

STATEMENT
OF JAMES H. QUELLO
COMMISSIONER
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ON
"THE TRANSITION TO COMPETITION IN THE TELEPHONE INDUSTRY;
MEETING THE NEEDS OF CONSUMERS"
BEFORE THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON TELECOMMUNICATIONS,
CONSUMER PROTECTION AND COMMERCE
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Mr. Chairman, I would like for the record of this hearing to include a list of some of the special obligations that the FCC still imposes on AT&T as the dominant long distance carrier. I think that a review of this list makes it very clear that the Commission is a long way from deregulating AT&T.

1. The Commission has guaranteed all interexchange facilities at favorable rates to all non-AT&T carriers until equal access is instituted. Indeed, the 55% discount enjoyed by the OCC's pending equal access 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 at average rates 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 generally have newer more efficient equipment reflecting the latest state of the art.

6. The FCC last summer required pro-rata allocation of customers not making a long distance choice -- instead of the 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 of the requirements applied to AT&T.

The FCC must, of course, be aware of AT&T's dominant in-place power and be alert to any new developments in this area. I would like the record to reflect my hope and present belief that efficiently managed OCC's should be

able to compete in the future marketplace after installation of equal access and with discontinuance of the 55% discount. 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 all parties with the ultimate goal: maximum benefit to consumers and reasonable opportunity for business expansion and growth.