

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

CC Docket No. 91-141

In the Matter of

Expanded Interconnection with
Local Telephone Company Facilities
Transport Phase II

THIRD REPORT AND ORDER

Adopted: May 19, 1994; Released: May 27, 1994

By the Commission: Commissioner Barrett issuing a statement.

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I. INTRODUCTION

1. In this order, we require Tier 1 local exchange carriers (LECs) (except members of the National Exchange Carrier Association (NECA)) to provide to interested third parties, including competitive access providers (CAPs), interexchange carriers, (IXCs), and end users, signalling information necessary to provide tandem switching. These parties will thus, for the first time, be able to carry traffic of multiple IXCs from LEC end offices to their own tandems, switch traffic at that point, and deliver the traffic to the appropriate IXC.

2. This measure represents another step in a series of efforts to remove barriers to competition in interstate access services.¹ Our earlier orders opened the door to competition in special access and switched transport transmission services. Interconnectors, however, had to rely on LECs to perform the switching functions necessary to provide switched transport. The steps we now take will enable interconnectors, as well as other parties, to provide tandem switching functions for switched transport services. Thus, these measures will open the door to third parties to provide competitive tandem-switching services. By further reducing barriers to competition in switched access services, our actions will benefit all users of tandem switching, especially small IXCs that tend to rely heavily on tandem-switched transport, who will benefit from more competitively priced tandem switching services. Our actions also should promote more efficient use and deployment of the country's telecommunications networks, encourage technological innovation, and exert downward pressure on access charges and long-distance rates, all of which should contribute to economic growth and the creation of new job opportunities. In addition, these measures should increase access to diverse facilities, which could improve network reliability.

3. As discussed in more detail below, we require Tier 1 LECs (except NECA members) to provide signalling information necessary for tandem switching from LEC equal access end offices to any interested third party (hereinafter sometimes referred to as "tandem switching providers" or "TSPs").² In end offices in which common channel signalling (CCS or SS7) is available, TSPs shall have the option of receiving signalling information via SS7 or multi-frequency (MF) signalling. The provision of this informa-

¹ In previous orders, we have required LECs to provide expanded interconnection for interstate special access and switched transport services. Expanded Interconnection with Local Telephone Company Facilities, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd 7369 (1992) (*Special Access Expanded Interconnection Order*), appeal pending sub nom. *Bell Atlantic v. FCC*, No. 92-1619 (D.C. Cir., filed Nov. 25, 1992), recon., 8 FCC Rcd 127 (1992), recon., 8 FCC Rcd 7341 (1993); Expanded Interconnection with Local Telephone Com-

pany Facilities, Second Report and Order and Third Notice of Proposed Rulemaking, 8 FCC Rcd 7374 (1993) (*Switched Transport Expanded Interconnection Order*), appeal pending sub nom. *Bell Atlantic v. FCC*, No. 93-1743 (D.C.) Cir., filed Nov. 12, 1993).

² Tier 1 LECs are those with \$100 million or more in annual regulated revenues for a sustained period of time. Commission Requirements for Cost Support Material to be Filed with 1990 Annual Access Tariffs, 5 FCC Rcd 1364 (1990).

tion will be treated as a new service under our price caps regime, and Tier 1 LECs must file tariff amendments to reflect the availability of signalling information from LEC equal access end offices within ninety days of publication of this order in the Federal Register. Based on the record and in light of our prior decisions on pricing flexibility in the *Switched Transport Expanded Interconnection Order* and in the *Transport* proceeding,³ we do not grant LECs additional pricing flexibility in this order. We also find that the transport interconnection charge is sufficient to protect support flows potentially affected by the provision of signalling information.

II. BACKGROUND

4. The Commission has taken several initiatives to increase competition in the long-distance access market. First, in 1992, in the *Special Access Expanded Interconnection Order*, we required Tier 1 LECs, except NECA pool members, to provide expanded interconnection for interstate special access to all interested parties.⁴ In 1993, we adopted the *Switched Transport Expanded Interconnection Order*, in which we required LECs providing expanded interconnection for special access to provide expanded interconnection for switched transport service as well.⁵ In that order, we opened the opportunity for interconnectors to provide alternative transmission services to LEC-provided direct-trunked transport and entrance facilities by collocating transmission facilities in LEC end offices, tandems, serving wire centers (SWCs), and certain remote nodes.⁶ As a result of those two actions, interconnectors now are able to provide special access and switched transport transmission services in competition with the LECs.

5. Only LECs, however, currently can provide tandem switching functions. Third parties cannot now provide such functions because they generally do not have access to the signalling information necessary to switch and route traffic to IXCs. Thus, virtually all tandem-switched transport currently must be routed through LEC tandems and switched by the LECs at that point; interconnectors can provide only the link between the LEC tandem and the IXC point-of-presence (POP).

6. In a Second Notice of Proposed Rulemaking (*Notice*), which is the subject of this proceeding, we proposed to broaden the scope of our access initiatives to address this limitation.⁷ Specifically, we proposed to require LECs to provide other parties access to LEC signalling information to enable such parties to offer tandem switching functions.⁸ Under this proposal, interconnectors would be able to offer tandem-switched transport, using their own tandems, in competition with the LECs. In addition, third parties, such as IXCs, could obtain economies by aggregating their traffic from end offices on a single direct trunk, routing that traffic to a third-party tandem, and switching it at that point. We address this proposal below.

III. REQUIREMENT TO PROVIDE SIGNALLING INFORMATION

A. Notice

7. In the *Notice*, we proposed to require LECs to provide third parties with access to the signalling features and functions within LEC networks necessary to create switched access networks that compete with the LECs.⁹ We tentatively concluded that the public interest benefits of this proposal would be substantial and would outweigh any potential detriments.¹⁰ We noted that the proposal would provide greater service choices for telecommunications users, especially small IXCs, heighten incentives for efficiency, including efficiency in aggregating interexchange traffic, accelerate technological innovation, and lower rates for switched access services.¹¹ We stated further that our proposal should help ensure that the pricing relationships between tandem-switched and direct-trunked transport are based on market realities, which should reduce or perhaps eliminate the need to rely on regulatory safeguards.¹² We also noted that because interconnectors or their customers would pay the transport interconnection charge, our measures should not impose significant additional pressure on support flows reflected in LEC rates.¹³ We asked for comment on our tentative conclusions and on whether third-party access to LEC signalling information would affect public switched network reliability.¹⁴

³ See *infra* ¶¶ 58-64 (pricing flexibility section).

⁴ *Special Access Expanded Interconnection Order*, 7 FCC Rcd 7369.

⁵ *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd 7374. Interstate switched transport connects LEC end offices with IXC points of presence (POPs) for long-distance calling. There are several types of transport services and facilities. "Entrance facilities" are used to transmit traffic between an IXC's POP and the LEC office serving that POP, called a serving wire center (SWC). Direct-trunked transport facilities are used to transmit traffic between a LEC SWC and end office (or between any two customer-designated LEC offices) when such traffic requires no tandem switching. Tandem-switched transport facilities are used to transmit traffic between the LEC end office and SWC (or tandem) when such traffic requires tandem switching. Dedicated signalling transport is transport between IXCs' SS7 networks and LEC signalling transfer points (STPs). See *Transport Rate Structure and Pricing*, Second Report and Order, 9 FCC Rcd 615, 618 n.7 (1994) (*Baskets and Bands Order*).

⁶ *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd at 7407-7409, ¶¶ 53-57.

⁷ Expanded Interconnection with Local Telephone Company

Facilities, Second Notice of Proposed Rulemaking, 7 FCC Rcd 7740, 7747, ¶ 40 (*Notice*).

⁸ *Id.* We declined to address expanded interconnection for provision of subscriber loops, as well as interoperability of LEC local switches and other parties' switches required for competitive provision of local exchange service. *Id.* at 7748 n.48.

⁹ *Id.* at 7748, ¶ 45.

¹⁰ *Id.* at 7747, ¶ 42.

¹¹ *Id.* at ¶ 41.

¹² *Id.*

¹³ *Id.* In addition to inviting parties to comment on our proposal, we solicited comments on whether there are other features or functions to which LECs should provide access. We also asked whether there are any relevant differences between the benefits of switched transport interconnection and those arising from our signalling information proposal. *Id.* at ¶¶ 42 & 46.

¹⁴ In the *Notice*, we also sought comment on a proposal by the Independent Data Communications Manufacturers Association, Inc. (IDCMA) to allow third parties to collocate customer equipment in LEC offices. *Notice*, 7 FCC Rcd at 7748, ¶ 49. This order does not address the IDCMA proposal; we will address it at a later time.

8. The *Notice* proposed that third parties receive access to MF and SS7 signalling from both LEC end offices and tandem switches.¹⁵ Although the *Notice* did not detail how such arrangements would work, we contemplated that TSPs would use either their own collocated facilities or LEC facilities to carry traffic from the LEC end office to their own tandems. We also contemplated that if a TSP sought interconnection at the LEC tandem, rather than the end office, the LEC would provide tandem-switched transport for the originating traffic from its end office to its tandem. From there, either the interconnector (if collocated) or the LEC (if the TSP were not collocated) would transport the traffic to the TSP tandem. In either case, the TSP would switch the traffic at its tandem and transport it to the appropriate IXC over its own direct-routed facilities.

B. Positions of the Parties

1. General Benefits and Costs

9. CAPs, IXCs, and users applaud our proposal to require LECs to provide access to LEC signalling information.¹⁶ These parties generally base their support on some or all of the benefits identified in the *Notice*. MFS and CompTel contend that competitive tandem switching would allow interconnectors to serve lower-volume transport routes economically, to the benefit of small IXCs, their customers, and, according to MFS, residents of rural areas.¹⁷ Similarly, ALTS, ITN, and GSA assert that the proposal would extend to a larger, more diverse universe of users the benefits of increased competition, including increased choice, improved technology, and lower rates.¹⁸ ALTS also contends that by enlarging the compass of the market in which competitive service may be offered, conditions conducive to increased investment and new market entry may be established. Citing similar benefits, AT&T

asserts that access to LEC signalling information used for call set-up functions is indispensable to providing switched transport by interconnectors.¹⁹ Likewise, Prodigy maintains that absent access to signalling data, interconnectors will be "consigned to second class status" and that the proposal is valuable to information service providers like Prodigy with national networks, which can utilize CAPs to concentrate their traffic into local nodes.²⁰ In addition, Ad Hoc, MCI, and ALTS argue that interconnector access to signalling information will yield greater route diversity and network redundancy.²¹ Finally, Time Warner claims that access to LEC signalling information will facilitate its development of the world's first commercial "Full Service Network," which it describes as an electronic superhighway with switched, broadband, analog, and digital network platforms capable of supporting a wide range of entertainment, educational and telecommunications services.²²

10. LEC positions on the signalling proposal vary. Some generally support it;²³ some flatly oppose it.²⁴ Others fall somewhere in between.²⁵ In support, Ameritech argues that interconnector access to carrier signalling information will widen competitive opportunities for alternative providers of switched transport service and thereby create a more comprehensive form of switched transport competition. Ameritech asserts that this measure is consistent with its comprehensive proposal to unbundle fully its network.²⁶ Rochester delineates the pro-competitive benefits of making signalling information available to third parties and states that it may do so prior to a Commission mandate.²⁷ GTE agrees that promoting the availability of competitive tandem-switched services "is a worthwhile goal so long as a reasonable balance is maintained between the costs and benefits" involved.²⁸ GTE maintains, however, that providing signalling information to interconnectors should not be

¹⁵ *Id.*

¹⁶ *E.g.*, AT&T Comments at 1-3; MCI Comments at 2-3; CompTel Comments at 1-2; ALTS Comments at 2-4; MFS Comments at 8-10; Teleport Comments at 1; Teleport Denver Comments at 4-5; WilTel Comments at 1-2; Ad Hoc Comments at 3-5; IIA Comments at 2-3; GSA Comments at 2-4; Prodigy Comments at 1-4; ITN Reply at 2.

A list of parties filing comments and replies is provided in Appendix A.

¹⁷ MFS Comments at 8-9; CompTel Comments at 2. CompTel, however, asserts that contrary to the suggestion in the *Notice*, tandem competition is not likely to reach a level to warrant eliminating regulation. CompTel Comments at 3. *Accord* WilTel Comments at 1-3 (arguing that tandem competition cannot substitute for Commission regulation). ALTS, on the other hand, claims that once effective competition is fully achieved and pricing relationships among various access services function according to market conditions rather than regulation, there will be less need to rely on artificial safeguards. ALTS Comments at 3-4.

¹⁸ ALTS Comments at 3; ITN Reply at 2; GSA Comments at 2-3.

¹⁹ AT&T Comments at 2.

²⁰ Prodigy Comments at 1 & 2-3 n.3. *See also* IIA Comments at 2 (asserting that by allowing non-LEC service providers to offer tandem-switching functions, the Commission can facilitate the creation of a "network of networks" in which service providers autonomously control delivery of their products).

²¹ ALTS Comments at 3; Ad Hoc Comments at 5; MCI Comments at 3.

²² According to Time Warner, these Full Service Networks

will offer new and innovative video and voice services, as well as basic telecommunications services, such as access services. Time Warner states that, as planned, these networks would provide connectivity with a wide range of content providers, IXCs, enhanced service providers and users. Time Warner asserts that the availability of LEC signalling information would facilitate such connectivity and promote greater diversity and utility of Full Service Network Offerings. Time Warner Comments at 1-4.

²³ Ameritech Comments at 1-2; GTE Comments at 2-5; Rochester Comments at 2.

²⁴ *E.g.*, Bell Atlantic Reply at 3; U S West Reply at 1-7 & 13; Pacific Comments at 1-2, Reply at 1-17.

²⁵ *E.g.*, BellSouth Comments at 1-3, Reply at 1; Southwestern Bell Comments at 1-4 & 23-24, Reply at 1-6 & 16-17. *See also* USTA Comments at 1-3 & 15, Reply at 1-2 & 16.

²⁶ Ameritech Comments at 2-3 & n.3 citing "Petition for Declaratory Ruling and Related Waivers to Establish A New Regulatory Model for the Ameritech Region" (filed March 1, 1993).

²⁷ Rochester Comments at 2-3. Subsequent to filing its pleadings, Rochester filed a petition for waiver of various Part 61 and 69 rules in order to implement its "Open Market Plan." This plan is similar in its general intent to the Ameritech petition and is currently pending. *See* "Rochester Telephone Corp. Petition for Waiver of Part 61 and Part 69 to Implement Open Market Plan" (filed May 19, 1993).

²⁸ GTE Comments at 2.

viewed as a prerequisite for effective market pressure on LEC tandem-switched services. It asserts that a number of close substitutes for such services already exist.²⁹

11. NYNEX and United urge the Commission to proceed cautiously.³⁰ NYNEX proposes various methods by which access to LEC signalling information by interconnectors could be accomplished, while urging us to study carefully the technical limitations of each.³¹ United states that it does not object to the concept that LEC signalling may be passed to interconnectors, but maintains that the benefits of competitive tandem switching may not outweigh the costs.³² United alleges that providing interconnectors signalling information will require potentially expensive switching and billing modifications, which could increase cost to customers and delay call processing.³³

12. USTA alleges that the technical issues are formidable, demand is lacking, significant investment will be required, and competitors are unwilling to pay for the signalling information.³⁴ For these reasons, USTA encourages the Commission to "move forward only when it can document a clear net benefit that will be equitably available . . . and that will be sufficient in magnitude to offset the costs."³⁵ Southwestern Bell opposes the signalling proposal, unless "all of the unlawful and detrimental" aspects of the *Special Access and Switched Transport Expanded Interconnection Orders* are rectified, LECs are granted sufficient cost recovery and increased pricing flexibility, and certain other requirements are satisfied.³⁶

13. Bell Atlantic, Pacific, and U S West argue that LECs should not be required to develop and deploy unbundled tandem signalling because the four conditions precedent to offering Basic Service Elements (BSEs) -- technical feasibility, economic feasibility, expected market demand, and utility -- have not been satisfied.³⁷ Noting assertions by WilTel and CompTel that competitive tandems will rarely be deployed, Pacific and U S West argue that the parties have not demonstrated the utility of signalling services, or

the demand for those services.³⁸ Indeed, U S West characterizes our proposal as a "theoretical exercise" and claims that parties requesting signalling unbundling do so not because they intend to use such information, but rather to provide some kind of "theoretical check" on LEC pricing policies and practices.³⁹ Pacific also claims that the tandem switching proposal would impede broader network efficiency.⁴⁰

2. Technical Requirements and Network Modifications

14. The record identifies four types of signalling information used to provide switched transport: (1) the Carrier Identification Code (CIC), which identifies the caller's selected IXC; (2) the OZZ, (which indicates the specific IXC trunk group that is to carry the call);⁴¹ (3) the Automatic Number Identification (ANI), which identifies the billed number; and (4) the Called Number Identification (CNI), which identifies the called telephone number.⁴² Currently, LECs transmit ANI and CNI to their access customers on originating Feature Group D trunks from LEC end offices and tandems. They do not, however, transmit the CIC and OZZ codes to third parties because IXCs do not need this information to route and bill calls. Thus, these latter codes are dropped by the LECs from the signalling data stream after trunk selection has taken place. In the case of direct-trunked traffic, the CIC and OZZ codes are dropped at the originating end office; in the case of tandem-switched traffic, they are dropped at the tandem. Because the CIC and OZZ codes are needed for tandem switching and are not currently provided to third parties, these data are the focus of this proceeding.⁴³

15. Most parties agree that it would be relatively easy for LECs to provide third parties with the CIC and OZZ codes from LEC end offices via MF or SS7 signalling. Several commenters claim that only a change in end office routing tables would be necessary.⁴⁴ They maintain that LECs would simply have to perform end office translations that

²⁹ GTE Comments at 2-3. GTE claims, for example, that if a LEC increases the price of tandem-switched transport, an IXC can simply use dedicated transport instead of tandem-switched transport and order direct trunks -- from either a LEC or an alternative carrier. *Id.* at 3. GTE also contends that demand for tandem-switched transport will come from larger (rather than smaller) IXCs, which may select tandem-switched transport to carry their traffic that overflows from direct trunks. *Id.*

³⁰ NYNEX Comments at 3 & 18-19; United Comments at 3-7;

³¹ NYNEX Comments at 3.

³² United Comments at 2 & 4.

³³ *Id.* at 4.

³⁴ USTA Reply at 1-13. USTA claims that "no party in the proceeding has expressed any intention to use and pay for Phase II services." USTA Reply at 8 (emphasis in original). See also Bell Atlantic Comments at 1-4, Reply at 2-3; USTA Reply at 7-8. BellSouth "is in substantial agreement with" USTA's Comments and requests that the Commission proceed as outlined by USTA. BellSouth Comments at 3.

³⁵ USTA Reply at 16.

³⁶ Southwestern Bell Comments at 1-4.

³⁷ Bell Atlantic Reply at 2-3; Pacific Reply at 3-10; U S West Reply at 2-7. Bell Atlantic, however, maintains that the Commission should not impose BSE regulatory requirements on the provision of signalling information.

³⁸ Pacific Reply at 3-10; U S West Reply at 2-7. Pacific also asserts in its Reply that signalling services are not technically feasible and would be extremely costly. As discussed *infra*, ho

wever, Pacific subsequently filed an *ex parte* letter acknowledging this assertion to be erroneous with respect to signalling information provided from LEC end offices. See *infra* n.44.

³⁹ U S West Reply at 1-6.

⁴⁰ Pacific Comments at 1.

⁴¹ IXCs may use different trunk groups to carry different classes of calls. For example, 0+ calls may be carried on a different trunk group than direct-dialed domestic calls. The OZZ digits indicate the call type, and thus the trunk group, onto which a particular call should be routed. See Pacific Comments at A-2.

⁴² USTA Comments at 4; US West Comments at 9-10; NYNEX Comments at 5. For terminating traffic, the called telephone number, which the IXC provides, conveys the necessary information to route a call from the IXC to the terminating end office. MFS Comments at 6-7. The first six digits of the ten-digit number identify the end office that serves the called telephone number. *Id.*

⁴³ MCI argues that "each and every signalling feature and function" used by the LECs must be made available to interconnectors. MCI Comments at 2-3. According to MCI, these would include, but not be limited to, all protocols relating to the origination, termination, routing, measurement, network administration, and billing of switched traffic. *Id.* at 3. MCI does not, however, identify these protocols with any greater specificity, and parties do not address the implications of this proposal. Therefore, the record here provides no basis for considering this degree of unbundling.

⁴⁴ Letter from Dee May, Director Regulatory Issues, NYNEX to

have the effect of treating a third-party tandem, as though it were a LEC tandem.⁴⁵ Parties addressing the cost of such a change maintain that it would be minimal and equivalent to the cost of conventional routing table changes that LECs make on a regular basis.⁴⁶ Some parties, however, contend, that because industry standards do not contemplate transmission of CIC and OZZ codes over Feature Group D, the proposal would require action by Committee T.1 of the Exchange Carrier Standards Association. MFS argues that since the costs are minor, LECs should be required to provide the CIC and OZZ from end offices within a reasonably short time.⁴⁷

16. Most parties also agree that providing signalling data at LEC tandems raises more difficult issues.⁴⁸ They claim that unlike the end office, which transmits CIC and OZZ codes to LEC tandems, LEC tandems need not transmit CIC and OZZ codes to any point inside or outside the LEC network. Consequently, they argue, because LEC tandems have not been equipped with the capability of transmitting these data, this information automatically "drops off" the data stream at the LEC tandem.⁴⁹ LECs generally agree that if they modified their tandem software, they could provide or "regenerate" the CIC and OZZ and

transmit it to third-party tandems. Commenters' cost and timing estimates, however, vary considerably. For example, NYNEX claims that software changes would cost at least \$1 million and take a minimum of two years to complete, while Pacific estimates they would cost \$15-25 million and take two to four years to complete.⁵⁰ Southwestern Bell estimates that software upgrades and trunk conversion costs would be \$12.3 million.⁵¹

17. Some LECs question whether these changes are warranted. They note that interconnectors can already collocate at LEC tandems and route traffic from those tandems to their own tandems provided that they use separate trunk groups for each IXC.⁵² They question whether the drawbacks of using separate trunk groups warrant the costs of changing tandem software. Several LECs also question whether such two-tandem architectures are really feasible. They argue that because interconnectors would have to purchase LEC tandem-switched transport in order to receive calls that are routed through a LEC tandem, interconnectors could not offer a viable tandem-switched service using this architecture. In addition, they contend, because calls would have to pass through two tandems, calls would

Gary Phillips and Linda Haller, FCC (March 22, 1994) (NYNEX *Ex Parte*) at 1 (arguing that routing table changes would be required to send signalling information from a NYNEX end office to a third-party tandem); Letter from Jo Ann Goddard, Director Federal Regulatory Relations, Pacific, to William F. Caton, Acting Secretary, FCC (February 17, 1994) (First Pacific *Ex Parte*) at 1 (stating that Pacific's April 2, 1993 comments erroneously claimed that software program modifications would be required to transmit signalling from an end office to a CAP tandem; that "Pacific has since determined that no software changes . . . would be required;" and that only switch routing translations would be involved); Letter from Jo Ann Goddard, Director Federal Regulatory Relations, Pacific, to William F. Caton, Acting Secretary, FCC (March 23, 1994) (Second Pacific *Ex Parte*), Attachment at 1 (arguing that providing signalling from a Pacific end office to a CAP tandem "could be accomplished within a standard software translation interval of forty-five days"); Letter from Anthony M. Alessi, Director, Federal Relations, Ameritech, to William F. Caton, Acting Secretary, FCC (March 21, 1994) (Ameritech *Ex Parte*) at 1 (asserting that signalling information that is provided from an Ameritech end office to an Ameritech tandem could be provided to a third-party's tandem via a routing change); AT&T Reply at 7-8 n.15; United Comments at 5.

⁴⁵ First Pacific *Ex Parte* at 1 and Second Pacific *Ex Parte*, Attachment at 1 (arguing that Pacific could pass CIC and OZZ information by making switch routing or software translations); US West Comments at 10-11 (claiming that LECs could send the CIC and OZZ information to an interconnector tandem by "telling" the network that an interconnector tandem is a LEC tandem); GTE Comments at 7 (asserting that signalling information is available regardless of the identity of the owner of the tandem to which the equal access end office sends it); USTA Comments at 5 (contending that LECs may provide the CIC and OZZ by performing end office translations "which have the effect of treating a CAP access tandem as though it were a LEC access tandem"); NYNEX Comments at 11, n.10 (claiming that signalling information could be routed from LEC end office to interconnector tandem by "tricking" end office into believing that interconnector tandem is LEC tandem). *Accord* MFS Reply at 2 & 5.

⁴⁶ See Ameritech *Ex Parte* at 1 (arguing that "[c]hanging the routing of the traffic from Ameritech's tandem to another provider's tandem would be similar to a trunk rearrangement"); NYNEX *Ex Parte* at 1 (claiming that no new rate elements would be needed). U S West seems to acknowledge that the CIC

and OZZ information could be provided to third parties relatively easily, but declines to quantify the costs of doing so. Rather, U S West contends that since there is no evidence of any current need for the information, there is no reason to quantify the costs of providing it. U S West Reply at 11. Other parties assert that providing signalling information to third-party tandems would be costly, though these parties do not appear to differentiate end office-provided signalling from tandem-provided signalling. See United Comments at 4. Some parties also cite cost estimates contained in Ameritech's Comments. See GTE Reply at 8; USTA Reply at 1. As indicated above, however, Ameritech itself in a subsequent *ex parte* contends that end-office generated signalling information would be similar to a simple trunk rearrangement. Ameritech *Ex Parte* at 1.

⁴⁷ MFS Reply at 2.

⁴⁸ E.g., NYNEX Comments at 6-9 & Exhibit 2; Pacific Comments at A2-A4; GTE Comments at 8-10; Southwestern Bell Comments at 20-21; USTA Comments at 4-7; United Comments at 5-6.

⁴⁹ E.g., NYNEX Comments at 7; United Comments at 5-6. NYNEX also claims that using either two tandems or a single interconnector tandem, LECs also would have to assign additional CIC codes to IXCs. NYNEX Comments at 8 & 11. According to NYNEX, assignment of multiple codes would be necessary to distinguish between an IXC's traffic to be routed to an interconnector from that to be routed by a LEC. *Id.* at 8. WilTel notes, however, that IXCs probably will not want to divide their traffic in a single end office between an interconnector and a LEC because dividing IXC traffic would decrease trunking efficiency for IXCs. WilTel Reply at 11. WilTel acknowledges that some IXCs may want to route their traffic to interconnectors and use LEC tandems for overflow, but argues that such a routing arrangement would not require assignment of multiple CICs. *Id.*

⁵⁰ NYNEX Comments at 7-8; Pacific Comments at A-3 to A-4. NYNEX bases its estimate on a cost of at least \$50,000 per tandem switch, for a total of 23 tandems, and notes that the costs could be much higher. NYNEX Comments at 7-8.

⁵¹ Letter from William A. Blase, Jr., Director Federal Regulatory, Southwestern Bell Corporation to William F. Caton, Acting Secretary, FCC (April 22, 1994) (Southwestern Bell *Ex Parte*), Attachment at 2-3. Southwestern Bell also suggests that additional CIC codes could require replacement of certain switches. *Id.* at 3. As noted, however, it does not appear that new CIC codes will be necessary. See *supra* n.48.

⁵² See, e.g., GTE Comments at 9.

be delayed.⁵³ LECs also note that because interconnectors would have to purchase LEC tandem-switched transport to receive calls from a LEC tandem, this architecture would not increase competition for LEC tandem-switched services. At the same time, LECs acknowledge that interconnectors may require the ability to receive signalling information from LEC tandems in order to provide tandem-switched 800 service.⁵⁴

18. In reply, MFS denies that using separate trunks for each IXC is an adequate substitute for switching information. It asserts that while it would primarily rely on signalling information from LEC end offices, the availability of such information from tandems as well "could provide a useful adjunct to other forms of interconnection" to assure its ability to originate and terminate traffic ubiquitously.⁵⁵ Nevertheless, acknowledging that these modifications may be more extensive and expensive than end office changes, MFS claims that signalling information should be offered at LEC tandems only upon receipt of a *bona fide* request, and sufficient time should be allowed for development of the requisite software.⁵⁶ ALTS maintains that availability of signalling information from LEC tandems would allow interconnectors to route traffic from fewer end offices, and require less construction of links.⁵⁷

19. A number of parties raise questions about the provision of signalling information via SS7 from LEC end offices and tandems. Several LECs argue that LECs should not be required to provide SS7 interconnection at their end offices and tandems, but rather, at their signalling transfer points (STPs).⁵⁸ They argue that only an STP has the capability to examine an SS7 signal to ensure that the signal is from an authorized source and that the SS7 messages conform to appropriate protocols. They assert that SS7 signals that are not subjected to these screening functions are more likely to cause network failures.⁵⁹ Therefore, they argue, if interconnectors can send messages directly to a LEC end office or tandem, LECs would have to recreate, in effect, their SS7 networks to equip end offices and tandems with the screening capabilities now performed by STPs. This, the LECs argue, would be enormously costly. LECs also argue that because STPs are capable of handling large volumes of traffic, it is more efficient to route SS7 signals through a few centralized STPs, rather than to install STP capabilities in every LEC switching office.⁶⁰

AT&T asserts that to facilitate use of CCS signalling by interconnectors, such signalling must be made available at LEC STPs. AT&T argues that it would be completely infeasible for interconnectors to build SS7 facilities to each LEC end office and that LECs should therefore be required to make it available at STPs as well as tandems and end offices.⁶¹ In reply, ALTS agrees that interconnectors must have access to LEC STPs, but asserts that LECs should not be permitted "to artificially constrain the locations at which the features and functions are made available."⁶²

3. Billing

20. Some LECs argue that use of interconnector tandems raises issues with respect to LEC billing of originating and terminating switched access charges.⁶³ LECs explain that originating usage normally is recorded at the originating end office upon receipt by the end office switch of trunk seizure acknowledgment from the IXC.⁶⁴ LECs assert that if interconnectors provide tandem-switched transport, originating usage recording should begin when the interconnector's tandem receives the call, rather than when the IXC switch receives the call. They also argue that the interconnector's tandem must be equipped to send a signal to the originating LEC indicating that the call has been received so that originating billing can begin.⁶⁵ LECs state that unless the interconnector tandem provides this signal, it would be impossible for the originating LEC to bill the appropriate usage sensitive charges.⁶⁶ LECs also claim that where an interconnector purchases LEC transport from a LEC end office to an interconnector's tandem switch, LECs would have to modify their billing procedures to charge that interconnector for the LEC-provided transport. They assert that current billing system parameters bill all calls with tandem signalling at tandem-switched transport rates.⁶⁷

21. Terminating traffic, according to the LECs, poses more difficult billing problems. LECs assert that terminating billing for switched access traffic is recorded in the first LEC facility that receives the traffic -- which in the case of tandem-switched transport, is the LEC tandem.⁶⁸ LECs maintain that their end offices cannot record billing information for terminating tandem-switched transport because they have no way of identifying the amount to bill

⁵³ NYNEX Comments at 8-9.

⁵⁴ E.g., Southwestern Bell Comments at 20; Pacific Comments at A-6; GTE Comments at 10; USTA Comments at 6. These LECs note that under the 800 database system, 800 calls originating in end offices that lack SS7 capabilities must be routed to a LEC tandem for IXC identification. Thus, the CIC and OZZ codes for such calls are not generated until after the call has been routed to a LEC tandem.

⁵⁵ MFS Reply at 4.

⁵⁶ *Id.* at 2-3.

⁵⁷ ALTS *Ex Parte*.

⁵⁸ GTE Comments at 16-17; Southwestern Bell Comments at 19; USTA Comments at 3-4.

⁵⁹ GTE Comments at 16. See BellSouth Comments at 2-3 (the Commission should ensure that any measures it adopts "give due regard to the future performance and security of LEC networks).

⁶⁰ GTE Comments at 16.

⁶¹ AT&T Comments at 5.

⁶² ALTS Reply at 6 & n.17.

⁶³ These charges include carrier common line, local switching, and if provided by the LEC, tandem switching.

⁶⁴ NYNEX Comments at 11; GTE Comments at 13. In an MF environment, the IXC sends what is commonly termed a "wink" to the originating LEC to confirm its receipt of the call and trigger originating access billing. With SS7 connections, the IXC transmits either an "initial address message" or "exit message" to the LEC, depending on the architecture.

⁶⁵ *Id.*

⁶⁶ These charges include the carrier common line charge and the local switching charge.

⁶⁷ See, e.g., USTA Comments at 5; GTE Comments at 7 n.10; US West Comments at 11. USTA explains that without a modification, the LEC end office would create a billing record as if the traffic were routed on the LEC's, rather than an interconnector's network, and charge an interconnector tandem-switched interoffice transport and tandem-switching, rather than direct-trunked transport. USTA Comments at 5. USTA claims that LEC ability to make requisite modifications and the costs of such adjustments are unknown. *Id.*

⁶⁸ USTA Comments at 7; NYNEX Comments at 11-12 & n.10; Pacific Comments at A-7 to A-8.

each IXC after the traffic is loaded onto common facilities. They assert that if an interconnector is deemed the customer of record for terminating usage, this would pose no problems, as the LECs could simply bill the interconnector for all terminating usage.⁶⁹ LECs state, though, that if the LEC customer of record is an IXC that uses an interconnector tandem, special arrangements would have to be made.

22. LECs indicate that there would be three possible solutions to the terminating billing problem. First, LECs and interconnectors could modify their respective networks so that interconnectors could send and LECs could receive carrier identification information for calls terminating from an interconnector tandem.⁷⁰ Pacific estimates that it would cost \$5-10 million and take three to five years for it to make this modification.⁷¹ Second, LECs could bill IXCs based on data recorded at interconnector tandems and provided via usage tapes to LECs.⁷² NYNEX claims that this approach would be satisfactory if the interconnector assumed liability for any discrepancy between LEC billing records and interconnector-provided tapes.⁷³ Ameritech, however, opposes this approach, claiming that it has been problematic when used in meet point billing situations.⁷⁴ Third, some parties suggest that interconnectors could construct dedicated IXC trunks from their tandems to LEC end offices.⁷⁵

23. MFS strongly favors the second approach, though it opposes assuming liability for any discrepancy in LEC and interconnector records.⁷⁶ MFS argues that interconnectors and LECs should be considered "co-carriers" of switched access service and should follow the same "well-established" procedures governing the billing and division of revenues that apply when an end office operated by one LEC is "homed" to a tandem operated by another LEC.⁷⁷ MFS suggests that as co-carriers, both interconnectors and LECs would be required to comply with such "meet-point" billing procedures, unless the interconnector chooses not to be treated as a co-carrier, in which case the interconnector would be billed by the LEC as the LEC customer.⁷⁸ MFS also argues that requiring interconnectors to construct direct trunks from their tandems to LEC end offices would defeat the purpose of this proceeding, which is to enable interconnectors to provide tandem-switched service in lieu of direct trunks.⁷⁹

C. Discussion

24. We now affirm our tentative conclusion that broader interconnection requirements to facilitate access competition are in the public interest. In accordance with this finding, we require Tier 1 LECs (except NECA pool mem-

bers) to provide signalling information from equal access end offices so that third parties may install their own tandems to provide tandem-switching services. Third parties may collocate at LEC end offices and provide their own tandem-switched transport between those end offices and their tandems, or they may purchase LEC transport to their tandems. We do not require LECs to provide signalling information for tandem switching from their tandems since we find that the record does not support the establishment of such a requirement at this time.

25. We conclude that the availability to third parties of signalling information needed for tandem switching could provide significant public benefits. It would facilitate broader access competition by enabling interconnectors to offer competitive interstate tandem-switching and transport services. In addition, it would increase opportunities for small IXCs to gain economies of scale by sharing direct-routed transport facilities and providing their own tandem-switching. As we stated in the *Notice*, broader access competition should exert downward pressure on tandem-switched transport rates, while fostering more efficient provisioning of these services by new competitors and LECs. Competition also should encourage innovation and investment in new technologies and could offer increased network reliability through route diversity and redundancy. IXCs would benefit from greater competition in the tandem-switched service market. Small IXCs would especially benefit because they tend to rely more heavily on tandem-switched transport than larger IXCs. In addition, by promoting competition in tandem-switched transport services and facilitating the use of direct-trunked transport by small IXCs, these measures should help ensure more rational cost-based pricing relationships between LEC direct-trunked and tandem-switching transport services, thereby lessening the need for regulatory controls and fostering more efficient use of these services. All of these benefits should contribute to economic growth -- by enabling IXCs to use more efficient transport arrangements, by fostering better, more reliable, and more rationally priced access services, as well as by creating new market opportunities for interconnectors.

26. We also conclude that LECs can make signalling information available from their end offices at very little cost. Indeed, the record indicates that the costs to LECs of providing such information from end offices may well be *de minimis*, involving only a simple change in the end office routing table. While a few LECs baldly assert that the costs of providing signalling could be significant, these LECs do not substantiate their allegations with cost estimates or data.⁸⁰ Nor do they distinguish between end

⁶⁹ NYNEX Comments at 12; GTE Comments at 8, 10 & 11; Ameritech *Ex Parte* at 2.

⁷⁰ See Pacific Comments at A-7.

⁷¹ *Id.* at A-7.

⁷² NYNEX Comments at 13-14; Pacific Comments at A-8; Southwestern Bell *Ex Parte* Attachment at 3. Southwestern Bell and Pacific claim that this would require significant changes in LEC accounting systems. Southwestern Bell *Ex Parte* Attachment at 3-5; Pacific Comments at A-8. NYNEX and Pacific argue that if the LEC-measured amount exceeded the interconnector-measured amount, the LEC should bill the interconnector for the difference. NYNEX Comments at 13-14; Southwestern Bell *Ex Parte* Attachment at 3-5.

⁷³ NYNEX Comments at 13-14.

⁷⁴ Ameritech *Ex Parte* at 2.

⁷⁵ NYNEX Comments at 14; GTE Comments at 11; USTA Comments at 7-8.

⁷⁶ MFS Comments at 16-20, Reply at 5-8. See also ALTS Reply at 4.

⁷⁷ MFS Comments at 16-20, Reply at 5-8.

⁷⁸ *Id.*

⁷⁹ MFS Reply at 5-6 & n.4.

⁸⁰ As noted supra, n.46, while some LECs cite cost estimates submitted by Ameritech in its Comments, Ameritech subsequently clarified that these costs would not have to be incurred in order to transmit signalling information from an end office to an interconnector tandem. Ameritech *Ex Parte* at 1.

-office generated and tandem-generated signalling information. Moreover, no party has shown that the necessary modifications to LEC billing systems would be unreasonably costly or burdensome, or that the asserted need to change industry standards to accommodate the passage of CIC and OZZ codes over Feature Group D represents a significant barrier to the implementation of this proposal. On the contrary, we believe that any such measures could be accomplished without undue burden or cost.

27. Nor are we persuaded that competitive tandem switching services would require assignment of CICs to IXC. NYNEX's assertion that multiple CICs would be required assumes that IXCs would be able to specify different routing for different calls originating at the same end office. Thus, NYNEX assumes, for example, that IXCs would seek to route certain calls to an interconnector tandem and others to a POP or a LEC tandem. NYNEX argues that the IXC would need additional CICs to reflect the additional routing options available to it. The record fails to indicate, however, that any entity would actually seek to offer or use that kind of routing dynamic. Even without additional CIC assignments, IXCs would be able to designate a primary route and an overflow route for their traffic, thereby securing the benefits of both route and carrier diversity. Moreover, IXCs could vary routing between a LEC and third party tandem on an end-office-by-end-office basis or, perhaps, based on OZZ codes -- thereby designating one as primary for a particular type of traffic and another for a different type of traffic. No IXC indicates that these options are insufficient, at least for now. Therefore, no additional CIC code assignments would have to be made to accommodate competitive tandem-switched networks.

28. U S West and others assert that third parties do not really want signalling information and that IXCs do not really want to use competitively-provided tandem-switching services. The record belies U S West's contention. The vast majority of parties, including IXCs, CAPs, users, and some LECs argue that unbundled signalling information would allow development of alternatives to LEC tandem-switched transport services and they urge us to make such information available.⁸¹ Moreover, even if the measures we now take do not produce an immediate change in the access market, we think they will be beneficial in the long-term. By eliminating barriers to competition in the provision of tandem-switched services, we will be paving the way to a more competitive access market in the future.⁸² Since the costs of providing signalling information from equal access end offices are so small, these benefits are well worth the costs.⁸³

29. On the other hand, it appears that providing signalling information from LEC tandems would require software upgrades to those tandems.⁸⁴ In addition, the record indicates that tandem-provided signalling may be of less utility to TSPs than end office-provided signalling.⁸⁵ While MFS and ALTS claim generally that tandem-provided signalling could provide a useful adjunct to other forms of interconnection, they do not explain with any specificity how they could use such an architecture, or how a two-tandem architecture could actually be competitively viable, either from a service quality or pricing standpoint. Therefore, based on the current record, we do not require LECs to provide this service at this time.

30. We clarify that in proposing access to LEC signalling information from LEC end offices and tandems, we did not intend to require LECs to reconfigure their SS7 networks. Thus, we hold that LECs may provide end-office-generated signalling information through STPs, and they may require TSPs that are terminating traffic to transmit signalling information to LEC end offices through LEC STPs. We recognize that STPs perform important network screening functions; we do not require LECs to decentralize those functions by deploying them in every switch. Moreover, the record does not indicate that TSPs would seek to interconnect via SS7 at end offices, rather than at STPs. Rather, as AT&T and others point out, it would be far more efficient for them to interconnect at STPs.

31. Finally, with respect to billing of terminating traffic, we believe that, consistent with our earlier expanded interconnection measures, the customer of record of the terminating LEC should be billed by the terminating LEC for services provided by that LEC. If the TSP is the customer of record, the LEC should bill the TSP directly. If the TSP's customer is the customer of record, then the TSP must provide the LEC with billing tapes so that the LEC may properly count and bill access minutes. We reject the suggestion of some LECs that all discrepancies between TSP-provided billing tapes and LEC billing records should be resolved in favor of the LECs. We believe that TSPs and LECs can and should establish fair and reasonable procedures to resolve billing discrepancies.⁸⁶

IV. COLLOCATION

32. *Notice.* In the *Notice*, we tentatively concluded that collocation of competitors' switches in LEC central offices is neither necessary nor desirable to promote facilities-based competition for switched access services.⁸⁷ We also tentatively concluded that interconnectors should not be entitled to place in the central office, or designate for their use, other types of switch-related equipment, such as that

⁸¹ See *supra* ¶¶ 9-10.

⁸² Moreover, the availability of signalling information to third parties could, in itself and even without actual entry into the market by competitive tandem-switching providers, subject LEC pricing to some additional competitive pressures.

⁸³ Our conclusion that LECs should be required to offer signalling information from equal access end offices is not based on application of the test that governs LEC BSE offerings since signalling information is not a BSE (see *infra* ¶ 54). Nevertheless, our conclusion is based on the same type of cost/benefit considerations.

⁸⁴ See *supra* ¶ 17.

⁸⁵ See *supra* ¶ 18.

⁸⁶ We do not base our decision that LECs must, in some

instances, accept billing tapes from TSPs on MFS' co-carrier model. We are requiring LECs to make signalling information available to any third party, not just providers of competitive tandem-switched transport services. Thus, as noted, small IXCs may use signalling information as a way to aggregate their traffic on direct-trunked transport facilities purchased from a LEC so that they can enjoy the same scale economies as larger IXCs. In that situation, the IXC ordering the signalling and transport would be a reseller or aggregator, not a co-carrier. Indeed, if the meet-point billing model advanced by MFS applied, TSPs would not be able to purchase direct-trunked transport from a LEC, since LEC tandem-switched transport rates to the "meet-point" would apply.

⁸⁷ *Notice*, 7 FCC Red at 7748, ¶ 47.

used for call recording and traffic measurement.⁸⁸ We noted that while interconnector transmission equipment must be located in LEC central offices to terminate interconnector circuits, interconnectors could readily connect their transmission facilities to switches and related equipment located on their own premises. We also stated that we expected that interconnectors would prefer to locate their switches on their own premises. Finally, we noted that unlike transmission equipment, switching facilities can occupy a substantial amount of floor space, and as a result, mandated collocation could contribute greatly to space exhaustion.⁸⁹

33. *Positions of the Parties.* The vast majority of parties support our tentative conclusion not to require collocation of interconnector switches or switch-related equipment in LEC offices.⁹⁰ They argue that the collocation of switching equipment offers no technical advantages because the location of switches does not affect the quality or cost of switching services.⁹¹ Most commenters also agree that switches take up much more floor space than transmission equipment and, as noted in the *Notice*, that collocation of switching equipment could thus greatly accelerate the exhaustion of available floor space.⁹² They argue that any reasonably sized switch would take up at least several hundred square feet.⁹³ Pacific adds that collocation could also require upgrades to heating, ventilation, and air conditioning systems.⁹⁴ MFS acknowledges that it would strongly prefer to locate its switching equipment on its own premises because switches generally require much more constant and careful monitoring and supervision than transmission equipment. It states, however, that its position is premised on the Commission's adoption of adequate non-discrimination safeguards to assure that interconnectors are not disadvantaged because of their inability to collocate switching equipment. Specifically, MFS requests that LECs not be permitted to manipulate rate structure or levels, or impose any technical criteria that confer an advantage due to the location of their tandem switches.⁹⁵ Finally, U S West argues that we lack authority to order collocation of switching equipment.⁹⁶

34. Ad Hoc, on the other hand, favors mandatory collocation. Ad Hoc argues that only collocation can approximate the terms and conditions on which the LECs interconnect their own tandem circuits and that collocation reduces LEC opportunities for "strategic manipulation." It

argues, further, that because the Commission has ordered collocation for transmission equipment, a different rule for switching equipment will require "line-drawing exercises that will create ongoing controversies, waste the Commission's scarce resources, and ultimately confuse the marketplace." Rather than perpetuate such line-drawing exercises, it states, the Commission should move towards a system of "mutual openness."⁹⁷

35. *Discussion.* We now affirm our tentative conclusion that physical collocation of switching equipment should not be required. Virtually every commenter that addressed this issue supported our tentative conclusion and the reasoning behind it. Thus, they agree that there is no competitive or technical benefit to locating switching equipment in LEC offices; that switching equipment is too large and too heavy to be collocated in LEC space; and that interconnectors would prefer to place their switching equipment on their own premises for monitoring purposes. The arguments offered in support of mandatory collocation are not convincing. No one has shown why the line-drawing process between switching and transmission equipment would be unmanageable or that collocation is necessary to ensure fair and nondiscriminatory treatment of interconnectors by LECs. Indeed, our tariffing and general nondiscrimination requirements should provide sufficient protection against unfair or unreasonably discriminatory LEC rates and practices.

V. PRICING ISSUES

A. LEC Charges for Signalling Services

1. Notice and Background

36. In the *Notice*, we sought comment on whether LECs should price signalling information according to the new services test.⁹⁸ We also proposed that LECs not be allowed to use the net revenue test to justify new signalling service charges.⁹⁹

2. Positions of the Parties

37. The majority of commenters favor the new services test.¹⁰⁰ On the other hand, Teleport, Teleport Denver, and Time Warner oppose it, arguing that signalling services

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *E.g.*, Ameritech Comments at 14; MFS Comments at 13-14; MCI Comments at 3-4; GSA Comments at 4; Southwestern Bell Comments at 12; U S West Comments at 5-7; USTA Comments at 11; Rochester Comments at 3; NYNEX Comments at 16; Bell Atlantic Comments at 1-2; Pacific Comments at 12-14; United Comments at 3; GTE Comments at 19-20.

⁹¹ *E.g.*, Ameritech Comments at 14-15; NYNEX Comments at 16; United Comments at 8; Southwestern Bell Comments at 12-13; U S West Comments at 6-7.

⁹² *E.g.*, MCI Comments at 3-4; Ameritech Comments at 14; USTA Comments at 12.

⁹³ *See, e.g.*, Ameritech Comments at 14. U S West asserts that its tandem switches occupy no less than 900 square feet and as much as 3900 square feet. U S West Comments at 7. *See also* MFS Comments at 14 (acknowledging Commission's floor space concerns).

⁹⁴ Pacific Comments at 14.

⁹⁵ MFS Comments at 14. *See also* ALTS Comments at 9-10

(agreeing that collocation is not necessary if Commission recognizes need for continued oversight to protect against discrimination by LECs).

⁹⁶ U S West Comments at 6.

⁹⁷ Ad Hoc Comments at 15-16.

⁹⁸ *Notice*, 7 FCC Rcd at 7748, ¶ 50.

⁹⁹ *Id.*

¹⁰⁰ *E.g.*, MCI Comments at 4-5; GSA Comments at 4-5, Reply at 6-7; ALTS Comments at 11-12; Ad Hoc Comments at 16-17; ITN Reply at 3-4; U S West Comments at 14; United Reply at 4-5; Rochester Reply at 7. *See also* Pacific Reply at 17-19 & n.44 (arguing that LECs should be able to recover their expense and investment, including reasonable overhead). MCI supports the new services test for setting initial rates for signalling and requests that interested parties have access to all LEC models used to justify their rates. MCI Comments at 4-5 & n.9. MCI states, however, that eventually, the rates for all LEC services must be based upon total service long run incremental costs and developed on a functional basis. *Id.* at 4-5.

should be priced based on incremental cost.¹⁰¹ Southwestern Bell also appears to oppose the new services test, claiming that uniform overhead loadings are not likely to be consistent with marketplace realities.¹⁰²

38. The parties differ on whether there should be a new rate element for signalling information. NYNEX contends that "no new rate elements would need to be created" for LEC end-office provisioning of signalling data.¹⁰³ Similarly, Ameritech argues that providing signalling data from the end office to an interconnector tandem would be similar to a trunk rearrangement.¹⁰⁴ GTE favors establishing a new rate element, arguing that even if signalling services can be based on existing network capabilities, the customers that choose to purchase those services should pay for the LEC costs incurred in developing and testing them and in making the necessary billing and ordering system changes.¹⁰⁵ Similarly, United asserts that LECs will incur costs in modifying their billing systems to bill interconnectors properly for LEC-provided transport between LEC end offices and interconnector tandems, and that they should recover those costs from interconnectors on a per call basis.¹⁰⁶ Pacific suggests that signalling services be offered through additional optional expanded interconnection rate elements for interconnectors that are collocated, and as optional rate elements on LEC transport services for those that are not collocated.¹⁰⁷ U S West also suggests establishing a separate signalling charge.¹⁰⁸

39. MCI requests that we create a separate service category for signalling services and apply the same pricing constraints as those required for the tandem-switched transport service category.¹⁰⁹ MCI argues that a separate category is necessary to prevent LECs from raising rates for signalling services and reducing tandem-switched transport rates, while staying within the limits of the banding constraints.¹¹⁰ Pacific and Rochester oppose MCI's request.¹¹¹ Pacific contends that it would impede the price cap goal of allowing LECs to adjust rates according to demand; Rochester argues that the price cap rules are sufficient to constrain alleged anticompetitive pricing without creation of additional service categories.¹¹²

40. MFS argues that rather than establishing new rate elements for signalling information needed for tandem-switching and treating interconnectors as resellers of LEC

services, the Commission should treat interconnectors as "co-carriers" of switched access service.¹¹³ Under this paradigm, MFS argues, LECs would recover the costs of providing signalling information from either: (1) the local switching charge; or (2) a new rate element applied to all switched access minutes that use tandem signalling.¹¹⁴ Rochester supports "co-carrier" status of interconnectors, viewing it like Commission treatment of cellular carriers and adjacent LECs.¹¹⁵ Rochester claims that MFS merely seeks recognition that it is not only a LEC competitor, but also a joint service provider.¹¹⁶

41. Most LECs, USTA, and AT&T oppose MFS' co-carrier model, including its pricing proposals. Some LECs argue that they must treat all of their customers alike and cannot practically distinguish among customers based on the kinds of services those customers offer to others.¹¹⁷ Pacific argues that even if such distinctions could be made, they may not be appropriate.¹¹⁸ Some parties also dispute MFS' assertion that interconnectors should be viewed in the same light as a LEC that provides joint service with another LEC or as a cellular carrier that interconnects with a LEC network. They argue that neighboring LECs that provide joint service do so in order to transmit calls between separate franchise areas and do not compete in offering access service to the same locations, as do LECs and interconnectors.¹¹⁹ Similarly, Pacific argues that cellular providers, unlike interconnectors, target a separate market of mobile customers who cannot be served in their automobiles by LEC landline services.¹²⁰

42. Several parties strongly object to MFS' suggestion that the costs of providing signalling information to interconnectors should be borne by all switched access customers or all tandem-switched access customers. They argue that MFS is seeking a "free ride" and that its proposal is inconsistent with FCC policies dictating that the costs of providing a service should be paid by the users of that service.¹²¹

3. Discussion

43. We now conclude that LEC provision of CIC and OZZ data to TSPs from LEC end offices will constitute a new service under our price caps regime, which covers all Tier 1 LECs. New services "add to the range of options

¹⁰¹ Teleport Comments at 3; Teleport Denver Comments at 3-5; Time Warner Comments at 5. For example, Teleport Denver argues that interconnectors have no choice but to buy LEC bottleneck facilities, and therefore, should not be "saddled" with the LECs' own inefficiencies, and that signalling should be based on the LEC's actual costs. Teleport Denver Comments at 3-5.

¹⁰² Southwestern Bell Reply at 11-12 & n.28, citing MCI Comments at 4.

¹⁰³ NYNEX *Ex Parte* at 1. Given this statement, presumably NYNEX's earlier argument that LECs should recover their costs through a new rate element relates to tandem-provided signalling. See NYNEX Comments at 7-8, Reply at 6.

¹⁰⁴ Ameritech *Ex Parte* at 1. Ameritech, however, does not specifically oppose establishment of a new rate element.

¹⁰⁵ GTE Comments at 17, Reply at 10-11.

¹⁰⁶ United Comments at 2 & 7.

¹⁰⁷ Pacific Comments at 8-9, Reply at 32-33. See also Second Pacific *Ex Parte*, Attachment at 2.

¹⁰⁸ U S West Comments at 14.

¹⁰⁹ MCI Comments at 5-6.

¹¹⁰ *Id.*

¹¹¹ Pacific Reply at 51-52; Rochester Reply at 7-8, citing MCI Comments at 5-6.

¹¹² Pacific Reply at 51-52; Rochester Reply at 7-8.

¹¹³ MFS Comments at 16-20, Reply at 6-8.

¹¹⁴ MFS Comments at 20. MFS also asserts that a separate rate element for tandem signalling would not be appropriate if the same end office equipment performs signalling for both direct-trunked and tandem-switched transport. In that case, MFS asserts costs should be recovered through the local switching charge. *Id.* at 20 n.18.

¹¹⁵ Rochester Reply at 4.

¹¹⁶ *Id.*

¹¹⁷ See, e.g., Ameritech Reply at 2; USTA Reply at 10-12; GTE Reply at 13.

¹¹⁸ Pacific Reply at 25.

¹¹⁹ Pacific Reply at 21-24; United Reply at 6-7.

¹²⁰ Pacific Reply at 25.

¹²¹ Bell Atlantic Reply at 4-5; NYNEX Reply at 8; GTE Reply at 11.

already available to customers."¹²² While LECs currently transmit CIC and OZZ codes to their own access tandems, they do not provide this information to their customers. Therefore, these data "add to the range of options" of LEC customers and hence represent a new service.¹²³

44. LECs will be required to make a cost-based showing under the price caps new services test.¹²⁴ This showing will enable us to ensure that signalling services are reasonably priced. We will not use the net revenue test in reviewing LEC tariff filings.¹²⁵ That test is unnecessary, both because of our requirement that LECs submit cost support for new services, and because LECs clearly lack incentives to underprice signalling services provided to competitive tandem-switching providers.

45. We conclude further that LECs must establish new rate elements for CIC and OZZ signalling data as a separate service category within the trunking basket. This category will be subject to an upper pricing band of 2%. Because LECs have no incentive to price signalling services at predatory levels, we see no need for a lower band and therefore do not impose one. We agree with MCI that these measures are necessary to prevent LECs from offsetting increases in the price of signalling information provided to TSPs with price reductions in the LECs' own tandem-switched transport rates.

46. We reject MFS' pricing proposals. First, for the reasons discussed previously, we do not believe that the co-carrier model advanced by MFS aptly defines the LEC/TSP relationship.¹²⁶ Second, the MFS pricing proposals are not necessarily consistent with a co-carrier model. For example, even though we have stated that cellular service providers are like co-carriers,¹²⁷ we have never held that cellular interconnection charges should be imposed on all LEC customers or on all cellular users, rather than on the providers taking interconnection. Thus, a co-carrier model does not necessarily dictate that the costs unique to providing a joint service should always be directly imposed on the LEC's customers or on all customers of the service in question. Yet this is precisely the result that MFS seeks. Third, we do not believe that the specific cost recovery

mechanism advocated by MFS is appropriate. Whereas MFS would have all purchasers of switched transport or tandem-switched transport bear the costs of making signalling information available to TSPs, we believe that TSPs should pay for such costs. This is consistent with the Commission's long-held view that costs should be paid by the cost causer.

B. Recovery of Support Flows

47. *Notice and Background.* In the *Transport Order*, we instituted an interconnection charge to be paid by all interstate access customers that interconnect with the LEC switched access network, including IXCs and competitive access providers.¹²⁸ The interconnection charge was created at the time we adopted the interim rate structure as a residual charge to make the transport rate structure revenue neutral. The initial transport interconnection charge was computed as the difference between the revenue generated by rates for transport before the interim rate structure was implemented and the revenues from facilities-based transport rate elements under the interim rate structure.¹²⁹ In the *Notice*, we tentatively concluded that there was no need to develop an additional charge to recover support flows associated with tandem switching because the interconnection charge already includes such support flows.¹³⁰

48. *Positions of the Parties.* Several commenters, including interconnectors and some LECs, assert that there is no need to establish an additional charge to recover support flows associated with tandem switching.¹³¹ MCI and MFS argue that the transport interconnection charge more than adequately protects any LEC subsidy flows.¹³² According to MFS, the interconnection charge will not only recover revenues sufficient to preserve subsidies, but will recoup various LEC capital and operating costs that should be captured through cost-based charges for specific services.¹³³ Further contribution, MFS maintains, would be unreason-

¹²² The LEC Price Cap Order defines new services by stating that "as long as the pre-existing service is still offered, and the range of alternatives available to consumers is increased, we will classify the service as new." Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 5 FCC Rcd 6786, 6824 (1990), modified on reconsideration (*Rates for Dominant Carriers Reconsideration*), 6 FCC Rcd 2637 (1991), further modified, 6 FCC Rcd 4524 (1991).

¹²³ While LECs appear to be able to provide this new service without implementing new technology, the need -- or absence of need -- for new technology does not dictate the categorization of the service under price caps. See Provision of Access for 800 Service, Second Report and Order, 8 FCC Rcd 907, 911 (1993) (rejecting claims that basic 800 data base service should be classified as a new service because it requires implementation of new technology). Rather, this factor affects the costs and thus the price that LECs may charge for a new service.

¹²⁴ See Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, Policy and Rules Concerning Rates for Dominant Carriers, Report and Order & Order on Further Reconsideration & Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 4524, 4528-4531, ¶¶ 24-44 (1991), Memorandum Opinion & Order on Second Further Reconsideration, 7 FCC Rcd 5235 (1992).

¹²⁵ This is consistent with our decision to eliminate the net

revenue test for new service offerings under price caps. See Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, 7 FCC Rcd 5235, 5237, ¶ 12 (1992).

¹²⁶ See *supra* n.86.

¹²⁷ See The Need to Promote Competition and Efficient Use of Spectrum for Radio Common Carrier Services, 2 FCC Rcd 2910, 2916 (1987).

¹²⁸ Transport Rate Structure and Pricing, Report and Order and Further Notice of Proposed Rulemaking, 7 FCC Rcd 7006, 7038-7040, ¶¶ 61-64 (1992).

¹²⁹ *Transport Order*, 7 FCC Rcd at 7038, § 61. See also Transport Rate Structure and Pricing, Order and Further Notice of Proposed Rulemaking, 6 FCC Rcd 5341, 5347, ¶ 28 (1991).

¹³⁰ *Notice*, 7 FCC Rcd at 7748, ¶ 51.

¹³¹ Teleport Comments at 3; MFS Comments at 21; MCI Comments at 5, Reply at 8-9; Teleport Denver Comments at 5; Ad Hoc Comments at 17; ALTS Comments at 12-13; NYNEX Comments at 18-19; Rochester Reply at 8 n.22. Rochester asserts, however, that to the extent that existing separations and cost allocation rules create uneconomic distortions in exchange carriers' pricing, the Commission should take corrective action. Rochester Reply at 8 n.22.

¹³² MFS Comments at 21; MCI Comments at 5, Reply at 8-9. Accord Teleport Denver Comments at 5.

¹³³ MFS Comments at 21.

ably discriminatory, anticompetitive, and unnecessary.¹³⁴ NYNEX states that a contribution charge is not necessary because, for an interim period, the local transport interconnection charge will recover support flows associated with switched transport, including tandem switching.¹³⁵ U S West states, however, that if the Commission maintains the interim rate structure restrictions on LEC tandem-switching pricing, it should consider establishing a contribution charge for interconnectors.¹³⁶

49. Southwestern Bell contends that new competition in the tandem-switched and switched transport markets will reduce LEC revenues from those services and create upward pressure on the prices for other LEC services, including basic local service rates.¹³⁷ Therefore, it claims, the interconnection charge will not be sufficient to preserve universal service, as MFS and ALTS allege, unless LECs are able to alter their rates based on market conditions.¹³⁸

50. *Discussion*. It appears from the record that there is no need for additional support mechanisms in conjunction with adoption of this order. The transport interconnection charge is sufficient to protect support flows potentially affected by our decision here.

C. ONA Framework

51. *Notice*. In the *Notice*, we also asked parties to comment on whether signalling functions should be treated as Basic Service Elements (BSEs) within the Open Network Architecture (ONA) framework.¹³⁹

52. *Positions of the Parties*. Several commenters argue that signalling should not be treated as a BSE.¹⁴⁰ Their reasons vary. Most of the LECs, USTA, AT&T, and GSA claim that the ONA framework is inappropriate for signalling.¹⁴¹ As NYNEX states:

ONA is a regulatory initiative to help the growth of unregulated enhanced services, while ensuring equal and nondiscriminatory access to basic network serv-

ices for all enhanced services market participants. . . . ONA . . . was simply not designed for application to the regulated basic services market.¹⁴²

Some commenters also assert that subjecting signalling to ONA would have only limited utility because ONA only applies to the BOCs.¹⁴³ GTE argues that the other LECs may not have the technical ability to both unbundle a signalling service offering and also obtain the usage data required to bill for that service.¹⁴⁴ Some LECs argue that because signalling is necessary to provide switched access, it is illogical to unbundle it and treat it as an option that a customer could choose not to purchase.¹⁴⁵ AT&T and Ameritech claim that it does not make sense to require an interconnector that will provide its own transport to purchase a BSA in order to obtain signalling information, since transport is a BSA.¹⁴⁶

53. In contrast, Pacific and Teleport Denver favor BSE treatment of signalling information.¹⁴⁷ Pacific maintains that some type of BSA would be technically required for a LEC to deliver signalling information to an interconnector: collocated interconnectors would need a "short BSA" (e.g., cross connect), while non-collocated interconnectors might purchase a dedicated access service BSA.¹⁴⁸ Finally, although Ad Hoc argues that signalling generally should be treated within the ONA framework, it urges us to avoid the failings of ONA.¹⁴⁹

54. *Discussion*. We conclude that unbundled CIC and OZZ data are not BSEs as defined in our ONA orders and that there is no public policy reason to treat them equivalently. BSEs are "optional unbundled features . . . that an ESP may require or find useful in configuring an enhanced service."¹⁵⁰ There has been no showing that the CIC and OZZ data that are the subject of this order will be used by ISPs to provide enhanced services. Rather, these data will be used by TSPs to provide basic network services. Thus, these data do not fall within our definition of a BSE.

¹³⁴ *Id.* at 21.

¹³⁵ NYNEX Comments at 18-19.

¹³⁶ U S West Comments at 16.

¹³⁷ Southwestern Bell Comments at 6, Reply at 8-9.

¹³⁸ Southwestern Bell Reply at 8-9 & 13-15. Ad Hoc and ALTS ask that the interconnection charge be removed or reduced. Ad Hoc Comments at 17; ALTS Comments at 12-13. Pacific opposes these requests, arguing that the charge is necessary for LECs to recoup required costs, such as the costs of complying with universal service obligations, and costs that have been overallocated to competitive services based on regulated accounting requirements. Pacific Reply at 35.

¹³⁹ *Notice*, 7 FCC Rcd at 7748, ¶ 46.

¹⁴⁰ E.g., Ameritech Reply at 1-2; GTE Comments at 17-19, Reply at 14-16; NYNEX Comments at 15; Southwestern Bell Comments at 21-22; BellSouth Reply at 5-6; USTA Comments at 10; AT&T Comments at 6-7.

¹⁴¹ GTE Comments at 17-19, Reply at 14-16; NYNEX Comments at 15; Southwestern Bell Comments at 21-22; BellSouth Reply at 5-6; USTA Comments at 10; AT&T Comments at 6-7; GSA Reply at 6-7.

¹⁴² NYNEX Comments at 15. See also Ad Hoc Comments at 7-8; GTE Reply at 14-15.

¹⁴³ GTE Comments at 18-19; USTA Comments at 10; AT&T Comments at 6 n.6. The Commission recently extended ONA

application to GTE as well. Application of Open Network Architecture and Nondiscrimination Safeguards to GTE Corporation, Report and Order, FCC No. 94-58 (released April 4, 1994).

¹⁴⁴ GTE Comments at 19. See also USTA Comments at 10 (arguing that BSE requirement for non-ONA carriers would be onerous).

¹⁴⁵ GTE Comments at 17, Reply at 15; Southwestern Bell Comments at 21-22. The only choice a customer would have, according to GTE, is different signalling options (e.g., separate prices for MF and SS7 signalling).

¹⁴⁶ AT&T Comments at 6-7; Ameritech Reply at 2. Ameritech notes that the "Ameritech Customers First Plan" proposes full unbundling of its network, including the local loop. Ameritech Reply at 2. This unbundling, Ameritech argues, will reduce the number of services that a LEC customer or competitor might have to take in conjunction with signalling. Accordingly, Ameritech claims that it would be counterproductive to place signalling into a model such as ONA that contemplates provision of other network elements. *Id.*

¹⁴⁷ Pacific Reply at 30-31; Teleport Denver Comments at 5.

¹⁴⁸ Pacific Reply at 30-31.

¹⁴⁹ Ad Hoc Comments at 7-10.

¹⁵⁰ Filing and Review of Open Network Architecture Plans, 4 FCC Rcd 1, 36 (1988).

55. Nor has any party convinced us that it would be in the public interest to treat CIC and OZZ codes as BSEs. While some parties argue that the four-part test that LECs use in determining whether to offer an ESP-requested BSF should apply, we have relied on similar considerations in assessing the relative costs and benefits of LEC-provided signalling information. Moreover, the "flagging" requirements associated with BSEs, under which BOCs must identify BSEs that they intend to use themselves, are irrelevant: there is no dispute that LECs use CIC and OZZ data for tandem-switched transport service. Finally, there would be no added benefit from a pricing standpoint in treating CIC and OZZ data as BSEs, since we have already held that the new services test applies to their initial rates.

VI. TARIFFING AND IMPLEMENTATION

56. *Positions of the Parties.* Few parties commented on the tariffing aspects of our proposal. MFS argues that LECs should be required to provide the CIC and OZZ from end offices within a reasonably short time.¹⁵¹ Ameritech and U S West contend that they would be willing to provide signalling at end offices upon *bona fide* request, assuming that the requisite modifications were feasible, and that interconnectors would pay for them.¹⁵²

57. *Discussion.* We require Tier 1 LECs (except NECA members) to file tariffs, with requisite cost support, for the provision of CIC and OZZ codes within ninety days of publication of this order in the Federal Register, to be effective on forty-five days' notice. As discussed above, the record in this proceeding shows that LECs can provide CIC and OZZ codes to third parties from equal access end offices simply by modifying their end office routing tables, without purchasing new end office software and without making other costly and time-consuming modifications. Under the circumstances, there is no reason why the LECs cannot tariff this offering for all of their equal access end offices within ninety days of publication of this order in the Federal Register.

VII. LEC PRICING FLEXIBILITY

58. *Notice and Background.* In the *Notice*, we proposed to increase LEC pricing flexibility in conjunction with our Phase I proposal for expanded interconnection for switched transport services. We also asked for comment on whether we should give LECs additional pricing flexibility as part of our proposal to require LECs to provide signalling information to third parties.¹⁵³

59. In the *Switched Transport Expanded Interconnection Order*, we granted Tier 1 LECs additional flexibility in pricing their switched transport services.¹⁵⁴ We concluded that the price cap rules did not sufficiently enable LECs to respond to access competition because: (1) the study area-wide rate averaging requirement forced LECs to price above cost in the high-traffic, lower-cost areas where competition was most likely to develop; and (2) LECs were prohibited from offering any volume or term discounts in their transport rates, even if those discounts were cost-justified.¹⁵⁵ We decided to proceed in stages to remove restrictions on LEC transport pricing flexibility. We authorized zone density pricing of LEC entrance facilities, direct-trunked and tandem-switched transport, and dedicated signalling transport when expanded interconnection for switched access is operational in a study area.¹⁵⁶ We also permitted LECs to offer volume and term discounts on entrance and interoffice facilities when they meet one of two conditions.¹⁵⁷ In the *Transport* proceeding, we granted LECs additional pricing flexibility, changing our rules to enable access customers to order direct-trunked transport between LEC tandems and SWCs.¹⁵⁸

60. *Comments.* Because comments and replies in this Phase were filed prior to the adoption of the *Switched Transport Expanded Interconnection Order* and the *First Transport Reconsideration*, the parties largely focus on the matters at issue in those proceedings. Generally, LECs, with support from GSA, argue strenuously for more pricing flexibility.¹⁵⁹ They ask specifically for authority to offer volume and term discounts and to implement density zone pricing.¹⁶⁰ Some also ask for permission to provide services under individually negotiated contracts with access customers.¹⁶¹ U S West, NYNEX, and Pacific seek permission to price the link between their access tandems and SWCs on a flat-rated, rather than usage, basis.¹⁶² Some LECs also express support for an access reform proposal

¹⁵¹ MFS Reply at 2.

¹⁵² Ameritech Comments at 6-8; U S West Reply at 6. See also Rochester Comments at 2-3 (stating that it may make signalling features available in advance of any Commission requirement to do so).

¹⁵³ *Notice*, 7 FCC Rcd at 7748-7749, ¶ 52.

¹⁵⁴ *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd at 7422-7436, ¶ ¶ 87-120.

¹⁵⁵ *Id.* at 7423-7424.

¹⁵⁶ *Id.* at 7424. Under density zone pricing, LECs may effect some geographic deaveraging of their access rates. The same density zones apply for switched transport and special access expanded interconnection. *Special Access Expanded Interconnection Order*, 7 FCC Rcd at 7451-7458, ¶ ¶ 172-186. *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd at 7426 & n.229, ¶ 98. In the *Baskets and Bands Order*, we incorporated the density zone pricing subcategories into the existing zone subcategories within the existing DS3 and DS1 special access subcategories, except for when a LEC implements density zone

pricing for transport in a different tariff year than it implemented density zone pricing for special access. *Baskets and Bands Order* at ¶ ¶ 24-25.

¹⁵⁷ *Id.* at 7432-7436, ¶ ¶ 113-120. These conditions are: (1) 100 DS-1 equivalent switched transport cross-connects have been taken in the "zone 1" offices in the study area; or (2) an average of 25 DS1-equivalent switched transport cross-connects per zone 1 office have been taken. *Id.* at 7434-7435, ¶ 118.r

¹⁵⁸ *Transport Rate Structure and Pricing*, First Memorandum Opinion and Order on Reconsideration, 8 FCC Rcd 5370, 5372 (1993) (*First Transport Reconsideration*).

¹⁵⁹ E.g., BellSouth Comments at 1-2, Reply at 3; USTA Comments at 2-3; Southwestern Bell Comments at 6-12, Reply at 8; Bell Atlantic Comments at 1-4, Reply at 4; Pacific Comments at 9-11, Pacific Reply at 50-51; NYNEX Comments at 19; U S West Comments at 17-18, Reply at 12; GSA Comments at 5-6.

¹⁶⁰ See, e.g., Ameritech Comments at 9; Rochester Comments at 9; BellSouth Reply at 3; and GTE Reply at 5.

¹⁶¹ See Ameritech Comments at 9; GSA Comments at 6.

¹⁶² U S West Comments at 17; NYNEX Comments at 19; Pacific Reply at 38.

advanced by USTA in Phase I of this proceeding, under which four new price cap baskets would be created and the degree of regulation of each would be tailored to the competitiveness of the market area.¹⁶³ Several LECs argue that the pricing flexibility measures proposed in the *Notice* do not go far enough. These LECs state that they must have the same pricing flexibility enjoyed by their competitors if there is to be fair competition in the marketplace and if customers are to obtain the benefits of competition.¹⁶⁴ Some object, in particular, to the pricing bands for service categories, arguing that such bands diminish the benefits of density zone pricing by limiting total price reductions within a service category.¹⁶⁵

61. CAPs, users, and IXC's oppose granting LECs additional pricing flexibility in conjunction with tandem signalling at this time.¹⁶⁶ These parties argue that potential competition is not equivalent to actual competition, and that even after expanded interconnection arrangements are available, it will take time for interconnectors to be an effective competitive force to discipline LEC pricing.¹⁶⁷ They argue that if LECs are provided additional pricing flexibility before sufficient actual competition in the provision of tandem signalling develops, LECs could use pricing flexibility to control the market.¹⁶⁸ Ad Hoc proposes that LECs be granted pricing flexibility when there is "actual competition" and proposes a "good actor" test as a framework for determining its existence.¹⁶⁹ ALTS and MFS argue that the Commission can determine whether additional pricing flexibility is necessary after competitive switched access networks are actually operating, based on empirical and verifiable data.¹⁷⁰

62. CompTel and WilTel also argue that LECs have competitive advantages in the provision of tandem-switched transport because LECs can enjoy economies from combining access, local, and intraLATA toll traffic on their inter-office facilities.¹⁷¹ Teleport claims that the interim transport rate structure gives the LECs a competitive advantage, since they need only recover 20% of tandem costs from users of LEC tandem services (compared to 100% that interconnectors

will have to recover), and are permitted to measure mileage based on airline miles (while interconnectors will have to measure it based on actual miles).¹⁷²

63. *Discussion.* We do not here grant LECs additional pricing flexibility but will continue to examine these issues in a broader context in future consideration of pending access reform petitions. We have already addressed virtually all of the specific proposals suggested by LECs in the *Switched Transport Expanded Interconnection Order* and the *First Transport Reconsideration*. Thus, LECs may offer density zone pricing and volume and term discounts under certain conditions. In addition, they may price transport between their tandems and SWCs on a flat-rate basis. We considered and rejected in the *Switched Transport Expanded Interconnection Order* various other requests for flexibility. For example, the Commission rejected the suggestion that LECs receive the same pricing flexibility as their competitors, noting that giving LECs too much flexibility could stifle competitive entry and harm customers of less competitive services. The Commission also declined to eliminate service category pricing bands, stating that these bands serve important public policy goals.¹⁷³ No party has shown that providing signalling information to TSPs warrants a different outcome. Nor has any party set forth any other specific pricing flexibility request related to providing signalling information. Finally, no party has demonstrated that the availability of signalling warrants authorization of LEC contract tariffs. The Commission has limited contract carriage to services found to be "substantially competitive."¹⁷⁴ While the measures we now take should permit alternatives to LEC tandem-switched access services to develop, we cannot conclude that these services are now subject to substantial competition.

64. For these reasons, we do not grant LECs additional pricing flexibility in conjunction with our decision to make tandem signalling information available. This decision is not intended, however, to prejudge broader questions regarding the possible need for access charge reform.¹⁷⁵ Indeed, by opening the door to greater competi-

¹⁶³ USTA Comments at 3; BellSouth Comments at 2-3; GTE Comments at 23.

¹⁶⁴ See, e.g., Southwestern Bell Comments at 8-11; Bell Atlantic Comments at 1; Pacific Reply at 43-44; and Rochester Reply at 8-9.

¹⁶⁵ Southwestern Bell Comments at 8-9; Ameritech Comments at 13-14.

¹⁶⁶ Ad Hoc Comments at 18-21; ALTS Comments at 13, Reply at 12-15; CompTel Comments at 2-4, Reply at 4-6; MFS Comments at 21-23, Reply at 8-11; Teleport Comments at 3; Time Warner Comments at 4; WilTel Comments at 7. WilTel notes that it already has supported LEC pricing flexibility for inter-office transport rates, including density zone pricing and term discounts, provided that benchmarking is in place. WilTel Comments at 7.

¹⁶⁷ E.g., ALTS Reply at 13; MFS Reply at 21-23. Teleport asserts that LECs should not be able to request immediate pricing flexibility and at the same time argue that it will take several years to implement tandem interconnection. Teleport Reply at 5.

¹⁶⁸ Ad Hoc Comments at 18-19.

¹⁶⁹ *Id.* at 20-21. The "good actor" test, according to Ad Hoc, is generally met when: (1) the FCC has established a policy or program; (2) LECs have taken certain necessary steps to fulfill that policy or program; and (3) the success of the policy is manifested in the marketplace. *Id.* Ad Hoc also argues that

additional pricing flexibility not be granted until the Commission has gained further experience with special access and switched transport expanded interconnection. *Id.*

¹⁷⁰ ALTS Reply at 14; MFS Comments at 23. Pacific argues that if the Commission were to review market data to determine whether to grant LECs pricing flexibility, we should consider the entire access services market and require information from interconnectors in addition to LECs. Pacific Reply at 52-53.

¹⁷¹ CompTel Reply at 5; WilTel Comments at 4-5.

¹⁷² Teleport Reply at 5 n.10.

¹⁷³ *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd at 7430-7431, ¶ 109.

¹⁷⁴ The Commission has authorized AT&T to offer some of its long-distance services pursuant to individually negotiated contracts. But even AT&T, which faces competition for all or virtually all of its services, may include in its contracts only those services the Commission has found to be substantially competitive. Thus, for example, AT&T may not include residential services in its contracts, even though there are a number of competitive residential service offerings. See *Competition in the Interstate Interexchange Marketplace*, Report and Order, 6 FCC Rcd 5880 (1991).

¹⁷⁵ Several petitions regarding access reform are pending at the Commission. See, e.g., "Customers First: Ameritech's Advanced Universal Access Plan" (filed March 1, 1993); "NARUC Petition for Notice of Inquiry Addressing Access Issues" (filed June 25,

tion in the provision of tandem-switched services, we are continuing the process of removing barriers to the development of a more competitive access market in which CAPs and other entities can participate.

VIII. OTHER ISSUES

A. Reciprocity

65. *Positions of the Parties.* Teleport Denver and Pacific ask that any obligations that the Commission imposes on LECs with respect to providing signalling information also be imposed on interconnectors. They argue that reciprocal interconnection will promote efficient network design by allowing all service providers, including LECs, to purchase services from the most economical vendor, and thereby avoid duplication of facilities.¹⁷⁶ Ameritech requests reciprocity so that if, in the future, it wanted to provide tandem-signalling for customers served by competitors' switches, it could do so.¹⁷⁷ GSA agrees with Ameritech, arguing that interconnectors should be required to provide LECs with the same type of information that LECs provide to interconnectors.¹⁷⁸ Rochester asserts that reciprocity would be beneficial to development of the "network of networks," because it will enable all providers to choose how best to configure their networks to offer consumers the full benefits of expanded interconnection, and will foster mutual recognition of the value of interconnection arrangements.¹⁷⁹

66. *Discussion.* We decline to impose reciprocal signalling obligations on interconnectors at this time. First, requests for reciprocal obligations are beyond the scope of this proceeding. The *Notice* proposed that LECs provide signalling information to third parties. We did not propose to impose reciprocal requirements on these third parties, and we decline to broaden this proceeding to consider such requirements here. Second, LEC requests for reciprocity seem to assume that only CAPs will purchase signalling information. As noted, this information must be made available to any interested party, including IXCs. LECs requesting reciprocity fail to address the implications of

their proposal with respect to these other types of TSPs. Third, except in the few instances where CAPs have end offices, tandem switching providers simply do not have the signalling information to provide to the LECs, and the LECs have not demonstrated specific, present needs for such information. Furthermore, we note that TSPs do not possess market power. For example, we have previously declined to impose reciprocal obligations on interconnectors, noting, *inter alia*, that CAPs and other interconnectors do not control bottleneck facilities.¹⁸⁰

B. Jurisdictional Measurement and Reporting

67. *Notice and Background.* In the *Phase I Notice*, we stated that LECs and interconnectors are likely to provide both intrastate and interstate services using the same facilities.¹⁸¹ We also noted that LECs generally will be unable to determine the jurisdictional nature of terminating traffic.¹⁸² Additionally, we stated that because LECs generally apply different access charges for interstate and intrastate traffic, it might be necessary to impose some jurisdictional reporting requirements on interconnectors.¹⁸³ Thereafter, in the *Phase I Order*, we required the customer of record to provide percentage of interstate use (PIU) reports to the LEC.¹⁸⁴ We found that the switched access customer is in the best position to provide information on the jurisdictional nature of minutes of use.¹⁸⁵ In that order, we also decided that where an end user is the switched access customer, the IXC providing service to that end user must report the PIU.¹⁸⁶

68. In the *Phase II Notice*, we tentatively concluded that interconnectors or their customers should be required to measure the jurisdictional nature of their traffic, and report it to the LECs.¹⁸⁷ We sought comment on whether interconnectors or their IXC customers should be responsible for reporting this information.¹⁸⁸

69. *Positions of the Parties.* The majority of commenters argue that the PIU should be reported by the customer of record, *i.e.*, the party that purchases access from the LEC.¹⁸⁹ Parties differ on which party should be the customer of record. MCI claims that the customer of record

1993); "USTA Petition for Reform of the Interstate Access Rules," RM 8356 (filed September 17, 1993); "NYNEX Transition Plan to Preserve Universal Service In A Competitive Environment" (filed December 15, 1993). See also Price Cap Performance Review for Local Exchange Carriers, CC Docket 94-1, Notice of Proposed Rulemaking, 9 FCC Rcd 1687, 1705-06 (1994) (noting that we expect that in the process of reviewing LEC performance under price caps, we will develop data and information relevant to fashioning a workable plan for revising the baseline price cap model as competition develops).

¹⁷⁶ Teleport Denver Comments at 4; Second Pacific *Ex Parte* Attachment at 1.

¹⁷⁷ Ameritech Comments at 4-5.

¹⁷⁸ GSA Reply at 4.

¹⁷⁹ Rochester Reply at 5-6. See also Ad Hoc Comments at 15-16 (arguing that the Commission should move toward a system of "mutual openness," in which "interconnections and connectivity are available equally"). Rochester states that it will not condition the offering of its Open Market Plan on the Commission's adoption of reciprocity. *Id.* at 5 n.14.

¹⁸⁰ See *Switched Transport Expanded Interconnection Order*, 8 FCC Rcd at 7402, ¶ 44.

¹⁸¹ *Notice*, 7 FCC Rcd at 7746-7747, ¶ 39.

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ *Switched Transport Expanded Interconnection Order*, 7 FCC Rcd at 7442-7443, ¶ 137.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

¹⁸⁷ *Notice*, 7 FCC Rcd at 7749, ¶ 53.

¹⁸⁸ *Id.*

¹⁸⁹ *E.g.*, Ameritech Comments at 4 & 17; NYNEX Comments at 20-21; GTE Comments at 11 n.15 & 21-22, Reply at 19-20; U S West Comments at 18-19; USTA Comments at 8-9, Reply at 15; Southwestern Bell Comments at 23; BellSouth Reply at 6; MCI Comments at 7; Ad Hoc Comments at 21; ALTS Reply at 16. U S West and USTA assert that there are no unique jurisdictional reporting issues regarding provision of signalling to interconnector tandems, while NARUC suggests that our PIU proposal appears to be consistent with the current reporting system. U S West Comments at 18-19; USTA Comments at 8-9; NARUC Comments at 6.

NARUC criticizes the current PIU reporting system, arguing that it allows customers to control their jurisdictional costs without verification. NARUC Comments at 6-7. Similarly, Ad Hoc supports continuation of the current PIU reporting system only until it can be replaced by an alternative system and recommends adoption of a "revenue transfer mechanism" that

should be the CAP or IXC,¹⁹⁰ while Ameritech argues that it would probably be the CAP.¹⁹¹ GTE maintains that the interconnector must report the PIU for terminating traffic because LECs would not be able to identify the appropriate IXC.¹⁹² United contends that, when technically feasible, the interconnector should report the PIU.¹⁹³ ALTS, on the other hand, argues that either the IXC or end user would likely be the customer of record,¹⁹⁴ while Time Warner contends that generally IXCs should report the PIU.¹⁹⁵ ALTS contends that the CAP would be functioning as a LEC co-carrier, not as a customer of access services, and that the entity that orders and pays for LEC terminating access should bear responsibility for reporting the jurisdictional nature of its traffic.¹⁹⁶ Like ALTS, MFS argues that interconnectors are carriers. In contrast to ALTS, however, MFS, asserts that interconnectors should be required to record traffic that is capable of being recorded. MFS states that IXCs should be required to provide jurisdictional data for traffic that cannot be recorded and that interconnectors and LECs should divide responsibility for jurisdictional measurement and should exchange information, as do LECs participating in meet-point switched access arrangements.¹⁹⁷ Prodigy requests that we exempt information service providers from the PIU reporting requirement. US West objects to this request, arguing that PIU reports are essential and no party should be exempted from the requirement to provide them.¹⁹⁸

70. The DC PSC contends that CAP or IXC estimates of interstate use are likely to be biased.¹⁹⁹ It argues further that measurement is possible with SS7 technology and requests that we require "as a condition of expanded interconnection, that all CAPs implement SS7 technology and that the CAPs' SS7 facilities be interconnected with those of the LECs."²⁰⁰ Finally, Rochester maintains that the Commission should establish strict PIU reporting and auditing requirements.²⁰¹

71. *Discussion.* Most parties agree that the customer of record should be responsible for reporting the PIU factor for terminating traffic when the LEC cannot itself measure jurisdiction. This is consistent with existing reporting arrangements that have worked satisfactorily. If the customer of record is a TSP, it shall be the responsibility of that TSP to compile PIU reports based on data from those to whom it provides tandem-switching. If the customer of record is an IXC or other purchaser of access, that entity shall continue to provide PIU reports directly to the LEC providing terminating access.

C. Separations Issues

72. *Notice.* The *Notice* asked parties to discuss whether our proposal for competitive provision of tandem switched transport service raises separations issues that should be referred to a Joint Board.²⁰²

73. *Positions of the Parties.* NARUC states that switched access restructuring, including the proposed competitive provision of tandem-switched transport, will have "immediate and direct effects on state regulation and, potentially, rates in rural and high cost areas."²⁰³ It argues that at a minimum, the Commission should require the Joint Board to address all the potential effects of interstate access restructure and pricing policies on state regulation and rates in high cost areas.²⁰⁴ NYNEX recommends that the Commission, with the assistance of the Joint Board, conduct a comprehensive review of policy issues surrounding increased access competition, access rate structure, capital recovery and other related matters prior to any review of current separations rules and procedures.²⁰⁵ The DC PSC argues that the LECs' loss of interstate revenue from increased competition in the access market will shift unused investment to intrastate jurisdictions, and raise intrastate costs.²⁰⁶ It recommends that prior to an increase in state rates, the Commission and the Joint Board should consider whether any changes should be made to reduce this impact. The DC PSC also suggests that a floor be established for usage percentage based on pre-expanded interconnection usage to protect intrastate ratepayers if LEC interstate traffic decreases as a result of competition.²⁰⁷ NARUC also argues for Joint Board referral of PIU measurement and verification procedures.²⁰⁸

74. *Discussion.* We do not believe that the signalling information requirement raises separations issues that should be referred to a Joint Board. The record does not show that providing signalling information will raise any significant issues beyond those already referred to the Joint Board in the *Switched Transport Expanded Interconnection Order*.²⁰⁹ As noted, the costs associated with LEC provision of CIC and OZZ codes from equal access end offices should be minimal. Therefore, we do not believe that these costs or the revenues derived from providing signalling information requires Joint Board consideration. The *Notice*, stated that we did not intend to refer to the Joint Board broader separations issues, such as those raised by the DC PSC, NARUC, and Rochester. We found and continue to

could be based on caps, indexing, and dollar targets. Ad Hoc Comments at 21. U S West argues that Ad Hoc's proposal is beyond the scope of this proceeding. U S West Reply at 11-12.

¹⁹⁰ MCI Comments at 7.

¹⁹¹ Ameritech Comments at 17.

¹⁹² GTE Reply at 20. GTE contends that for this reason, the customer of record for interconnection must be the same as the customer of record for switched access. *Id.*; GTE Comments at 22.

¹⁹³ United Reply at 9.

¹⁹⁴ ALTS Comments at 14-15. *See also* ALTS Reply at 15 -16.

¹⁹⁵ Time Warner Reply at 9-10.

¹⁹⁶ ALTS Comments at 14-15. Reply at 15-16.

¹⁹⁷ MFS Comments at 24.

¹⁹⁸ Prodigy Comments at 3; U S West Reply at 11-12.

¹⁹⁹ DC PSC Comments at 1-2 and attached Phase I Comments

at 3.

²⁰⁰ *Id.*

²⁰¹ Rochester Comments at 4.

²⁰² *Notice*, 7 FCC Red at 7749, ¶ 53.

²⁰³ NARUC Comments at 5.

²⁰⁴ *Id.*

²⁰⁵ NYNEX Comments at 20-21. ALTS, however, urges that any reference of separations issues to a Joint Board not delay delivery of the benefits of increased competition in the local access market. ALTS Comments at 15.

²⁰⁶ DC PSC Comments at 2: ("Intrastate ratepayers should not be required to pay for FCC decisions regarding interstate traffic").

²⁰⁷ DC PSC Comments at 2-3.

²⁰⁸ NARUC Comments at 7.

²⁰⁹ *Switched Transport Expanded Interconnection Order*, 8 FCC Red at 7446-7448, ¶ ¶ 147-151.

believe that these matters would be more properly addressed in the context of a comprehensive separations review proceeding.

IX. CONCLUSION

75. In this order, we take another step in our ongoing effort to promote competition in the interstate access market. We require Tier 1 LECs (except NECA members) to provide signalling information from equal access end offices to interested parties. This measure will allow third parties to provide tandem switching and thereby promote development of alternatives to LEC-provided tandem-switched transport services. CAPs may develop their own tandem-switching networks; other TSPs may use tandem-switching to achieve scale economies attending the aggregation of traffic. By promoting access to diverse facilities and providers, our action should permit more efficient use and deployment of interstate access services, increase network reliability and redundancy, encourage innovation, and exert downward pressure on access charges and long-distance rates. These benefits should, in turn, contribute to economic growth and the creation of new job opportunities.

X. REGULATORY FLEXIBILITY ACT

76. In the *Notice*, we certified that the proposed rule changes would not have a significant economic impact on a substantial number of small business entities, as defined by § 601(3) of the Regulatory Flexibility Act.²¹⁰ We also stated that to the extent that a PIU reporting requirement would apply to small entities, it would not have a significant economic impact on a substantial number of small business entities. No commenting party disagreed with our analysis. The Secretary shall send a copy of this Report and Order, including the certification, to the Chief Counsel for Advocacy of the Small Business Administration in accordance with § 605(b) of the Regulatory Flexibility Act. Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. §§ 601 *et seq.*

XI. ORDERING CLAUSES

77. Accordingly, it is ORDERED, pursuant to authority contained in Sections 1, 4(i), 201-205, and 214(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151(i), 154, 201-205, and 214(d), that Parts 61, 64 & 69 of the Commission's rules, 47 C.F.R. §§ 61, 64 & 69, are AMENDED as set forth in Appendix B hereto.

78. IT IS FURTHER ORDERED that the policies, rules, and requirements set forth herein ARE ADOPTED, effective 80 days after publication of this order in the Federal Register.

79. IT IS FURTHER ORDERED that the Tier 1 LECs subject to this order shall file tariff amendments as specified herein within ninety days of publication of this order in the Federal Register, to be effective on forty-five days' notice.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton
Acting Secretary

APPENDIX A

CC Docket 91-141 April 2, 1993 Comments

1. Ad Hoc Telecommunications Users Committee (Ad Hoc)
2. Association for Local Telecommunications Service (ALTS)
3. AT&T
4. Ameritech Operating Companies (Ameritech)
5. Bell Atlantic Telephone Companies (Bell Atlantic)
6. BellSouth Telecommunications, Inc. (BellSouth)
7. Competitive Telecommunications Association (CompTel)
8. District of Columbia Public Service Commission (DC PSC)
9. General Services Administration (GSA)
10. GTE Service Corporation (GTE)
11. Independent Data Communications Manufacturers Association (IDCMA)
12. Information Industry Association (IIA)
13. MCI Communications Corporation (MCI)
14. MFS Communications Co., Inc. (MFS)
15. National Telephone Cooperative Association (NTCA)
16. National Association of Regulatory Utility Commissioners (NARUC)
17. NYNEX Telephone Companies (NYNEX)
18. Pacific and Nevada Bell (Pacific)
19. Prodigy Services Company (Prodigy)
20. Rochester Telephone Corporation (Rochester)
21. Southwestern Bell Telephone Co. (Southwestern Bell)
22. Teleport Communications Group (Teleport)
23. Teleport Denver Limited (TDL)
24. Time Warner Telecommunications (Time Warner)
25. United States Telephone Association (USTA)

²¹⁰ *Notice*, 7 FCC Rcd at 7749, ¶ 57.

- 26. United Telephone Companies (United)
- 27. U S West Communications, Inc. (U S West)
- 28. WilTel, Inc. (WilTel)

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Reply Comments

- 1. Allnet Communications Services, Inc. (Allnet)
- 2. Ameritech
- 3. Anchorage Telephone Utility (Anchorage)
- 4. ALTS
- 5. AT&T
- 6. Bell Atlantic
- 7. BellSouth
- 8. CompTel
- 9. GSA
- 10. GTE
- 11. IDCMA
- 12. Independent Telecommunications Network, Inc. (ITN)
- 13. MCI
- 14. MFS
- 15. NTCA
- 16. NYNEX
- 17. Pacific
- 18. Rochester
- 19. Southwestern Bell
- 20. Teleport
- 21. Time Warner
- 22. USTA
- 23. United
- 24. U S West
- 25. WilTel

APPENDIX B

Rule Changes

AMENDMENTS TO THE CODE OF FEDERAL REGULATIONS

PART 61 -- TARIFFS

1. The authority citation for Part 61 continues to read as follows:

AUTHORITY: Sec. 4, 48 Stat. 1066, as amended; 47 U.S.C. 154. Interpret or apply sec. 203, 48 Stat. 1070; 47 U.S.C. 203.

2. Section 61.42 is amended by adding paragraph (e)(2)(vii) to read as follows:

§ 61.42 Price cap baskets and service categories.

* * * * *

(e) (2) * * *

(vii) Signalling for tandem switching, as described in § 69.129 of this chapter.

3. Section 61.47 is amended by adding paragraph (g)(5) as follows:

§ 61.47 Adjustments to the SBI; pricing bands.

* * * * *

(g) (5) The upper pricing band for the "Signalling for tandem switching" service category shall limit the upward pricing flexibility for this service category, as reflected in its SBI, to two percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for this service category.

PART 64 -- MISCELLANEOUS RULES RELATING TO COMMON CARRIERS

Part 64 of Title 47 of the Code of Federal Regulations is amended as follows:

1. The authority citation for Part 64 continues to read as follows:

AUTHORITY: Section 4, 48 Stat. 1066, as amended; 47 U.S.C. 154, unless otherwise noted. Interpret or apply secs. 201, 218, 225, 48 Stat. 1070, as amended, 1077; 47 U.S.C. 201, 218, 225, unless otherwise noted.

2. Section 64.1401 is amended by adding paragraph (i) to read as follows:

* * * * *

(i) The local exchange carriers specified in paragraph (a) of this section shall offer signalling for tandem switching, as defined in § 69.2 (vv) of this chapter, at central offices that are classified as equal office end offices or serving wire centers, or at signal transfer points if such information is offered via common channel signalling.

PART 69 -- ACCESS CHARGES

Part 69 of Title 47, Code of Federal Regulations, is amended as follows:

1. The authority citation for Part 69 continues to read as follows:

AUTHORITY: Secs. 4, 201, 202, 203, 205, 218, 403, 48 Stat. 1066, 1070, 1072, 1077, 1094, as amended, 47 U.S.C. 154, 201, 202, 203, 205, 218, 403.

2. Section 69.2 is amended by adding paragraph (vv) to read as follows:

§ 69.2 Definitions.

* * * * *

(vv) "Signalling for tandem switching" means the carrier identification code (CIC) and the OZZ code, or equivalent information needed to perform tandem switching functions. The CIC identifies the interexchange carrier and the OZZ identifies the interexchange carrier trunk to which traffic should be routed.

3. Section 69 of is amended by adding section 69.129, to read as follows:

§ 69.129 Signalling for tandem switching.

A charge that is expressed in dollars and cents shall be assessed upon the purchasing entity by a local telephone company for provision of signalling for tandem switching.

SEPARATE STATEMENT
OF
COMMISSIONER ANDREW C. BARRETT

RE: Expanded Interconnection with Local Telephone Company Facilities, (CC Docket No. 91-141, Transport Phase II)

In this Report and Order, the Commission builds on the prior expanded interconnection decisions on special access and switched transport by removing regulatory barriers to increase competition in interstate switched access services.¹ In the prior decisions that allowed third parties to enter the transmission of switched access transport service, the Commission proposed to require local exchange carriers (LECs) to provide signalling for tandem switched transport to enable competing access providers (CAPs) to begin to provide the tandem switching. Accordingly, this decision requires Tier 1 local exchange carriers, except for NECA pool members, to provide signalling information from LEC equal access end offices to tandem switching providers -- such as CAPs -- that request it in order to allow these entities to provide tandem switching services and compete with the LECs.

I have stated that the previous expanded interconnection decisions were significant steps toward competition for interstate access services.² I believe that this decision will not have significant adverse effects on residential or small business subscribers or service to rural areas to the extent that universal service support flows in the current transport rate structure will be reflected in the transport interconnection charge. In addition, the decision is a balanced approach to increasing competition for interstate access by requiring signalling information only from the LEC end office rather than at the tandem switch; this requirement avoids imposing network architecture at much greater costs. Moreover, I am interested in continuing to monitor the results of this decision and I am hopeful that it will represent another step toward a more competitive industry structure that could be reflected in a more streamlined regulatory framework.³

¹ See Report and Order and Notice of Proposed Rulemaking, CC Docket No. 91-141, 7 FCC Rcd 7369 (1992); Second Report and Order and Third Notice of Proposed Rulemaking, CC Docket No. 91-141, 8 FCC Rcd 7374 (1993).

² See Second Report and Order, CC Docket No. 91-141, 8 FCC Rcd 7374 (1993) (Separate Statement of Commissioner Andrew C. Barrett).

³ See Price Cap Performance Review for Local Exchange Carriers, Notice of Proposed Rulemaking, CC Docket No. 94-1, (Separate Statement of Commissioner Andrew C. Barrett).