COMMISSIONER JAMES H. QUELLO

STATEMENT FOR THE RECORD

SENATE HEARING SEPTEMBER 11, 1985, RE: OCC COMPETITION

For the record, I would like to submit the following summary of Commission actions and describe some of the existing conditions that tend to promote OCC competition.

I started to list some of the items in reply to Chairman Danforth's question to all commissioners at the September 11 hearing. However, my reply went beyond Chairman Danforth's specific question and I did not complete the summary.

My completed summary of conditions and actions that encourage OCC competition are:

1. The Commission has guaranteed all interexchange carrriers access to local exchange facilities at favorable rates to all non-AT&T carriers until equal access is instituted. The FCC has provided a 55% discount which should more than adequately compensate for inferiority of access. (This 55% discount results in AT&T rates remaining higher and indirectly penalizes rural and low volume users.)

2. The Commission has imposed no obligation to serve on the OCC's, and thus they are free to serve any markets of their choosing which means serving markets of highest potential. AT&T is obligated to serve all markets including low volume, unprofitable rural areas.

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3. The OCC's are free to price their service at will while AT&T must abide by the cumbersome FCC tariff process which requires public comment and provides competitors with an opportunity to delay.

4. OCC's are allowed faster business depreciation without FCC regulation while AT&T depreciation rates are set under rules of a regulated monopoly which are much more stringent than those of the IRS. This is a decided business (cash flow) advantage.

5. Because of faster depreciation and entrance into a relatively new business, the OCC's should have newer more efficient equipment reflecting the lastest state of the art.

6. The FCC recently required pro-rata allocation of customers not making a long distance choice -- instead of automatic default to AT&T that was in place.

7. While AT&T must still operate under Computer II restrictions, the OCC competitors are free to operate as they please without any separate subsidiary requirements.

I am listing the above to demonstrate FCC concern for fair treatment of OCC's and for development of a competitive marketplace.

While the FCC must, of course, be open minded for any new developments in this area, I would like the record to reflect my present personal belief that efficiently managed OCC's should be able to compete in the future marketplace after installation of equal access and discontinuance of a 55% discount subsidy. In a competitive marketplace success cannot be assured for all competitors. I believe the FCC should do all in its power to provide a level playing field for the ultimate goal: maximum benefit to consumers and reasonable opportunity for business expansion and growth.