higher quality transmission than FG A, it does not compare at all with the transmission quality and features that FG C provides to AT&T of Virginia.

Feature Group C, available only to AT&T of Virginia, involves a direct toll grade trunk connection between the Class 4 switch and its subtending Class 5 end offices. This is premium access in the truest sense. During the so-called "ENFIA-II negotiations" in which I participated, the OCCs requested AT&T to provide them with a Class 4 interconnection option. While AT&T indicated initially that it would do so, AT&T later changed its position and no such option was made part of Bell System Operating Company (BSOC) Tariff FCC No. 9 under which ENFIA B and ENFIA C ultimately were made available.

Feature Group D is the so-called "equal access" form of connection. It will be of two types, direct and tandem. Direct connections, such as exist with FG C today, will be used where end office traffic volumes justify doing so. Only AT&T of Virginia is likely to

have sufficient volumes to justify the continuation of these direct connections. Other carriers will connect at a FG D tandem.

Q. WHAT FORM OF INTERCONNECTION DOES GTE SPRINT PRIMARILY USE TODAY AND WHY?

A. GTE Sprint primarily uses FG A because, until August of 1982, that feature group was the only form of interconnection available as GTE Sprint constructed its nationwide network..

Q. HAS GTE SPRINT BEEN COMPETITIVELY DISADVANTAGED BY HAVING TO USE FG A-TYPE CONNECTIONS?

A. Very much so. FG A line side interconnections are substantially inferior to interconnection arrangements provided to AT&T. Calls completed through line side interconnections rely upon local trunks and switches not designed to the same demanding long distance specifications as the toll-quality trunks and switches used for AT&T calls. Local trunks and switches are designed to allow a significant amount of loss ^{1/} in the

^{1/} "Loss" is the diminishment of a signal while it is being transmitted.

signal being transmitted, as well as echo, ^{2/} since in short-distance transmissions, these factors do not materially affect transmission quality. However, when local trunks are used to transmit long-distance traffic, increased loss and echo, as well as increased background noise, become substantial problems. Further, in some cases, line side interconnections cause transmitted signals to be clipped so that only part of a signal is actually transmitted. In order to mitigate these effects, AT&T's competitors must incur substantial additional costs, not borne by AT&T, for echo suppressors and echo cancellers and even then some connections made through line side exchange access arrangements are unusable.

With regard to the latter point, page 11 of Mr. Schell's prefiled testimony insinuates that OCC echo problems in Virginia are due to the manner in which the OCCs have engineered their networks. What Mr. Schell ignores completely is the fact that OCC network design, in large part, is driven by the type of interconnection made available. Put another way, the failure of C&P to provide OCCs with the same access that is provided to

^{2/} "Echo" results when a portion of a signal being transmitted through a circuit is reflected back through the circuit toward the point of origination.

AT&T of Virginia has given rise to echo problems experienced by the OCCs but not by AT&T of Virginia.

Line side interconnection arrangements impose other anticompetitive burdens of OCCs as well. Customers must use approximately twenty-three to twenty-seven digits to access the OCC network under this arrangement, instead of the ten digits used by AT&T customers. This is necessary because the FG A facilities provided by C&P will only pass seven digits. Therefore, the OCC must provide a second dial tone in order for the customer to input a subscriber code, which would otherwise be unnecessary, before dialing the ten digit number the customer wishes to reach.

Finally, line side interconnection precludes OCCs from serving customers with rotary dial telephones. This is perhaps the most significant penalty borne by non-AT&T carriers under line side access arrangements since approximately 40 percent of the telephones served by C&P in the Commonwealth are rotary dial.

- Q. WELL, ISN'T IT TRUE AS MR. SCHELL HAS REPRESENTED, THAT THE OCCS HAVE SIMPLY CHOSEN NOT TO AVAIL THEMSELVES OF IMPROVED INTERCONNECTION ARRANGEMENTS AVAILABLE SINCE FEBRUARY, 1982?
- A. No. To put this matter into perspective, some background information is necessary. During late 1979 and early

1980, a series of discussions concerning OCC desires for better interconnection were held. These discussions were known as the ENFIA-II negotiations. At these meetings, the OCCs requested interconnection at the Class 4 level, the same as FG C which AT&T has used. While initially AT&T indicated some willingness to provide OCCs with this type of access, it later changed its position and refused to do so.

In February, 1982, the BSOC 9 tariff was filed at the federal level. Under BSOC 9, ENFIA B and C -- now FG B direct and FG B tandem -- were offered for the first time. Review of BSOC 9 disclosed a substantial deviation from the BSOC 8 ENFIA A tariff in terms of how charges were to be computed. Specifically, under BSOC 9, charges were to be assessed on the basis of holding time minutes of use (MOU) rather than adjusted conversation minutes as were used for ENFIA A. Therefore, ENFIA B and ENFIA C as initially filed were prohibitively expensive. As a result, a dispute ensued which ultimately was not resolved until August, 1982 when the Bell System agreed to compute ENFIA B and ENFIA C charges in the same manner as ENFIA A. This was only appropriate because, as with ENFIA A, OCC set up times with ENFIA B and C were substantially longer than for AT&T as a result of the

inferior nature of ENFIA B and C versus AT&T's connection.

After the introduction of ENFIA C, its availability was quite limited for a considerable period of time because the Bell Operating Companies did not have the facilities necessary for making the feature group available. Indeed, on June 29, 1982, this scarcity drove AT&T to file FCC Transmittal No. 58 pursuant to which it sought to impose an allocation scheme for ENFIA C facilities. This scheme was rejected by the FCC. OCCs, like Sprint, which ordered ENFIA C after the charging dispute had been resolved experienced long delays between the time such circuits were ordered and the time delivery was offered.

Finally, it should be remembered that on January 8, 1982, a proposed consent decree in United States v. AT&T was announced. While "equal access" was a key ingredient to that proposal, the decree was not formally entered until August, 1982. Thereafter, a long series of discussions ensued concerning what would constitute "equal access."

Q. DID I UNDERSTAND YOU TO SAY THAT ENFIA B (FG B DIRECT) ACCESS IS INFERIOR TO AT&T OF VIRGINIA'S FEATURE GROUP C ACCESS?

- A. Yes. FG B direct trunk side interconnection at the Class 5 switch has substantial drawbacks. ^{3/} This kind of interconnection is unavailable to AT&T's competitors in a large number of instances, since their traffic cannot be originated through a trunk side Class 5 interconnection at an electromechanical switch. Recent figures will help illustrate the point.

According to ECA Tariff FCC No. 2, there are 458 Class 5 end offices in the Commonwealth. Of these, some 251 or 54.8 percent belong to independent telephone companies. C&P owns the remaining 207. Not counting the six exchanges which are part of the Washington, D.C. LATA, based on data in C&P's June 22, 1984 Equal Access Plan (Attachment B to my testimony) and other information C&P has provided, only 45 or 9.8 percent of end offices in the Commonwealth are equipped with the IESS and IAESS SPC switches necessary for the provision of originating ENFIA B direct. Put another way, only 21.7 percent of

^{3/} Under this arrangement, the non-AT&T carrier's toll switch is connected to the local exchange network at the trunk side of local exchange Class 5 switches. A non-AT&T carrier's toll switch must be separately connected to each Class 5 office in an exchange area in order to serve the entire area since a trunk side interconnection at a Class 5 switch allows access only to the telephones served by that Class 5 switch. ENFIA A connections, by contrast, allow the OCC to reach the entire toll free calling area of the particular locale.

C&P's end offices are so equipped. Since the independents do not offer FG B direct, it cannot be used ubiquitously in Virginia. Accordingly, Mr. Schell's recommendation on pages 13-14 of his testimony that OCCs use FG B direct is impracticable. Moreover, even if the OCCs were to use FG B direct, the "improvements" Mr. Schell describes would occur only where FG B direct connections were found at both the originating and terminating ends of the call.

More important, however, is the fact that FG B direct interconnection is also discriminatory since it forces substantial inefficiencies on AT&T's competitors, but not upon AT&T of Virginia. Trunk side access would require the OCC terminal in each exchange area to be separately connected by a trunk or a trunk group to each end office serving an OCC customer. Because the volume of traffic carried by an OCC in any one exchange area is generally small, the trunk groups required to transmit signals between terminal and end offices would be small, usually less than ten trunks. At these traffic levels, trunks are quite inefficient, as AT&T itself has stated:

The principal characteristic of telephone traffic . . . is that for a given grade of service, a large volume is carried more economically than a smaller volume. Transmission systems

exhibit relatively lower unit costs for relatively larger systems. It is therefore relatively advantageous to concentrate traffic in these larger transmission systems. ^{4/}

As a result, even AT&T recognizes that "particularly at this stage of the competitors' businesses, they are not large. If they are not all large, they may not have the volume of business to justify trunk routes to every end office." ^{5/} Indeed, it is precisely for this reason that ENFIA B remains virtually unused by OCCs. In fact, to the best of my knowledge, only two ENFIA B circuits have been subscribed to in the country and these were taken for experimental purposes.

Q. WHAT ABOUT ENFIA C (FG B TANDEM)? ISN'T THAT A BETTER FORM OF CONNECTION THAN ENFIA A?

A. Partially. ENFIA C involves interconnection at a local tandem office. ^{6/} This type of interconnection would

^{4/} In the Matter of MTS and WATS Market Structure, Docket 78-72, Comments of AT&T, filed March 3, 1980, at 69-70.

^{5/} Testimony of Irwin Dorros in United States v. AT&T, August 13, 1981, at 21624.

(Footnote Continued)

provide some improvements over line side interconnection, such as answer supervision. In addition, the tandem office would to some extent serve as a point of toll traffic concentration above the end office.

Tandem office interconnection, however, transmits long-distance traffic over local trunks and switches, causing excessive loss, echo, background noise and does not provide AT&T's competitors with the same transmission quality and services which AT&T of Virginia enjoys. For example, subscribers cannot access a specialized carrier's network through rotary dial telephones, a significant preclusion since in 1981 roughly 60 percent of Bell telephones were rotary dial. Moreover, tandem office interconnection would not identify the calling party, thus creating billing problems for the specialized carrier.

Q. CAN YOU BRIEFLY SUMMARIZE THE EFFECTS OF INFERIOR INTERCONNECTION ON THE OCCS?

(Footnote Continued)

67

Under this arrangement, a call would be transmitted from a subscriber's telephone to the Class 5 switch serving that telephone, then over the local exchange system to the tandem office. The call would then be transmitted from the tandem office to the specialized carrier's terminal, and from there, over the specialized carrier's intercity facilities. At the terminating end, the call would follow a similar path from the specialized carrier terminal, through the tandem switch and the local network, and finally to the telephone being called.

- A. Yes. The inferior form of local access which OCCs have been required to use: has precluded OCCs from the rotary dial market which represents approximately 40 percent of the telephones served by C&P in Virginia today; has required OCC customers to dial as many as 27 digits to place calls; has denied OCCs the ability to determine where their customers are calling from; and has adversely affected the quality of OCC transmissions.

To assist the Commission, I have prepared a chart, appended to this testimony as Attachment C, which lists the many differences between the interconnections available to AT&T of Virginia and those available to GTE Sprint of Virginia. I urge the Commission to compare my Attachment C with Mr. Schell's Attachment A, pages 4 and 7. I have also prepared and appended in Attachment D a brief summary defining some of the terms which appear in Attachment C and describing some of the difficulties which carriers like GTE Sprint have experienced as a result of their inferior interconnection arrangements. Due to the many advantages it derives from its premium quality interconnections, AT&T is able to market its long distance service as a "higher quality" service than that provided by its competitors.

- Q. COULD YOU GIVE AN EXAMPLE OF HOW AT&T USES THE ADVANTAGES IT GAINS FROM ITS PREMIUM INTERCONNECTION TO DIFFERENTIATE ITSELF FROM OTHER CARRIERS?

A. Yes. I have appended several AT&T advertisements as Attachment E. As can be seen from these advertisements, AT&T stresses such features as service ubiquity ("anywhere, anytime"), operator services, and transmission quality. Of course AT&T itself does not reach "anywhere, anytime." For instance, AT&T Communications of Virginia is not authorized to carry intra-LATA calls. However, if a customer places a toll call by dialing 7, 8, 10 or 11 digits (depending on whether a "1" is required), the call will be automatically routed to either C&P or AT&T. This is because the local telephone company's switching equipment decides whether to route the call over the local telephone company's facilities or AT&T's interexchange network. The customer only knows that his call is completed, not which carrier actually handles the call. Even after the implementation of "equal access" or Feature Group D, if a customer served by C&P does not take affirmative action to direct a call to the Sprint network or the network of another such carrier, the call will automatically be carried by AT&T.

In its advertising AT&T also stresses its ability to provide operator services. Sprint, however, cannot obtain any form of interconnection prior to the implementation of equal access which would enable it to provide operator services similar to those provided by AT&T of Virginia. Nor will Sprint's current forms of interconnection allow it to provide 800 services. Thus, AT&T retains a monopoly

with respect to 800 service in Virginia and throughout the country.

- Q. ONE OF THE DISADVANTAGES OF BOTH FG A AND FG B (TANDEM) ACCORDING TO ATTACHMENT C IS THE LACK OF ROTARY DIAL ACCESS. WHY IS GTE SPRINT UNABLE TO SERVE CUSTOMERS WITH ROTARY DIAL TELEPHONES?
- A. As currently configured, once the subscriber dials the seven-digit local access number of the Sprint switch, the local Class 5 office disregards any further dialing. C&P's end office switching equipment is not designed to pass rotary dial pulses to a line side termination, which is where the Sprint equipment is connected under the FG A arrangement. If it were possible for C&P to pass rotary dial pulse information when line side interconnections are used, rotary dial telephones could be used to place a Sprint call because the Sprint network is capable of receiving rotary dial signals. The limitation is not in our equipment, the limitation is in the form of the interconnection provided to us by the local exchange companies.
- Q. WILL THE IMPLEMENTATION AND USE OF SO-CALLED "EQUAL ACCESS" FG D ELIMINATE ALL OF THE DISCREPANCIES BETWEEN THE ACCESS AFFORDED TO CARRIERS LIKE SPRINT AND THAT AFFORDED TO AT&T OF VIRGINIA?

A. No. As set forth in a letter which I sent to the Central Services Organization (CSO) on February 3, 1984, customer perceptible differences will still exist between FG D (direct), which will primarily be used by AT&T of Virginia, and FG D (tandem), which will be used primarily for traffic carried by Sprint and carriers like Sprint. A copy of my February 3, 1984 letter is included as Attachment F.

Q. WILL FEATURE GROUP D BE UNIVERSALLY AVAILABLE?

A. No. The requirement to provide Feature Group D or "equal access" currently applies only to BOCs as a result of the Modification of Final Judgment ("MFJ") in United States v. American Telephone and Telegraph Co., Civ. Action No. 82-0192 (D.D.C. Aug. 24, 1982), and does not apply to the independents. Although General Telephone Company of the Southeast will be required to provide equal access under a Consent Decree entered into by GTE and the United States Department of Justice, I understand that its end offices in Virginia are all subject to an exception in the decree and may not be converted until some time in the indefinite future. The MFJ also contains several exemptions to the equal access requirement. Due to these exemptions, equal access interconnections are not likely to be universally available from even the Bell Operating Companies by September 1, 1986.

Based on information that has been provided to Sprint, equal access conversion of the first C&P end office in Virginia is scheduled for September 1, 1984. The last scheduled end office conversion for which information has been received is slated for October 1, 1987. Sprint has received equal access conversion dates for 179 of C&P's 207 end offices. Put another way, while 86.5 percent of C&P's end offices are scheduled to be converted, only 39.1 percent of all end offices in Virginia are involved. Therefore, just as with FG B direct, FG D will also not be ubiquitously available throughout the Commonwealth.

Q. DOES AT&T HAVE ANY ABILITY TO CONTROL THE TIMING OR AVAILABILITY OF FG D OR "EQUAL ACCESS" INTERCONNECTIONS FOR ITS COMPETITORS?

A. Yes. For the most part, the switches to be used as access tandems are Western Electric switches. AT&T continues to own Western Electric. By its control of Western Electric, AT&T can control the availability of the software necessary to perform an equal access tandem function and thus has the ability to control, to a degree, the sequence in which equal access is implemented.

Q. WHAT STEPS WOULD IT BE NECESSARY FOR GTE SPRINT TO TAKE IF IT CONVERTED TO FEATURE GROUP D?

A. FG A does not use the same signaling protocol as either Feature Group B or Feature Group D. Feature Group B does not use the same protocol as Feature Group D either. In order to implement a new protocol, Sprint would be required to take the following steps, among others:

- (1) Change switching equipment hardware and software;
- (2) Change signaling equipment hardware;
- (3) Replace the more than 50,000 FG A circuits in place today in the Sprint network, with Feature Group D circuits. This would be required because FG A circuits would not interconnect with the local network at the same point as Feature Group D circuits. It clearly would be a massive task.
- (4) Change current Sprint billing and customer accounting systems and practices. This would be required because the FG A based Sprint service uses an authorization code for billing purposes. Other forms of billing are possible under Feature Group D, including receiving ANI information for billing purposes, or having the BOC perform billing and collections.
- (5) Implement extensive customer re-education efforts to enable customers to perform Feature Group D dialing, which differs from Feature Group A dialing, in order to gain access to the Sprint network. This re-education effort would be

further complicated by the fact that Feature Group D would not be universally available, thus requiring different methods of access to be used by the customer, depending on where he is calling from.

Q. WOULD THE SAME SORT OF CHANGES BE NECESSARY FOR AT&T TO IMPLEMENT FEATURE GROUP D?

A. No. AT&T would be required to make some software changes. The degree to which software changes would be required would depend on whether or not AT&T chose to have the BOC do billing and collection. Some customer re-education could be required as the customer eventually might have to change what he dials when Feature Group D is implemented. AT&T would not require any circuit rearrangements such as those which would be required for Sprint to make the transition from Feature Group A to Feature Group D.

Q. DOES GTE SPRINT LEASE FACILITIES FROM AT&T AND AT&T OF VIRGINIA IN ORDER TO COMPETE MORE EFFECTIVELY?

A. Yes. We lease WATS and foreign exchange lines from AT&T in Virginia and have FX lines on order with AT&T of Virginia. Currently, we lease 70 WATS lines in Virginia from AT&T and have an additional 104 on order. We also lease 144 FX lines in Virginia from AT&T. In addition, Sprint has ordered 78 FX lines from AT&T of Virginia.

The foreign exchange facilities are used to give a customer the ability to originate a call from a city that is not served by our own facilities. For example, in Fredericksburg we will provide service on an originating basis using facilities leased from AT&T which go from Fredericksburg to our terminal in Washington, D.C. In a similar fashion, the city of Newport News is served using leased facilities from AT&T which go from Newport News to our facility in Washington, D.C.

Q. IF GTE SPRINT WERE REQUIRED TO REPLACE THESE LEASED FACILITIES BY BUILDING ITS OWN, HOW LONG WOULD IT TAKE TO INSTALL SUCH FACILITIES?

A. Over 5 years, if such construction were added to our current network expansion plans. If a special effort were made to replace those facilities just in Virginia and our other construction needs were ignored, construction alone still would take at least one year.

Q. DOES SPRINT ANTICIPATE ANY DIFFICULTY IN OBTAINING FACILITIES AS NEEDED FROM AT&T AND AT&T OF VIRGINIA?

A. We do have some concern about our ability to obtain facilities in a timely fashion due to reports in various trade publications about AT&T's current difficulties in providing leased facilities. It is my understanding that the FCC has requested AT&T to report to it on the difficulties which AT&T is experiencing in reducing its

backlog of private line orders. The facilities which Sprint leases from AT&T in Virginia are classified as private line services. These facilities are critical to Sprint's ability to provide service in Virginia. Indeed, since only AT&T and AT&T of Virginia can provide these facilities ubiquitously, such facilities are "bottleneck." AT&T and AT&T of Virginia, therefore, are strategically situated to inflict serious competitive harm on Sprint by merely delaying delivery of Sprint's orders. Given this position, the Commission should not deregulate AT&T of Virginia until such time as equal access is widely available and the Commission has satisfied itself that AT&T will not use its position as a supplier of crucial facilities to disadvantage its competitors.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

RONALD D. HAVENS

GTE SPRINT COMMUNICATIONS CORP.
1 Adrian Ct.
Burlingame, CA 94010

EDUCATION

September, 1963 to June, 1965

San Diego State College, San Diego, CA
Major: Aero-space Engineering

September, 1965 to December, 1965

Foothill College, Los Altos, CA
General Education

September 1968 to January, 1970

College of San Mateo, San Mateo, CA
Graduated, A.A. in General Education

EXPERIENCE

March, 1975 to Present - GTE SPRINT Communications Corp.
(formerly Southern Pacific Communication Co.)

11/81 to Present - Manager, Technical Staff

Responsible for provision of technical support to the Industry Relations and Operations departments. Duties include dealing with Bell System and Independent telephone companies for escalations and policy related issues, and provision of technical support for regulatory activities.

11/79 to 11/81 - Manager, Network Engineering

Responsible for transmission design of the SPRINT switched services network, provision of 2nd Level maintenance support of network switching systems, technical interface with voice frequency equipment suppliers, custom applications engineering for private line services, liason between Operations and Engineering departments for matters affecting the SPRINT switched services network.

**6/79 to 11/79 - Manager, Special Services
Engineering**

Responsible for technical interface with voice frequency equipment suppliers, custom applications engineering for private line services.

5/76 to 6/79 - Staff Switching Engineer

Responsible for transmission and network interface design and implementation of the SPRINT switched services network.

3/75 to 5/76 - Circuit Design Engineer

Responsible for transmission and equipment design for private line services.

**January, 1973 to March, 1975 - Litton Business Telephone
Systems**

**7/74 to 3/75 - Field Support Engineering -
Engineering Assistant**

Responsible for 2nd Level maintenance of business PBX and Key Telephone Systems. Responsible for custom modification and system configuration of business PBX systems.

4/74 to 7/74 - Service Supervisor, San Francisco

Responsible for 1st Level maintenance and repair of business PBX and Key Telephone Systems installed in Northern California and Nevada.

1/73 to 4/74 - Installation and Service Technician

Responsible for installation and maintenance of business PBX and Key Telephone Systems.

October, 1972 to January, 1973 - Teledyne Tele systems

Installation and Service Technician

Responsible for installation and maintenance of business PBX systems.

June, 1968 to October, 1972 - The Pacific Telephone
and Telegraph Co.

12/68 to 10/72 - Central Office Equipment
Technician

Responsible for maintenance and repair of
Western Electric No. 5 Crossbar and No. 101
Electronic Switching Systems, No. 3CL Switch-
boards, No. 14 Local Test Desk, and T-1
Carrier Systems

6/68 to 12/68 - Frameman

Responsible for connection, disconnection,
and rearrangement of central office equipment
to outside plant facilities.

August, 1966 to June, 1968 - United States Army

11/67 to 6/68 - Senior Field Radio Mechanic

Responsible for supervision of installation
and maintenance of ground fixed and mobile
radio systems and tactical wire-line tele-
phone systems.

5/67 to 11/67 - Field Radio Mechanic

Responsible for installation and maintenance
of ground fixed and mobile radio systems and
tactical wire-line telephone systems.

1/67 to 5/67 - Instructor, Field Wireman's Course

Train students in the installation and main-
tenance of wire-line tactical telephone systems.

8/66 to 12/66 - Basic and Advanced Training

June, 1965 to August, 1966 - The Pacific Telephone and
Telegraph Co.

Frameman

Responsible for connection, disconnection,
and rearrangement of central office equipment
to outside plant facilities.

BELL ATLANTIC TELEPHONE COMPANIES

EQUAL ACCESS COMPLIANCE PLAN

June 22, 1984

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 - 2. Chesapeake & Potomac Telephone Companies
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I. INTRODUCTION

The operating companies comprising Bell Atlantic (hereinafter collectively "Bell Atlantic") have prepared this equal access compliance plan pursuant to the Modification of Final Judgment approved by the Court in United States v. Western Electric Co., CA No. 82-0192. The Decree requires Bell Atlantic to provide to all interexchange carriers and information providers "exchange access, information access, and exchange services for such access. . .that is equal in type, quality, and price to that provided to AT&T and its affiliates." Decree § II(A). This memorandum details the manner in which Bell Atlantic intends to comply with this provision of the Decree.^{1/}

Bell Atlantic will provide all interexchange carriers which take equal access under its tariffs with access which is equal in overall quality within a reasonable range. Once equal access has been implemented, an end user will perceive no difference in the quality of the service Bell Atlantic provides to different interexchange carriers subscribing to Feature Group D. In addition, Bell Atlantic will offer a wide variety of end-user and carrier features and will continue to provide communications of the high quality which has become the expected standard in the United States.

1. Special access services, which include all exchange access not utilizing telephone company end office switches, are now available equally to all carriers. This type access is used, for example, for the provision of private line service.

The standards against which Bell Atlantic will measure the exchange access it provides to all interexchange carriers ("ICs") are the technical characteristics and parameters of the access it has provided to AT&T.^{2/} Equal access does not require equality among subscribers -- such equality would require enormous (and enormously wasteful) expenditures. Equal access means, rather, that all ICs will have the same access to any particular customer.^{3/} Moreover, Bell Atlantic will provide carriers other than AT&T with ordering, maintenance, provisioning and similar services equal to those provided to AT&T.

Bell Atlantic will meet the Decree requirements of having at least one equal access office in each of its operating companies by September 1, 1984, and having one third of its access lines served by equal access offices by September 1, 1985. In fact, at the present time, Bell Atlantic intends to provide equal access capabilities to more than 44 percent of its access lines by September 1985. Under Bell Atlantic's current modernization and replacement schedule, about 79 percent of its access lines will be equipped

2. In order for the standards to be meaningful to the interexchange carriers, these standards will be applied to transmissions up to the carrier's Point of Termination ("POT"). Current standards, which generally measure end-to-end performance, will be disaggregated.

3. Thus, Bell Atlantic does not propose to improve the quality of existing AT&T interconnections except in the course of its planned facility improvement programs. When and where Bell Atlantic does anything to improve access quality, all interexchange carriers will benefit to the same degree.

for equal access by September 1, 1986, with an additional 10 percent so equipped by the end of 1987.

The remaining Bell Atlantic access lines are served by switching systems which either are technologically antecedent to electronic stored program control switches or which characteristically serve fewer than 10,000 lines. Under Bell Atlantic's current plans, these switches will be replaced in an orderly fashion so that more than 97% of its lines will be equipped for equal access by January 1, 1991.

Bell Atlantic is committed to satisfying the equal access provisions of the Consent Decree, a commitment which will require it to incur substantial costs and which will involve the efforts of the vast majority of its employees. In their filing with the Court on May 31, 1983, the Bell Atlantic companies indicated that their costs for equal access through 1986 were likely to exceed \$200 million; this estimate, if anything, is conservative.

Bell Atlantic is concerned that it may be expending these substantial resources to provide a service for which there might be only a limited market. Some interexchange carriers may well decide to retain their Feature Group A or B service rather than switching to Feature Group D. As one IC noted in a filing with the Court, Feature Group A is "perfectly adequate for [an IC's] needs." U.S. Telephone's Response to Ameritech's Motion for Clarification at 11 (Oct. 7, 1983). More recently, the Association of Long Distance Telephone

Companies told the FCC that it has "always been the prerogative of the [interexchange] carrier to mix and match facilities to provide efficient service on a least-cost basis" and suggested that the ICs would continue to use services other than Feature Group D. Opposition to Certain Petitions for Reconsideration at 2 (May 9, 1984). Or, as the Department of Justice recently told the FCC, Feature Group D "will probably be of limited commercial value" to the interexchange carriers "for the next few years." Comments of the United States Department of Justice, CC Docket No. 83-1147, at 19 (Apr. 2, 1984). If the ICs agree with the Department on this score, they are unlikely to buy Feature Group D.

Moreover, the FCC has recently indicated its disposition to disallow for rate-making purposes some of the costs which Bell Atlantic will attempt to recover through its operating companies' access charge tariffs. If the Commission in fact prevents Bell Atlantic from so doing, it might well be left to pay the bill itself.

Bell Atlantic, of course, hopes to recover its equal access costs through access charges or, failing that, from AT&T based upon that company's guarantee. The mechanics of the AT&T guarantee, however, make it uncertain that Bell Atlantic will, in fact, recover these costs. Even if Bell Atlantic is made whole, however, it makes no sense for the ratepayers (through their payments either to AT&T or to the other interexchange carriers) to be required to bear such massive costs if there really is very little demand for

full equal access. As indicated below, Bell Atlantic intends to closely monitor the level of carrier demand and will petition the Court for relief from the equal access provisions of the Decree if that demand does not justify the expenditure of resources required to satisfy its mandate:

Appendix B of the Consent Decree requires Bell Atlantic to provide equal access under certain circumstances in response to a "bona fide request." As described more fully below, Bell Atlantic has interpreted this requirement in a way that obligates it to provide equal access even where only a relatively small percentage of the non-AT&T traffic is committed to equal access. At the same time, Bell Atlantic is entitled to a certain amount of protection against spending substantial sums of money where there really is no market for equal access. Thus, when the requests for equal access from ICs other than AT&T in an office reach only 10% of the forecasted total interexchange carrier minutes of use from carriers which utilize equal access elsewhere and where the requesting carriers place orders supporting the 10% figure, a request will be deemed "bona fide."

Section V of this memorandum describes Bell Atlantic's current plans for complying with the equal access schedule of the Consent Decree. Bell Atlantic has been discussing its equal access capability schedule with the ICs and has incorporated changes to the extent practical. Information on any further changes will be communicated promptly to the ICs.

II. NETWORK ARCHITECTURE

This section describes the network architecture used to transport interexchange carrier traffic between an IC's POT and a Bell Atlantic end office (EO) and to provide equal switched access to all ICs. The IC will determine which end offices will be associated with each POT within a LATA and may specify that different types of service be associated with different POTs.

A. Technology Selection

In addition to the equal access end offices, the traffic sensitive elements of switched access are the interoffice communication channels or trunks and, in the case of tandem connection, a switching machine. Trunk facilities include voice frequency channels on cable pairs in both two-wire and four-wire configurations, digital multiplexed systems and various vintages of analog multiplexed systems. Access tandem switch types will include two-wire and four-wire digital and analog switches. Bell Atlantic will use existing plant and will modernize that plant when overall requirements and the economics of replacement dictate. Regardless of the plant used, the access arrangements will be designed to meet the blocking and transmission \ criteria described below.

Bell Atlantic will work cooperatively with the ICs on routing options and directionality and will endeavor to provide access services in a way that is the most economical and technically efficient for its total customer body. The

final decision on how to manage Bell Atlantic's network will, of course, be Bell Atlantic's. In this regard, Bell Atlantic will follow traditional trunking and engineering practices, which have served the industry well. It will be Bell Atlantic's goal to provide these services in the most economical and efficient manner in an effort to keep access costs -- and therefore access rates -- as low as possible.^{4/}

B. Trunking Options

Bell Atlantic is responsible for providing facilities between its EO and the IC POT. Transport of this traffic may be:

- a) entirely on a direct route between the POT and the EO with none of the traffic routing through an access tandem, or
- b) directed first to a direct route between the POT and the EO with traffic that finds no circuits available in the direct route overflowing to an access tandem, or
- c) entirely through an access tandem.

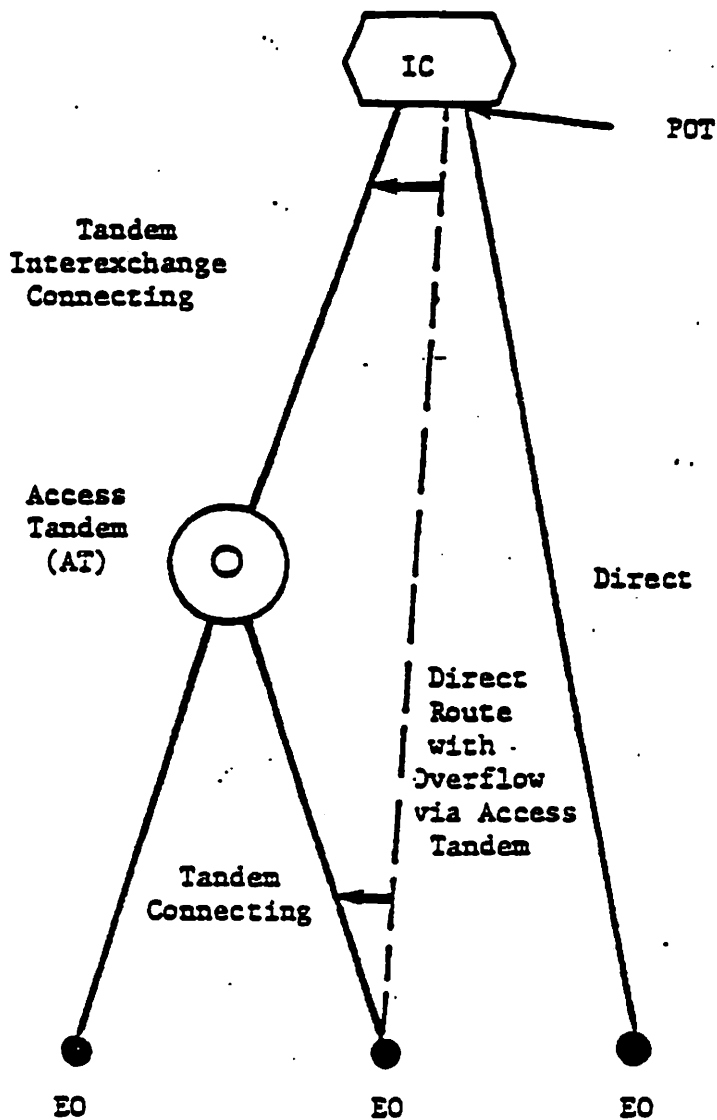
Figure 1 illustrates these trunking options.

It would not be economically feasible to connect all ICs to Bell Atlantic's network in the manner that is identical to that usually provided to AT&T, i.e., via

4. While a particular decision on routing might be good for the ICs as a group (and therefore for the public at large), that decision might require a given IC to pay more than it would have if its own routing were done differently. As indicated, it is Bell Atlantic's goal to provide these services in a way that is most efficient for its customer body as a whole. Bell Atlantic has asked the FCC to permit it to charge the IC for any routing which imposes additional costs on the exchange carrier network.

EXCHANGE ACCESS

TRUNKING OPTIONS



----- High-usage route - when all these access connections in a group are busy, subsequent calls will overflow on to the group of connections to the access tandem.

———— Final Route - when all these access connections in a group are busy, subsequent calls are blocked.

← Indicates the overflow from a high-usage route to a final route.

FIGURE 1

direct connections. This is because each IC, other than AT&T, at least initially, is not expected to have a sufficient volume of traffic between each EO and its POT to justify a dedicated facility. As the traffic volume from EO to POT increases, it will become economical to provide a direct connection.^{5/}

Nor would it be economical to provide all exchange access exclusively through tandem switching arrangements. As the size of the trunk group to the tandem increases, the incremental efficiencies of the group do not increase proportionately. Once the group has exceeded a certain size, the added tandem costs more than offset the additional trunk efficiency, and the use of some direct connections is economically appropriate.

In its supplemental memorandum on the Plan of Reorganization, the Department of Justice recognized these economies: "Because of its traffic volume, in most cases AT&T will likely obtain access via direct trunks from its point of presence to serving end offices. The traffic of smaller carriers, for efficiency reasons, will likely frequently be routed through an intermediate tandem." Supplemental Memorandum of the United States, dated June 10, 1983, at p. 11.

5. Even with a direct connection, it might be most economical to route an IC's overflow traffic through an access tandem.

Where an end office is converted to equal access before the service date of the access tandem supertending the office, Feature Group D connections will be direct to the end office, at least until the tandem is in service.

As Bell Atlantic builds tandems for access services, it may use the new tandem to provide both access and intraLATA services. Thus, it might transfer intraLATA traffic from capacity on a switching system leased from AT&T to the combined access/intraLATA tandem, thereby reducing traffic volume between the AT&T location and the end office. Over a period of time, many of the AT&T POT-to-EO trunk groups are expected to be made high usage with overflow via the access tandem. In smaller rural offices, the direct AT&T POT-to-EO connections might be disconnected and AT&T traffic routed via the access tandem.

C. Blocking Objective

As indicated, access between an AT&T POT and an EO is generally by direct trunks rather than via an access tandem. The blocking objective for these direct trunk groups is that (statistically) one of every one hundred calls will be blocked during the average time consistent busy hour^{6/} of the busy season.^{7/} Direct trunk groups between any other IC's POT and an EO, where an IC chooses to order specific busy hour minutes of capacity, will meet the same objective. When access between the POT of any IC and an EO is via an access tandem, the trunk groups between the

6. "Average time consistent busy hour" is that constant hour in which a series of measurements for an indicated trunk group load computes to a higher average than for any other constant hour.

7. "Busy season" is that period of a calendar year, usually one to three months duration, during which the average of twenty consecutive business day time consistent busy hour loads attains its maximum value.

POT and the access tandem and between the access tandem and the EO will each be sized so that overall (POT to EO) blocking will be no greater than that provided to ICs on direct routes. Figure 2 on the following page illustrates the application of these objectives to specific access configurations. If an IC orders by circuit quantity rather than busy hour minutes of capacity, Bell Atlantic is relieved of all responsibility for blocking objectives.

Bell Atlantic will use standard traffic engineering methods to determine the number of trunks to be provided based on the busy hour minutes of capacity ordered by the IC. The switched access section of the Access Service Tariff covers the details of design blocking probability including the measured blocking thresholds below which the design blocking probability is presumed to have been met. The thresholds used to judge whether blocking is within proper limits take into account the size of the trunk group and the number of valid measurements obtained in a twenty-consecutive-day period. Service performance data and trunk group measurement reports will be provided to the ICs as outlined in the Access Service Tariff.

D. Transmission Plan

At present, connections between EOs and the offices providing the AT&T Class 4 function are based on three transmission plans. They are the via net loss ("VNL") plan, which provides transmission design and performance objectives for analog facilities; the switched digital network ("SDN") loss plan, which provides design and performance objectives for configurations involving digital connections

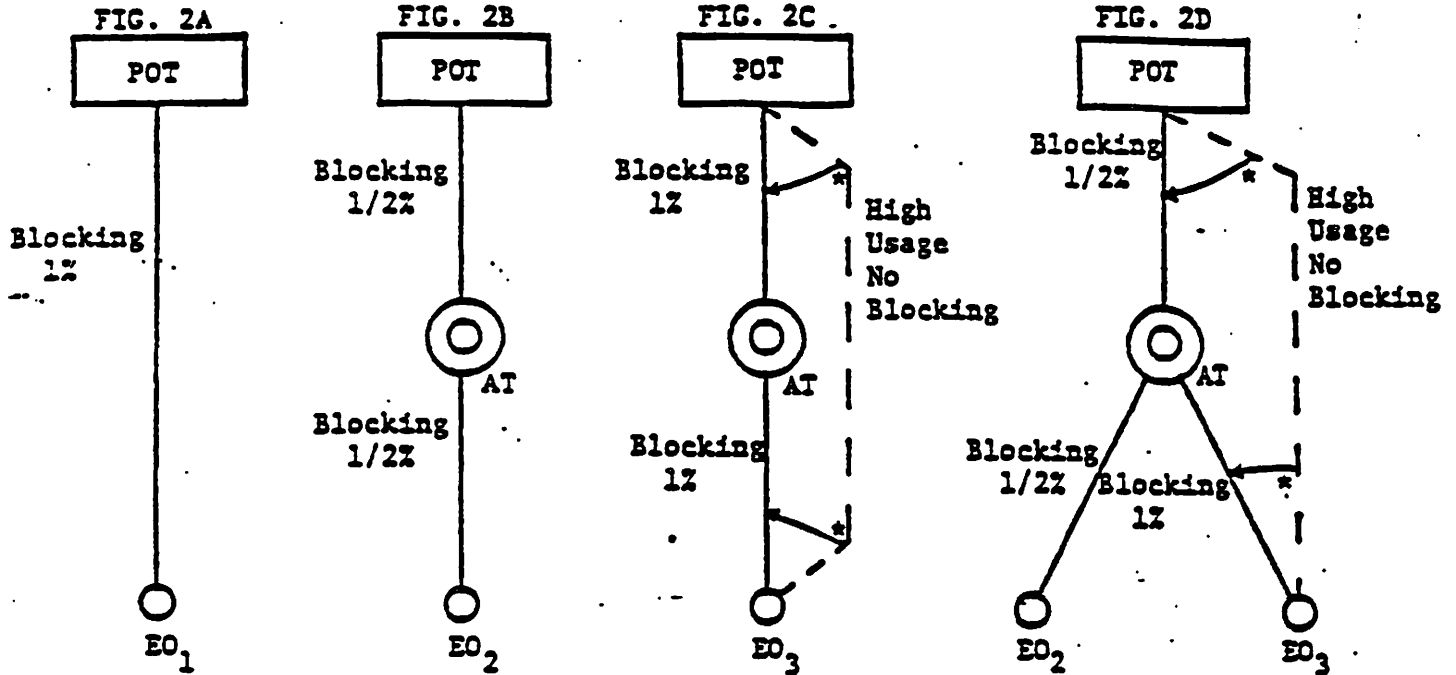


FIG. 2A - All access traffic for an IC is routed via direct final access connections between an IC POT and an EO.

FIG. 2B - All access traffic for an IC is routed via an access tandem.

FIG. 2C - All access traffic for an IC is routed first to a high usage group between an EO and an IC with overflow via an access tandem. Access tandem connections carry only overflow traffic. The overall blocking between the EO and the POT will not exceed 1%.

FIG. 2D - Combination of Figures 2B & 2C. The overall blocking between the EO and the POT will not exceed 1%. Connections between the access tandem and the POT are designed to 1/2% blocking to meet the requirements for traffic at EO₂ even though 1% blocking would satisfy the requirements of EO₃.

* Arrows show direction of overflow.

FIGURE 2

between digital switching systems; and the combination trunk loss plan, which includes design and performance objectives when combinations of analog and digital facilities are used. Bell Atlantic has used these plans as the foundation for its equal access transmission plan.

The resulting loss plan, called the 3.0 or exchange access loss plan, was developed to ensure that the signal quality between an IC's POT and a Bell Atlantic EO will be equal to that provided to AT&T. The transmission objectives of this plan will be contained in a technical publication which is scheduled for release in the near future. The present objectives, of course, are for end-to-end service. The equal access objectives are designed to ensure that, when the access circuit and the IC's circuit are connected, the total end-to-end performance can be made comparable to that of the existing public switched network.

The new objectives were derived by disaggregating the present end-to-end objectives into their exchange and interexchange components. Bell Atlantic's plan stipulates that the circuit loss on either direct connections or those via an access tandem be $3.0 \text{ dB}^{8/}$ and that these circuits

8. Three dB is the recommended path loss of the circuit between EO switch and IC switch. The IC switch may be co-located with the POT at the IC's POT or it may be at a remote IC location. Bell Atlantic will provide a facility between the EO and the POT that will allow the IC to design the circuit from switch to switch to 3.0 dB. The type of IC switch may be a factor in the achievement of the 3.0 dB loss standard. The design of this circuit is determined by the type of interface ordered at the POT by the IC.

will be of a quality consistent with existing performance in the public switched toll network for both voice and data transmission. For voice services, Bell Atlantic will have objective designs for three transmission parameters: loss, noise and echo return loss. For data services, the relevant parameters include loss, C-notch noise, gain slope, envelope delay distortion, intermodulation distortion, phase jitter, frequency shift and impulse noise.

The transmission objectives for voice and data also include "immediate action limits" and "acceptance limits."

- An immediate action limit is the point beyond which the circuit or service is considered to be no longer suitable and should be repaired. The immediate action limit, therefore, represents the maximum allowable deviation from the objective design of the circuit.
- An acceptance limit is established to allow for small deviations from the objective design to compensate for variations in circuit components and variations in test sets and to reduce initial testing and adjustment costs. These limits will be met before placing a circuit into service.

Bell Atlantic will apply its maintenance practices equally to all ICs. The transmission plan and each of these performance limits will describe specific performance criteria for a particular access service.

There are no plans to materially change the existing facilities that provide exchange access. If Bell Atlantic continues to use VNL or SDN performance objectives on existing AT&T connections, it will apply the same criteria to all IC service. The long-term goal of Bell Atlantic is to provide facilities capable of achieving the 3.0 dB loss standard for all IC connections. This goal will be achieved through Bell Atlantic's ongoing modernization program for transmission facilities and switches.^{9/}

III. TRANSITION TO EQUAL ACCESS

Switched access service will consist of arrangements called "feature groups" and a number of optional features which will enhance the basic feature groups. A detailed description of each of the feature groups and the optional features may be found in section 6 of the Access Service Tariff. Only a summary is included here.

A. Feature Group A

This feature group provides a line-side termination from the switch serving the IC and is, therefore, of less than toll grade quality. It will be associated with a seven-digit local telephone number and a subscriber must dial the called number after receiving a second dial tone.

9. Bell Atlantic will meet these standards using both digital and analog technology. The technology of the operating company facilities (including the access tandem) does not limit the ability of the ICs to use digital facilities (if they so choose), nor does it affect the ability of the operating company to provide equal access to all ICs.

This feature group is similar to the existing ENFIA A service, but will also include the open (dial tone) ends of interLATA foreign exchange lines and similar lines. It is the most expensive of the feature groups to provide, even though it is technically inferior to Feature Groups B, C and D.

B. Feature Group B

This feature group provides a trunk-side termination at either an end office or a Feature Group B access tandem switch. A carrier with Feature Group B will have a nationwide access code in the format 950-0/1XXX. This feature group is similar to existing ENFIA B and C services. Feature Group B tandem connections will provide access to the NXX codes served by end offices accessible via the tandem.^{10/}

Although initially not all Feature Group B connections will be toll grade, they will all eventually be of that quality. When Feature Group B terminating connections become toll grade, they will provide service equal in quality to that provided by Feature Group D terminations.

A lower rate for Feature Group B terminations (as compared to Feature Group D) is appropriate while those terminations are of lesser quality. However, any price difference will be eliminated when those connections reach a level equal to Feature Group D quality.

10. Certain LATAs have been divided into sectors, each of which has its own tandem for access. Therefore, an IC will require connections to each tandem in such LATAs in order to reach all access lines in the LATA.

C. Feature Group C

This feature group is an interim continuation of the existing dialing arrangement used by AT&T. It is provided as trunk-side access either directly to an end office or via a Feature Group C access tandem. No access code is required for Feature Group C.

D. Feature Group D

Feature Group D access will be provided via a trunk-side connection either directly to an end office or through a Feature Group D access tandem. When the connection is via a tandem, access might be limited to those end offices which are equipped with equal access. The IC might be required to access non-equal-access end offices via its Feature Group A or Feature Group B POT. In LATAs which have been divided into sectors, an IC will require a connection to each tandem in order to reach all access lines in the LATA. Connections directly to an end office will access only the lines served by that office. The access code for Feature Group D switching will be a uniform 10XXX access code; no access code will be required if the customer has presubscribed to that IC.

E. Conversion of Feature Groups
A, B and C to Feature Group D

The change of Feature Groups A and B to Feature Group D will be initiated by an access service request from an IC. Feature Groups A and B use interface protocols different from that for Feature Group D.

Bell Atlantic will encourage the transition to Feature Group D and the reduced deployment of Feature Group A for both network design and financial reasons. Interoffice

calls should normally progress from line-side to trunk-side terminations in a local switch and then through the network until finally terminating at the far end via a trunk to line-side termination. Contrary to that sequence, Feature Group A calls enter a local switch on the line side and exit from the line side to the IC's POT. This results in the use of trunking, billing and call supervision features which were designed for a different purpose. Such use not only causes short-term problems,^{11/} but proliferation of Feature Group A service also distorts sound and long-range network architecture plans.

Moreover, even though two local switch connections are required, the local switch charges for Feature Group A reflect only a single switching component, while the second component is contained in the transport charge. This higher transport charge is paid mostly by AT&T (rather than by Feature Group A users) because its traffic accounts for the vast majority of the transport. This also artificially increases the cost of Feature Group D as compared to Feature Group A. This price relationship is based upon the FCC's rationale that, since Feature Group A is technically inferior, it should cost less, even though it costs more for Bell Atlantic to provide it. Bell Atlantic is considering filing revised tariffs which more accurately reflect the costs of Feature Group A service.

11. For example, lack of call billing details for terminating calls, lack of answer supervision on trunks and lesser quality transmission due to the lack of rigid routing controls.

Bell Atlantic will allow both Feature Group B and Feature Group D access to be handled on the same facility between a carrier and an access tandem. Signaling capabilities will permit an IC to distinguish between the feature groups on calls it receives.

Feature Group C will not be provided when Feature Group D becomes available. The main physical change necessary to convert AT&T's Feature Group C to Feature Group D is the implementation of detailed recording of terminating access calls for access billing purposes. This will replace the incoming to outgoing ratio method of computing terminating access usage that will be used for Feature Group C.

IV. EQUAL ACCESS FEATURES

This section generally describes the many end-office features Bell Atlantic will provide. The details of these features are found in Feature Specification Document 20-24-0000, which lists the requirements of the switching systems that will connect the IC and Bell Atlantic networks, and in PUB 61201, which describes the interface specifications and protocols at the point of connection between an IC and an exchange carrier.

A. Dialing Plan Requirements and Capabilities

1) Access codes

One five-digit access code in the form 10XXX^{12/} will be assigned to each carrier for national use with an additional code for international calling. The use of a five-digit access code preceding any North American Numbering Plan Area (NPA) code, any central office code in the same NPA as the end user or any international dialing prefix plus valid national number will cause the call to be passed to the carrier to which the 10XXX code has been assigned. Bell Atlantic will not complete intraLATA calls dialed with an access code where the IC involved has not been authorized by the regulators to provide intraLATA service.

The 10XXX access code does not require any change in the current numbering plan used in World Zone 1 or the North American Numbering Plan, nor does it require any change in the prefix^{13/} requirements for either North American Numbering Plan calls or for international calls.

2) Presubscription

Presubscription will permit a subscriber to designate, for each line which can originate traffic^{14/}, a

12. X is any digit from 0 to 9.

13. Prefixes in the forms "1", "0", "011" and "01" are used to indicate different type calls. The use of "1" for toll calls is not universal.

14. Presubscription is not available for customers with four-party or eight-party service. InterLATA calls placed without a 10XXX access code by such customers will be routed to AT&T.

carrier to which all interLATA calls will be routed without the use of an access code. It will be made available to customers when equal access is introduced into an end office. If the appropriate regulatory authority has authorized a particular IC to provide intraLATA service, the customer can dial a 10XXX access code on an intraLATA call if it wishes the IC to handle the call; otherwise, except for corridor traffic, Bell Atlantic will transport the call.

As equal access is introduced into an end office, customers will be informed of the options available to them in accordance with the Court's order of December 7, 1983. Educational materials explaining presubscription and listing the names and phone numbers of ICs offering service from an end office will be mailed to all existing customers to be received ninety days before the equal access service availability date. The mailing also will inform customers that they will be allowed the first presubscription choice free of charge. If they change their presubscribed IC or wait more than six months after the equal access service availability date to choose an IC or if their presubscribed carrier stops providing service, they will be assessed a tariffed presubscription charge.

Bell Atlantic will not mail customer education materials if no IC other than AT&T Communications advises it of its intent to offer equal access service.

Customers with service prior to an office being converted to equal access will be directed to contact the listed ICs to obtain information on rates and services and to register their presubscription choice. ICs will then provide Bell Atlantic with lists of their customers, and Bell Atlantic will issue necessary service orders and update customer records. If an existing customer does not presubscribe or use an access code, his interLATA calls will be routed to AT&T.

After equal access is introduced, a customer obtaining new service (obtaining service for the first time or changing locations within the Bell Atlantic operating company area) will be informed of the available options. If this customer specifies a presubscribed IC, his choice will be entered. If the customer does not choose an IC at the time he requests new service, he will be allowed a reasonable amount of time (approximately thirty days) to do so without charge. If the customer fails to select a presubscribed IC and attempts to complete an interLATA call without using an access code, his call will be routed to an appropriate announcement.

3) Service Access Codes

A Service Access Code (SAC) is not associated with a specific geographical area (like an area code) but is used

in the provision of special types of services. The N00^{15/} format was selected for these codes because it provides a degree of public awareness that the called number is something other than a normal geographical destination. 800 is an example of a SAC used to provide a means of billing calls to the called customer rather than to the calling customer.

The 700 SAC has recently been established for use by any interexchange carrier for the provision of new services. Bell Atlantic plans to activate it for all switched access feature groups in 1984 in response to IC requests.

B. Address and Information Signaling

The establishment of the connection to an IC will begin before the customer has completed dialing. This is referred to as overlap outpulsing and will eliminate post-dialing delay attributable to the type of connection. The present signaling protocol when Automatic Number Identification (ANI) is sent to a carrier is called number first, calling number last. With overlap outpulsing this sequence is reversed, and the calling number information is sent to the carrier first, followed by the called number, generally when the caller finishes dialing. The ANI content will also be changed to include more information about the type of line which originated the call, e.g., coin phone, coinless public phone.

15. N is any digit from 2 through 9.

In most cases the transmission of dialed digits to the carrier will be dependent upon completion of customer dialing, not on the time involved in setting up a connection or whether that connection is direct between an EO and the IC or via an access tandem. In the case of tandem connection, the called number is transmitted directly from the end office to the carrier through the tandem, rather than having the tandem repeat the information to the carrier. There should thus be no perceptible difference in post-dialing delay between ANI and non-ANI calls or between tandem-routed or direct-routed calls.

C. Custom Calling Services

Custom Calling Services can interact in the same manner with all ICs. A customer can select an IC for calls established through the use of call forwarding, remote call forwarding or three-way calling either by presubscription or the use of a 10XXX access code. Speed calling allows customers to assign a one-digit or two-digit code to frequently called numbers. While restrictions on the number of digits that can be stored on a speed calling list preclude storing the 10XXX access code, interexchange calls from a speed calling list can access the customer's presubscribed carrier. Dialing a 10XXX code prior to the speed calling code can be used to override presubscription.

D. Sorting and Screening Capabilities

1) Class of service sorting

Bell Atlantic will provide to all ICs the option of sorting traffic by the calling line class of service. This

sorting can provide routing via a separate group of access circuits for certain line classes, such as coin or hotel-motel. Such lines typically require special treatment within the carrier's network.

2) Prefix sorting

Prefix sorting will give carriers the option of receiving ANI or of specifying the routing based on the prefix dialed by the customer or both.^{16/} Prefixed calls may be preceded by an 10XXX access code to designate which carrier the customer wants.

3) Customer screening

Customer screening permits the IC to limit the calls carried for a particular end user to those terminating in certain NPAs. This screening will be used to provide WATS and WATS-like services via special access lines used together with carrier access circuits.

E. Business Feature Compatibility

Bell Atlantic will provide identical exchange access capabilities for all ICs with respect to business features such as Centrex. Dialing interexchange calls from Centrex stations will be modified in a manner similar

16. The prefixes commonly used include "1", used in many but not all areas to distinguish between toll calls and local calls or to distinguish calls destined for a different NPA in areas where NPA codes are used as central office codes; "0", used to indicate a request for assistance in the completion of the call; "011", used to indicate that the address to follow is in the international dialing format of country code and national number; and "01", indicating a request for operator assistance for an international call in the international format.

to calls from non-Centrex stations. Calls will be routed to a carrier based on presubscription or the use of a 10XXX access code. One exception (at least initially) will be for speed calling from a Centrex station. While a user at a non-Centrex station can override presubscription by dialing a 10XXX access code before the one-digit or two-digit speed calling code, the resources required to accomplish this for Centrex stations preclude its immediate implementation. Therefore, speed calling of inter-exchange calls from Centrex stations will be routed only to the presubscribed carrier.

F. Operator Services

1) Directory assistance

Bell Atlantic will transport IC directory assistance (DA) traffic to its DA facilities if the IC has subscribed to this service. There will be several dialing arrangements for DA. 411 will be used in some instances for local or for home NPA DA. 555-1212 will be used in other instances for local or home NPA DA. In most cases, NPA+555-1212 will be used to access DA in foreign NPAs.^{17/}

The Bell Atlantic companies will provide access to DA for ICs on an NPA basis. The following list shows the Bell Atlantic DA locations, the NPAs they serve and the LATA

17. NPA boundaries and LATA boundaries do not necessarily coincide. Some LATAs include more than one NPA; some NPAs are divided into more than one LATA.

in which they are located.

<u>NPA</u>	<u>DA Location</u>	<u>LATA</u>
201	Orange, New Jersey	NORTH JERSEY
202*	Charleston, West Virginia	CHARLESTON
215	Philadelphia, Pennsylvania	PHILADELPHIA
301	Baltimore, Maryland	BALTIMORE
302*	Philadelphia, Pennsylvania	PHILADELPHIA
304	Charleston, West Virginia	CHARLESTON
412	Pittsburgh, Pennsylvania	PITTSBURGH
609*	Freehold, New Jersey	NORTH JERSEY
703*	Norfolk, Virginia	NORFOLK
717	Harrisburg, Pennsylvania	CAPITAL
804	Norfolk, Virginia	NORFOLK
814*	Harrisburg, Pennsylvania	CAPITAL

*DA location not in this NPA.

2) Intercept

Calls to non-working numbers will receive standard intercept treatment regardless of which carrier delivers the call to the LATA.

3) Access to an IC operator

InterLATA calls from presubscribed customers of an IC that are in the format 0+ or 01+ will be forwarded to the presubscribed IC with the appropriate indication as specified in PUB 61201. Calls following a 10XXX access code that are in the format 0+, 01+ or 0 followed by no digits will also be

forwarded to the IC identified by the 10XXX. When a customer simply dials 0, the call will be routed to an operator under contract to Bell Atlantic. Bell Atlantic will consider other dialing options suggested by ICs.

4) Public telephone service

Customers at public, semi-public or coinless public stations can access an interexchange carrier by dialing a carrier access code such as 10XXX, 950-0/LXXX or a Feature Group A local number. Thereafter, the five-digit access code must be used. There will be no presubscription for these stations. Bell Atlantic will complete all intraLATA sent-paid calls from such stations and will deliver all such interLATA calls to AT&T in accordance with the Court's order.^{18/}

Customers at coinless public telephones can access ICs taking Feature Group B service without operator assistance or separate charges. Customers who access an IC with Feature Group A service from such telephones must dial 0 plus the seven-digit Feature Group A number and will be billed the tariff rate plus a surcharge for the local call since calls to Feature Group A access cannot be

18. The first version of the equal access feature specifications to be implemented does not include coin box accounting, which would permit access to any of several carriers offering sent-paid coin service by dialing the carrier's access code. A record would then be made by coin station of the number of calls and monies deposited for each carrier. Bell Atlantic believes that other equal access features are of greater importance to the ICs and their customers, and thus of higher priority than coin box accounting. This feature will be added if more than one IC offers sent-paid coin service and places an order for access from coin stations.

differentiated from calls to a regular end user number at the office serving the coinless public telephone.

5) Exchange public radio services

Customers of Bell Atlantic exchange public radio services (such as mobile radio service, air-ground radio-service and coastal harbor maritime radio service) are not served directly by end office switches. Instead, these calls are handled on a manual basis by operators at a switchboard or through an arrangement that will not accept access codes or permit presubscription. These calls are routed to the AT&T network for interLATA completion. Bell Atlantic will initially contract with AT&T to continue providing the operator services and the switching function. These and the intraLATA operator services function, also contracted from AT&T, will be analyzed to determine appropriate network arrangement that will make interLATA access for these services equally available to all interLATA carriers.

G. Network Management

Network management is real-time surveillance and control used to optimize the call-carrying capacity in a network under stress due to traffic overload or network failure. The objective is to enable as many calls as possible to be completed.

Network management by Bell Atlantic and the inter-exchange carriers is vital to the preservation of high quality end-to-end service. Network congestion, if left unchecked, not only has an undesirable effect on the congested portion

of the network, but also can affect switching performance in connected switching systems and ultimately a large portion of the interconnected networks. Fulfillment of network management roles and responsibilities requires a broad industry commitment to the belief that maximization of completed messages when there is network congestion will best serve the public, the nation and the industry.

Bell Atlantic will engage in discussions with all ICs to insure that mutually acceptable network management controls and cooperative procedures are planned and implemented, to insure the efficient utilization of the interconnected networks involved, and to make certain national security and emergency preparedness procedures are continued. It is anticipated that these discussions lead to interexchange carrier commitments for full participation in network management activities.

V. EQUAL ACCESS DEPLOYMENT

Bell Atlantic will deploy the equal access features described above in the most expeditious manner consistent with the equal access requirements of the Decree and sound economic planning.

Bell Atlantic's plans are designed to provide its subscribers with the maximum flexibility to select the IC they desire and to provide Feature Group D as soon as practicable. Its intention to provide and aggressively market equal access capabilities in all offices which are capable of providing the service is based on the assumption

that ICs will consider Feature Group D to be their preferred form of exchange access and that they will in fact order Feature Group D access when and where it is available.

A. Current Introduction Schedule

At least one switch in each of the operating companies will be equipped for equal access by September 1, 1984. By September 1, 1985, a sufficient number of end offices will be so equipped that more than one-third of each company's exchange access lines will be served by an equal access office. The plans in fact go well beyond meeting the one-third requirement, as shown in the summary on page 37. The Consent Decree requires that an operating company proceed beyond this one-third level only in response to a bona fide request for equal access. However, based upon its assumption that equal access will be the preferred IC service, Bell Atlantic will equip almost 76% of its access lines for equal access by September 1, 1986.

Bell Atlantic has given priority to implementing equal access in its 1ESS, 1AESS, DMS 100 and 5ESS switches because they are generally located in urban areas and serve the most access lines. The larger switches in larger urban areas have been given preference in the scheduling. Bell Atlantic plans to equip all switches of these types for equal access by September 1, 1986.

DMS10 and 2BESS are switches which characteristically serve fewer than 10,000 lines. Nevertheless, Bell Atlantic plans to provide equal access in switches of these types in

metropolitan areas which serve more than 10,000 lines by September 1, 1986, and will convert all others in excess of 10,000 lines by December 31, 1987. Emphasis for early deployment will be placed on those switches serving urban areas in which high IC market potential seems probable. Should there be little demand for equal access in these offices Bell Atlantic will discontinue its DMS10 and 2BESS conversion activities and respond only to a bona fide request.

Other end offices employ switching systems which are technologically antecedent to electronic stored program control switches or which serve fewer than 10,000 lines, i.e., 2ESS, 3ESS, 5XB, 1XB and SXS. The non-stored program control offices, which average about 6400 lines per switch, cannot economically be equipped to provide equal access, and no equal access software has been developed for them. The ESS offices are also small, with an average of about 3800 lines, and many are in rural areas where demand for equal access is not expected to be substantial. Bell Atlantic intends to provide equal access features in these end offices when the switch is replaced in accordance with its modernization program.

Bell Atlantic will, in response to a bona fide request for provision of equal access in such an end office, make an economic and financial evaluation to determine whether it is prudent to modernize that office with an electronic switch capable of providing equal access. Where

the costs of providing equal access clearly outweigh the potential benefits to users, Bell Atlantic will decline to convert the office, and the IC may make a complaint to the Court. Decree App. B § A(3).

As indicated, it is not technically possible for Bell Atlantic to equip these switches with full equal access capabilities. The costs of providing a limited degree of equal access in these offices would be very high. It would not be appropriate for Bell Atlantic to expend substantial sums where demand is likely to be low. Such expenditures would divert needed funds from other modernization projects, especially those which would benefit greater numbers of Bell Atlantic's customers.

Thus, Bell Atlantic examined a number of alternatives for providing equal access features in these end offices in an effort to meet the Decree standard of "minimum divergence." For example, Bell Atlantic could modify these switches by adding new hardware or software to provide single-dial-tone access for all ICs. The projected cost to Bell Atlantic to do this is \$279 million. Alternatively, Bell Atlantic might be able to provide a second-dial-tone feature package through a combination of end office and tandem features. This would provide certain minimal technical features in addition to those which ICs could obtain under Feature Group B, but would not provide such key features as presubscription, single-dial-tone access or a full range of Centrex features.

Bell Atlantic's cost to provide this service would be approximately \$137 million, assuming all such offices in the country are so modified. Thus, the "minimum divergence" from equal access will be provided by Feature Group B.

In converting these offices, Bell Atlantic will consider a request or requests to be "bona fide" when the requested minutes of use are equal to or greater than 10% of the forecasted total interexchange access minutes of use for the particular end office. Such requests must be submitted by ICs other than AT&T which have purchased Feature Group D in other Bell Atlantic end offices and are subject to termination charges.^{19/} The forecasted total interexchange access minutes of use shall be the sum of the busy hour, busy season minutes of use forecasted by all interexchange carriers for that end office for the year for which Feature Group D access is requested. Bell Atlantic will use the following procedures in this regard:

1. If a request for Feature Group D from an IC other than AT&T represents less than 10 percent of the forecasted total interexchange carrier minutes of use, the request will be held pending receipt of other requests. When the combined forecasted minutes of use reaches or exceeds 10 percent, the IC(s) who filed the request(s) will be notified that the 10 percent

19. Bell Atlantic had originally intended that a bona fide request be supported by a planned facilities order pursuant to its access tariffs. However, the FCC recently ruled that such orders, which require advance payments by ICs, are unreasonable. Bell Atlantic is asking the FCC to reconsider this decision.

threshold has been reached. This notification will take place within thirty calendar days.

2. An economic and financial evaluation will be initiated when the requested minutes of use reaches 10 percent.

3. If the ICs, upon receipt of notification that provision of Feature Group D is feasible, desire to proceed they will be required to submit orders. These orders will commit the IC to buy the requested quantity of Feature Group D service within ninety days of its availability and to be subject to a termination charge if it does not continue to buy at least that quantity of service for two years.

4. When Bell Atlantic receives such orders from a sufficient number of the ICs to represent commitment to the 10 percent threshold, the related request(s) will be characterized as bona fide.

These procedures are consistent with the Decree and are necessary to ensure that Bell Atlantic does not spend additional millions of dollars to implement equal access where there is limited demand for it.

The Bell Atlantic companies have also developed plans for deploying equal access tandem capabilities in the nineteen LATAs they serve. The purpose of the tandems is to establish an economical two-level hierarchy for providing equal access. Alternatives considered in the selection of tandem switches included using an existing Bell Atlantic

switch, leasing capacity in an AT&T owned switch, acquiring an existing 4ESS and providing a new switch. In all cases, all ICs having tandem access to a particular end office under Feature Group D will be provided access via the same access tandem switch.

In some of the larger metropolitan areas (Washington, Baltimore, Philadelphia, Pittsburgh, Harrisburg and Newark), where the demand for equal access is expected to be the greatest, Bell Atlantic has installed or plans to install new digital tandem switches. In less densely populated areas, the expected volume of both access tandem and intraLATA tandem traffic does not warrant replacement of 1ESS or 1AESS switches at this time. In those cases, service will be provided by existing switches modified to provide toll quality equal access tandem services.

The LATA-by-LATA details of Bell Atlantic's plans for providing equal access capabilities in end offices are provided in Attachment A. The attachment shows the number of switches, the number of access lines, and the percentage of total access lines which will be served by equal access end offices expected to be in service on various dates. It also provides an analysis by type of switching equipment. A summary of the current equal access deployment plans and of modernization plans is shown below. As discussed in this section, this schedule is subject to change in response to insufficient demand for equal access, changes in demand

patterns, technological changes, bona fide requests for equal access and the availability of resources required to implement the plans.

TABLE 1

	Percentage of Total Lines - Equipped for Equal Access		
	<u>9-1-85</u>	<u>9-1-86</u>	<u>1-1-88</u>
Bell of Pennsylvania	47.4	80.1	88.4
C&P Telephone Co. (D.C.)	39.2	90.5	96.4
C&P of Maryland	34.5	60.5	78.1
C&P of Virginia	64.1	90.6	94.7
C&P of West Virginia	34.4	57.3	76.6
Diamond State (Del.)	35.3	88.0	97.7
New Jersey Bell	<u>40.2</u>	<u>82.3</u>	<u>91.2</u>
TOTAL	44.4	78.9	88.6

Attachment B is a list of equal access tandems which are planned to be in service by September 1, 1986. The list provides the name of the tandem, the type of equipment which will perform the tandem function, the LATA served by the tandem, the date the tandem is planned to have equal access capabilities and the number of equal access lines associated with the tandem.

B. Interexchange Carrier Forecasts

One of the many types of information which Bell Atlantic will consider in carrying out its planned deployment of equal access is the forecast data it receives from the

interexchange carriers. Bell Atlantic has developed the following forecasting plan which is designed to elicit from the ICs forecasts they can readily produce and which will be useful to Bell Atlantic. These forecasts will be used solely for Bell Atlantic's own planning purposes and do not constitute a commitment by the IC to buy the forecasted services. Thus, the ICs will not be charged for errors in their forecasts. In addition, in order to assist the ICs other than AT&T as they enter new markets, Bell Atlantic will provide them with market and traffic data, in addition to information about its deployment plans.

The interexchange carriers have been providing operating companies with forecasts of their requirements under the existing ENFIA procedures. At least for the April 1984 forecasts, the ICs continued ENFIA-type forecasting procedures. Bell Atlantic, of course, welcomed any other information the ICs could provide. Beginning with the November 1984 forecast, Bell Atlantic will ask each IC for its busy hour minutes of capacity for Feature Group D for each POT. Again, Bell Atlantic has urged the ICs to provide any additional forecast data they might have, such as information by end office. Finally, starting on November 1, 1985, Bell Atlantic will ask all ICs to provide forecast information by POT and end office.

It is, of course, important to Bell Atlantic that it receive from each IC the best possible forecasts of that IC's equal access needs. Bell Atlantic will, therefore, provide a variety of information to the ICs to help them in formulating their forecasts. Bell Atlantic has already distributed its equal access conversion schedule and has told the ICs how many exchange access lines it expects to convert to equal access as of specific dates. It has also provided market data, including the following data by end office: number of access lines, number of business access lines and number of lines terminating in TouchTone telephones. Finally, Bell Atlantic will also provide 1983 busy hour interLATA toll data, originating and terminating, for each of its converting end offices.^{20/} The interexchange carriers will be able to take this information and use it in connection with their own marketing plans and strategies to develop the forecasts sought by Bell Atlantic.

C. Allocation of Facilities

It is Bell Atlantic's intention to meet interexchange carrier requests for Feature Group D facilities. This will require a cooperative forecasting approach on the part of both Bell Atlantic and the interexchange carriers. In spite of our intention to meet IC requirements, there may be instances where there are orders for more facilities than immediately available. Bell Atlantic is in the process of

20. Bell Atlantic has already provided, and will continue to provide, a wide variety of technical information to the interexchange carriers and other users of access. This information is made available equally to all and, once disclosed to one carrier, is made available promptly to all carriers. This equal disclosure of information will avoid giving one company an advantage over its competitors.

developing an equitable allocation plan for use if necessary and will inform the Department and the industry of its plan when it is complete.

If the FCC had not removed the planned facility order from the access tariffs, a carrier could insure that Bell Atlantic would provide whatever facilities it wanted by placing such an order. Without such a mechanism, the carriers might find that there are not enough facilities for all and that Bell Atlantic had to allocate its facilities among them.

VI. CORRIDOR SERVICES

The LATA configurations include two corridor arrangements. One corridor includes the five counties of New York City and five northern New Jersey counties in the North Jersey LATA. The other includes three southern New Jersey counties in the Delaware Valley LATA and five southeastern Pennsylvania counties in the Philadelphia LATA.

In these corridors, Bell Atlantic will be permitted to provide interLATA service in competition with ICs. In other words, a customer in an equal access office in the New Jersey part of the New Jersey-New York corridor will be able to have the operating companies (New Jersey Bell and New York Tel.) carry calls to New York City. The

customer who so elects can either presubscribe to the operating company for corridor calls only (and not have presubscription outside the corridor) or can dial a 10XXX access code. If no access code is dialed, Bell Atlantic will route the call to that customer's presubscribed carrier or, if the customer has not presubscribed, to AT&T, consistent with the Court's order. The routing principles to be followed for corridor traffic will be the same as for intraLATA traffic. The operating companies will continue to route the corridor traffic over their existing efficient networks. Bell Atlantic will provide all ICs who operate within each corridor the same access facilities and dialing arrangements for the corridor as for all their other interLATA access. Access charges paid by the IC will be uniformly applied whether the IC handles interLATA corridor traffic or interLATA non-corridor traffic.

VII. NEW SERVICES

Bell Atlantic will continue and expand its liaison with interexchange carriers using, among other means, seminars, individual meetings, participation in the Interexchange Carrier Compatibility Forum and representation on the Exchange Carrier Standards Association. These associations provide fora for identifying the needs and desires of the ICs and for informing them of our existing and planned capabilities. Where new services and capabilities are developed, they will be made available to all ICs on a non-discriminatory basis. New services and capabilities may include new signaling protocols which improve network

efficiency and allow deployment of new services and new testing mechanisms to reduce maintenance costs and improve service.

For example one new service which might be offered at some locations is Circuit Switched Digital Capability ("CSDC"), which will offer customers alternate voice and data capabilities over switched digital connections. The design of the service will be such for CSDC that the access code for CSDC will include a carrier selection feature. The design is an interim arrangement that will be standardized in a later version of the equal access specifications. The interim arrangement provides access that is equal for all carriers. It does not, however, provide all features associated with Feature Group D. For instance, Automatic Number Identification and presubscription are not available. No terminating recording is possible on CSDC trunks. These limitations, however, apply equally to any carrier which buys CSDC access, including AT&T.

VIII. TECHNICAL INFORMATION AND INTERCONNECTION STANDARDS

Much of the technical information which inter-exchange carriers, information service providers, end users, equipment manufacturers and others will want from the BOCs will not be unique to the Bell Atlantic companies and in fact will be more valuable to those parties to the extent that it also applies to other regional Bell operating companies. For that reason, Bell Atlantic and the other regions have assigned to the Bell Communications Research, Inc. ("BellCORE") the task of establishing and disseminating

generic technical information (i.e., that information that is not specific to Bell Atlantic).

A. Generic Information

This generic technical information can be divided into three major categories: interface, LATA network performance and equipment specification information. This information will be available in "design advisory" (i.e., draft document for comment) form and "technical reference" (i.e., final specification) form.

Interface Information. Interface documentation will be prepared and disseminated reflecting two perspectives--from the point of view of an end user's customer provided equipment and the point of view of an inter-exchange carrier. This documentation will describe the physical interfaces, signal and supervision interfaces, and features and functions of the Bell Atlantic network. Some examples of this documentation are Technical Reference 61100, "Description of the Analog Voiceband Interface Between the Bell System Local Exchange Lines and Terminal Equipment," and Technical Reference 61201, "Compatibility Information for Feature Group D Switched Access Service."

LATA Network Performance Information. Generic information on LATA network performance will be of two types: design and measured. A recent publication called "Notes on the Intra-LATA Network" supplies generic design information.

Performance (both expected and actual) of various LATA network services will be documented using a "limits" plan that is currently under development. Bell Atlantic will specify the performance parameters of access services in a set of technical specification documents which will contain both acceptance and immediate action limits. Further, the regional companies have asked BellCORE to prepare a model practice for their use in developing operating procedures to provide more control of performance than the immediate action and acceptance limits would by themselves provide.

Equipment Specification Information. Technical requirements for regional company local switching systems will be provided in Pub 48501, known as Local Switching System General Requirements ("LSSGR"). Technical requirements for particular features, such as the technical requirements for IC access, will be made available in a part of the LSSGR called a Feature Specification Document ("FSD").

LSSGRs and FSDs are "living" documents, that is, they are reviewed, updated and reissued to reflect changed requirements and new technology as well as regulatory or legislative actions. LSSGRs and FSDs are compiled and published by BellCORE on behalf of the seven regional companies. Review boards consisting of representatives of the regional companies suggest items for inclusion in the documentation, review drafts and approve the final publication.

B. National Fora

At the direction of the seven regional companies, BellCORE was asked to establish and chair an ongoing forum for them and interexchange carriers called the Interexchange Carrier Compatibility Forum. The purpose of the ICCF is to provide a national focus for informal engineer-to-engineer discussions of technical matters related to equal access and allied topics. The forum serves to provide equipment compatibility, technical interface arrangements and generic network planning information in a timely and uniform manner to the interexchange carriers on a scheduled basis. The ICCF will provide a single focus for the release of technical information that has applicability throughout the exchange networks and thereby eliminate the duplication of this effort by each regional company and the ICs. Four meetings of the ICCF have already been held.

Similarly, a System Requirements Industry Forum is being developed to foster the sharing of information between the regional companies and equipment manufacturers.

C. Standards

It is important to recognize that "standards" and "standards making" have particular connotations which are not applicable to the functions of the fora described above, nor can they be developed or prescribed unilaterally by any organization such as Bell Atlantic. Standards are developed by various national and international bodies that

use procedures that permit all interested parties to contribute to and comment on the proposed standard. Bell Atlantic is participating in the Exchange Carriers Standards Association which would work with the American National Standards Institute organization to develop interconnection standards and procedures.

D. Information Specific to Bell Atlantic

Where information which is important to the purchase of access services by the ICs (including, for example, technical information and guidelines, implementation schedules and new service assignments) is related specifically to Bell Atlantic, Bell Atlantic will develop appropriate procedures to provide it to the ICs. Bell Atlantic has already held seminars for that purpose and will continue to do so.

IX. INDEPENDENT COMPANY ARRANGEMENTS

Bell Atlantic will jointly plan with any interested independent operating company network arrangements for intraLATA traffic in those independent areas which have been associated with a Bell Atlantic LATA. Further, Bell Atlantic will jointly plan the provision of exchange access when desired by an independent and will implement such arrangements when mutually beneficial plans can be developed. Interexchange carriers will normally obtain access to independent customers from the current independent Class 4 office. These independent territories should be considered separate LATA sectors.

Access to independent end offices homed on Bell Atlantic tandems will be similar to the routing arrangements provided for the Bell Atlantic offices. In this case, the independent end office should be treated as if it were part of the appropriate Bell Atlantic sector. This should not be construed as a commitment that any independent will provide equal access capabilities. And, since this relates merely to the physical routing configuration, it does not preclude the IC from dealing directly with the independent.

For access to Bell Atlantic end offices or customers, the interexchange carrier will be expected to locate its point of termination within the Bell Atlantic territory. Bell Atlantic, on an individual case basis, will evaluate proposals to serve Bell Atlantic end offices from an IC POT located in independent territory. Such arrangements are expected to be very limited and must be agreed to by both Bell Atlantic and the independent involved.

ATTACHMENT A

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ALTOONA

LATA

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	45.5	17.7	1	38.5	14.9	3	84.0	32.6
#2B ESS				1	8.3	3.2	1	8.3	3.2
DIGITAL ESS	2	23.0	8.9	2	17.8	6.9	4	40.8	15.8
* SUBTOTAL *	4	68.5	26.6	4	64.6	25.1	8	133.1	51.7
#2ESS									
#3ESS									
#5XB				11	62.4	24.2	11	62.4	24.2
#1XB									
SXS				42	62.1	24.1	42	62.1	24.1
* SUBTOTAL*				53	124.5	48.3	53	124.5	48.3
** TOTAL **	4	68.5	26.6	57	189.1	73.4	61	257.6	100.0

5/9/84

1563

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ALTOONA

LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	85.6	32.6				3	85.6	32.6
#2B ESS	1	8.5	3.2				1	8.5	3.2
DIGITAL ESS	5	53.7	20.4				5	53.7	20.4
* SUBTOTAL *	9	147.8	56.3				9	147.8	56.3
#2ESS									
#3ESS									
#5XB				10	56.3	21.4	10	56.3	21.4
#1XB									
SXS				39	58.5	22.3	39	58.5	22.3
* SUBTOTAL *				49	114.8	43.7	49	114.8	43.7
** TOTAL **	9	147.8	56.3	49	114.8	43.7	58	262.6	100.0

5/9/84

1564

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ALTOONA

LATA

1 - 1 - 88

1565

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	87.3	32.6				3	87.3	32.6
#2B ESS	1	8.7	3.2				1	8.7	3.2
DIGITAL ESS	7	91.7	34.2				7	91.7	34.2
* SUBTOTAL *	11	187.7	70.1				11	187.7	70.1
#2ESS									
#3ESS									
#5XB				7	33.7	12.6	7	33.7	12.6
#1XB									
SXS				28	46.5	17.4	28	46.5	17.4
* SUBTOTAL *				35	80.2	29.9	35	80.2	29.9
** TOTAL **	11	187.7	70.1	35	80.2	29.9	46	267.9	100.0

5/9/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CAPITAL

LATA

9 - 1 - 85

1566

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	62.4	20.3	5	135.8	44.2	7	198.2	64.5
#2B ESS				4	30.4	9.9	4	30.4	9.9
DIGITAL ESS	4	24.8	8.1	1	15.9	5.2	5	40.7	13.3
* SUBTOTAL *	6	87.2	28.4	10	182.1	59.3	16	269.3	87.7
#2ESS									
#3ESS									
#5XB				1	6.5	2.2	1	6.5	2.2
#1XB									
SXS				9	31.3	10.2	9	31.3	10.2
* SUBTOTAL*				10	37.8	12.3	10	37.8	12.3
** TOTAL **	6	87.2	28.4	20	219.9	71.6	26	307.1	100.0

5/9/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

CAPITAL

LATA

9 - 1 - 86

1567

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	7	200.7	64.3				7	200.7	64.3
#2B ESS	4	31.2	10.0				4	31.2	10.0
DIGITAL ESS	5	52.8	16.9				5	52.8	16.9
* SUBTOTAL *	16	284.7	91.3				16	284.7	91.3
#2ESS									
#3ESS									
#5XB									
#1XB									
SXS				6	27.3	8.7	6	27.3	8.7
* SUBTOTAL*				6	27.3	8.7	6	27.3	8.7
** TOTAL **	16	284.7	91.3	6	27.3	8.7	22	312.0	100.0

5/9/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CAPITAL

LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	7	204.0	64.2	7	204.0	64.2	7	204.0	64.2
#2B ESS	4	32.0	10.1	4	32.0	10.1	4	32.0	10.1
DIGITAL ESS	9	81.7	25.7	9	81.7	25.7	9	81.7	25.7
* SUBTOTAL *	20	317.7	100.0				20	317.7	100.0
#2ESS									
#3ESS									
#5XB									
#1XB									
SXS									
* SUBTOTAL*									
** TOTAL **	20	317.7	100.0				20	317.7	100.0

5/9/84

1568

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORTHEAST

LATA

. 9 - 1 - 85

1569

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	100.6	21.4	4	87.0	18.5	7	187.6	39.9
#2B ESS				2	19.6	4.2	2	19.6	4.2
DIGITAL ESS	3	35.4	7.5	12	31.2	6.6	15	66.6	14.2
* SUBTOTAL *	6	136.0	28.9	18	137.8	29.3	24	273.8	58.2
#2ESS				3	6.1	1.3	3	6.1	1.3
#3ESS				19	95.9	20.4	19	95.9	20.4
#5XB									
#1XB									
SXS				26	94.8	20.1	26	94.8	20.1
* SUBTOTAL*				48	196.8	41.8	48	196.8	41.8
** TOTAL **	6	136.0	28.9	66	334.6	71.1	72	470.6	100.0

5/9/84

BELL ATLANTIC
SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORTHEAST

LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	173.8	36.3	1	15.8	3.3	7	189.6	39.6
#2B ESS	2	19.9	4.2				2	19.9	4.2
DIGITAL ESS	19	112.2	23.4				19	112.2	23.4
* SUBTOTAL *	27	305.9	63.9	1	15.8	3.3	28	321.7	67.2
#2ESS				3	6.4	1.3	3	6.4	1.3
#3ESS				15	72.1	15.1	15	72.1	15.1
#5XB									
#1XB									
SXS				21	78.3	16.4	21	78.3	16.4
* SUBTOTAL*				39	156.8	32.8	39	156.8	32.8
** TOTAL **	27	305.9	63.9	40	172.6	36.1	67	478.5	100.0

5/9/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

NORTHEAST

LATA

1 - 1 - 88

1571

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	7	191.6	39.4				7	191.6	39.4
#2B ESS	2	20.2	4.2				2	20.2	4.2
DIGITAL ESS	22	150.5	31.0				22	150.5	31.0
* SUBTOTAL *	31	362.3	74.5				31	362.3	74.5
#2ESS				3	6.9	1.4	3	6.9	1.4
#3ESS									
#5XB				14	71.1	14.6	14	71.1	14.6
#1XB									
SXS				15	45.7	9.4	15	45.7	9.4
* SUBTOTAL*				32	123.8	25.5	32	123.8	25.5
** TOTAL **	31	362.3	74.5	32	123.8	25.5	63	486.1	100.0

5/9/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

PHILADELPHIA

LATA

9 - 1 - 85

1572

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	37	1263.6	47.9	21	653.8	24.7	58	1917.4	72.6
#2B ESS				16	124.8	4.7	16	124.8	4.7
DIGITAL ESS				6	15.6	0.6	6	15.6	0.6
* SUBTOTAL *	37	1263.6	47.9	43	794.2	30.0	80	2057.8	77.9
#2ESS				7	50.8	1.9	7	50.8	1.9
#3ESS				3	5.6	0.2	3	5.6	0.2
#5XB				31	404.1	15.3	31	404.1	15.3
#1XB									
SXS				38	123.4	4.7	38	123.4	4.7
* SUBTOTAL*				79	583.9	22.1	79	583.9	22.1
** TOTAL **	37	1263.6	47.9	122	1378.1	52.1	159	2641.7	100.0

5/9/84

BELL ATLANTIC
SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

PHILADELPHIA LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	59	1941.5	72.3				59	1941.5	72.3
#2B ESS	8	62.8	2.3	8	66.3	2.5	16	129.1	4.8
DIGITAL ESS	25	262.8	9.8				25	262.8	9.8
* SUBTOTAL *	92	2267.1	84.5	8	66.3	2.5	100	2333.4	87.0
#2ESS				7	52.6	2.0	7	52.6	2.0
#3ESS				3	5.8	0.2	3	5.8	0.2
#5XB				20	251.9	9.4	20	251.9	9.4
#1XB									
SXS				17	39.4	1.5	17	39.4	1.5
* SUBTOTAL*				37	349.7	13.0	37	349.7	13.0
** TOTAL **	92	2267.1	84.5	45	416.0	15.5	137	2683.1	100.0

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

PHILADELPHIA LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	59	1966.1	72.1				59	1966.1	72.1
#2B ESS	16	133.3	4.9				16	133.3	4.9
DIGITAL ESS	32	419.5	15.4				32	419.5	15.4
* SUBTOTAL *	107	2518.9	92.4				107	2518.9	92.4
#2ESS				7	54.5	1.9	7	54.5	1.9
#3ESS				3	5.9	0.2	2	5.9	0.2
#5XB				10	141.4	5.2	10	141.4	5.2
#1XB									
SXS				4	4.5	0.2	4	4.5	0.2
* SUBTOTAL*				24	206.3	7.6	24	206.3	7.6
** TOTAL **	107	2518.9	92.4	24	206.3	7.6	131	2725.2	100.0

5/9/84

1574

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

PITTSBURGH

LATA

9 - 1 - 85

EQUIPPED FOR
EQUAL ACCESS

NOT EQUIPPED FOR
EQUAL ACCESS

TOTAL

<u>SWITCHING</u> <u>SYSTEM</u>	<u>#</u> <u>SWITCHES</u>	<u>LINES</u> <u>(000)</u>	<u>% OF</u> <u>TOTAL</u>	<u>#</u> <u>SWITCHES</u>	<u>LINES</u> <u>(000)</u>	<u>% OF</u> <u>TOTAL</u>	<u>#</u> <u>SWITCHES</u>	<u>LINES</u> <u>(000)</u>	<u>% OF</u> <u>TOTAL</u>
#1/1A ESS	27	683.4	53.3	6	116.1	9.1	33	799.5	62.4
#2B ESS				6	32.8	2.6	6	32.8	2.6
DIGITAL ESS	7	74.1	5.8	2	21.4	1.7	9	95.5	7.5
* SUBTOTAL *	34	757.5	59.1	14	170.3	13.3	48	927.8	72.4
#2ESS				1	5.2	0.4	1	5.2	0.4
#3ESS				2	4.6	0.4	2	4.6	0.4
#5XB				32	274.8	21.4	32	274.8	21.4
#1XB									
SXS				27	69.1	5.4	27	69.1	5.4
* SUBTOTAL*				62	353.6	27.6	62	353.6	27.6
** TOTAL **	34	757.5	59.1	76	524.0	40.9	110	1281.5	100.0

5/9/84

1575

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

PITTSBURGH

LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	33	796.1	61.7				33	796.1	61.7
#2B ESS	6	33.3	2.6				6	33.3	2.6
DIGITAL ESS	18	216.2	16.7				18	216.2	16.7
* SUBTOTAL *	57	1045.6	81.0				57	1045.6	81.0
#2ESS				1	5.2	0.4	1	5.2	0.4
#3ESS				2	4.7	0.4	2	4.7	0.4
#5XB				26	184.3	14.3	26	184.3	14.3
#1XB									
SXS				20	51.3	4.0	20	51.3	4.0
* SUBTOTAL*				49	245.5	19.0	49	245.5	19.0
** TOTAL **	57	1045.6	81.0	49	245.5	19.0	106	1291.1	100.0

5/9/84

1576

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

PITTSBURGH

LATA

1 - 1 - 88

1577

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	33	791.6	61.6				33	791.6	61.6
#2B ESS	6	33.8	2.6				6	33.8	2.6
DIGITAL ESS	23	314.0	24.4				23	314.0	24.4
* SUBTOTAL *	62	1139.4	88.6				62	1139.4	88.6
#2ESS				1	5.3	0.4	1	5.3	0.4
#3ESS				2	4.7	0.4	2	4.7	0.4
#5XB				16	100.9	7.8	16	100.9	7.8
#1XB									
SXS				12	35.4	2.8	12	35.4	2.8
* SUBTOTAL*				31	146.3	11.4	31	146.3	11.4
** TOTAL **	62	1139.4	88.6	31	146.3	11.4	93	1285.7	100.0

5/9/83

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

CHARLESTON LATA

9 - 1 - 85

1578

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	150	38				6	150	38
#2B ESS				4	23	6	4	23	6
DIGITAL ESS				4	53	13	4	53	13
* SUBTOTAL *	6	150	38	8	76	19	14	226	57
#2ESS				3	11	3	3	11	3
#3ESS				7	14	3	7	14	3
#5XB				14	58	13	14	58	14
#1XB									
SXS				41	92	24	41	92	23
* SUBTOTAL*				65	175	43	65	175	43
** TOTAL **	6	150	38	73	251	62	79	401	100

4/10/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CHARLESTON LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	153	37				6	153	37
#2B ESS	4	24	6				4	24	6
DIGITAL ESS	3	82	20	2	49	12	5	131	32
* SUBTOTAL *	13	259	63	2	49	12	15	308	75
#2ESS				3	11	3	3	11	3
#3ESS				7	14	3	7	14	3
#5XB				7	27	7	7	27	7
#1XB									
SXS				20	48	12	20	48	12
* SUBTOTAL*				37	100	25	37	100	25
** TOTAL **	13	259	63	39	149	37	52	408	100

4/10/84

1579

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CHARLESTON LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	155	37				6	155	37
#2B ESS	4	25	6				4	25	6
DIGITAL ESS	5	145	35				5	145	35
* SUBTOTAL *	15	325	78				15	325	78
#2ESS				3	11	3	3	11	3
#3ESS				7	15	4	7	15	4
#5XB				5	19	4	5	19	4
#1XB									
SXS				18	47	11	18	47	11
* SUBTOTAL*				33	92	22	33	92	22
** TOTAL **	15	325	78	33	92	22	48	417	100

4/10/84

1580

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FC-D) FEATURES IN

END OFFICE SWITCHES

CLARKSBURG LATA

9 - 1 - 85

1581

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	<u>#</u> SWITCHES	<u>LINES</u> (000)	<u>% OF</u> TOTAL	<u>#</u> SWITCHES	<u>LINES</u> (000)	<u>% OF</u> TOTAL	<u>#</u> SWITCHES	<u>LINES</u> (000)	<u>% OF</u> TOTAL
#1/1A ESS	3	59	28				3	59	28
#2B ESS									
DIGITAL ESS				4	19	9	4	19	9
* SUBTOTAL *	3	59	28	4	19	9	7	78	37
#2ESS				1	3	1	1	3	1
#3ESS				2	3	1	2	3	1
#5XB				19	103	47	19	103	47
#1XB									
SXS				21	30	14	21	30	14
* SUBTOTAL*				43	139	63	43	139	63
** TOTAL **	3	59	28	47	158	72	50	217	100

4/10/84

E. A. ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CLARKSBURG LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	60	27				3	60	27
#2B ESS									
DIGITAL ESS	4	41	19	2	27	12	6	68	31
* SUBTOTAL *	<u>7</u>	<u>101</u>	<u>46</u>	<u>2</u>	<u>27</u>	<u>12</u>	<u>9</u>	<u>128</u>	<u>58</u>
#2ESS				1	2	1	1	3	1
#3ESS				2	3	1	2	3	1
#5XB				14	66	30	14	66	30
#1XB									
SXS				16	21	10	16	21	10
* SUBTOTAL*				<u>33</u>	<u>93</u>	<u>42</u>	<u>33</u>	<u>93</u>	<u>42</u>
** TOTAL **	<u>7</u>	<u>101</u>	<u>46</u>	<u>35</u>	<u>120</u>	<u>54</u>	<u>42</u>	<u>221</u>	<u>100</u>

4/10/84

1582

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES**

CLARKSBURG LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	61	27				3	61	27
#2B ESS									
DIGITAL ESS	8	106	48				8	106	48
* SUBTOTAL *	11	167	75				11	167	75
#2ESS				1	3	1	1	3	1
#3ESS				2	3	1	2	3	1
#5XB				10	45	20	10	45	20
#1XB									
SXS				6	6	3	6	6	3
* SUBTOTAL*				19	57	25	19	57	25
** TOTAL **	11	167	75	19	57	25	30	224	100

4/10/84

LEVEL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

WASHINGTON LATA#

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	40	1353	56	12	408	17	52	1761	73
#2B ESS	1	8	0	2	15	1	3	23	1
DIGITAL ESS	1	14	1	6	106	4	7	120	5
* SUBTOTAL *	42	1375	57	20	529	22	62	1904	79
#2ESS				3	8	0	3	8	0
#3ESS				2	6	0	2	6	0
#5XB				38	478	20	38	478	20
#1XB									
SXS				5	12	1	5	12	1
* SUBTOTAL*				48	504	21	48	504	21
** TOTAL **	42	1375	57	68	1033	43	110	2408	100

Serves lines in D.C., Md. and Va.

4/10/84

1584

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FC-D) FEATURES IN
END OFFICE SWITCHES

WASHINGTON LATA#

9 - 1 - 86

1585

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	52	1846	74				52	1846	74
#2B ESS	3	24	1				3	24	1
DIGITAL ESS	13	219	9	4	82	3	17	301	12
* SUBTOTAL *	68	2089	84	4	82	3	72	2171	87
#2ESS				3	8	0.5	3	8	0.5
#3ESS				2	6	0.5	2	6	0.5
#5XB				23	301	12	23	301	12
#1XB									
SXS									
* SUBTOTAL*				28	315	13	28	315	13
** TOTAL **	68	2089	84	32	397	16	100	2486	100

Serves lines in D.C., Md. and Va.

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FC-D) FEATURES IN
END OFFICE SWITCHES

WASHINGTON LATA#

1 - 1 - 88

1586

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	52	1963	77				52	1963	77
#2B ESS	3	25	1				3	25	1
DIGITAL ESS	30	421	16				30	421	16
* SUBTOTAL *	85	2409	94				85	2409	94
#2ESS				3	8	0	3	8	0
#3ESS				1	3	0	1	3	0
#5XB				9	133	6	9	133	6
#1XB									
SXS									
* SUBTOTAL*				13	144	6	13	144	6
** TOTAL **	85	2409	94	13	144	6	98	2553	100

Serves lines in D.C., Md. and Va.

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

BALTIMORE LATA

9 - 1 - 85

1587

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	10	325	27	9	198	17	19	523	44
#2B ESS				5	31	2	5	31	2
DIGITAL ESS				4	84	7	4	84	7
* SUBTOTAL *	10	325	27	18	313	26	28	638	53
#2ESS				2	13	1	2	13	1
#3ESS				2	6	1	2	6	1
#5XB				37	457	39	37	457	39
#1XB				4	58	5	4	58	5
SXS				11	14	1	11	14	1
* SUBTOTAL*				56	548	47	56	548	47
** TOTAL **	10	325	27	74	802	73	84	1186	100

4/10/84

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES**

BALTIMORE LATA

9 - 1 - 86

1588

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	19	572	47				19	572	47
#2B ESS	5	33	3				5	33	3
DIGITAL ESS	5	110	9	6	113	9	11	223	18
* SUBTOTAL *	29	715	59	6	113	9	35	828	68
#2ESS				2	13	1	2	13	1
#3ESS				1	3	0	1	3	0
#5XB				27	310	25	27	310	25
#1XB				4	59	5	4	59	5
SXS				3	7	1	3	7	1
* SUBTOTAL*				37	392	32	37	392	32
** TOTAL **	29	715	59	43	505	41	72	1220	100

4/10/84

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES**

BALTIMORE LATA

1 - 1 - 88

**EQUIPPED FOR
EQUAL ACCESS**

**NOT EQUIPPED FOR
EQUAL ACCESS**

TOTAL

SWITCHING SYSTEM	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	19	644	52				19	644	52
#2B ESS	5	34	3				5	34	3
DIGITAL ESS	19	311	25				19	311	25
* SUBTOTAL *	43	989	80				43	989	80
#2ESS				2	14	1	2	14	1
#3ESS				1	3	0	1	3	0
#5XB				20	238	19	20	238	19
#1XB									
SXS				1	3	0	1	3	0
* SUBTOTAL*				24	258	20	24	258	20
** TOTAL **	43	989	80	24	258	20	67	1247	100

1589

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

HAGERSTOWN LATA#

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS									
#2B ESS				5	30	16	5	30	16
DIGITAL ESS	1	22	11	6	34	18	7	56	29
* SUBTOTAL *	1	22	11	11	64	34	12	86	45
#2ESS				1	3	2	1	3	2
#3ESS				2	5	3	2	5	3
#5XB				10	78	41	10	78	41
#1XB									
SXS				16	18	9	16	18	9
* SUBTOTAL*				29	104	55	29	104	55
** TOTAL **	1	22	11	40	168	89	41	190	100

Serves lines in Md. and W. Va.

4/10/84

1590

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

HAGERSTOWN LATA#

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS									
#2B ESS	5	30	15				5	30	15
DIGITAL ESS	4	57	30	3	7	4	7	64	34
* SUBTOTAL *	9	87	45	3	7	4	12	94	49
#2ESS				1	4	2	1	4	2
#3ESS				2	5	2	2	5	2
#5XB				9	73	38	9	73	38
#1XB									
SXS				16	18	9	16	18	9
* SUBTOTAL*				28	100	51	28	100	51
** TOTAL **	9	87	45	31	107	55	40	194	100

Serves lines in Md. and W. Va.

4/10/84

1591

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

HAGERSTOWN LATA#

1 - 1 - 88

1592

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS									
#2B ESS	5	31	16				5	31	16
DIGITAL ESS	7	87	43	6	35	17	13	122	60
* SUBTOTAL *	12	118	59	6	35	17	18	153	76
#2ESS				1	4	2	1	4	2
#3ESS				2	5	3	2	5	3
#5XB				5	30	15	5	30	15
#1XB									
SXS				11	9	4	11	9	4
* SUBTOTAL*				19	48	24	19	48	24
** TOTAL **	12	118	59	25	83	41	37	201	100

Service lines in Md. and W. Va.

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

SALISBURY LATA

9 - 1 - 85

1593

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	1	35	26				1	35	26
#2B ESS				1	7	5	1	7	5
DIGITAL ESS	4	6	4	3	18	13	7	24	17
* SUBTOTAL *	5	41	30	4	25	18	9	66	48
#2ESS				1	12	9	1	12	9
#3ESS				3	7	5	3	7	5
#5XB				8	33	24	8	33	24
#1XB									
SXS				20	19	14	20	19	14
* SUBTOTAL*				32	71	52	32	71	52
** TOTAL **	5	41	30	36	96	70	41	137	100

4/10/84

B. L. ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

SALISBURY LATA

9 - 1 - 86

1594

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	1	36	25				1	36	25
#2B ESS	1	7	5				1	7	5
DIGITAL ESS	6	25	18	1	7	5	7	32	23
* SUBTOTAL *	8	68	48	1	7	5	9	75	53
#2ESS				1	13	9	1	13	9
#3ESS				3	8	6	3	8	6
#5XB				8	34	24	8	34	24
#1XB									
SXS				15	12	8	15	12	8
* SUBTOTAL*				27	67	47	27	67	47
** TOTAL **	8	68	48	28	74	52	36	142	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

SALISBURY LATA

1 - 1 - 88

1595

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	1	38	26				1	38	26
#2B ESS	1	7	5				1	7	5
DIGITAL ESS	7	33	22				7	33	22
* SUBTOTAL *	9	78	53				9	78	53
#2ESS				1	13	9	1	13	9
#3ESS				3	8	5	3	8	5
#5XB				8	35	24	8	35	24
#1XB									
SXS				15	13	9	15	13	9
* SUBTOTAL*				27	69	47	27	69	47
** TOTAL **	9	78	53	27	69	47	36	147	100

4/10/84

J. ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CULPEPER LATA

9 - 1 - 85

1596

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	40	33				2	40	33
#2B ESS				1	2	2	1	2	2
DIGITAL ESS	2	15	13	3	33	27	5	48	40
* SUBTOTAL *	<u>4</u>	<u>55</u>	<u>46</u>	<u>4</u>	<u>35</u>	<u>29</u>	<u>8</u>	<u>90</u>	<u>75</u>
#2ESS				1	5	4	1	5	4
#3ESS				5	9	8	5	9	8
#5XB				3	8	7	3	8	7
#1XB									
SXS				6	7	6	6	7	6
* SUBTOTAL*	<u>15</u>	<u>29</u>	<u>25</u>	<u>15</u>	<u>29</u>	<u>25</u>	<u>15</u>	<u>29</u>	<u>25</u>
** TOTAL **	<u>4</u>	<u>55</u>	<u>46</u>	<u>19</u>	<u>64</u>	<u>54</u>	<u>23</u>	<u>119</u>	<u>100</u>

4/10/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CULPEPER LATA

9 - 1 - 86

1597

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	42	34				2	42	34
#2B ESS	1	2	2				1	2	2
DIGITAL ESS	5	58	46	1	6	5	6	64	51
* SUBTOTAL *	8	102	82	1	6	5	9	108	87
#2ESS				1	5	4	1	5	4
#3ESS				5	10	8	5	10	8
#5XB									
#1XB									
SXS				2	1	1	2	1	1
* SUBTOTAL*				8	16	13	8	16	13
** TOTAL **	8	102	82	9	22	18	17	124	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

CULPEPER LATA

1 - 1 - 88

1598

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	43	33				2	43	33
#2B ESS	1	2	2				1	2	2
DIGITAL ESS	6	68	53				6	68	53
* SUBTOTAL *	9	113	88				9	113	88
#2ESS				1	5	4	1	5	4
#3ESS				5	10	8	5	10	8
#5XB									
#1XB									
SXS									
* SUBTOTAL*				6	15	12	6	15	12
** TOTAL **	9	113	88	6	15	12	15	128	100

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

LYNCHBURG LATA

9 - 1 - 85

1599

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	52	51	1	14	14	3	66	65
#2B ESS				4	11	11	4	11	11
DIGITAL ESS	1	12	12	2	2	2	3	14	14
* SUBTOTAL *	<u>3</u>	<u>64</u>	<u>63</u>	<u>7</u>	<u>27</u>	<u>27</u>	<u>10</u>	<u>91</u>	<u>90</u>
#2ESS									
#3ESS				2	5	5	2	5	5
#5XB				1	1	1	1	1	1
#1XB									
SXS				3	4	4	3	4	4
* SUBTOTAL*				<u>6</u>	<u>10</u>	<u>10</u>	<u>6</u>	<u>10</u>	<u>10</u>
** TOTAL **	<u>3</u>	<u>64</u>	<u>63</u>	<u>13</u>	<u>37</u>	<u>37</u>	<u>16</u>	<u>101</u>	<u>100</u>

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

LYNCHBURG LATA

9 - 1 - 86

1600

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	67	64				3	67	64
#2B ESS	4	12	11				4	12	11
DIGITAL ESS	2	15	15	1	2	2	3	17	17
* SUBTOTAL *	9	94	90	1	2	2	10	96	92
#2ESS				2	5	5	2	5	5
#3ESS				1	1	1	1	1	1
#5XB									
#1XB									
SXS				1	2	2	1	2	2
* SUBTOTAL*				4	8	8	4	8	8
** TOTAL **	9	94	90	5	10	10	14	104	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

LYNCHBURG LATA

1 - 1 - 88

1601

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	3	68	63				3	68	63
#2B ESS	4	13	12				4	13	12
DIGITAL ESS	3	18	17				3	18	17
* SUBTOTAL *	<u>10</u>	<u>99</u>	<u>92</u>				<u>10</u>	<u>99</u>	<u>92</u>
#2ESS				2	6	5	2	6	5
#3ESS				1	1	1	1	1	1
#5XB									
#1XB									
SXS				1	2	2	1	2	2
* SUBTOTAL*				<u>4</u>	<u>9</u>	<u>8</u>	<u>4</u>	<u>9</u>	<u>8</u>
** TOTAL **	<u>10</u>	<u>99</u>	<u>92</u>	<u>4</u>	<u>9</u>	<u>8</u>	<u>14</u>	<u>108</u>	<u>100</u>

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FC-D) FEATURES IN
END OFFICE SWITCHES

NORFOLK LATA

9 - 1 - 85

1602

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	14	290	52	6	92	17	20	382	69
#2B ESS				2	25	5	2	25	5
DIGITAL ESS	2	54	10	1	26	4	3	80	14
* SUBTOTAL *	16	344	62	9	143	26	25	487	88
#2ESS				2	11	2	2	11	2
#3ESS									
#5XB				5	48	8	5	48	8
#1XB									
SXS				5	9	2	5	9	2
* SUBTOTAL*				12	68	12	12	68	12
** TOTAL **	16	344	62	21	211	38	37	555	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORFOLK LATA

9 - 1 - 86

1603

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	20	393	69				20	393	69
#2B ESS	2	20	4				2	20	4
DIGITAL ESS	4	99	17	4	13	2	8	112	19
* SUBTOTAL *	26	512	90	4	13	2	30	525	92
#2ESS				2	11	2	2	11	2
#3ESS									
#5XB				2	35	6	2	35	6
#1XB									
SXS									
* SUBTOTAL*				4	46	8	4	46	8
** TOTAL **	26	512	90	8	59	10	34	571	100

4/10/84

DELT. ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORFOLK LATA

1 - 1 - 88

1604

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	20	417	71				20	417	71
#2B ESS	2	21	4				2	21	4
DIGITAL ESS	8	116	19				8	116	19
* SUBTOTAL *	<u>30</u>	<u>554</u>	<u>94</u>				<u>30</u>	<u>554</u>	<u>94</u>
#2ESS				2	12	2	2	12	2
#3ESS									
#5XB				1	22	4	1	22	4
#1XB									
SXS									
* SUBTOTAL*				<u>3</u>	<u>34</u>	<u>6</u>	<u>3</u>	<u>34</u>	<u>6</u>
** TOTAL. **	<u>30</u>	<u>554</u>	<u>94</u>	<u>3</u>	<u>34</u>	<u>6</u>	<u>33</u>	<u>588</u>	<u>100</u>

4/10/84

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FC-D) FEATURES IN
END OFFICE SWITCHES**

RICHMOND LATA

9 - 1 - 85

1605

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	9	219	53	5	82	20	14	301	73
#2B ESS				4	28	7	4	28	7
DIGITAL ESS	1	4	1	1	27	6	2	31	7
* SUBTOTAL *	10	223	54	10	137	33	20	360	87
#2ESS				1	2	0.5	1	2	0.5
#3ESS				1	2	0.5	1	2	0.5
#5XB				4	39	9	4	39	9
#1XB									
SXS				7	11	3	7	11	3
* SUBTOTAL*				13	54	13	13	54	13
** TOTAL **	10	223	54	23	191	46	33	414	100

4/10/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

RICHMOND LATA

9 - 1 - 86

1606

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	14	310	73				14	310	73
#2B ESS	4	30	7				4	30	7
DIGITAL ESS	2	52	12	2	18	4	4	70	16
* SUBTOTAL *	20	392	92	2	18	4	22	410	96
#2ESS				1	2	0.5	1	2	0.5
#3ESS				1	2	0.5	1	2	0.5
#5XB				2	13	3	2	13	3
#1XB									
SXS				4	17	4	4	17	4
* SUBTOTAL*									
** TOTAL **	20	392	92	6	35	8	26	427	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

RICHMOND LATA

1 - 1 - 88

1607

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	14	317	73				14	317	73
#2B ESS	4	31	7				4	31	7
DIGITAL ESS	4	72	16				4	72	16
* SUBTOTAL *	22	420	96				22	420	96
#2ESS				1	2	0.5	1	2	0.5
#3ESS				1	2	0.5	1	2	0.5
#5XB				2	13	3	2	13	3
#1XB									
SXS									
* SUBTOTAL*				4	17	4	4	17	4
** TOTAL **	22	420	96	4	17	4	26	437	100

4/10/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ROANOKE LATA

9 - 1 - 85

1608

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	2	59	24	4	80	32	6	139	56
#2B ESS				7	34	14	7	34	14
DIGITAL ESS	2	17	7	5	19	7	7	36	14
* SUBTOTAL *	4	76	31	16	133	53	20	209	84
#2ESS				1	4	2	1	4	2
#3ESS				1	1	0	1	1	0
#5XB				8	28	11	8	28	11
#1XB									
SXS				5	7	3	5	7	3
* SUBTOTAL*				15	40	16	15	40	16
** TOTAL **	4	76	31	31	173	69	35	249	100

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES**

ROANOKE LATA

9 - 1 - 86

1609

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	141	55				6	141	55
#2B ESS	7	35	13				7	35	13
DIGITAL ESS	5	46	18	2	17	7	7	63	25
* SUBTOTAL *	18	222	86	2	17	7	20	239	93
#2ESS				1	4	2	1	4	2
#3ESS				1	1	0	1	1	0
#5XB				3	9	7	3	9	4
#1XB									
SXS				2	2	1	2	2	1
* SUBTOTAL*				7	16	7	7	16	7
** TOTAL **	18	222	86	9	33	14	27	255	100

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR

THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN

END OFFICE SWITCHES

ROANOKE LATA

1 - 1 - 88

1610

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	144	55				6	144	55
#2B ESS	7	36	14				7	36	14
DIGITAL ESS	9	66	25				9	66	25
* SUBTOTAL *	22	246	94				22	246	94
#2ESS				1	4	2	1	4	2
#3ESS				1	1	0.5	1	1	0.5
#5XB				3	9	3	3	9	3
#1XB									
SXS				1	1	0.5	1	1	0.5
* SUBTOTAL *				6	15	6	6	15	6
** TOTAL **	22	246	94	6	15	6	28	261	100

4/10/84

SUMMARY OF PRL PRIMARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORTH JERSEY LATA

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL
#1/1A ESS	36	1317.2	43	27	884.3	29	63	2201.5	72
#2B ESS				8	67.5	2	8	67.5	2
DIGITAL ESS	6	119.9	4	4	78.5	2	10	198.4	6
SUBTOTAL	42	1437.1	47	39	1030.3	33	81	2467.4	80
#2ESS				4	25.4	1	4	25.4	1
#3ESS				2	6.2		2	6.2	
#5XB				41	581.0	19	41	581.0	19
#1XB									
SXS									
SUBTOTAL				47	612.6	20	47	612.6	20
TOTAL	42	1437.1	47	86	1642.9	53	128	3080.0	100

1611

5/2/84

PRC - LANTIC
SUMMARY OF PRIMARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORTH JERSEY LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL
#1/1A ESS	63	2298.1	73				63	2298.1	73
#2B ESS	4	51.1	2	3	13.5		7	64.6	2
DIGITAL ESS	19	419.8	13				19	419.8	13
SUBTOTAL	86	2769.0	88	3	13.5		89	2782.5	88
#2ESS				4	26.5	1	4	26.5	1
#3ESS				2	6.3		2	6.3	
#5XB				26	328.2	11	26	328.2	11
#1XB									
SXS									
SUBTOTAL				32	361.0	12	32	361.0	12
TOTAL	86	2769.0	88	35	374.5	12	121	3143.5	100

1612

5/2/84

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

NORTH JERSEY LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	63	2357.0	71				63	2357.0	71
#2B ESS	7	67.4	2				7	67.4	2
DIGITAL ESS	30	654.8	20				30	654.8	20
SUBTOTAL	100	3079.2	93	—	—	—	100	3079.2	93
#2ESS				4	27.8	1	4	27.8	1
#3ESS				2	6.5		2	6.5	
#5XB				15	215.1	6	15	215.0	6
#1XB									
SXS									
SUBTOTAL				21	249.4	7	21	249.3	7
TOTAL	100	3079.2	93	21	249.4	7	121	3328.5	100

5/2/84

BELL ATLANTIC
SUMMARY OF PRIMARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ATLANTIC COASTAL LATA

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL	# SWITCHES	LINE (000)	% OF TOTAL
#1/1A ESS	3	84.4	32	3	43.2	16	6	127.6	50
#2B ESS				11	83.8	32	11	83.8	33
DIGITAL ESS	—	—	—	1	8.8	3	1	8.8	3
SUBTOTAL	3	84.4	32	15	135.8	51	18	220.2	83
#2ESS				1	7.2	3	1	7.2	3
#3ESS									
#5XB				3	35.7	13	3	35.7	13
#1XB									
SXS				1	4.5	2	1	4.5	2
SUBTOTAL				5	47.4	17	5	47.4	17
TOTAL	3	84.4	32	20	183.2	68	23	267.6	100

5/2/84

1614

SUMMARY OF PR. MINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

ATLANTIC COASTAL LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	132.6	48				6	132.6	48
#2B ESS	2	15.2	5	9	72.2	26	11	87.4	31
DIGITAL ESS	2	23.3	8				2	23.3	8
1615 *SUBTOTAL*	10	171.1	61	9	72.2	26	19	243.3	87
#2ESS				1	8.4	3	1	8.4	3
#3ESS									
#5XB				2	22.4	8	2	22.4	8
#1XB									
SXS				1	4.5	2	1	4.5	2
SUBTOTAL				4	35.3	13	4	35.3	13
TOTAL	10	171.1	61	13	107.5	39	23	278.6	100

5/2/84

**SUMMARY OF PR - ITINERY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES**

**ATLANTIC COASTAL LATA
1 - 1 - 88**

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	6	137.1	48				6	137.1	48
#2B ESS	11	91.0	31				11	91.0	31
DIGITAL ESS	3	35.9	12				3	35.9	12
SUBTOTAL	20	264.0	91				20	264.0	91
#2ESS				1	9.7	3	1	9.7	3
#3ESS									
#5XB				1	16.1	6	1	16.1	6
#1XB									
SXS				—	—	—	—	—	—
SUBTOTAL				2		9	2	25.8	9
TOTAL	20	264.0	91	2	25.8	9	22	289.8	100

5/2/84

1616

SUMMARY OF PR. MINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

DELAWARE VALLEY LATA

9 - 1 - 85

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	5	121.6	15	9	296.9	35	14	418.5	50
#2B ESS				4	26.0	3	4	26.0	3
DIGITAL ESS	<u>2</u>	<u>44.7</u>	<u>5</u>	<u>1</u>	<u>20.5</u>	<u>2</u>	<u>3</u>	<u>65.2</u>	<u>7</u>
SUBTOTAL	7	166.3	20	14	343.4	40	21	509.7	60
#2ESS				2	10.0	1	2	10.0	1
#3ESS				3	8.3	1	3	8.3	1
#5XB				29	316.4	38	29	316.4	38
#1XB									
SXS				1	3.3		1	3.3	
				<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
SUBTOTAL				35	338.0	40	35	338.0	40
TOTAL	<u>7</u>	<u>166.3</u>	<u>20</u>	<u>49</u>	<u>681.4</u>	<u>80</u>	<u>56</u>	<u>847.7</u>	<u>100</u>

5/4/84

1617

BELL ATLANTIC
SUMMARY OF PRIMARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

DELAWARE VALLEY LATA

9 - 1 - 86

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	14	433.2	49				14	433.2	49
#2B ESS				4	27.0	3	4	27.0	3
DIGITAL ESS	9	165.0	19	—	—	—	9	165.0	19
SUBTOTAL	23	598.2	68	4	27.0	3	27	625.2	71
#2ESS				2	10.3	1	2	10.3	1
#3ESS				3	8.7	1	3	8.7	1
#5XB				21	231.5	27	21	231.5	27
#1XB									
SXS				—	—	—	—	—	—
SUBTOTAL				26	250.5	29	26	250.5	29
TOTAL	23	598.2	68	30	277.5	32	53	875.7	100

5/4/84

1618

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) FEATURES IN
END OFFICE SWITCHES

DELAWARE VALLEY LATA

1 - 1 - 88

SWITCHING SYSTEM	EQUIPPED FOR EQUAL ACCESS			NOT EQUIPPED FOR EQUAL ACCESS			TOTAL		
	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL	# SWITCHES	LINES (000)	% OF TOTAL
#1/1A ESS	14	448.6	50				14	448.6	50
#2B ESS	4	27.9	3				4	27.9	3
DIGITAL ESS	16	306.2	34				16	306.3	34
SUBTOTAL	34	782.7	87				34	782.8	87
#2ESS				2	10.6	1	2	10.6	1
#3ESS				3	9.1	1	3	9.1	1
#5XB				13	102.7	11	13	102.7	11
#1XB									
SXS									
SUBTOTAL				18	122.4	13	18	122.4	13
TOTAL	34	782.7	87	18	122.4	13	52	905.2	100

5/4/84

ATTACHMENT B

BELL ATLANTIC
SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) TANDEMS
AND ASSOCIATED EQUAL ACCESS LINES
THE BELL TELEPHONE COMPANY OF PENNSYLVANIA &
THE DIAMOND STATE TELEPHONE COMPANY

ACCESS TANDEM*	EQUIPMENT TYPE	LATA	AVAILABLE FOR SERVICE	AS OF SEPTEMBER 1, 1986		
				ASSOCIATED ANALOG TDM	EQUAL ACCESS LINES DIGITAL TDM	(000) TOTAL
Altoona 81T	1AESS	Altoona (Southern)	4/85	118.6	0	118.6
Dubois 81T	1ESS	Altoona (Northern)	6/85	29.2	0	29.2
Harrisburg 71T	DMS200	Capital	3/85	0	284.7	284.7
Scranton 82T	1AES (H1-Lo)	Northeast	3Q86	305.9	0	305.9
Market 42T	4ESS	Philadelphia	6/85	0	2267.1	2267.1
Greensburg 81T	1AESS	Pittsburgh (Eastern)	7/85	88.9	0	88.9
Pittsburgh 71T	DMS-200	Pittsburgh (Western)	2/84	0	956.8	956.8
TOTAL.				542.6	3508.6	4051.2
% OF TOTAL				13.4	86.6	100.0

* The three digit code designates a specific switch

**SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) TANDEMS
AND ASSOCIATED EQUAL ACCESS LINES
THE CHESAPEAKE & POTOMAC TELEPHONE COMPANIES**

ACCESS TANDEM**	EQUIPMENT TYPE	LATA	AVAILABLE FOR SERVICE	AS OF SEPTEMBER 1, 1986		
				ASSOCIATED EQUAL ACCESS LINES (000)		
				ANALOG TDM	DIGITAL TDM	TOTAL
Annapolis 01T	1AESS	Baltimore	3Q85	39		39
* Charles St. (Baltimore)	5ESS	Baltimore	3Q85		674	674
* Cumberland	DCTL	Hagerstown	4Q88	NA	NA	NA
* Frederick	5ESS	Hagerstown	4Q85		46	46
* Hagerstown	DCTL	Hagerstown	4Q87	NA	NA	NA
* Martinsburg	5ESS	Hagerstown	3Q85		20	20
* Easton	5ESS	Salisbury	4Q85		25	25
Salisbury 07T	1AESS	Salisbury	3Q85	37		37
* Culpeper	DCTL	Culpeper	4Q85		23	23
Fredericksburg 02T	1ESS	Culpeper	1Q85	24		24
* Leesburg	5ESS	Culpeper	3Q85		27	27
* Winchester	1AESS	Culpeper	2Q85	25		25
* Church St. (Lynchburg)	1AESS	Lynchburg	2Q85	59		59

* Access Tandem code not yet assigned.

** The three digit code designates a specific switch

4/10/84

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FC-D) TANDEM
AND ASSOCIATED EQUAL ACCESS LINES
THE CHESAPEAKE & POTOMAC TELEPHONE COMPANIES

ACCESS TANDEM**	EQUIPMENT TYPE	LATA	AVAILABLE FOR SERVICE	AS OF SEPTEMBER 1, 1986		
				ASSOCIATED EQUAL ACCESS LINES (000)		TOTAL
				ANALOG TDM	DIGITAL TDM	
Danville 02T	1AESS	Lynchburg	2Q85	33		33
* Bute St. (Norfolk)	1AESS	Norfolk	3Q84	504		504
* Onancock	DGTL	Norfolk	3Q86		12	12
* Turner Rd. (Richmond)	1AESS	Richmond	2Q86	388		388
* Luck Ave. (Roanoke)	1AESS	Roanoke	1Q85	134		134
* Norton	5ESS	Roanoke	2Q85		38	38
Staunton 02T	1AESS	Roanoke	3Q85	24		24
Beckley 22T	1AESS	Charleston	3Q85	30		30
* Charleston	1AESS	Charleston	2Q84	108		108
Huntington 22T	1ESS	Charleston	4Q84	53		53
* Lewisburg	DGTL	Charleston	4Q86	NA	NA	NA
* Logan	DGTL	Charleston	4Q85		23	23
Parkersburg 22T	1ESS	Charleston	3Q84	45		45
Clarksburg 24T	1AESS (H1-Lo)	Clarksburg	3Q85	43		43

* Access Tandem code not yet assigned.

** The three digit code designates a specific switch

4/10/86

BELL ATLANTIC

SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) TANDEMS
AND ASSOCIATED EQUAL ACCESS LINES.

THE CHESAPEAKE & POTOMAC TELEPHONE COMPANIES

1624

ACCESS TANDEM**	EQUIPMENT TYPE	LATA	AVAILABLE FOR SERVICE	AS OF SEPTEMBER 1, 1986		
				ASSOCIATED EQUAL ACCESS LINES (000)		
				ANALOG TDM	DIGITAL TDM	TOTAL
Horgantown 22T	1AESS	Clarkeburg	4Q84	24		24
Wheeling 26T	1AESS	Clarkeburg	4Q84	33		33
* La Plata	DCTL	Washington	4Q85		23	23
* Southwest (DC)	4ESS	Washington	3Q85		2068	2068
			TOTAL	1603	2979	4582
			% OF TOTAL	35%	65%	100%

* Access Tandem code not yet assigned.

** The three digit code designates a specific switch

4/10/84

BELL ATLANTIC
SUMMARY OF PRELIMINARY PLANS FOR
THE PROVISION OF EQUAL ACCESS (FG-D) TANDEM
AND ASSOCIATED EQUAL ACCESS LINES
NEW JERSEY BELL

ACCESS TANDEM*	EQUIPMENT TYPE	LATA	AVAILABLE FOR SERVICE	AS OF SEPTEMBER 1, 1986		
				ASSOCIATED EQUAL ACCESS LINES (000)		
				ANALOG TDM	DIGITAL TDM	TOTAL
Pleasantville OGT	1AESS	Atlantic Coastal	2Q85	171.1		171.1
Market 42T	4ESS	Delaware Valley	2Q85		598.2	598.2
Newark 01T	4ESS	North Jersey	1Q85		2769.0	2769.0
			TOTAL	171.1	3367.2	3538.3
			% OF TOTAL	4.8	95.2	100.0

* The three digit code designates a specific switch.

5/4/84

1625

FEATURE COMPARISON CHART

	<u>FGA</u>	<u>(Tandem) FGB</u>	<u>(Direct) FGB</u>	<u>FGC (AT&T Only)</u>
Connection Type	Line	Trunk	Trunk	Trunk
Total Digits Required to Complete Call	23-27	23-27	17(a)-19	10(b)
Receives Default Traffic	NO	NO	NO	YES
Uniform Access Code	NO	YES (7-digit)	YES (7-digit)	YES (1-digit)
Rotary Dial Access	NO	NO	Optional/ Substandard (c)	YES
Single Dial Tone	NO	NO	NO	YES
Answer Supervision	NO	YES	YES	YES
Automatic Number Identification (ANI)	NO	NO	Optional/ Substandard (c)	Optional
MF Address Signaling: Originating Traffic	NO	NO	NO	YES
MF Address Signaling: Terminating Traffic	NO	YES	YES	YES
Toll Quality Transmission	NO	NO	YES	YES
Alternate Traffic Routing	NO	YES	YES	YES
Automatic Transmission Testing	NO	Optional	Optional	YES
Operator Service	NO	NO	NO	YES
WATS SCREENING	NO	NO	NO	YES

NOTES:

- (a) Assumes use of ANI option. If not used, 23-27 digits are required.
- (b) In many locations, the NPA-NXX-XXXX must be preceded by the digit "1". The figure shown in the chart does not include that requirement.
- (c) It appears that under Feature Group B (direct trunking version), ANI will be provided using MF pulsing; address signaling (called party number) will be provided from Touch-Tone phones using Touch-Tone pulsing; and address signaling will be provided from rotary dial phones using rotary pulsing. The mixture of signaling types on a single call cannot be accommodated by independent interexchange carrier switches without extensive modifications. Under Feature Group C (AT&T access), ANI and address signaling are provided using the same signaling type.

Definition and Description of Certain
Interconnection Problems

Automatic Number Identification

Automatic number identification, or "ANI," is the ability of the BOC/AT&T intercity system to record the number of the calling telephone. ANI is essential to the preparation of accurate billing records. Moreover, because many SPRINT switches serve multistate areas, ANI would be the only way in which SPRINT could distinguish interstate from intrastate calls. ANI, when used, is passed by the end office over the trunk circuit. ANI is never passed to a line circuit, nor is it passed through the FG B access tandem.

Answer Supervision

Answer supervision is the ability to know when the called telephone is picked up and actual conversation begins. Answer supervision is not passed to the line side of local offices.

With answer supervision, SPRINT could more accurately determine the actual elapsed time of a conversation and could prepare more accurate bills. Without it, the SPRINT system will begin charging its subscribers 72 seconds after the call is placed, whether the call is completed or not, which of course, causes some customer dissatisfaction. Because the level of confidence in the accuracy of the

billing system is not as great as would otherwise be the case if answer supervision were provided, SPRINT loses revenues for completed calls which last less than 60 seconds, and also bills customers for incompletd calls which ring for more than 72 seconds. Moreover, in order to create such approximate bills, SPRINT has been forced to purchase, and must use, expensive computer systems which would be unnecessary if answer supervision were available.

Toll Quality Transmission

Toll quality transmission is that quality of transmission provided on interconnections which are designed and maintained according to transmission standards appropriate for long distance intercity service. Due to its interconnections, which are not designed or maintained to such standards, GTE Sprint experiences problems with echo, loss, and excessive noise which AT&T-CI does not experience with its FG C interconnections.

Echo

Long distance calls are typically handled by 4 wire facilities. However, at some point the signal must be transferred to a 2-wire facility. A device known as a 4-

wire term set, or "hybrid," is used for this purpose. Inherently, some part of the signal does not pass through the hybrid, and is reflected back to the originating end at that point. If the circuit length, and thus the round-trip propagation delay, is such that the reflected signal is delayed more than 45 milliseconds, the talker perceives that reflected signal as echo. The local loops and local inter-office trunks which are used to complete SPRINT calls, or the calls of any carrier using FG A interconnections, differ in design and maintenance standards from toll connecting trunks which connect Class 5 to Class 4 offices. The toll connecting trunks are engineered to high standards because they carry long distance traffic. On the other hand, the trunks between the Class 5 offices are not engineered to such standards, because echo is not a significant problem in the short-distance local calls for which those trunks were designed. However, when SPRINT is forced to use those interoffice trunks as part of its long distance network, they introduce significant echo into the call.

The more hybrids there are in a connection, the greater the possibility of echo. A typical AT&T call would contain two hybrids. A typical SPRINT call would contain six, eight, or ten hybrids depending on the frequency with which local tandem routing is used in the local network. The number of hybrids in the overall connection for a

SPRINT call could be as many as fourteen. Moreover, the hybrids in the toll connecting trunks provided to AT&T are engineered to higher standards to resist or impede echo, a factor known as echo return loss (ERL). The units in which this factor is measured are decibels ("dB"), with a higher number indicating better performance. AT&T toll connecting trunks are designed to a specification of 22 dB. Local interoffice trunks, upon which SPRINT depends, have no ERL specifications at all. The line which connects the SPRINT switch to the local Class 5 office is engineered by the BOCs to have an ERL specification of only 16 dB, which is the same as the turn-down limit for a toll connecting trunk if used by AT&T. Thus SPRINT calls are subject to significantly greater probability of echo than AT&T calls.

Because of problems with echo GTE Sprint has had to purchase and install many more "echo suppressors" than would otherwise be required, if toll quality local distribution were provided. The need for this equipment not only imposes significant equipment and maintenance costs, the echo suppressors themselves can cause a phenomenon known as "clipping." Because of excessive and variable loss on the FG A interconnection, the echo suppressors on SPRINT's network will sometimes incorrectly perceive a call with significant loss on one end and slight loss on the other and

will go into a suppression mode erroneously. The echo suppressor will then "clip" the conversation, so that the parties will have difficulty understanding each other.

Loss

Loss is the characteristic of a facility which tends to make a transmitted signal attenuated, or less loud, as it transverses a circuit. It is measured in dB, with a higher number indicating greater loss. The loss factor renders some connections unusable and may also result in conversations which are difficult to hear.

The range of loss for a SPRINT connection generally ranges from 0 dB to 18 dB on each end of the overall connection, when a FG A interconnection is used, and could be as high as 25.5 dB. This compares unfavorably with the range of 3.0 to 13.4 dB at each end of the overall connection provided for AT&T. Clearly the loss variation is much greater for SPRINT than for AT&T.

Variation is a greater problem than the absolute value of the loss experienced, because it is possible to compensate somewhat for loss if the loss experienced is consistent. It is the wide variation in loss which leads to inconsistent service quality.

Because the loss is highly variable, there is no

practical means of compensating for it. Moreover, the variability makes it impossible for SPRINT to control echo by introducing loss into its circuits, as AT&T does, and instead forces SPRINT to rely on echo suppressors, which are much more expensive. The only reason the service can be made to work at all is that a sufficient number of samples taken during the field measurements fell close enough to each other that SPRINT was able to determine a loss value of 8.5 dB against which to engineer the service for a typical case.

Excessive Noise

The large number of analog-to-digital and digital-to-analog conversions and additional local loops through which a typical SPRINT call passes all contribute to excessive noise on SPRINT calls. In particular, SPRINT calls may pass through as many as six analog-digital, digital-analog conversions and two local loops at each end. Such conversions and local loops contribute significant noise to the system. In addition, local trunks, over which SPRINT calls are carried, are engineered to lower noise standards than the toll grade trunks over which the Bell System's intercity calls are carried. Noise is much less of a factor on AT&T calls.

Multi Frequency (MF) Address Signaling

MF signaling is a method of signaling used to pass called and calling number (where ANI is used) information. With MF signaling the called number is stored in a device known as a sender and forwarded at a rate of approximately 10 digits per second using two frequencies to represent each digit.

MF or similar machine generated form of signaling is used to forward the called number to AT&T Communications when Feature Group C interconnections are used. Such machine generated signaling is not available to Sprint. Sprint must instead wait while a customer manually enters called number and other information. This substantially increases Sprint's holding time relative to conversation time when compared with AT&T Communications. This is a matter of concern for Sprint because, as with AT&T Communications services, conversation time is the only component of Sprint's services which are revenue producing.

WATS Screening

WATS screening is an end office function that enables AT&T Communications, using FG C interconnections, to combine WATS and MTS traffic on a common trunk group to the end office. This allows AT&T Communications to use larger, more efficient trunk groups to the end office, Prior

to the availability of equal access WATS screening can only be provided to AT&T. Any other carrier attempting to provide a WATS like service must do so using separate private line like dedicated circuits from the carrier's point of termination to the customer. This results in splintering of traffic between smaller circuit groups and a loss of efficiency.

Operator Services

Operator services such as collect, third number billed, and coin sent paid calls cannot be provided using Feature Groups A or B (tandem) because neither form of interconnection provides ANI. No Feature Group available to Sprint provides the coin control functions (coin collect and coin return) necessary to handle coin sent paid calls.

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We were in Bowerbank back when there were only 20 people living here. Today the town has grown to nearly 30. Now as then, AT&T thinks it's important for the people in Bowerbank to be able to call anywhere they want, anytime they want. That's why there is no place too small to get our long distance service.

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No matter where you live.

No matter where you want to call.

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**company thinks going
is worth the trip.**



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People Magazine - February, 1984
1636

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You don't have to choose between service and savings with AT&T. Our Evening Special saves you 40% from 5-11 p.m.

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Call from anywhere to anywhere. Only AT&T gives a town of fifty the same nationwide long distance service as a city of five million. And no matter how far away you call, your voice will sound as close as you feel.



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Only AT&T gives you long distance operator service 24 hours a day.

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American companies use AT&T's International Business Network because it's the most cost effective way to do business today.

It's the only one who make it possible for you to talk business everywhere in the world. We can send your hard copy anywhere in minutes.

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Talking business around the world on the AT&T Net work saves a lot of money. First, it's the fastest way. And time is money.



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Our operation can put you in touch with as many as 60 locations at one time.

Which means you can get everybody together more frequently.

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You can use it to transmit voice, teletype, and/or data 24 hours a day, 7 days a week.

To expand your Canadian business, we've introduced AT&T 800 Service Canada.

Customers can now call you at no cost to them. International calling is productive, easy, economical, and provides instant feedback.

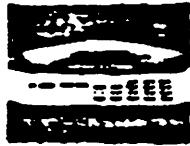
So when it comes to the bottom line, the AT&T Network can make your voice look good on paper.

It costs less to send your hard copy.

An exact copy of the original. That's less. And fax is the only system that sends it almost anywhere in the world.

All you need is a phone and a facsimile machine.

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It will make it possible for you to conduct face-to-face international business meetings between the U.S. and the U.K.

In full color. With full conference motion.

Both sides will be able to observe eye contact, facial expressions, manner.



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We link you to the U.K. with the cooperation of British Telecom International. You won't be public or private for any you wish to use. We make all the arrangements on both sides of the ocean.

And you can be connected into the AT&T New York-London line from private facilities in as many as 42 cities by year's end, and public facilities rise in those 11 cities.

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Then compare it with the cost of a 1-hour video teleconference, which is roughly \$3000 (Available also in 1/2-hour blocks).

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What would long distance service be
if it only served selected cities
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The more you hear the better we sound.

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Reach out and



he better we sound.SM



touch someoneSM





GTE Sprint Communications Corporation
Post Office Box 974
Burlingame, CA 94010

February 3, 1984

Central Services Organization
Mr. Charles Zebe, Secretary-ICCF
295 North Maple Avenue, Room 17-3451B1
Basking Ridge, NJ 07920

Dear Mr. Zebe:

During the time in which the ICCF meetings have been held there has been substantial discussion, both written and verbal, between GTE SPRINT and the CSC regarding transmission standards appropriate for switched access services. It was, therefore, with some interest that I read the CSO/BOC comments filed with the FCC, December 22, 1983, in the matter of Investigation of Access and Divestiture Related Tariffs, CC Docket No. 83-1145, Phase I, Part I, and Technical Reference PUB 62500. Having reviewed these documents, I thought it would be worthwhile to pass along to the CSO and the RBOCs my comments and concerns regarding them.

12/22/83 COMMENTS

Appendix I, Page 91, states as follows: "Furthermore, a comparison of transmission parameter limits for services offered under both the new access tariffs and the Docket 20099 Settlement Agreement indicates that the limits under the proposed access standards are essentially equal to or more stringent than the Docket 20099 limits."

A review of the information contained in Tables A and B of Appendix I, however, proves this statement incorrect. Table A makes the following comparison for Attenuation Distortion:

	DOCKET 20099 (COCF & CUDCF)		SWITCHED ACCESS (F.G.A & (*))	
	AL	IAL	AL	IAL
404Hz	-1 to +2	-1 to +3	-1.5 to +3.5	-2.0 to +4.0
2804Hz	-1 to +3	-1 to +4.5	-1.5 to +3.5	-2.0 to +4.0
2804Hz with SF	-1 to +2.5	-1 to +3.5	-1.0 to +2.5	-1.0 to +3.5

(*) Table A does actually have a column headed "(F.G.A & .)" Should the heading have been (F.G.A & B)?

Clearly, from Table A of Appendix I, the Attenuation Distortion specifications for both Acceptance and Immediate Action Limits for 404Hz and 2804Hz (without SF) found in 20099 are more stringent than those shown for switched access.

Table A states that the 20099 Acceptance Limit specification for Echo Return Loss (ERL) and Singing Return Loss (SRL) for F.G.B POI to EO direct is 16dB and 10dB respectively. While it is unclear what measurement method is assumed to derive the 16dB and 10dB values, OCCEI-16, Issue 2 does state at Section 2.1, Page 3: "When the OCC provides a configuration in accordance with Figure 6, the OCC can achieve the balance objective applicable to the similar TGTs of Figure 5; a median 22dB ERL, 15dB SRL and minimum 16dB ERL, 11dB SRL with 50% or more of each trunk group meeting median objectives." Figure 6 of OCCEI-16, Issue 2 reflects an ENFIA B configuration, which is analogous to a F.G.B direct connection. The Table A representation of ERL and SRL requirements for F.G.B direct under 20099 may, therefore, be in error.

Table B of Appendix I, makes the following comparison for loss deviation:

Loss Deviation(dB)	DOCKET 20099 (COCF & CODCFs)		SWITCHED ACCESS (F.G.A & F.G.B)	
	AL	IAL	AL	IAL
	±1.0	-1 to +2	±0.7 w/gain ±1.2 w/o gain	±3.0

The Loss Deviation values found in 20099 are obviously better for Immediate Actions Limits, either with or without gain, and the Acceptance Limit found in 20099 is better for facilities without gain. This is a matter of serious concern for GTE SPRINT as the bulk of our F.G.A interconnections are via 2-wire facilities without gain. A relaxation of the Immediate Action Limit by 1dB may not seem significant. However, it must be recognized that a 1dB change is 1dB on each end for an over-all change of 2dB in an end to end connection. This has the effect of either requiring that GTE SPRINT make corresponding changes in its internal standards for the GTE SPRINT portion of the end to end connection and require more stringent deviation limits for the SPRINT system (which may not be possible) or ask our customers to accept greater variation in the end to end connection. Immediate Action Limits of -1 to +2dB were possible under 20099. Why is it now necessary to change the IAL to ±3.0dB?

Table B of Appendix I makes the following comparison for Attenuation Distortion:

	DOCKET 20099 (COCF & CODCFs)		SWITCHED ACCESS (F.G.A & F.G.B)	
	AL	IAL	AL	IAL
404Hz	-1 to +3	-1 to +3	-1.5 to +5	-2.0 to +3.5
2804Hz	-1 to +3	-1 to +7.5	-1.5 to +5	-2.0 to +3.5

The 20099 requirements are more stringent for both the AL and IAL at 404Hz and 2804Hz (the negative dB or "less loss" values). Attenuation distortion is generally a matter of concern to GTE SPRINT because many of our customers do, presently, and have in the past, attempted to pass data over the SPRINT network. Problems have been noted when attempting to pass data, particularly slower speed asynchronous data. This type of data transmission is sensitive to Attenuation Distortion, particularly at higher frequencies. It is, of course, possible that

SPRINT could attempt to apply equalization to mitigate the effects of high end roll-off from the local network. However, such a "fix" would be difficult at best to do, because of the possible over-all variations in Attenuation Distortion of the local network as a whole. Once again, the question arises: If more stringent attenuation distortion standards were possible under 20099, why is it necessary to relax these requirements for switched access?

Publication 62500

Based on a preliminary review of PUB 62500, the transmission performance parameters found therein are deficient in the following areas:

- C-Message Noise
- Echo Return Loss
- Singing Return Loss
- Impulse Noise
- Attenuation Distortion

Following is a discussion of each area of transmission performance parameter deficiency.

C-Message Noise

The Immediate Action Limits for C-Message Noise for F.G.D, "equal access," are generally worse than those given for F.G.A and B. GTE SPRINT would prefer to use F.G.D wherever possible. The imposition of relaxed noise standards for F.G.D does, however, provide some disincentive toward the use of F.G.D. Of all the various transmission impairments, noise in the local network is the one that an interexchange carrier can do nothing about; once the noise is there, it is there and there is no way to remove it. SPRINT is, therefore, vitally concerned about the level of noise allowed for switched access. Why can't the noise performance parameters achieved for F.G.A and B also be met for F.G.D?

The C-Message Noise parameters for F.G.A and B, Immediate Action Limits, 101-200 route miles, $D^* + C + SW$ appear to be incorrect in that the values given are less than for the same facility combination at 51-100 route miles. Is this an error? If it is, what are the correct values for 101-200 route miles?

The C-Message Noise parameters for digital plus cable facility combinations ($D + C + SW$ and $D^* + C + SW$) for F.G.A, B, and D are all distance sensitive with allowable Immediate Action Limit noise increasing as distance increases. For properly designed, installed, and maintained digital systems, C-Message Noise does not increase as facility route mileage increases. Why do the Immediate Action Limit values for digital facility combinations increase as distance increases?

The access tariffs offer the interexchange carrier the option of interconnecting on a digital basis for switched access. What would the Acceptance and Immediate

Action Limits be where such interconnection (e.g. D + SW or D⁺ + SW) is used? Would these values be different where digital switching is used?

Echo Return Loss/Singing Return Loss

The Echo Return Loss and Singing Return Loss values found in Table 5-D1 are substandard when compared with the values found in Section 7, Notes on the Network, AT&T, 1980, Table H. Conversations with RBOC and CSO representatives at previous ICCF meetings had left the impression that Section 7 of the Notes was an objective rather than a requirement. However, BSP 660-476-300, Issue 3, October 1980, and BSP 660-476-301, Issue 2, October 1980 (copies attached) placed in the record during the course of an access charge proceeding in Texas (Docket No. 5113) would leave the impression that, at least for #1 and #1AESS offices, the values found in Section 7 for ERL, SRL, and Through Balance were requirements. If the values found in Section 7 for ERL, SRL, and Through Balance were met in the past, why does PUB 62500 impose less stringent values for F.G.D?

Extraordinary steps have been taken in the past to control echo on SPRINT calls. The application rules for echo control devices (Echo Suppressors, and now Echo Cancellers) has resulted in the application of such devices when the facility route mileage exceeded 667 miles. Echo control devices have been used far more frequently in the SPRINT network than would be the case (according to Section 7, Notes on the Network) for the AT&T network. This was necessary because ERL/SRL performance of the Switched Access Service available to SPRINT (F.G.A) does not meet "toll quality" standards. Use of such devices has an impact on SPRINT's capital investment requirements and operating expenses. Better ERL/SRL requirements would minimize the need for echo control devices and thus, the capital investment and operating expenses associated with such devices.

Impulse Noise

The Impulse Noise threshold for type DA (65dBmC) and type DB (67dBmC) data transmission parameters is substandard when compared with the thresholds found in OCCEI-5, Appendix B, Table 4 (36, 37, 39, 42, 43, or 64dBmC, depending on the facility type involved and the holding time level used). If the impulse noise requirement of no more than 13 counts in 15 minutes could be met using the 20099 thresholds found in OCCEI-5, why is it necessary to raise the threshold in PUB 62500?

Impulse Noise is a matter of concern because it adversely affects data transmission and, like C-Message Noise, once it has been introduced, there is nothing the interexchange carrier can do to remove it.

Attenuation Distortion

The Attenuation Distortion parameters found in PUB 62500, like those found in the RBOC/CSO 12/22/81 comments to the FCC, are substandard when compared with the

parameters found in 20099. Specific deficiencies and the adverse effects of Attenuation Distortion have already been discussed in the comments regarding the BOC/CSO 12/22/83 filing.

In addition to the transmission performance parameter deficiencies already noted for PUB 62500, there is also a problem with the interface combinations specified, specifically for DX interfaces. Chapter 3, Tables 3F and 3H classifies any possible DX signaling arrangement as either "T" (Transitional) or "H" (Historical). Does this signal an intention to eventually eliminate DX signaling arrangements? DX signaling arrangements have been possible under the 20099 settlement agreement and have, in fact, been in use for nearly 10 years now with no particular problems noted, at least not from SPRINT's perspective. DX arrangements will continue to be an appropriate method of interconnection, particularly for F.G.B and F.G.D where two-way trunking is used. Unless SF signaling is used, abandoning DX signaling would require BOC equipment at the interexchange carrier's premise where two-way trunking and VF interconnection are used. Such a configuration would require the BOC to provide additional equipment that would not otherwise be required if DX signaling were used. This, of course, would increase the BOC's cost of providing switched access services.

Paragraph 1.3 of Chapter 1, describes the applicability of the transmission parameters contained in PUB 62500 to F.G.B, C, or E, but makes no mention of F.G.A. Is this an omission or does 1.3 not apply to F.G.A? If 1.3 does not apply to F.G.A, then what are the "rules" for applicability of technical specifications for F.G.A?

Based on the values found in Table 3-D1, equal access will not, in fact, be equal. Based on comparative market shares and the fact that the BOC will select the routing of the IC's traffic, it is likely that AT&T Communications (90+% of the market) traffic will generally be routed via F.G.D direct (Type B facilities) while other ICs (3-6% of the market, collectively) will be routed via a F.G.D tandem arrangement. Type A, plus Type A Facilities are not as good as a Type B facility, at least not for Loss Deviation and Attenuation Distortion.

For Loss Deviation, Table 3-D1 specifies an Immediate Action Limit of $\pm 2\text{dB}$ for Type A facilities and $\pm 2.5\text{dB}$ for Type B facilities. Because F.G.D tandem involves two Type A facilities, then the loss deviation for a customer to POP connection can vary by as much as 4dB before corrective action is taken while the F.G.D direct case using Type B facilities would only vary by up to 2.5dB , customer to POP, before corrective action is taken. Thus, service quality may well be less consistent for F.G.D tandem routing.

For Attenuation Distortion, Table 3-D1 specifies an Immediate Action Limit of -1.0dB to $+3.0\text{dB}$ for type A facilities and -2.0dB to $+4.0\text{dB}$ for Type B facilities. Because Attenuation Distortion is additive, then the F.G.D tandem case may vary by as much as -2.0dB to $+6.0\text{dB}$ for a customer to POP connection while the F.G.D direct case would vary by -2.0dB to $+4.0\text{dB}$, customer to POP. The F.G.D tandem case could, therefore, exhibit 2.0dB more high-end roll-off than the F.G.D direct case before corrective action is taken.

Since an end to end connection will consist of access connections at each end, then a connection where F.G.D tandem is used at each end could exhibit 3dB more loss variation and 4dB more high-end roll-off than a connection consisting of F.G.D direct at each end. The intent of the MFJ is that access available to all carriers be equal in type and quality. Based on the parameters contained in 3-D1 for Loss Deviation and Attenuation Distortion, this may not be the case for tandem versus direct-routed traffic, even under the customer-perception test. A

3dB variation in level is noticeable to the customer, and 4dB additional high-and roll-off can affect certain types of data transmissions. The parameters in 5-D1 for Loss Deviation and Attenuation Distortion may not meet the MFJ requirements.

General Comments

While the transmission parameters found in the BOC/CSO 12/22/83 comments and PUB 62500 do provide some improvement over those found in the draft of the "Technical Description of LATA Access Services" attached to your 5/19/83 letter, there are, as noted, still deficiencies when compared with either the 20099 settlement agreement or Section 7 of Notes on the Network. This is a matter of grave concern as the result of less stringent transmission parameters could lead to an over-all degradation in service quality. No attempt has been made so far by either the RBOCs or the CSO to explain why these less stringent standards are necessary, or to demonstrate that these less stringent standards will not adversely affect the over-all quality of interexchange services. Both would be appropriate future activities for the CSO and RBOCs.

The BOCs have expressed concern over the threat of bypass before both the FCC and various state regulatory bodies. SPRINT does not engage in bypass activities today. However, substandard switched access services could change our incentives in considering bypass alternatives. In the past, the bypass threat has been considered only in an economic context. It must be recognized that substandard access would also provide a reason to bypass; bypass to attain an acceptable quality of service.

The ICCF process has been underway for some 10 months now and much has been said and written on the subject of transmission performance parameters (from SPRINT's perspective, see my June 17, 1983, letter and GTE SPRINT's comments to the FCC in the matter of 78-72, Phase III, August 8, 1983). While, as noted earlier, the BOC/CSO 12/22/83 comments and PUB 62500 does represent some improvement over those parameters proposed initially, there is still some inflexibility on the part of the RBOCs and CSO in the area of transmission parameters. Information from the CSO and RBOCs on why less stringent parameters have been developed and the probable effect of these parameters on interexchange services would be most productive. Divestiture is upon us and the transmission parameters developed by the RBOCs and the CSO are those that the interexchange carriers and the network as a whole will have to live with. Closure of discussion items without agreement or adequate explanation, and answers like "it's a business decision on the part of the RBOCs" with no further explanation are not sufficiently responsive. I am gravely concerned and disturbed by this and what has happened so far. Unless the process and dialogue can become more flexible and productive in the near future, appeals options will have to be considered.

A final comment on the tariffs themselves. The transmission parameters contained in the tariffs as currently filed are those found in the draft Technical Description of LATA Access Services. When will the tariffs be updated to reflect the improvements found in the BOC/CSO 12/22/83 comments and PUB 62500? The tariffs still lack Acceptance Limit, Maintenance Limit and characterization information. I understand that incorporating such information in the body of the tariffs themselves could prove both burdensome and cumbersome. However, as discussed at the November 1983 ICCF meeting, it should certainly be possible to incorporate such information into the tariffs by reference to technical publications. When will this be done? Finally, it should be noted that acceptance by

GTE SPRINT of services offered under the currently filed access tariffs in no way constitutes an acceptance on the part of GTE SPRINT of the suitability of the transmission parameters found in those tariffs.

Sincerely,



Ron Havens
Manager, Technical Staff

RH/KA
Enclosures

cc: EBOC ICET Management Board Members
Ned Farinholt, SBS
Steve Newpol, MCI
Peter May, U.S. Tel
Jim Senyszyn, Western Union
Bob Downing, Allnet Communication Services
Sy Roth, American Satellite Co.
John Gavin, ITT-USTE
Sandy Fain, Laxitel Corp.
Tom Kenyon, RCA-American Communications, Inc.
Terry Peck, Telesphere Network, Inc.
Joe Weber, AT&T Communications

bcc: Mary Mead, Pacific Telesis
Dan McSweeney, New York Telephone
Bob Falber, New York Telephone
James A. York, Bell Atlantic
George Reese, C & P Telephone
Tom Marshall, New York Telephone
Gerry Kincaid, Jr., South Central Bell
Hal D'Orazio, Illinois Bell
William Comerford, Illinois Bell
Karen, Elmont, Mountain Bell
Jerry Randall, Northwestern Bell
Claude D. Ellison, Pacific Northwest Bell
Bob Glaser, Southwestern Bell
Fay Kandarian, Southern New England Bell
Portia Hirschman, Indiana Bell
Carolyn Elizondo, Nevada Bell
Jim Ferguson, MCI
Richard Petty, GTE SPRINT
Larry Moyer, GTE SPRINT
Rochelle Hernandez, GTE SPRINT
Sam Endy, GTE SPRINT
Daryl Blackham, GTE SPRINT
Derrald Pick, GTE SPRINT
John Henson, GTE SPRINT
Paul Pope, GTE SPRINT
Ann Pongracs, GTE SPRINT
Jim Magee, GTE SPRINT
Luin Vitch, Department of Justice
Bob Gurney, GTE SPRINT
Rick Brechar, GTE SPRINT
Dahl Matters, GTE SPRINT
Rajiv Jaluria, GTE SPRINT
Ming Lee, GTE SPRINT
Dennis Hendrickson, GTE SPRINT

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
RICHMOND

AUG 22 11 22 AM '84

AT RICHMOND, AUGUST 22, 1984

APPLICATIONS OF

SOUTHERNTEL OF VIRGINIA, INC.	CASE NOS. PUC840020
MCI TELECOMMUNICATIONS CORPORATION OF VIRGINIA	PUC840022
UNITED STATES TRANSMISSION SYSTEMS OF VIRGINIA, INC.	PUC840024
TDX SYSTEMS OF VIRGINIA, INC.	PUC840025
GTE SPRINT COMMUNICATIONS CORPORATION OF VIRGINIA	PUC840027

For certificates of public convenience and necessity to provide inter-LATA, inter-exchange telecommunications service and to have rates established on competitive factors;

PETITION OF

AT&T COMMUNICATIONS OF VIRGINIA	PUC840023
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For authority to set rates and charges pursuant to §56-481.1 of the Code of Virginia

FINAL ORDER AND OPINION

Harwood, Chairman and Shannon, Commissioner

These six cases resulted from legislation enacted by the 1984 session of the General Assembly. House Bill No. 483 and House Bill No. 870 added §56-265.4:4 and §§56-481.1 through 56-482.2, respectively, to the Code of Virginia, effective July 1, 1984. In essence, §56-265.4:4 permits the Commission to grant additional certificates of public

convenience and necessity for the provision of inter-exchange telecommunications service and §56-481.1 provides that the rates of such carriers can be set on a competitive basis, under certain specified conditions.

I. PROCEDURAL HISTORY

In response to these new laws, the Commission established a rulemaking proceeding, Case No. PUC840017, and by order entered therein on June 29, 1984, the Commission adopted twelve Rules Governing the Certification of Inter-LATA, Inter-Exchange Carriers. The following applications were filed pursuant to the Rules: MCI Telecommunications Corporation of Virginia, Case No. PUC840022; SouthernTel of Virginia, Inc., Case No. PUC840020; AT&T Communications of Virginia, Inc., Case No. PUC840023; United States Transmission Systems, Inc., Case No. PUC840024; and TDX Systems, Inc., Case No. PUC840025. The application of GTE Sprint Communications Corporation of Virginia was filed late, on July 23, 1984 and, at the hearing conducted July 27, 1984, was assigned Case No. PUC840027.

The initial orders for the applications of MCI Telecommunications Corporation of Virginia (MCI-V), United States Transmission Systems, Inc. (USTS-V), TDX Systems Inc. (TDX), and SouthernTel of Virginia, Inc. (SouthernTel) scheduled a public hearing to commence at 10:00 a.m. July 27, 1984. When

GTE Sprint Communications Corporation of Virginia (GTES-V) filed its application, it noted that it had also published newspaper notices stating that its application would be presented to the Commission for consideration at the hearing on July 27. The initial order on the Petition of AT&T Communications of Virginia (AT&TC-V) scheduled the public hearing on its petition for 2:00 p.m. July 27, 1984.

The Chesapeake and Potomac Telephone Company of Virginia (C&P) filed protests to the applications of MCI-V, USTS-V and GTES-V. MCI-V and the Division of Consumer Counsel, Office of the Attorney General filed protests to the petition of AT&TC-V, together with motions to continue the hearing. As a part of its protest, MCI-V sought a Commission order directing that special reports be filed by the local exchange companies. In addition, MCI-V filed protests to the applications of USTS-V, TDX-V, and SouthernTel of Virginia, Inc. C&P's protests to the applications of MCI-V and USTS-V included motions to delay their hearings.

The motions for continuance filed by MCI-V and the Attorney General were argued orally on July 20, 1984. By order entered that same date, both motions for continuance were denied. In the Commission's opinion all parties were afforded the same amount of time to prepare and the issues to be presented were the same that each party had previously

faced in other forums. The extensive record developed herein bore this out. Many of the attorneys and witnesses participating were well acquainted from having appeared in similar proceedings before other commissions. MCI-V's request for an order directing special reports was not acted upon and is denied herein. By orders entered July 27, 1984, the motions of C&P to delay the hearings of the applications of MCI-V and USTS-V were also denied.

The hearing on the applications of MCI-V, USTS-V, TDX-V, SouthernTel of Virginia, Inc. and GTES-V commenced at 10:00 a.m. July 27, 1984. Appearances were entered by Michael J. Morrissey, Esquire and Wilma McCarey, Esquire, on behalf of AT&TC-V; HULLIHEN W. MOORE, Esquire and William Marmon, Esquire on behalf of MCI-V; Jack Lebowitz, Esquire and Reamy Ancarrow, Esquire, on behalf of USTS-V; R. Michael Senkowski, Esquire on behalf of TDX-V; James Magee, Esquire and Deborah Dupont, Esquire on behalf of GTES-V; Steven Pearson, Esquire and Reginald N. Jones, Esquire on behalf of SouthernTel; Warner Brundage, Esquire and Gregg Sayres, Esquire on behalf of C&P; Anthony Gambardella, Esquire on behalf of the Division of Consumer Counsel; and Robert M. Gillespie, Esquire on behalf of the Commission's Staff. No interveners appeared at the hearing.

II. OCC APPLICATIONS

The other common carriers (OCC's) presented evidence on their certification applications and on their requests for competitive rate treatment in the following sequence: MCI-V, USTS-V, TDX-V, SouthernTel, and GTES-V.

MCI-V presented the testimony of Mr. Kenneth A. Cox, Senior Vice President, Regulatory, Director of MCI Communications Corporation, and Senior Vice President of MCI Telecommunications Corporation of Virginia, Mr. Steven C. Gunn, Manager of Tariffs and Rates, MCI Telecommunications Corporation, and Dr. Nina Cornell, President of Cornell, Pelcovits, and Brenner, Economists, Inc. Mr. Cox described the financial, managerial, and technical ability of MCI Telecommunications to provide inter-LATA service in Virginia through its subsidiary, MCI-V. He said that MCI-V would attempt to avoid incidental intra-LATA calling by advising customers that such calling was unauthorized, but that to the extent such calls occurred, MCI would compensate the local exchange companies (LEC) for lost revenues. He testified that in all areas where MCI-V will be serving, AT&TC-V is already providing long distance service. In light of this, competition would clearly exist. The rates reflected in MCI-V's initial tariffs are lower than the corresponding rates of AT&TC-V.

Mr. Gunn described procedures and problems associated with providing usage data to the Commission. He stated

that since MCI-V considered such information proprietary, it would request a protective order before divulging it.

Dr. Cornell testified that MCI would have to provide its services on a competitive basis in order to survive. MCI faces competition from AT&T in every market it serves and would be facing competition from other OCCs who were seeking certification, as well as from resellers of WATS, who are not required to have certificates. After reviewing the four criteria of §56-481.1, she concluded that rate regulation was not necessary for MCI-V.

USTS-V presented the testimony of Mr. Jerome Stern, Manager of Network Development of USTS, and Mr. George J. Bloom, Associate Treasurer of ITT Communications and Information Services, Inc., the parent Company of USTS. Mr. Stern discussed the interstate service USTS is currently providing to customers in Virginia through its own facilities, and proposed intrastate service in the future. He also described USTS-V's usage data reporting capabilities. He stated that USTS-V intended to compensate the LECs for incidental intra-LATA traffic based upon an estimate of such traffic. Mr. Bloom testified concerning the financial support USTS-V would receive from its corporate parents.

TDX-V presented the testimony of Mr. Marvin C. Moses, Vice President, Financing and Administration, and Treasurer. He testified that TDX has been providing interstate services

as a network manager for shared user groups and has now decided to become a resale common carrier for interstate as well as intrastate services, for both switched and dedicated channels. TDX will block intraLATA calls, but as the network is expanded it may encounter difficulties in blocking all such traffic. If such problems occur, TDX proposes to use the same compensation arrangement as the other common carriers. Mr. Moses also described TDX's usage reporting and financing capabilities.

SouthernTel presented the testimony of Warren B. French Jr., Chairman of the Board of SouthernTel of Virginia, Inc. and a director of its parent corporation, SoutherNet Incorporated. He testified that SouthernTel intends to build a fiber optic network to provide non-switched point-to-point private line service to carriers. SouthernTel intends to construct its network to link all five of the C&P LATAs of Virginia. It plans to connect its toll network to the networks of other telephone companies pending discussion with each company. Mr. French also testified concerning SouthernTel's managerial, financial and technical ability to render its proposed services.

GTES-V's only witness was Mr. Jose E. Guzman, Jr., Corporate Secretary to GTE Sprint of Virginia. Mr. Guzman described the initial and projected services to be offered by GTES-V in Virginia. He also testified that the parent

corporation, GTE Sprint, was fully committed to providing the financial, managerial, and technical resources GTES-V would need for providing Virginia service. Mr. Guzman testified that GTES-V would comply with Rule 2's block-or-pay provisions. He said GTES-V would be able to provide monthly usage data, but considered this information to be proprietary and requested a protective order.

Cross-examination of Mr. Guzman pointed out that the filed tariff of GTES-V offered intercity services between and among points in Virginia. He agreed that this language would be corrected to reflect that service would only be offered inter-LATA.

Mr. David H. Jones, Senior Utility Specialist in the Commission's Division of Communications, testified concerning the initial tariffs filed by the OCCs. Mr. Jones' said that, while the Commission's Rule 11 requires two weeks' notice to subscribers prior to rate changes, some carriers' tariffs provide for a period of only 1 to 5 days. He also recommended that the tariffs clearly specify that only inter-LATA services will be offered within the state. He stated that all proposed rates appeared to be lower than the comparable AT&T rates. He stated that even though the Commission may not be regulating the rates of these carriers, it would be beneficial for the Commission to have notices and copies of rate changes in order that the Staff could ensure compliance with the Commission's rules.

III. DISCUSSION - OCC APPLICATIONS

The evidence presented by the five OCCs seeking certification demonstrates that they have the financial, managerial, and technical ability to render inter-exchange telecommunication service. Three of the carriers are nationally known and are already providing interstate service between Virginia cities and cities located in other states. The only real area of concern other than minor tariff irregularities pointed out by the Commission's Staff is the compensation to be paid for incidental intra-LATA traffic.¹

During the course of the hearing, the Commission directed its Staff, the OCC's and the local exchange companies to meet for the purpose of resolving these compensation problems. Meetings were held on August 2 and 6, 1984. The Commission's Staff has advised the Commission that, while a general plan for compensation was developed, several areas of disagreement still exist. Thus, this order will prescribe the plan by which the interexchange carriers (IC) will compensate the local exchange carriers (LEC) for completed intra-LATA calls. This Compensation Plan should be considered interim, in order to accommodate any legislative or regulatory changes which could change the status of intra-LATA calling.

¹ Those carriers who have not already corrected their tariffs to provide two weeks' notice to subscribers prior to rate changes will be granted certificates, but their initial tariffs will not become effective until the notice provisions have been corrected.

The parties agreed that the ICs will develop a factor reflecting monthly intra-LATA minutes of use as a percentage of total monthly intrastate minutes of use. That factor will be updated at least every 90 days. When multiplied by the IC's total monthly minutes of use, that factor will produce the average monthly intra-LATA minutes. That figure will be multiplied by the average revenue per minute of use of the LEC to calculate the revenues it would have received had it provided the service. The ICs will pay such amount to the LECs, less a credit for access charges paid.

The areas of disagreement regarded methods to be used to determine the percentage of intra-LATA minutes of use, the extent to which ICs should receive credit for avoidable costs of the LECs, the rights of parties to audit the books of other parties, the wisdom of placing the compensation plan in the tariffs of either ICs or LECs, and the establishment of a separate docket to consider, about six months hence, changes in the plan.

The Commission's Staff has analyzed these issues for the Commission, and the Commission has developed a Compensation Plan which is attached hereto as Appendix A. The Commission finds that this plan should be considered only an interim plan. Rather than establishing a new docket to examine its performance six months hence, the plan will be reviewed

in the Commission's generic access charge docket, Case No. PUC830020. Any LECs or ICs desiring to alter the plan in the future may submit appropriate motions to the Hearing Examiner in that docket.

With the adoption of this plan, the Commission will issue certificates to the five OCC applicants and will allow them to set their rates competitively pursuant to §56-481.1 and the terms of this Order.

IV. AT&TC-V's PETITION

AT&TC-V's first witness was Frank J. Alessio, Ph.D., an economic consultant. Dr. Alessio outlined changing market and regulatory conditions and institutional structures in telecommunications markets that indicate an increasingly competitive environment. He said that interLATA markets are sufficiently competitive today to no longer require traditional rate base/rate of return regulation and that it would be costly to retain such traditional regulation under such conditions. He maintained there is no dominant firm in the interLATA market because no one firm controls entry into the industry, controls the pace of technological innovation, or controls the development of quality standards and potential substitute products and services.

Dr. Alessio asserted that it is improper to measure market power by market share data or by concentration ratios.

Instead, he recommended measures based on contestability or rivalrous activity. He asserted that markets are contestable if there exists opportunity for open entry and exit, but such markets do not necessarily have to be susceptible to "hit and run" competition. Dr. Alessio acknowledged that Virginia might have pockets where AT&TC-V might have residual market power, but that these areas are contestable because there is the potential for open entry. That threat alone is sufficient to cause AT&TC-V to act as a competitor. He also stated that market power or dominance is not reason enough to regulate a firm, because the power or dominance is limited in time and scope. To remain dominant, a firm must control entry to the market, the development of substitutes, and the development of technology that could lead to substitutes.

Dr. Alessio listed some empirical measures of rivalrous activity, such as whether there are an increasing number of competing companies, whether some are growing in size and capacity and increasing the number of areas served, the financial strength of competing companies, the ease with which the market can be entered, the efficiencies of competing companies, the pricing characteristics among competing companies, and the aggressiveness of advertising among competing companies. He noted the growth in the number of customers of MCI & GTE-Sprint, the penetration those two firms have among high volume business and residential

customers, the rapid growth they have experienced in revenues, and their projected construction budgets. Dr. Alessio said that about 20 common carriers and resellers provide interexchange service in 48 or 50 cities throughout Virginia at a competitive level of quality. He did not believe the inferior access provided to OCC's is a barrier to entry because such companies have grown quite large in spite of unequal access. He felt that some customers are quite willing to dial extra digits to obtain long distance service at a lower price.

Dr. Alessio was of the opinion that AT&TC-V had committed itself not to deaverage its rates among geographic areas because such would not be customer friendly and because there was not a clear showing of cost difference between urban and rural areas other than the allocation of non-traffic sensitive costs. He acknowledged that, hypothetically, AT&TC-V could charge higher rates to those customers in rural areas where it was the only carrier and lower rates to customers where it faced competition, but in actuality competition would drive all prices down, perhaps more in some areas than in others. He also acknowledged that by deaveraging rates geographically, AT&TC-V could set prices below costs in areas of intense competition in order to obtain a cross-subsidy from areas of monopoly customers. However, it could not maintain prices below costs very

long, and such cross-subsidization invites entry into the area that is generating the subsidy.

Dr. Alessio recommended the Commission maintain regulatory oversight to assure that residual pockets of market power are not exploited by any one carrier. Important factors to be observed are entries and exits from the Virginia market, adequacy of notice to customers of rate and service changes, local access arrangements for inter-exchange carriers, prices and services available to customers, and earnings of the industry as a whole. He also said the Commission's authority to reimpose rate base/rate of return regulation would be a powerful impetus to carriers to act responsibly. The ability to reimpose regulation means that favorable action herein would not amount to "deregulation" but rather "regulatory forbearance" with continued monitoring and oversight.

AT&TC-V's next witness was John D. Schell, Jr., District Engineer in the Eastern Region of AT&T Communications. He discussed the interconnection arrangements available between inter-exchange and exchange carriers. He explained that OCCs can interconnect with the local network using any one of three tariff arrangements - Feature Group A, Feature Group B Direct, or Feature Group B Tandem. He asserted that all three cost the same. All OCCs operating in Virginia apparently use Feature Group A except for Satellite

Business Systems which uses Feature Group B Tandem. Feature Group A is what is known as a line-side connection. It requires customers to use a touch pad phone or a tone generator rather than a plain rotary dial phone, requires the dialing of twenty-two or more digits, requires that billing be done by entering a personal identification number, does not detect that the called phone has been answered, and has poorer transmission quality than AT&T's connections.

Both Feature Group B Direct and Feature Group B Tandem are trunk-side connections. Both will monitor when the called phone is answered and both have transmission quality similar to AT&T's. Feature Group B Direct can be used with an unmodified rotary phone and, as an option, requires only seventeen digits to be dialed, which eliminates the need to enter a personal identification number for billing purposes. Feature Group B Tandem does not have those features, requiring a touch pad phone or a tone generator and requiring that at least twenty-two digits be dialed.

Cross examination of Mr. Schell developed that conversion to Feature Group B connections would involve additional investment for additional trunks and would limit subscriber coverage to subscribers served by each end office rather than all subscribers in the toll-free area, as with Feature Group A.

AT&TC-V called Douglas A. Wilcox, Area Manager, State Pricing Implementation, to describe the interexchange telecommunications market as it exists today and to explain the competitive nature of that market. He cited a 1983 nationwide survey showing that AT&T's competition had achieved a 17% penetration level among residential customers using \$25 or more of long distance service per month and a 46% penetration among business customers with long distance bills of \$50 or more per month. He also cited studies indicating that brand loyalty and name recognition did not aid AT&T in operating as a long distance company. Mr. Wilcox also presented Virginia surveys showing that in areas where OCCs offer interexchange service, 50% of all business customers and 35% of all residential customers subscribe to their services. On a statewide basis, 40% of business customers using \$1,000 or more of long distance service per month and 17% of residential customers using \$25 or more per month use a carrier other than AT&T. When recalled on the final day of the hearing, Mr. Wilcox presented an exhibit that claimed 76% of all Virginia phone subscribers had toll free access to an alternative long distance carrier, i.e. a reseller or a facilities-based carrier.

On cross examination, Mr. Wilcox alleged that AT&TC-V did not control any "bottleneck" facilities. He defined such facilities as those "... which have the capability

of being provided by monopoly service and not being readily replicated by competitive firms. Local exchange networks are clearly a bottleneck facility." Transcript, Case No. PUC840023, p. 253. He also explained how, under the current access charge arrangement, it does not cost significantly more for AT&TC-V to serve remote, rural customers. This situation should remain static for three to five years. During that time, it would not be advantageous for AT&TC-V to deaverage its rates geographically.² After that time, all rates should come down, but they may come down more rapidly for high traffic urban routes than for low traffic rural routes.

Protestant MCI-V presented the testimony of economist Nina W. Cornell, Ph.D. The thrust of Dr. Cornell's testimony was that market forces are presently inadequate to replace the regulation of interexchange carriers as a means of protecting consumers. She did not believe the threat of reimposing rate base/rate of return regulation would be effective to curb potential abuses by AT&TC-V because the Commission would not be collecting the kinds of information it would need in order to quickly recognize abuses and because re-regulation has not been used to any degree to

² Mr. Wilcox explained that geographic rate deaveraging would constitute charging more for the same service one place than another. Transcript, Case No. PUC840023, p. 277.

date. She noted that it would be difficult to reimpose regulation on carriers who had stopped using the Uniform System of Accounts. She discounted the threat of competition as a means to restrain rates in rural areas because of the two or three years it would take a facilities-based carrier to construct facilities and because resellers would have to lease facilities from AT&TC-V that AT&TC-V might not be willing to lease. She noted that if AT&TC-V is allowed to deaverage its WATS or Private Line rates geographically, it could dry up the resale of those services in rural areas. She maintained that if the whole AT&T price structure is too high, resellers cannot do anything to lower it.

Dr. Cornell considered the inferior access available to OCCs to be a large impediment to the availability of alternate service in rural exchanges with only rotary dial service. She felt that competition would truly work only in equal access exchanges, where customers could have "one plus" dialing from any carrier they chose.

Dr. Cornell took exception to Dr. Alessio's view that hit and run entry was not a vital condition to a contestable market. She also stated that the theory of contestable markets requires that new entrants face no higher costs or perception of lower product quality than the existing firm. She explained that the inferior access of OCCs means they have less conversation time to holding time than AT&TC-V,

and they have to use more of their switching capacity to collect billing information than does AT&TC-V.

Dr. Cornell introduced an exhibit which shows the conversation hours of interstate MTS and WATS carried by AT&T for the years 1970-1983. She pointed out that the volume has grown every year. She did not have comparable volume growth figures for MCI.

Dr. Cornell recommended deregulating AT&TC-V in phases, first abandoning financing and facilities approval, next allowing its rate of return to fluctuate within a range, then abandoning the rate of return constraint, and finally, when equal access is in place for the vast majority of Virginia consumers, abandoning all rate regulation.

On cross examination, Dr. Cornell disagreed with the statement of MCI's Chairman, William S. McGowan, that "The telecommunications market today is one in which no one has an inherent advantage." She continued to favor evaluating AT&TC-V's market power in terms of the availability of equal access, even though she agreed AT&T has no control over the offering of equal access. She opposed using market share data such as volumes of usage to determine market power.

GTE Sprint (GTES-V) presented economic testimony by Mary Flannery Brackbill and engineering testimony by Ronald D. Havens. Their direct testimony was submitted in written

form August 6, 1984, with the understanding that they would be called for cross-examination if any party desired. No such request was received. Ms. Brackbill stated that market share is not a "stand alone" test of market power but that it has been traditionally used to infer market power. She disputed AT&TC-V's contention that it was losing market share among large volume users by showing that even though 35.3% of those business customers with monthly bills between \$1,000 and \$5,000 subscribe to an OCC, they only use the OCCs for 8% of the revenues expended in that category.

Ms. Brackbill favored determining AT&TC-V's market power by analyzing entry and expansion barriers facing the OCCs. She felt that access-related disadvantages such as the need for a tone generator on rotary phones and the lack of In-WATS (800 toll free service) were significant barriers. She also felt that AT&T's ubiquitous network presented a barrier to OCCs.

She said financial risks are also a barrier to OCC entry or expansion because not only are networks expensive to build, but they are also likely to be sunk investments, not readily salable to other carriers. Similarly, she said the time lag involved in constructing facilities hinders the OCC in competing with AT&T. Finally, she asserted that AT&T can use its massive, nationwide customer base to create a distinct marketing advantage not available to OCCs.

Ms. Brackbill concluded that although AT&T did not offer its services on a competitive basis, regulation of it could be relaxed somewhat by such measures as shortening the notice period for tariff changes or lessening regulation of its facilities. She thought that the widespread availability of equal access in the fall of 1986 would be an appropriate time to consider deregulating the rates of AT&T. At that time the Commission could determine whether: (1) equal access had enabled the OCCs to erode AT&T's market dominance, (2) the OCCs had effectively expanded their capacity, and (3) AT&T had altered its rate structures to the detriment of resellers.

Mr. Havens testified that GTES-V must primarily use Feature Group A line-side interconnections because this was the only kind offered until August of 1982. Even though Feature Group B Direct is now available to OCCs, only 21.7% of the C&P end offices in Virginia are equipped to use it, and it is useful only when both the originating and terminating end offices make use of it. Moreover, the OCC using it would have to have trunks to each end office, yet they frequently do not carry enough traffic to justify that extra investment.

Mr. Havens found Feature Group B Tandem to be somewhat better, but it does not provide the OCC with automatic number identification, requires a tone generator or phone,

and suffers from signal loss, echo and background noise. Mr. Havens observed that AT&T advertising stresses its features such as ubiquity, operator services and transmission quality. He noted that GTES-V's current interconnections will not allow it to provide operator services or 800 In-WATS services. Mr. Havens did not feel "equal access" will solve all problems because the quality of interconnections provided OCCs through Feature Group D Tandem will be less than the quality provided AT&T through Feature Group D Direct. Moreover, equal access will not be required of the independent companies, and will be implemented in only 86.5% of C&P's end offices. He also alleged that AT&T's Western Electric division controls the software for converting C&P's switching equipment to equal access and that the OCCs will have to make much more drastic changes moving from Feature Group A to D than AT&T in its conversion from Feature Group C to D. GTES-V also faces a potential problem regarding the private lines it must lease from AT&T to provide originating services in cities such as Fredericksburg and Newport News, where it does not have facilities. If AT&T can delay the availability of such lines, it can impede the competitiveness of GTES-V.

V. ANALYSIS OF AT&TC-V's PETITION

In adopting its Rules Governing the Certification of InterLATA, Inter-Exchange Carriers, the Commission

incorporated the four suggested criteria set out in §56-481.1:

(1) the number of companies providing the service, (2) the geographic availability of the service from other companies, (3) the quality of service available from other companies, and (4) any other factors the Commission considers relevant to the public interest.

With the certification of the five applicants, there will be six certificated carriers and numerous uncertificated WATS resellers providing service in Virginia.

AT&TC-V provides service to every point in Virginia. AT&TC-V witness Douglas Wilcox testified that 76% of Virginia subscribers have access to an OCC or to a reseller. The networks of OCC's are being expanded rapidly. Resellers can quickly reach into any area of the state as long as WATS and private line facilities can be leased from AT&TC-V and the local companies.

The quality of the service available is quite adequate. Technical witnesses herein asserted that the transmission quality from the line-side connection of OCCs is not as good as that from AT&TC-V's trunk-side connections, but laymen have difficulty detecting a difference and, indeed, the OCCs admit of no detectable difference in their advertising. Until equal access is available, OCC customers will have to dial extra digits, but this inconvenience is not a significant quality difference.

The main thrust of the MCI-V and GTES-V case opposing AT&TC-V's petition appears to be that granting it would be contrary to the public interest. They asserted that AT&TC-V has competitive advantages that require its continued regulation.

The free enterprise system in this country is based on the belief that competition and the freedom of individuals to pursue their own self interest contributes to the general welfare. The checks and balances of competition are the fundamental organizers of our free enterprise system.

In spite of our fundamental bias toward individual freedom and competition, the course of history demonstrates that the common good is not always served by competition in the production of certain products. Whether because of the nature of the production process or the importance of the product to our social foundation or domestic security, the public interest is best served by establishing franchise monopolies for the production of certain products and services, with government oversight substituting for the checks and balances of competition.

However, circumstances change. Once-crucial elements of the social infra-structure are now memories and technological advancements have altered the methods of production. To discharge its responsibility to further the public welfare, government must recognize and respond to such changes.

When circumstances have so changed that policies no longer serve the public interest, it is the responsibility of government to abandon them. Such measures must not be undertaken capriciously; however, undue caution and inflexibility may stifle economic progress and, thus, run counter to the public good.

We are now at such a juncture in the regulation of long distance telecommunications services. Technological changes have altered the basic processes and cost structures for the industry. These changes have been acknowledged at the Federal level by a major shift in telecommunications regulatory policies. The General Assembly of Virginia has also responded to the new conditions by the enactment of §56-481.1. It is now incumbent upon this Commission to examine its policies in light of current circumstances and make modifications or establish new procedures which serve the interests of the Commonwealth's citizens.

Section 56-481.1 of the Code of Virginia empowers the Commission to waive traditional ratemaking procedures and policies for inter-LATA, inter-exchange telecommunications services if it finds the public interest is best served by competitively determined rates. The key issue to be decided in this proceeding, then, is whether sufficient competition exists, or can reasonably be expected to exist

in the future, to warrant deregulation of AT&T Communications of Virginia's rates and tariffs for inter-LATA, inter-exchange service. In other words, is competition or the threat of competition sufficient to constrain AT&T from charging rates which are excessive or discriminatory? Will the public interest be served by deregulation or streamlined regulation of AT&T's rates?

In a profit-oriented, free economy such as ours, competition naturally occurs unless some barrier exists which prevents firms from entering a market. As Adam Smith observed in The Wealth of Nations in 1776,

"When . . . the price of some particular commodity happens to rise a good deal above the natural price [cost], those who employ their stocks in supplying that market are generally careful to conceal this change. If it were commonly known, their great profit would tempt so many new rivals to employ their stocks in the same way that, . . . the market price would soon be reduced to the natural price [cost], and perhaps for some time even below it Secrets of this kind, however, it must be acknowledged, can seldom be long kept; and the extraordinary profit can last very little longer than they are kept." (Random House, Modern Library Edition, N.Y. 1937, p. 60)

Today, with the SEC's public disclosure regulations and the financial disclosure requirements of this Commission's Rules Governing the Certification of Inter-LATA, Inter-exchange Carriers, such "secrets" cannot be kept long. Thus, common sense indicates that competition, unimpeded

by external barriers, will naturally flow to markets where the incumbent's profits and/or costs are excessive. In this way costs, profits, and, thus, prices will be driven down for the benefit of the consumer. A key question, then, is whether such obstacles to entry exist in Virginia and, if so, are they sufficient to prevent competition from operating for the benefit of the consuming public?

The record in these proceedings provides a full discussion of the characteristics of telecommunications competition, barriers to entry, and the extent of competition already existing in the Commonwealth, as well as valuable information on the extent of future competition.

Through the present time, the major barrier has been a legal one. By statute, only one telecommunications carrier was certified to serve a particular geographic area. However, the record clearly shows that even this barrier was not sufficient to prevent competition from emerging, which serves as a testament to the strength of the self-interest motive in our society.

Other possible barriers identified by MCI and GTE-Sprint include: unequal access to the local exchange network which impacts the quality of service and costs of serving rotary dial customers; "brand loyalty" arising from the Bell System's historic monopoly; the inability of potential competitors to serve the Commonwealth ubiquitously because

of financing constraints and construction lead times; AT&T Communication's alleged unfair advantage as the recipient of customers who do not pre-select a primary carrier under equal access; and, AT&T Communication's large market share in Virginia. With the possible exception of competitors' inability to serve the entire State, which will be addressed later, we are not convinced that these are barriers to effective competition. Rather, we view them as business challenges. Most of these "obstacles" already exist, yet they have not prevented the OCCs and resellers from making significant inroads in the inter-and intra-state long distance markets.

In our view, effective competition does not mean that all firms serve all markets or that more than one firm necessarily serves each market. We believe the threat of competition is, in itself, a potent check on a firm's pricing policies. Nor do we believe effective competition requires that all companies provide exactly the same product under identical circumstances. Indeed, if this were the case, one would be hard pressed to find an example of effective competition anywhere in the economy. In any event, the consuming public benefits from the wider range of price/quality choices arising from these differences. New entrants to virtually any market face challenges, but that is the nature of competition. Profits or success are not guaranteed. However,

as evidenced by numerous examples in other industries such as computers, through use of ingenuity new entrants can succeed against seemingly formidable odds. The competitors in this case include well financed, sophisticated companies with considerable experience in the telecommunications market. Therefore, in our judgment, the potential for effective competition is very high.

If the present regulation of AT&T's rates were continued until all of these challenges no longer existed, a change to competitive rates would not occur in the foreseeable future. And that does not serve the public interest. To continue traditional regulation of AT&T while not regulating the OCC's would maintain rates at artificially high levels. It may even contribute to higher rates for rural consumers if AT&T, unable to freely compete, lost its high volume, high density market.

In our opinion, circumstances in the inter-LATA, inter-exchange telecommunications market have so changed that the public interest is now best served by competition in the establishment of rates and tariffs. Further, to ensure effective competition and the flow of maximum benefits to the consuming public, we find that AT&TC-V's rates and tariffs should be removed from regulatory control subject to the following condition. AT&T pledged not to deaverage rates for particular services on a geographic basis. We

intend to enforce this pledge until such time as we are satisfied that competitive factors will control its rates. Accordingly, AT&TC-V is ordered not to deaverage rates geographically and to file copies of all rates and tariffs with the Commission's Division of Communications within 10 days after tariff changes. The Division of Communications is instructed to monitor closely changes in all tariffs impacting geographic rate levels. To ensure that AT&T does not take undue advantage of services essential to competition, the Division is further instructed to monitor closely all tariffs and held order levels for services commonly purchased by OCC's and resellers. In addition, the Commission Staff is instructed to monitor consumer complaints, rate levels, financial condition, and rivalrous activity of all companies within the inter-LATA, inter-exchange telecommunications market. If we find competition inadequate to serve the public interest, we will not hesitate to reimpose traditional regulatory review.

The conclusion that AT&TC-V should be afforded the same competitive ratemaking opportunity as the OCCs stands in contrast to the treatment given AT&T by regulators in other jurisdictions. The prevailing law at the Federal Communications Commission and in other states has caused AT&T to be treated as a "dominant carrier" while the OCCs enjoy great pricing freedom as "non-dominant carriers". The Code of Virginia contains no explicit authority to

classify some carriers as "dominant" and others as "non-dominant". The new §56-481.1 does grant the Commission broad discretion ". . . if it determines that such service will be provided on a competitive basis, [to] approve rates, charges, and regulations as it may deem appropriate for the telephone company furnishing the competitive service provided such rates, charges, and regulations are nondiscriminatory and in the public interest." We have determined that the services of AT&TC-V will be provided on a competitive basis. Even in those areas where service cannot now be obtained from another carrier, AT&TC-V must price its services as if competitors were actually serving, for several reasons. First, there always exists the threat that OCCs or resellers will move into the market. Secondly, we have not permitted AT&T's prices for the same service to be set higher in one area than in another. Finally, we can reimpose rate regulation on any company acting in an anti-competitive manner. In light of this, we find no basis in §56-481.1 to single out one company for full rate regulation while allowing its competitors free reign. We find competitive rates for all carriers to be in concert with the "level playing field" concept mentioned in our Final Order of June 29, 1984 in the inter-exchange carrier rules docket, Case No. PUC840017, and we find such competitive rates to be in the public interest.

In light of this decision, it is appropriate to note our concurrence with the opening remarks of the Division of Consumer Counsel. Mr. Gambardella pointed out that both state and federal anti-trust laws exempt conduct which would otherwise be an anti-trust violation if that conduct is compelled by a state regulatory commission. Our determination that the inter-exchange market is competitive is notice to all carriers that their conduct henceforth is in no manner exempted by this Commission from the reach of anti-trust laws. From the date of this order they must conduct their business accordingly.

THEREFORE, IT IS ORDERED:

(1) That the Motion of MCI-V for an order requesting special reports, filed July 19, 1984, is denied;

(2) That certificates of public convenience and necessity are hereby granted to MCI-V, USTS-V, TDX-V, SouthernTel, and GTES-V to provide intrastate inter-exchange telecommunications service. Such service may be offered throughout Virginia subject to the restrictions set out in Rule 2 of the Commission's Rules Governing the Certification of Inter-LATA, Inter-exchange Carriers and in §56-265.4:4 of the Code of Virginia;

(3) That each carrier file monthly reports with the Commission showing its usage of local exchange facilities by minutes of usage broken down by number of calls, inter- and intra-LATA portions, and tariff periods such as day,

evening, and night or weekend. Revenues related to such usage shall also be reported. Those carriers not blocking all incidental intra-LATA calls shall report such traffic in compliance with the Interim Compensation Plan attached hereto as Appendix A. Any proprietary portion of such reports can be furnished pursuant to a protective agreement to be submitted by the carrier and approved by the Commission. Initial reports may be filed late by those carriers needing to reconfigure computer programs, however, all data shall be retained from the date of this order so that all usage shall be reported and all compensation paid from this date forward;

(4) That AT&TC-V shall not deaverage any rates geographically until permitted to do so by order of this Commission;

(5) That AT&TC-V shall report, and the Commission's Division of Communications shall monitor, all held orders for services needed by other carriers in providing inter-exchange service.

(6) That within ten (10) days after any rate or tariff change, all carriers shall file a copy of such changes with the Commission's Division of Communications.

AN ATTESTED COPY hereof shall be sent to Reginald N. Jones, Esquire, SouthernTel of Virginia, Inc., 6722 Patterson Avenue, Richmond, Virginia 23226; Steven W. Pearson, Esquire,

Thomas & Fiske, P.C., P.O. Box 14515, Richmond, Virginia 23221; Office of the Attorney General, Division of Consumer Counsel, 101 North 8th Street, 5th Floor, Richmond, Virginia 23219; HULLIHEN W. MOORE, Esquire, MCI Telecommunications Corporation, 1200 Mutual Building, Richmond, Virginia 23219-3095; William F. Marmon, Jr., Esquire, MCI Telecommunication Corporation of Virginia, 1133 19th Street, N.W., Washington, C.D. 20036; Warner F. Brundage, Jr., Esquire, C&P Telephone Company of Virginia, 703 East Grace Street, Richmond, Virginia 23219; Michael J. Morrissey, Esquire, AT&T Communications of Virginia, 7611 Little River Turnpike, Annandale, Virginia 22003; Deborah A. Dupont, Esquire, GTE Sprint Communications Corporation, 1828 L Street, N.W., Suite 500, Washington, D.C. 20036; James E. Magee, Esquire, 1120 Connecticut Avenue, N.W., Suite 840, Washington, D.C. 20036; Richard D. Gary, Esquire, Virginia Exchange Carrier Association, P.O. Box 1535, Richmond, Virginia 23212; Jack R. Lebowitz, Esquire, United States Transmission, 100 Plaza Drive, Secaucus, New Jersey 07096; Steven H. Davis, Esquire, 520 Madison Avenue, New York, New York 10022; M. Reamy Ancarrow, Esquire, 1333 New Hampshire Avenue, N.W., Washington, D.C. 20036; Joseph M. Kittner, Esquire and R. Michael Senkowski, Esquire, TDX Systems, Inc., 1150 17th Street, N.W., Washington, D.C. 20036;

A True Copy

Teste:



Clerk of State Corporation Commission.

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APPENDIX A

Interim Compensation Plan by Which Inter-LATA Carriers Reimburse Local Exchange Carriers for Incidental, Intra-LATA Traffic

Having fully considered the issues, the Commission concludes that the interim Compensation Plan for IC compensation to the LEC's will be as follows:

1. The ICs will develop the volume of intra-LATA calling by study or analysis of monthly billing records and will restudy to update at least every ninety (90) days. The method for study and analysis may be by a minimum statistical sample of 5% of customer billing from non-equal access exchanges. Study of all billing records for a monthly period is also acceptable as in the case of USTS-V. Where sampling is employed, the ICs must present their sampling plan and technique to the Commission's Division of Economic Research and Development for acceptability of confidence levels and validity. The ICs will also provide the amount of Feature Group A (FGA) and Feature Group B (FGB) access costs per minute of use that are paid to the LECs.
2. The LECs will determine monthly average billed revenue per intra-LATA direct dialed minute of use for those exchanges where FGA and FGB is provided and used by the ICs.

The LECs will also determine the percentage of their billed intra-LATA revenue which is considered uncollectible.

This basic data provides the necessary information to work through the compensation formula.

3. From the IC's determined amount of intra-LATA minutes of use, the percentage to their total intrastate minutes of use will be developed. This percentage facator will be applied monthly to their (IC's) total intrastate minutes of use, thereby providing the minutes of use against which the LECs will factor their average intra-LATA revenue per minute of use. From this gross compensation revenue amount a reduction will be made in the amount of IC access charges paid corresponding to the reported FGA and FGB minutes of intra-LATA use. Also, a reduction in the compensation revenue will be made to recognize the LEC's uncollectible revenue.
4. Subject to appropriate protective agreements for proprietary information, the LECs, through the Virginia Exchange Carrier Association (VECA), will be allowed to audit the IC's data used to derive compensation and the ICs will be allowed to audit the LEC's data used to derive the average

revenue per minute of use. The Commission staff will also assume audit responsibility. The Commission's Division of Communications, with any necessary assistance from the Division of Public Utility Finance and Accounting, will routinely review the IC's and LEC's data and computations.

Upon request from either the ICs or LECs, specific figures or data may be reviewed and results reported by the staff. This does not preclude an IC or LEC from retaining an outside auditor to audit the others' books if agreeable to the owner of the applicable data.

5. No avoidable costs other than uncollectibles will be factored into the equation at this time. A separate docket will not be established. However, as stated in the accompanying opinion, the existing docket for Case No. PUC830020 may be referenced for specific, subsequent concerns of the LECs, ICs, or staff.
6. The LECs shall not be required to place the Compensation Plan in their tariffs. By virtue of this order the Commission directs the ICs to compensate the LECs for lost intra-LATA revenue as prescribed herein.

CONCURRING OPINION, COMMISSIONER J. BRADSHAW

The 1984 General Assembly amended the Code of Virginia by enacting Section 56-265.4:4 and Section 56-481.1. Section 56-265.4:4 authorizes the Commission to grant certificates of convenience and necessity to competing telephone companies for interexchange service where it finds such action is justified and in accordance with such terms, conditions, limitations and restrictions as may be prescribed by the Commission. Section 56-481.1 authorizes the Commission to approve rates, charges and regulations for such interexchange telephone companies on a "competitive basis" provided that such rates, charges and regulations are nondiscriminatory and in the public interest.

I testified and monitored the hearings at all levels during the Legislature as these proposals were debated. The Legislature voted overwhelmingly for the enactment of these changes, with an effective date of July 1st, 1984. I concur with my colleagues in the conclusions they have reached in their Opinion and the accompanying Order. Having been privy to these debates,

I desire to write from my own perspective how I believe the legislative intent correlates to the evidence adduced at the hearing when the applicants for interexchange services proceeded to act under the provisions of these new laws. There is no need to restate the necessary "boilerplate." That is, the procedural or historical steps outlined very ably by my colleagues, bringing us to the issues I believe now ripe for decision. I will also avoid a discussion of certification, other than to say a review of the applications of those companies seeking certificates of public convenience and necessity to provide inter-LATA, interexchange service, as well as the July 27 hearing, convinced me that the companies meet the requirements established by the Commission's Rules governing the certification of inter-LATA interexchange carriers. The certification process appears to me to be almost a ministerial act of merely finding that the applicants have the financial and technical expertise in providing their services so long as they provide these services in accordance with the Rules the Commission adopted in Case No. PUC840017. All applications for certification were combined and

heard on a consolidated basis on July 27th. AT&T had been previously granted a certificate in accordance with the terms of the Modified Final Judgment Decree. The hearing on all other applications lasted less than three hours, and the applications were blessed with the recommendation from the Commission Staff that they all be granted. The AT&T hearing, in contrast, lasted three days and prompted several issues I now desire to comment on.

The primary issue prompting the most testimony was the application for flexible rate treatment. In determining whether rates for interexchange carriers should be treated on a competitive basis, Section 56-481.1 of the Virginia Code provides that the Commission may consider:

- (1) the number of companies providing the service
- (2) the geographic availability of the service
from other companies
- (3) the quality of services available from other
companies
- (4) any other factors the Commission considers
relevant to the public interest

The first factor detailed in Section 56-481.1 is

the number of companies providing the competitive service. The record demonstrates that there are at least five facility-based carriers such as MCI, GTE-Sprint and AT&T Communications currently providing service in Virginia, in addition to 18 telecommunication resellers and a satellite-based carrier. It is also apparent that these companies are providing both interstate and intrastate services. Furthermore, several large businesses and institutional customers have become self-suppliers establishing their own communication network. In short, these facility and satellite-based carriers, resellers, and private telecommunication networks provide a full and competitive array of interexchange services throughout Virginia.

The second factor considered by me was the geographic availability of the services from other companies. It is uncontroverted that AT&T Communications provides inter-LATA interexchange services to all parts of the State. Mr. Wilcox, the authority for the Mid-Atlantic Region for AT&T, testified that 76 percent of the access lines in Virginia have access currently to two or more interexchange carriers. This

includes areas serviced both by C&P Telephone Company, as well as the independent telephone companies. He further testified that 90 percent of C&P customers have access to two or more interexchange carriers. Twenty-eight percent of business customers in Virginia subscribe to non-AT&T service, and of those, approximately 80 percent use the non-AT&T service to place intrastate long-distance calls, in spite of the fact that the provisions of inter-LATA intrastate calling by carriers other than AT&T has only been lawful in the Commonwealth since July 1, 1934.

Furthermore, the applicants state their clear ability and intention to serve major portions of the Commonwealth within a very short time. Mr. Kenneth Cox, Senior Vice-President of MCI, testified that his company will be able to serve everyone in the State within a year. GTE-Sprint also stated that it will dramatically increase its capacity to serve by the end of 1984.

It should be noted here that in considering the geographic availability factor, the Commission Staff in promulgating the rules governing these interexchange carriers had originally suggested a rule which would have

required certificated interexchange carriers to provide service to all parts of the State. The comments of the parties in the rules proceeding, which is the same cast of characters we have in this proceeding, stressed the fact that such a requirement would be a barrier to competition. As a result, the Commission did not mandate an ubiquitous service requirement in its final rules. Consistent with the findings in that case, and with the evidence before me in the proceeding at hand, I must reject the arguments now raised by MCI and GTE-Sprint that AT&T Communications should not be treated as a competitive interexchange carrier because it is the only carrier to provide service in all parts of the State. Such arguments are contrary to the economic positions taken by the same carriers in Case No. PUC840017, and do not promote competition, but only the selfish interest of certain competitors. Those carriers would like to have the Commission adopt a position that maintains more burdensome regulatory constraints on AT&T until those carriers serve all parts of the State, when it's clear that in pursuit of their own profit objectives, they may

have no intention of serving all parts of the State. It seems fundamentally unfair, as well as illogical, to handicap AT&T because of a prior commitment they made to serve all parts of Virginia.

The evidence demonstrates that the company providing ubiquitous service should be allowed to compete equally or its competitors will be given an unfair price umbrella and will be able to set their rates at artificially high levels. In my opinion, this would only give the benefits of competition to certain competitors and not to the consumers of Virginia.

The third factor mandated by the Legislature was for the Commission to consider the quality of service available from other companies. The high quality of AT&T service is well known and of long standing. As a matter of fact, AT&T's new competitors later on in their equal access arguments stipulated that the quality of AT&T's service is very good. The applications of the other carriers makes it clear that they, too, have the ability to provide high-quality telecommunication services. Witnesses for these carriers attested to their technical and financial

capability, and to the fact that they are strong and viable competitors. The 1984 annual report of MCI made a part of this record reveals that its consumer base has grown from 734,000 to 1.7 million between 1982 and 1984. When it is considered that most of these customers are high-volume, sophisticated users, there can be no doubt that MCI, too, provides quality service. The same type of dramatic increase and retention of sophisticated customers is evident from the case presented by GTE-Sprint. The financial characteristics of these other carriers demonstrates their long-term ability to provide quality telephone service. In sum, high-quality telecommunication service will soon be available to all customers in Virginia.

The other factor which I considered was the regulatory role of the Commission in promoting the benefits of competition while ensuring that the public interest of Virginia telecommunication customers is served. I am convinced, based on the record, that the provisions of inter-LATA interexchange service on a competitive basis by all carriers will serve the public interest of Virginia consumers.

In reviewing the economic, market and technical testimony of all witnesses in these consolidated proceedings, it is clear that the interexchange telecommunications market in Virginia is contestable and workably competitive. The testimony presented by the economists in these proceedings was consistent in demonstrating competition is superior to regulation in ensuring the provisions of goods or services in the least costly and most efficient manner. It is only where competitive forces cannot operate, such as conditions of a natural monopoly, that traditional regulation is mandated. It is abundantly clear to me that conditions in the interexchange telecommunications services do not exist in the Commonwealth of Virginia, warranting traditional regulation.

I believe that competitive market forces will operate efficiently in the Virginia interexchange market. I recognize that this is a change from the traditional regulation of those services. The Commonwealth of Virginia, and in fact the entire country, is involved in the transition of telecommunication services from that of a monopoly to that of a fully competitive industry.

I thought at the time, and still share the belief, that the breakup of AT&T by the Justice Department was a mistake, but it's now the law of the land, and this Commission is dedicated to responding to such a change and making competition work for the benefit of the consumers in this State.

I believe that advances in technology, federal legislation and court activity, and the needs of customers have propelled us to the latter stages of the transition and not the beginning.

As a result, I believe that the Commission in its Order in this proceeding, in conjunction with our Rules, reflects the intention of the Legislature to provide a proper combination of competitive flexibility for all interexchange companies with appropriate regulatory oversight. Although the parties in this proceeding, the media and, at times, the Commission itself, in a manner of shorthand, referred to the applications for competitive, flexible rate treatment as "deregulation," that is technically not correct. The Commission made it clear in adopting its Rules and reaffirms in this Order that it

will maintain regulatory oversight over the actions of interexchange carriers, and our Staff has been ordered to monitor the activities of all such carriers. The Commission retains authority to reimpose traditional regulatory requirements on any carrier in the event the competitive marketplace does not function properly or the carrier abuses the regulatory process to attain a competitive advantage.

Another issue raised by certain of the parties was that AT&T Communications possesses overwhelming market power and should continue to be regulated to a greater extent to prevent it from abusing its market power. The evidence presented in support of this market power argument was the current national market share of AT&T Communications, alleged to be in excess of 90 percent, and the fact that for the foreseeable future, there will be areas in Virginia where AT&T may be the only supplier. The suggestion is made that AT&T as a "dominant" carrier should be regulated more pervasively than supposedly "non-dominant" carriers. My review of the evidence, particularly the testimony of Dr. Alessio and Dr. Cornell,

leads me to reject the dominant/non-dominant distinction sought by certain of the carriers, and to reject the notion that AT&T Communications will exploit its market power if not pervasively regulated. One does not have to be a Ph.D. in Economics to discern that you cannot have true competition by regulating one entity and permitting the other entities to go uncontrolled. This would also be a clear violation of the legislative intent. It is clear that market power per se is not a reason for regulation because every company actively participating in a market has some degree of market power. During his cross-examination, Dr. Alessio referred to the computer industry and pointed out that IBM has more market power than Apple, but that does not make IBM a monopolist, nor has there been any serious consideration given to regulating the companies in the computer industry as a public utility.

For there to be market-wide power which can be abused, there must be the ability to control price and entry. This sentence bears repeating. For there to be market power which can be abused, there must be the ability to control price and entry. The ease with which

carriers such as the applicants before us have successfully entered the telecommunications market, and their continuing dramatic success in the market, coupled with their ability to undercut AT&T's prices, demonstrates that AT&T does not have the market power warranting more restrictive regulation.

Furthermore, the fact that AT&T Communications may be the only supplier in a particular location does not mean that it is not subject to competition. If AT&T attempts to set its prices for services at an excessive level, it will then become profitable for other carriers to serve those locations. It is evident that AT&T does not provide any monopoly services, nor does it possess any "bottleneck" facilities, such as local exchange services, which give it market power requiring traditional regulation.

A second, although related concern raised by certain of the parties, is that if AT&T is permitted to set its rates on a competitive basis, it will "deaverage" its rates by setting higher rates for its rural customers than for its urban customers who have competitive

alternatives. This type of activity has been referred to as a geographic rate deaveraging.

Carriers in the telecommunication business have practiced rate deaveraging for many years with the approval of this Commission. Such rate deaveraging includes volume discounts, time-of-day discounts, and time-of-the-week discounts.

I realize that if geographic rate deaveraging does occur, it will probably be for a valid economic reason. However, the evidence reveals that AT&T has no economic incentive to deaverage on a geographic basis in the Commonwealth. Witnesses for AT&T were consistent in their belief that geographic rate deaveraging would not be a prudent business decision, whether AT&T was regulated or not, and that it was a corporate policy not to deaverage prices on a geographic basis.

I find it a bit ironic that MCI and GTE-Sprint, who repeatedly raised this issue on the detrimental impact of rate deaveraging on rural customers, have made no commitment to serve those rural customers, whether deaveraged or not. I personally believe with competition

long-distance prices will come down. I think the decline in prices will occur faster in the urban areas than the rural areas.

The Attorney General who also was privy to the legislative debates and spoke favorably to the concept, raised concern at the Commission hearing on geographic rate deaveraging. I believe his concern was sincere, and I share his concern. I believe it would be prudent to require a carrier who might decide in the future to deaverage its rates on a geographic basis to make a filing with the Commission, detailing its justification. If the Commission accepts the justification, then 60-day notice should be given to the public. I recognize this last suggestion is a minor deviation from the opinion of my colleague. It's a suggestion for future consideration under the Commission's oversight authority, rather than a dissent to the accompanying Order.

A final area of concern raised by certain of the parties was that AT&T would retain a competitive advantage in relation to other carriers, warranting greater regulation because of the better quality of access to local exchange

facilities it receives. It was alleged that this competitive advantage would remain until equal access was available to all Virginia customers. An example of the type of competitive advantage often cited was that until equal access, carriers (OCCs) other than AT&T have no access to rotary-dial customers.

My review of evidence presented by all the parties indicates that this concern is without factual foundation and is contradicted by the very parties positing the argument.

First, the dramatic success of carriers other than AT&T (OCCs) during the existence of alleged inferior access graphically illustrates that the quality of access is not a barrier to entry or effective competition.

Second, the OCCs could have selected a better form of access which is and was currently available, which would have given them essentially the same capabilities as AT&T -- including direct access to rotary-dial telephones -- but chose not to do so as a business decision.

Third, the OCCs do have access to rotary-dial

telephone customers through the use of an inexpensive touch-tone pad touted by some of the OCCs in their advertisements, or through purchasing a better form of access. It is uncontroverted that 60 percent of C&P's Virginia customers have touch-tone service, and that almost 100 percent of Virginia customers have access to touch-tone service if they so choose to select it.

Fourth, and finally, equal access will be available in most parts of Virginia by September of 1986, and will be unavailable only in some remote rural areas that some OCCs have not indicated any desire to serve.

I conclude, as my colleagues have, that after careful review of all of-record evidence, it demonstrates no reason why AT&T should be regulated on a basis any different from all other inter-LATA interexchange carriers.

STATE CORPORATION COMMISSION

AUG 22 4 31 PM '84

AT RICHMOND, AUGUST 22, 1984

APPLICATIONS OF

SOUTHERNTEL OF VIRGINIA, INC.	CASE NOS. PUC840020 ✓
MCI TELECOMMUNICATIONS CORPORATION OF VIRGINIA	PUC840022
UNITED STATES TRANSMISSION SYSTEMS OF VIRGINIA, INC.	PUC840024
TDX SYSTEMS OF VIRGINIA, INC.	PUC840025
GTE SPRINT COMMUNICATIONS CORPORATION OF VIRGINIA	PUC840027

For certificates of public convenience
and necessity to provide inter-LATA,
inter-exchange telecommunications
service and to have rates established
on competitive factors;

PETITION OF

AT&T COMMUNICATIONS OF VIRGINIA	PUC840023
---------------------------------	-----------

For authority to set rates and charges
pursuant to §56-481.1 of the Code of
Virginia

AMENDING ORDER

It has come to the attention of the Commission that even though the Final Order and Opinion herein clearly granted the applications and petitions of all carriers for authority to set rates and charges based upon competitive factors, the concluding section, at pages 32 and 33 of that Order, did not contain explicit provisions granting that authority. The Commission is of the opinion that the order should be amended to include such paragraphs.

ACCORDINGLY, IT IS ORDERED that the following ordering paragraphs be added to page 33 of the Final Order and Opinion herein:

(7) We find that the rates, charges, and regulations filed by all carriers herein are nondiscriminatory and in the public interest and that the service of all carriers will be provided on a competitive basis. Accordingly, such rates, charges, and regulations are hereby approved, including the existing tariffs of AT&TC-V.


(8) That, pursuant to the provisions of §56-481.1 of the Code of Virginia and Rule 9 of the Commission's Rules Governing the Certification of Inter-LATA, Inter-Exchange Carriers, AT&TC-V, MCI-V, USTS-V, TDX-V, SouthernTel, and GTES-V are hereby granted authority to base their rates on competitive factors, as contemplated in §56-481.1.

AN ATTESTED COPY hereof shall be sent to Reginald N. Jones, Esquire, SouthernTel of Virginia, Inc., 6722 Patterson Avenue, Richmond, Virginia 23226; Steven W. Pearson, Esquire, Thomas & Fiske, P.C., P.O. Box 14515, Richmond, Virginia 23221; Office of the Attorney General, Division of Consumer Counsel, 101 North 8th Street, 5th Floor, Richmond, Virginia 23219; HULLIHEN W. MOORE, Esquire, MCI Telecommunications Corporation, 1200 Mutual Building, Richmond, Virginia 23219-3095; William F. Marmon, Jr., Esquire, MCI Telecommunication Corporation of Virginia, 1133 19th Street, N.W., Washington, D.C. 20036; Warner F. Brundage, Jr., Esquire, C&P Telephone Company of Virginia, 703 East Grace Street, Richmond, Virginia 23219; Michael J. Morrissey, Esquire, AT&T Communications of Virginia, 7611 Little River Turnpike, Annandale, Virginia 22003; Deborah A. Dupont, Esquire, GTE Sprint Communications Corporation, 1828 L Street, N.W., Suite 500, Washington, D.C. 20036; James E. Magee, Esquire, 1120 Connecticut Avenue,

N.W., Suite 840, Washington, D.C. 20036; Richard D. Gary, Esquire, Virginia Exchange Carrier Association, P.O. Box 1535, Richmond, Virginia 23212; Jack R. Lebowitz, Esquire, United States Transmission, 100 Plaza Drive, Secaucus, New Jersey 07096; Steven H. Davis, Esquire, 520 Madison Avenue, New York, New York 10022; M. Reamy Ancarrow, Esquire, 1333 New Hampshire Avenue, N.W., Washington, D.C. 20036; Joseph M. Kittner, Esquire and R. Michael Senkowski, Esquire, TDX Systems, Inc., 1150 17th Street, N.W., Washington, D.C. 20036.

A True Copy

Teste:

A handwritten signature in cursive script, appearing to read "William C. Young".

Clerk of State Corporation Commission.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

In the Matter of

Application of MCI Telecommunica-)	
tions Corporation of Virginia for)	
a Certificate to Operate as a)	Case No. PUC 840022
Telephone Utility Pursuant to)	
§ 56-265.4:4B of the Code of)	
Virginia.)	

PETITION FOR RECONSIDERATION OF
ORDER OF AUGUST 22, 1984

MCI Telecommunications Corporation of Virginia ("MCIV") respectfully petitions, pursuant to Rule 7:9 of the Rules of this Commission, for reconsideration of those portions of the final Order of August 22, 1984, in the above-captioned matter, that require MCIV to pay non-tariffed charges, in excess of cost, to local exchange carriers (LECs) for any incidental intraLATA calling.

In its August 22, 1984, decision, the Commission required MCIV to compensate LECs for any revenues lost by reason of intraLATA calls made over MCI's facilities in exchanges where FGA or FGB is provided. The measure of compensation ordered is in excess of cost-based access charges and is not a part of the LEC tariff. MCI believes the Commission's Order violates the terms of the Modified Final Judgment entered in United States v. Western Electric, 552 F. Supp. 131 (D.D.C. 1982).

The order in the federal case clearly requires that the access relationship between the divested Bell Operating Companies (BOCs) and the interexchange carriers, including AT&T, be one based on cost-justified access charges established by tariff. Section B of Appendix B to the final decree provides, in part, as follows, 552 F. Supp. at 233:

1. The BOCs are ordered and directed to file . . . tariffs for the provision of exchange access Such tariffs shall provide unbundled schedules of charges for exchange access Such tariffs shall replace the division of revenue process used to allocate revenues to a BOC for exchange access provided for interexchange telecommunications of BOCs or AT&T.
2. * * * * *
The charges for each type of exchange access shall be cost-justified and any differences in charges to carriers shall be cost-justified on the basis of difference in services provided.

The Commission's Order requiring MCIV to make payments to the LECs determined by the formula set forth in Appendix A thereof violates the terms of the decree in two aspects.

First, it establishes an access charge for local exchange access on a non-tariffed basis. The intrastate access tariffs filed by the LECs will not establish the entire terms of local exchange access. The charges established therein are effectively modified pursuant to the formula of Appendix A of

the Commission's Order. While the decree in Western Electric left to state regulatory authorities the decision as to the costs that an LEC could recover in its intrastate access charges, it did not permit a compensation scheme outside tariffed charges. See Western Electric, 552 F. Supp. at 233.

The second respect in which the Commission's Order violates the terms of the Western Electric decree is that the formula of Appendix A will result in access charges to interexchange carriers that are not cost-justified on the basis of services provided by the LEC. While the final decree may have contemplated cost allocations to interexchange service that result in cross-subsidies to the local service (see Western Electric supra, at 169 n. 161), variation in access charges were permitted only by a cost difference in services provided. Such a cost difference is not present here. The cost to the LEC of providing intraLATA access is identical to the cost of providing interLATA intrastate access. The charges, moreover, provide varying levels of access charges to different interexchange carriers based not on cost but on the ability to selectively block intraLATA calling.

At the hearing before this Commission on July 27, 1984, on MCIV's Application for a Certificate to operate as a telephone utility, MCIV witness Kenneth Cox stated that MCIV would fully

comply with the provisions of the Rules promulgated by the Commission governing certification of interexchange carriers including that part of Rule 2 that states:

Incidental intraLATA calls that occur shall either be blocked, or the local exchange companies shall be compensated for revenues lost as a result of such incidental intra-LATA calls.^{1/}

MCIV believes that the proper measure of compensation for revenues lost by the LEC by any incidental intraLATA calling is the intrastate access charge. MCIV expressed this view throughout the discussions with the Commission Staff in a series of meetings held in Richmond designed to work out the details of the compensation plan. The question of what constitutes proper compensation for lost revenues has never been formally raised before the Commission, nor has MCIV or any other party had opportunity to express written comments on this issue.

^{1/} Also in the July 27 hearing, Commissioner Shannon stated that the Commission regarded compensation for lost revenues as "a little different" from "paying the access charges." Transcript, July 27, 1984, at p. 8. In its final Order, the Commission did, in fact, reject access charges as the measure of compensation.

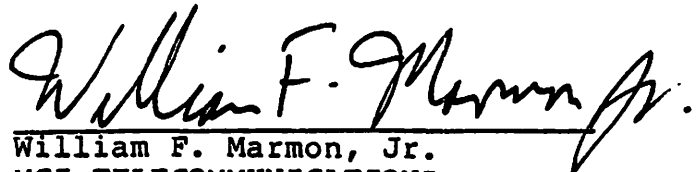
CONCLUSION

For the foregoing reasons, MCIV respectfully requests the Commission to reconsider that part of its Order of August 22, 1984, that requires MCIV and all interexchange carriers to pay on a non-tariffed basis charges in excess of intrastate access charges for any incidental intraLATA calling.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION
OF VIRGINIA

By:



William F. Marmon, Jr.
MCI TELECOMMUNICATIONS
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Hullihen Williams Moore
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Richmond, Virginia 23219

Its Attorneys

September 12, 1984

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BEFORE THE

STATE CORPORATION COMMISSION

OF VIRGINIA

APPLICATIONS OF

SOUTHERNTEL OF VIRGINIA, INC.)	CASE NOS. PUC840020
MCI TELECOMMUNICATIONS CORPORATION	)	PUC840022
OF VIRGINIA)	
UNITED STATES TRANSMISSION SYSTEMS	)	PUC840024
OF VIRGINIA, INC.)	
TDX SYSTEMS OF VIRGINIA, INC.	)	PUC840025
GTE SPRINT COMMUNICATIONS CORPORATION	)	PUC840027
OF VIRGINIA)	

For certificates of public convenience and necessity to provide inter-LATA, inter-exchange telecommunications service and to have rates established on competitive factors;

PETITION FOR RECONSIDERATION
OF FINAL ORDER

By final order of August 22, 1984, the Commission prescribed an "Interim Compensation Plan." (Order Appendix A). In describing the usage reports to be filed by the interexchange carriers pursuant to that Plan, the Commission stated:

"Initial reports may be filed late by those carriers needing to reconfigure computer programs, however, all data shall be retained from the date of this order so that all usage shall be reported and all compensation paid from this date forward." (Order at p.33).

In conformity with Commission Rule 7:9, The Chesapeake and Potomac Telephone Company of Virginia ("C&P") respectfully requests that the Commission reconsider this portion of its order and provide that:

1711

- (1) If the carrier's initial report is delayed more than thirty days the carrier shall pay interest on the intraLATA compensation finally paid to the local exchange carriers; and
- (2) interexchange carriers shall retain usage data from January 1, 1984, forward.

In support of its Petition C&P states:

- (1) The validity of the compensation plan adopted by the Commission is dependent upon accurate and reliable usage reports being furnished by the interexchange carriers. Without such usage data, the local exchange companies will not be properly recompensed for the intraLATA toll revenues lost to the interexchange carriers.
- (2) The Commission's order apparently leaves to the interexchange carriers the determination of when the initial usage report will be filed. This could mean that carriers could delay their initial usage reports for many months thereby depriving local exchange carriers of the lost intraLATA revenue for that time.
- (3) In the event compensation is thus delayed, the local exchange companies will be deprived of the use of money due them. A method to remedy this weakness in the compensation plan is to provide that any companies which delay their initial usage report beyond thirty days from the date of the final order must pay interest

on intraLATA compensation finally paid to the local exchange company. Interest should be paid on amounts due from the date of the final order through the date that the initial compensation payment is made. A suggested rate of interest is the rate the Commission prescribes to be paid on customer deposits.

- (4) On another subject, the Commission's final order provides that the interexchange carrier need retain usage data only from the date of the order. There is no doubt, and the interexchange carriers currently providing intrastate service can not deny, that these carriers have provided intraLATA service prior to the date of the final order. The local exchange companies should obtain proper compensation for this intraLATA toll business. C&P, for one, intends to seek such compensation.
- (5) Usage data maintained by the interexchange carriers is needed in order that proper compensation may be determined. These carriers should be required to maintain all usage and billing data for the period January 1, 1984, forward. By requiring that this usage data be maintained, the Commission will not be prejudging the validity of C&P's claim for compensation. Instead it will

provide that evidence relevant to that claim be maintained and not destroyed.

WHEREFORE, C&P respectfully requests that the Commission reconsider and revise its final order to require that: (1) interexchange carriers which require more than 30 days to file their initial usage reports must pay interest on the intraLATA compensation due the local exchange company, such interest to run from the date of the final order to the date of payment of the lost toll revenues and to be at a rate equal to the rate paid by the local exchange company or customer deposits; and (2) interexchange carriers maintain all usage data from the period January 1, 1984, forward.

Respectfully submitted,


Warner F. Brundage, Jr.

Attorney for
The Chesapeake and Potomac
Telephone Company of Virginia

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATIONS OF)	
)	
SOUTHERNTEL OF VIRGINIA, INC.)	CASE NOS. PUC840020
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For certificates of public convenience)	
and necessity to provide inter-LATA,)	
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on competitive factors;)	
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)	
PETITION OF)	
)	
AT&T COMMUNICATIONS OF VIRGINIA)	PUC840023
)	
For authority to set rates and charges)	
pursuant to §56-481.1 of the Code of)	
Virginia)	

PETITION FOR RECONSIDERATION

Applicant GTE Sprint Communications Corporation of Virginia ("GTE Sprint"), pursuant to Rule 7:9 of the Rules of Practice and Procedure of the State Corporation Commission, hereby petitions the Commission to reconsider portions of its August 22, 1984 Final Order and Opinion in the above-captioned

matter. The relief requested and the grounds therefor are set forth below.

I. INTRODUCTION

The Commission's Final Order and Opinion of August 22, 1984 ("the Order") indicates that GTE Sprint's witness, Mr. Jose E. Guzman, Jr., testified that GTE Sprint would comply with Rule 2 of the Commission's Rules Governing the Certification of Inter-LATA, Inter-Exchange Carriers (effective July 1, 1984). Order at 8. The Commission's characterization of Mr. Guzman's testimony, however, is inaccurate in that it and other statements which follow suggest that GTE Sprint agreed to the specific compensation formula set forth in Appendix A to the order.

In fact, Mr. Guzman testified that GTE Sprint is generally committed to observing the Commission's Certification rules, including Rule 2. July 27, 1984 Tr. 122. Mr. Guzman also indicated GTE Sprint's willingness to participate in future negotiations on the implementation of Rule 2. Id. However, GTE Sprint's position was and remains that the implementation of Rule 2 should take place through tariffed access charges. Neither Mr. Guzman nor any other GTE Sprint representative ever conceded in the subsequent Rule 2 negotiations that the methods set forth in Appendix A were appropriate for this purpose.

Indeed, subsequent to the hearing, GTE Sprint representatives participated in the negotiations among the carriers and the Commission Staff for the purposes of developing an appropriate implementation of Rule 2. Throughout these negotiations, GTE Sprint consistently maintained that a compensation arrangement implementing Rule 2 must consist of tariffed access charges. The Appendix A approach that was adopted over GTE Sprint's objections is not based on substantial evidence in the record, and is unlawful and unjust.

II. INAPPROPRIATENESS OF THE COMMISSION'S INTERIM
COMPENSATION PLAN

Appendix A to the Order fundamentally misconstrues the nature of intraLATA calling over the facilities of Other Common Carriers (OCCs) such as Sprint. Put simply, Appendix A ignores the fact that much of what may appear to be intraLATA traffic is authorized interstate or interLATA intrastate traffic, and, in the process, ignores the intent of Modification of Final Judgment ("MFJ") in United States v. American Telephone and Telegraph Company, 552 F.Supp. 131 (D.D.C. 1982).

A. The Formula

The Compensation Plan sets forth a "method of compensation" for ICs to pay LECs as follows:

r : average ratio of intraLATA minutes of use to total minutes of use for each IC (determined by sampling or other means)

$C_{FGA/FGB}$: cost per minute of traffic paid by IC to LEC for FGA access or FGB access as appropriate

ABR : LEC's average billed revenue per minute of intraLATA direct dialed traffic for those exchanges where FGA or FGB access is provided (less uncollectible billed revenue)

MT : Monthly total intrastate minutes of traffic between given IC and LEC

For a given month, the IC would pay the LEC additional compensation ("AC") for intraLATA traffic according to the formula:

$$AC = (r \cdot ABR - C_{FGA/FGB}) \cdot MT$$

The formula makes apparent that this compensation is intended to be an additional per minute charge over and above the access charges set forth in filed intrastate access charge tariffs. However, the charge is not part of the tariff.

B. The Inequity of the Formula

The record demonstrates that it is technically infeasible for GTE Sprint to block intraLATA calls in Virginia. July 27, 1984 Tr. 129. This infeasibility arises because GTE Sprint has historically been forced to use Feature Group A, line side interconnections. That form of interconnection prevents SPRINT from obtaining the originating telephone number, because such information is obtainable only

from the trunk side of a Class 5 switch. Thus, SPRINT cannot tell whether a call is truly intraLATA or otherwise.

Rule 2 was designed to implement the statutory prohibition against offering intraLATA service. GTE Sprint's current practices are already consistent with the explicit statutory directive underlying Rule 2, because GTE Sprint does not offer or promote intraLATA service in the Commonwealth. At hearing, GTE Sprint committed to include in its promotional literature an explanation that the customer is not authorized to use SPRINT for intraLATA calls. July 27, 1984, Tr. 123, 129. Further, Virginia intrastate access charges already "compensate" the LECs for incidental intraLATA calls. Those charges were designed to continue the purported contribution from toll service to recovery of non-traffic sensitive ("NTS") costs. The carrier common line element of access charges thus incorporates the NTS contribution contained in the LECs' intraLATA toll rates, and other elements provide payment for traffic sensitive costs, such as switching and transport. Therefore, currently effective access tariffs that will be applied to incidental intraLATA traffic already compensate the LECs.

The Compensation Plan is also defective in that it undermines the purposes of the differential between premium and non-premium access charges. The premium differential is an attempt to offset some of the adverse effects of technically inferior interconnection. Under the Compensation

Plan, the additional compensation paid to the LEC by OCCs reduces the effective discount.

III. ILLEGALITY OF COMPENSATION PLAN

In addition to being technically inadequate and inequitable, the interim Compensation Plan is also invalid under state and federal law. The Compensation Plan is not based on substantial evidence in the record, is unreasonably discriminatory, violates due process requirements, and conflicts with the Modification of Final Judgment in United States v. American Telephone and Telegraph Company.

A. Substantial Evidence

The Compensation Plan is in essence a condition to a certificate of convenience and necessity issued pursuant to Va. Code § 56-265.2. That section requires a hearing for the issuance of a certificate. The statute governing actions of this Commission also requires a hearing for any action of the Commission affecting an interested person. Va. Code § 12.1-28. Under the Virginia General Administrative Agencies Act, when a hearing is required for decision on such a case, the agency, if a contested issue is not settled, must provide an evidentiary hearing. According to Va. Code § 9-6.14:12, "The agency shall afford opportunity for the formal taking of evidence upon relevant fact issues in any case in which the

basic laws provide expressly for decisions upon or after hearing" Under Va. Code § 9-6.14:17, a reviewing court may reverse an agency decision for lack of "substantiality of the evidential support."

In the instant case, the parties and the Commission Staff negotiated in good faith regarding the appropriate method of implementation of Rule 2, but failed to reach agreement. Nevertheless, the Commission promulgated the Compensation Plan over the continuing objection of GTE Sprint and without any evidentiary hearing whatsoever on the appropriate method of applying Rule 2. In these circumstances, the Commission has erred in promulgating the Compensation Plan and should, upon reconsideration, withdraw the plan.

B. Improper Imposition of a Penalty

To the extent that the Compensation Plan imposes additional charges for access services provided to GTE Sprint, those charges are a penalty. Although the Commission has statutory power to impose penalties (Va. Code § 12.1-13), it may not do so without hearing. See Subsection III-A supra. Moreover, the imposition of a penalty without hearing violates the due process clauses of the Virginia Constitution and the U.S. Constitution. Finally, the imposition of a penalty for unavoidable intraLATA traffic amounts to a prohibition on the provision of intraLATA service. In its Final Order in Case No. PUC840017, the Commission rejected such a proscription as

an overextension of the statutory language prohibiting only the offering of such service. See Case No. PUC 840017, Final Order at 2,3 (June 29, 1984). Therefore, implementation of the provisions of Appendix A would be both illegal and inconsistent with prior determinations of the Commission.

C. Unreasonable Discrimination

Section 56-481.1 of the Virginia Code, enacted in the 1984 Session of the General Assembly, provides for the Commission to allow interexchange telephone service on a competitive basis, but only on the condition that "rates, charges, and regulation are nondiscriminatory." This section also explicitly provides that Commission rules implementing the provisions of the statute "shall be uniformly applicable to all telephone companies that are subject to the provisions of this section." However, the Order appears only to apply the Compensation Plan to the five applicants for certificates and not to AT&T. If the requirements of the Compensation Plan are not to be applied to AT&T, the Compensation Plan clearly discriminates in favor of AT&T by not forcing it to maintain the same records and produce the same information as is required of GTE Sprint. Further, since AT&T would not be required to identify and report intraLATA traffic, AT&T obviously would not be subject to the charges imposed upon other interexchange carriers for the same traffic. Under § 56-481.1, this discrimination is unlawful and should be remedied by the Commission on reconsideration.

D. Violation of Federal Court Requirements

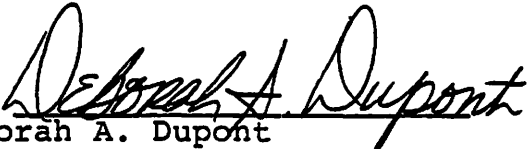
In United States v. American Telephone and Telegraph Company, 552 F. Supp. 131 (D.D.C. 1982), aff'd, 103 S.Ct.1240 (1983), the Court entered the Modification of Final Judgment ("MFJ") which is the controlling federal case law governing the breakup of the Bell System and the operation of the divested Bell Operating Companies. The Court clearly intended to supersede any state law or regulation inconsistent with the terms of the MFJ, and held on ample authority that it had the power to do so under the Supremacy Clause of the U.S. Constitution. Id. at 153-60. The decree approved by the Court specified that the BOCs are to provide exchange access to interexchange carriers on a tariffed basis. Id. at 227 (§II.A.) and 233 (Appendix B, ¶¶B.1. and B.2.). Moreover, the Court clearly contemplated not only that charges for exchange access would be tariffed but also that any maintenance of toll contribution would occur via those access charges. Thus, the Court stated that "[t]he decree would leave state and federal regulators with a mechanism -- access charges -- by which to require a subsidy from intercity to local service." Id. at 169 (emphasis added). Paragraph 6 of the Compensation Plan, Appendix A to the Order, allows the LECs to charge interexchange carriers an amount in addition to a tariffed access charge and hence is contrary to the Court's intent that all such charges be tariffed. Thus, the Commission's Order is in violation of the MFJ.

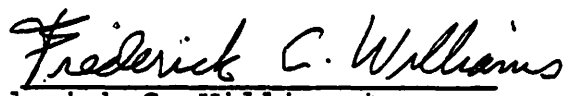
IV. CONCLUSION

For all of the foregoing reasons, GTE Sprint respectfully requests the Commission to reconsider its Order and grant such additional relief as is requested herein.

Respectfully submitted,

GTE SPRINT COMMUNICATIONS
CORPORATION OF VIRGINIA

By: 
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September 12, 1984

* Virginia Bar No. 014523

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATIONS OF)	
SOUTHERNTEL OF VIRGINIA, INC.)	CASE NOS. PUC840020
MCI TELECOMMUNICATIONS CORPORATION)	
OF VIRGINIA)	PUC840022
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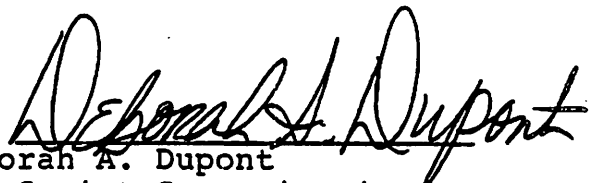
NOTICE OF APPEAL


Notice is hereby given that Applicant GTE Sprint Communications Corporation of Virginia appeals to the Virginia Supreme Court from the Order dated August 24, 1984 of the

Virginia State Corporation Commission in the above-captioned cases.

Respectfully submitted,

GTE SPRINT COMMUNICATIONS
CORPORATION OF VIRGINIA

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By: 
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September 18, 1984

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COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION

APPLICATION OF
MCI TELECOMMUNICATIONS
CORPORATION OF VIRGINIA

CASE NO. PUC840022

For a certificate of public
convenience and necessity,
for approval of its lease
and service agreement, and
for authority to set its rates
based upon competitive factors

NOTICE OF APPEAL OF MCI TELECOMMUNICATIONS
CORPORATION OF VIRGINIA

Comes now the MCI Telecommunications Corporation of
Virginia ("MCIV"), by counsel, and, pursuant to Rule 5:18(c) of
the Rules of the Supreme Court of Virginia, hereby files its
Notice of Appeal from the Final Order in this proceeding entered
August 22, 1984.

Respectfully Submitted,

MCI TELECOMMUNICATIONS CORPORATION
OF VIRGINIA



By: HULLIHEN WILLIAMS MOORE
LOUIS R. MONACELL
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Richmond, Virginia 23219

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SEP 19 4 33 PM '84 COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF
AT&T COMMUNICATIONS OF VIRGINIA

For authority to set rates and
charges pursuant to §56-481.1
of the Code of Virginia


CASE NO. PUC840023

NOTICE OF APPEAL OF MCI TELECOMMUNICATIONS
CORPORATION OF VIRGINIA

Comes now the MCI Telecommunications Corporation of
Virginia ("MCIV"), by counsel, and, pursuant to Rule 5:18(c) of
the Rules of the Supreme Court of Virginia, hereby files its
Notice of Appeal from the Final Order in this proceeding entered
August 22, 1984.

Respectfully Submitted,

MCI TELECOMMUNICATIONS CORPORATION
OF VIRGINIA


By: H. Williams Moore
Louis R. Monacell
CHRISTIAN, BARTON, EPPS, BRENT
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATIONS OF)	
SOUTHERNTEL OF VIRGINIA, INC.)	CASE NOS. PUC840020
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on competitive factors;)	
PETITION OF)	
AT&T COMMUNICATIONS OF VIRGINIA)	PUC840023
For authority to set rates and charges)	
pursuant to §56-481.1 of the Code of)	
Virginia)	

NOTICE OF APPEAL

Notice is hereby given that Applicant GTE Sprint
Communications Corporation of Virginia appeals to the Virginia
Supreme Court from the Order dated August 22, 1984 of the

Virginia State Corporation Commission in the above-captioned cases.

Respectfully submitted,

GTE SPRINT COMMUNICATIONS
CORPORATION OF VIRGINIA

By: Deborah A. Dupont (FCW)
Deborah A. Dupont
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By: Frederick C. Williams
Frederick C. Williams*
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(202) 833-9730

September 14, 1984

* Virginia Bar No. 014523

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATIONS OF)	
SOUTHERNTEL OF VIRGINIA, INC.	)	CASE NOS. PUC840020
MCI TELECOMMUNICATIONS CORPORATION	)	PUC840022
OF VIRGINIA)	
UNITED STATES TRANSMISSION SYSTEMS	)	PUC840024
OF VIRGINIA, INC.)	
TDX SYSTEMS OF VIRGINIA, INC.	)	PUC840025
GTE SPRINT COMMUNICATIONS CORPORATION	)	PUC840027
OF VIRGINIA)	
For certificates of public convenience)	
and necessity to provide inter-LATA,)	
inter-exchange telecommunications)	
service and to have rates established)	
on competitive factors;)	
PETITION OF)	
AT&T COMMUNICATIONS OF VIRGINIA	)	PUC840023
For authority to set rates and charges)	
pursuant to § 56-481.1 of the Code of)	
Virginia)	

NOTICE OF INTENT TO PARTICIPATE AS APPELLEE

The Virginia Exchange Carrier Association hereby gives notice that it intends to participate as an appellee a) in the appeals taken by GTE Sprint Communications Corporation of Virginia to the orders of the State Corporation Commission of Virginia (Commission) dated August 22 and 24, 1984 in Case Nos. PUC840020, PUC840022, PUC840024, PUC840025, PUC840027 and PUC840023 and (b) in the appeals taken by MCI Telecommunications

Corporation of Virginia to the order of the Commission dated
August 22, 1984 in Case Nos. PUC840022 and PUC840023.

October 4, 1984

Respectfully submitted,

VIRGINIA EXCHANGE CARRIER ASSOCIATION

By


Its Counsel

John W. Riely
Richard D. Gary
HUNTON & WILLIAMS
P. O. Box 1535
Richmond, Virginia 23212

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

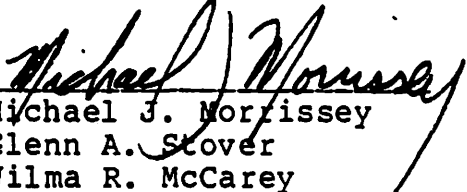
APPLICATIONS OF	)	CASE NOS.
SOUTHERNTEL OF VIRGINIA, INC.	)	PUC840020
MCI TELECOMMUNICATIONS CORPORATION OF VIRGINIA	)	PUC840022
UNITED STATES TRANSMISSION SYSTEMS	)	PUC840024
TDX SYSTEMS OF VIRGINIA, INC.	)	PUC840025
GTE SPRINT COMMUNICATIONS CORPORATION OF VIRGINIA	)	PUC840027
For Certificates of Public Convenience and Necessity to Provide InterLATA, Interexchange Telecommunications Service and to Have Rates Established on Competitive Factors;)	
PETITION OF		
AT&T COMMUNICATIONS OF VIRGINIA	)	PUC840023
For Authority to Set Rates And Charges Pursuant to §56-481.1 of the <u>Code of Virginia</u>)	

NOTICE OF AT&T COMMUNICATIONS OF VIRGINIA
INTENT TO PARTICIPATE AS AN APPELLEE

Pursuant to Rule 5:18(f) of the Rules of the Supreme Court of Virginia, AT&T Communications of Virginia hereby gives notice of its intent to participate as an Appellee in the GTE-Sprint

and MCI appeals from the Virginia State Corporation Commission's Order of August 22, 1984 in the above-referenced cases. AT&T Communications, as the Petitioner in Case No. PUC 840023, is obviously a necessary party to these appeals.

Respectfully Submitted,


Michael J. Morrissey
Glenn A. Stover
Wilma R. McCarey
AT&T Communications of Virginia, Inc.
7611 Little River Turnpike
Annandale, VA 22003
(703) 642-7180

October 5, 1984

BEFORE THE
STATE CORPORATION COMMISSION
OF VIRGINIA

APPLICATIONS OF)	
SOUTHERNTEL OF VIRGINIA, INC.	)	CASE NOS. PUC 840020
MCI TELECOMMUNICATIONS CORPORATION)	
OF VIRGINIA	)	PUC 840022
UNITED STATES TRANSMISSION SYSTEMS)	
OF VIRGINIA, INC.	)	PUC 840024
TDX SYSTEMS OF VIRGINIA, INC.	)	PUC 840025
GTE SPRINT COMMUNICATIONS CORPORATION)	
OF VIRGINIA	)	PUC 840027
For certificates of public convenience)	
and necessity to provide inter-LATA)	
inter-exchange telecommunications)	
service and to have rates established)	
on competitive factors;)	

NOTICE OF INTENT TO
PARTICIPATE IN APPEALS

The Chesapeake and Potomac Telephone Company of Virginia ("C&P"), pursuant to Rule 5:18(f) of the Rules of the Supreme Court of Virginia, herewith notes its intent to participate in the appeal of Case No. PUC 840022 filed by MCI Telecommunications Corporation of Virginia by its letter dated September 19, 1984, and in the appeal of Case Nos. PUC 840020, PUC 840022, PUC 840024, PUC 840025 and PUC 840027 filed by GTE Sprint Communications Corporation of Virginia by its letter

dated September 21, 1984. C&P will participate as an appellee seeking affirmance of the Commission's order of August 22, 1984.

Respectfully submitted,

THE CHESAPEAKE AND POTOMAC
TELEPHONE COMPANY OF VIRGINIA

By Warner F. Brundage, Jr.
Warner F. Brundage, Jr.
703 East Grace Street
Richmond, Virginia 23219

Its Attorney

CERTIFICATE OF SERVICE

I, Warner F. Brundage, Jr., hereby certify that I served a copy of the attached Notice by first class mail, postage prepaid, this 9th day of October, 1984, on the persons listed below:

Reginald N. Jones, Esquire
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Steven W. Pearson, Esquire
Thomas & Fiske, P.C.
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Office of General Counsel
State Corporation Commission
Commonwealth of Virginia
P. O. Box 1197
Richmond, Virginia 23209

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATIONS OF)	
SOUTHERNTEL OF VIRGINIA, INC	)	CASE NOS. PUC840020
MCI TELECOMMUNICATIONS CORPORATION)	
OF VIRGINIA	)	PUC840022
UNITED STATES TRANSMISSION SYSTEMS)	
OF VIRGINIA, INC.	)	PUC840024
TDX SYSTEMS OF VIRGINIA, INC.)	
GTE SPRINT COMMUNICATIONS CORPORATION	)	PUC840025
OF VIRGINIA	)	PUC840027
For certificates of public convenience)	
and necessity to provide inter-LATA,)	
inter-exchange telecommunications)	
service and to have rates established)	
on competitive factors;)	
PETITION OF)	
AT&T COMMUNICATIONS OF VIRGINIA	)	PUC840023
For authority to set rates and charges)	
pursuant to § 56-481.1 of the Code of)	
Virginia)	

NOTICE OF INTENT TO PARTICIPATE AS APPELLEE

The Division of Consumer Counsel, Office of the Attorney General, hereby gives notice that it intends to participate as an appellee in the appeals taken by GTE Sprint Communications Corporation of Virginia and MCI Telecommunications Corporation of Virginia to the order of the Commission dated August 22, 1984.

October 10, 1984

Respectfully submitted,

DIVISION OF CONSUMER COUNSEL
OFFICE OF THE ATTORNEY GENERAL

By Anthony Gambardella
Its Counsel

Gerald L. Baliles
Attorney General

Anthony Gambardella
Sr. Assistant Attorney General

101 North Eighth Street
Richmond, VA 23225

CERTIFICATE OF SERVICE

I hereby certify that a copy of the attached Notice has been served by first class mail, postage prepaid, or by hand delivery this 10th day of October, 1984, on the persons listed below.

Reginald N. Jones, Esq.
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Steven W. Pearson, Esq.
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P.O. Box 14515
Richmond, VA 23221

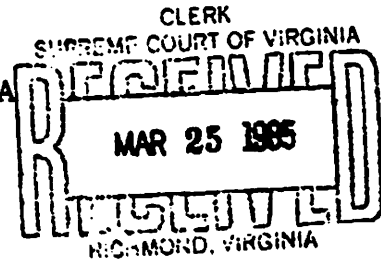
Richard D. Gary, Esq.
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Jack R. Lebowitz, Esq.
United States Transmission
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Secaucus, NJ 07096

Steven H. Davis, Esq.
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New York, NY 10022

IN THE SUPREME COURT OF VIRGINIA



MCI Telecommunications Corporation
of Virginia,

Appellant,

v.

Record No. 841882

AT&T Communications of Virginia,
Inc., et al.,

Appellees.

MCI TELECOMMUNICATIONS CORPORATION OF VIRGINIA
ASSIGNMENTS OF ERROR

MCI Telecommunications Corporations of Virginia ("MCI"),
appellant herein, assigns error to the Final Order and Opinion of
the State Corporation Commission ("Commission"), entered on
August 22, 1984, as follows:

Application of MCI Telecommunications Corporation of
Virginia -- PUC 840022.

1. The payments required by the Final Order for
failure to block intraLATA long-distance calls are neither proper
rates nor authorized penalties, and the Order is ultra vires,
void ab initio and violative of due process rights of MCI.

2. The payments required by the Final Order were not subject to notice or hearing and not based on evidence in the record and are arbitrary and capricious, an abuse of discretion and violative of due process rights of MCI.

3. The Commission's blocking, record keeping, reporting and payment requirements established by the Final Order constitute a denial of equal protection and are discriminatory and unlawful under Va. Code §56-481.1.

4. The Commission's interpretation and implementation of Rule 2 of the Commission's Rules Governing the Certification of InterLATA, Inter-Exchange Carriers as applied to MCI in the Final Order conflicts with federal law, including but not limited to the Communications Act of 1934, 47 U.S.C. §151 et seq., unduly interferes with interstate commerce and exceeds the Commission's authority.

5. The payments required by the Final Order for failure to block intraLATA long-distance calls violate the Modification of Final Judgment entered in United States v. Western Electric, 552 F.Supp. 131 (D.D.C. 1982), aff'd sub nom. Maryland v. United States, 460 U.S. 1001 (1983), which required Bell operating companies to provide access to interexchange carriers on the basis of cost-justified access tariffs and on no other basis.


Petition of AT&T Communications of Virginia, Inc. ("AT&T") -- PUC 840023.

1. The Commission erred and failed to comply with Va. Code §56-481.1 when it found that AT&T would provide its service on a competitive basis based on a determination that deregulation would eventually lead to competitive rates by AT&T and that, in any event, reregulation would provide a sufficient cure should competitive rates not develop.

2. The Commission's finding under Va. Code §56-481.1 that AT&T would provide service on a competitive basis was not supported in the record and was arbitrary, capricious and violative of due process.

3. MCI, a proper party to the proceedings on AT&T's Petition for Deregulation, was denied a meaningful opportunity to participate therein, and, thus, was denied due process of law.

MCI TELECOMMUNICATIONS
CORPORATION OF VIRGINIA


By: HULLIHEN WILLIAMS MOORE
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CHRISTIAN, BARTON, EPPS,
BRENT & CHAPPELL
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William F. Marmon, Jr.
MCI TELECOMMUNICATIONS
CORPORATION OF VIRGINIA
601 South 12th Street
Arlington, Virginia 22202

Its Attorneys

C E R T I F I C A T E

The undersigned hereby certifies that a true and exact copy of the foregoing Assignments of Error were mailed, first-class, postage prepaid, to the counsel listed below for every other party to the appeal this 25th day of March, 1985.

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State Corporation Commission
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Michael J. Morrissey, Esquire
Glenn A. Stover, Esquire
Wilma R. McCarey, Esquire
AT&T Communications of
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Fairfax, Virginia 22030

Warren F. Brundage, Jr. Esquire
The Chesapeake and Potomac
Telephone Company of Virginia
703 East Grace Street
Richmond, Virginia 23219



H. Williams Moore

IN THE SUPREME COURT OF VIRGINIA

GTE Sprint Communications Corporation)	
of Virginia,)	
)	
Appellant,)	
)	
-against-	)	Record No. 841881
)	
AT&T Communications of Virginia,)	
Inc., <u>et al.</u> ,)	
)	
Appellees.)	

GTE SPRINT COMMUNICATIONS CORPORATION OF VIRGINIA
ASSIGNMENTS OF ERROR

GTE Sprint Communications Corporation of Virginia ("GTE Sprint"), appellant herein, assigns error to the Final Order and Opinion ("Final Order" or "Order") of the State Corporation Commission ("Commission"), entered on August 22, 1984, as follows:

Application of GTE Sprint Communications Corporation of Virginia -- PUC 840027.

1. The payments required by the Commission in the Final Order for failure to block intra-LATA long-distance calls are neither proper rates nor authorized penalties, and the Order is ultra vires, void ab initio and violative of due process rights of GTE Sprint.

2. The Commission's interpretation and implementation of Rule 2 of the Commission's Rules Governing the

Certification of Inter-LATA, Inter-Exchange Carriers as applied to GTE Sprint in the Final Order conflicts with federal law, including but not limited to the Communications Act of 1934, 47 U.S.C. §151 et seq., unduly interferes with interstate commerce and exceeds the Commission's authority.

3. The need for and formula used to calculate the payments required by the Final Order were not subject to notice or hearing and not based on or supported by evidence in the record, and thus, are arbitrary and capricious, an abuse of the Commission's discretion and violative of due process rights of GTE Sprint.

4. The payments required by the Final Order for failure to block intra-LATA long-distance calls violate the Modification of Final Judgment entered in United States v. Western Electric, 552 F. Supp. 131 (D.D.C. 1982), aff'd sub nom. Maryland v. United States, 460 U.S. 1001 (1983), which required Bell operating companies to provide access to interexchange carriers on the basis of cost-justified access tariffs and on no other basis.

5. The Commission's blocking, record keeping, reporting and payment requirements established by the Final Order constitute a denial of equal protection and are discriminatory and unlawful under Va. Code §56-481.1.

Petition of AT&T Communications of Virginia, Inc. ("AT&T") --
PUC 840023.

1. The Commission erred and failed to comply with Va. Code §56-481.1 when it found that AT&T would provide its service on a competitive basis based on a determination that deregulation would eventually lead to competitive rates by AT&T and that, in any event, reregulation would provide a sufficient cure should competitive rates not develop.

2. The Commission's finding under Va. Code §56-481.1 that AT&T would provide service on a competitive basis was not supported in the record and was arbitrary, capricious, an abuse of discretion and violative of due process.

3. GTE Sprint, a proper party to the proceedings on AT&T's Petition for deregulation, was denied a meaningful opportunity to participate therein, and, thus, was denied due process of law.

GTE SPRINT COMMUNICATIONS
CORPORATION OF VIRGINIA

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