



PUBLIC NOTICE

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**COMMON CARRIER BUREAU SEEKS COMMENT ON “GLIDE PATH” POLICY
PAPER FILED BY STATE MEMBERS OF THE FEDERAL-STATE JOINT BOARD ON
JURISDICTIONAL SEPARATIONS**

CC Docket No. 80-286

Release Date: December 20, 2001

Comment Date: January 22, 2002

Reply Date: March 8, 2002

On December 19, 2001, the State Members of the Federal-State Joint Board on Separations (Joint Board) filed a “glide path” policy paper outlining a number of proposed options for comprehensive reform of the Commission’s Part 36 jurisdictional separations rules.¹ As a starting point for comprehensive reform, comment from interested parties is sought in this *Public Notice* on the glide path paper.

At present, a five-year interim freeze of the Commission’s Part 36 separations rules is in effect.² Specifically, in the *Report and Order* adopting the interim freeze, the Commission found that a five-year freeze of the Part 36 category relationships and jurisdictional allocation factors shall be in effect from July 1, 2001, until June 30, 2006, or until the Commission completes comprehensive separations reform, whichever comes first.³ Furthermore, the Commission found

¹ “Options for Separations: A Paper Prepared by the State Members of the Separations Joint Board,” CC Docket No. 80-286, filed December 19, 2001.

² See *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, FCC 01-162, 2001 WL 540481 (rel. May 22, 2001) (*Report and Order*).

³ *Report and Order* at paras. 18-21. More specifically, under the interim freeze, price cap carriers were required to freeze both their separations categories and jurisdictional allocation factors. Rate-of-return carriers, however, were given the option of keeping their separations categories unfrozen. *Id.*

that comprehensive review of the separations process should continue during the interim freeze, and committed to working with the Joint Board on comprehensive reform.⁴

The glide path paper filed by the State Members of the Joint Board proposes options for a transition path from the current frozen Part 36 regime to a mechanism that reflects a telecommunications environment that has witnessed major technological, economic, and legal changes. The State Members ask several questions in their glide path paper, including whether separations can be abolished altogether, or if separations is to remain, what changes should be made to the process; and what methods can be used to transition to a new separations system, without creating unwanted consequences. The glide path paper also outlines several goals for comprehensive separations reform, including the principles that separations should be simpler, separations should be compatible with new technologies and competitive markets, and cost responsibilities should follow jurisdictional responsibilities.

Along the lines of these goals, the State Members have identified seven options for comprehensive separations reform. The glide path paper outlines advantages and disadvantages of each option:

Option 1: Extend the Freeze. This option proposes to continue the interim freeze of the Part 36 category relationships and jurisdictional allocation factors on an annual basis.

Option 2: Separate Traffic-Sensitive Costs with Fixed Allocators. Currently, non-traffic sensitive loop costs are separated using a fixed allocator, which assigns 25% of the loop costs to the interstate jurisdiction. Traffic-sensitive costs, however, are allocated to the jurisdictions based on relative-usage factors (such as Dial Equipment Minutes (DEM) and Subscriber Line Units (SLU)). This option proposes that all traffic-sensitive costs be set pursuant to fixed allocators. The fixed allocators could be set nationally, regionally, or by study area.

Option 3: Total Company Revenue Requirement. This option proposes to extend the “average-schedule” concept used by some smaller carriers to all incumbent carriers. Under this proposal, costs would not be reported by carriers and traditional cost studies would not be performed. Rather, carriers would develop their interstate revenue requirements based on a formula or model similar to the “average schedule” process. States would set their intrastate rates so that a carrier’s unseparated revenues, including interstate revenues, meet its revenue requirement for regulated services.

Option 4: Redesign the Separations Process to Account for Packet Switching and Competition. This option attempts to account for two major changes in the telecommunications industry: (1) the growth of packet-based networks; and (2) the increasing number of unregulated “competitive” services being offered by incumbent carriers. This option proposes that a new separations mechanism be designed to distinguish packet-switched and circuit-switched services, and also recognizes the existence of broader categories of unregulated services.

⁴ *Report and Order* at paras. 31-33.

Option 5: Facilities-Based Separations. This option proposes to simplify the separations process by directly assigning telecommunications equipment to either the state or federal jurisdiction, based upon the location of that equipment in the network. A point of demarcation between the state and federal jurisdictions (for example, the tandem point) would be selected, and all facilities on each side of that point, and their respective costs, would be assigned to the state or federal jurisdiction. This proposal would have impacts upon rate design and universal service, and the glide path paper discusses these impacts in detail.

Option 6: End of Separations. This option contemplates the complete removal of the federal-state jurisdictional separations process and identifies two scenarios under which separations could be abolished:

- (1) *One State Jurisdiction.* Pricing policy would be assigned to the states, subject to general Commission guidelines for all relevant areas. Carriers would no longer file tariffs, but the Commission might impose limits for certain rates where there is a national interest. National programs such as the universal service support mechanism and local number portability would remain under the federal jurisdiction.
- (2) *One Federal Jurisdiction.* All pricing policy would be assigned to the Commission, and the Commission would have the responsibility for setting all retail rates for services currently subject to separations.

Option 7: Competition Overtakes Regulation. Under this proposal, the Commission would relieve incumbent carriers that are facing effective competition for all regulated services from cost-based rate regulation in both jurisdictions.

For further information and review, copies of the glide path policy paper are available on the Commission's Web site at <http://www.fcc.gov/ccb/apd/sep>. The Common Carrier Bureau hereby seeks public comment on the glide path policy paper filed by the Federal-State Joint Board on separations. All comments should be filed on or before **January 22, 2002**, and all reply comments should be filed on or before **March 1, 2002**. All filings should reference **Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Options for Comprehensive Separations Reform.**

Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24,121 (1998). Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit electronic comments by Internet e-mail. To receive filing instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, and should include the following words in the body of the message, "get form <your e-mail address>." A sample form and directions will be sent in reply.

Parties who choose to file by paper must file an original and four copies of each filing. All filings sent by U.S. regular, Express or Priority mail must be sent to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, SW, TW-A325, Washington, D.C. 20554. Hand-delivered or messenger-delivered paper filings for the Commission's Secretary should be delivered to Vistrionix at 236 Massachusetts Ave, NE, Suite 110, Washington, DC 20002 (8:00 AM to 7:00 PM). Other messenger-delivered or overnight mail documents (other than USPS Express and Priority Mail) must be delivered to 9300 East Hampton Drive, Capitol Heights, MD 20743 (8:00 AM to 5:30 PM). In addition, interested parties must send diskette copies to the Commission's copy contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, D.C. 20554. In addition, one copy should be sent by U.S. regular mail to Sheryl Todd, Accounting Policy Division, Common Carrier Bureau, Federal Communications Commission, Room 5B-540, 445 12th Street SW, Washington, DC 20554, or hand delivered to Sheryl Todd at 236 Massachusetts Ave, NE, Suite 110, Washington, DC 20002.

Pursuant to section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this proceeding will be conducted as a permit-but-disclose proceeding in which *ex parte* communications are permitted subject to disclosure.

For further information, contact Sheryl Todd, Accounting Policy Division, Common Carrier Bureau at (202) 418-7400, TTY (202) 418-0484.