

REMARKS OF CHAIRMAN PATRICIA M. WORTHY,  
PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA,  
CONCERNING ISDN PRICING STRATEGIES

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DELIVERED TO THE TOUCHE ROSS CONFERENCE  
ON ISDN MARKET INTRODUCTION STRATEGIES  
JUNE 10, 1988  
9:00 A.M.

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GOOD MORNING. I AM PLEASED TO HAVE THE OPPORTUNITY TO ADDRESS SOME OF THE ISSUES I BELIEVE IMPORTANT CONCERNING PRICING STRATEGIES FOR ISDN.

UNTIL NOW, DISCUSSIONS ABOUT ISDN HAVE FOCUSED ON TECHNICAL ENGINEERING QUESTIONS: PRIMARILY, WHAT STANDARDS SHOULD APPLY NATIONALLY AND INTERNATIONALLY TO ENSURE SYSTEMS COMPATIBILITY AND ENCOURAGE SUCCESSFUL ISDN HARDWARE DEVELOPMENT. WITH MANY OF THESE ENGINEERING ISSUES RESOLVED, IT IS NOW TIME TO ADDRESS HOW ISDN WILL BE BROUGHT TO MARKET, HOW RATES WILL BE STRUCTURED, AND WHO WILL BEAR THE BURDEN OF THE HIGH COSTS OF DEVELOPMENT AND DEPLOYMENT. THESE QUESTIONS WILL BE ON THE AGENDA OF EACH REGULATORY AGENCY CALLED UPON TO REVIEW ISDN TARIFFS. TO DATE, HOWEVER, THERE IS LITTLE PRECEDENT THAT REGULATORY COMMISSIONS CAN LOOK TO IN ADDRESSING ISDN PRICING ISSUES. ONLY TWO ISDN TARIFFS OF GENERAL APPLICABILITY HAVE BEEN FILED WITH COMMISSIONS

IN THE UNITED STATES, ONE BY AT&T AND ONE BY ILLINOIS BELL, AN AMERITECH COMPANY. OTHER COMPANIES HAVE EITHER FILED INDIVIDUAL CASE BASIS TARIFFS TO PROVIDE ISDN TO SPECIFIC CUSTOMERS, OR HAVE DISCUSSED PUBLICLY ISDN PRICING ISSUES. IN THE NEXT FEW MINUTES, I WOULD LIKE TO ADDRESS SOME OF THE REGULATORY ISSUES I THINK SHOULD BE THE FOUNDATION OF THE REGULATORY ASSESSMENT OF ISDN DEVELOPMENT, AND THEN SURVEY HOW THESE ISSUES ARE REFLECTED IN THE TARIFF FILINGS, AND INDUSTRY PROPOSALS.

THE PURPOSE OF A STATE REGULATORY COMMISSION IS TO ENSURE THAT RATES CHARGED AND SERVICES PROVIDED BY TELEPHONE COMPANIES ARE JUST, REASONABLE, AND IN THE PUBLIC INTEREST. UNDERLYING THESE OBJECTIVES IS THE NATIONAL GOAL OF ULTIMATELY ACHIEVING UNIVERSAL TELEPHONE SERVICE TO PERSONS OF EVEN THE MOST MODEST MEANS. AMONG OTHER THINGS, THESE FACTORS REQUIRE THAT THE COST OF TELEPHONE SERVICE BE DISTRIBUTED FAIRLY AMONG THE VARIOUS CLASSES OF CUSTOMERS, AND THAT RATES ARE DESIGNED IN ACCORDANCE WITH THESE PRICING DISTRIBUTIONS. AT THE SAME TIME, TELEPHONE COMPANIES MUST BE AFFORDED AN OPPORTUNITY TO EARN A FAIR RATE OF

RETURN ON INVESTMENT IN ORDER TO ATTRACT INVESTORS, ASSURE FINANCIAL INTEGRITY, AND REDUCE ITS CAPITAL COSTS.

NEW TECHNOLOGIES IN MY OPINION DO NOT AFFECT THESE BASIC PRECEPTS AS SUCH, I AM COMFORTABLE APPLYING LONG-STANDING REGULATORY POLICIES TO THE DETERMINATION OF ISDN PRICING. THEY HAVE SERVED WELL IN THE PAST, FOR EXAMPLE, WHEN ELECTROMECHANICAL SWITCHES REPLACED LIVE OPERATORS, AND LATER WHEN ANALOG ELECTRONIC SWITCHES REPLACED CROSSBARS. APPLICATION OF THESE PRINCIPLES TO IMMEDIATE DEVELOPMENTS SHOULD BE EXPECTED BY THE INDUSTRY ABSENT COMPELLING REASONS TO THE CONTRARY.

IN ADDITION TO THE CLEAR CUT REGULATORY DUTIES OF BALANCING THE FINANCIAL NEEDS OF RATEPAYERS TO THOSE OF THE COMPANIES' INVESTORS, OTHER PUBLIC POLICY INTERESTS COME INTO PLAY IN ASSESSING REGULATORY TREATMENT OF NEW SERVICES AND IN SETTING THEIR PRICES. COMPANIES MUST BE GIVEN ADEQUATE LATITUDE TO ENHANCE THEIR NETWORKS' CAPABILITIES IN ORDER TO PROMOTE FEATURE RICHNESS, PROVIDED SUCH ENHANCEMENT DOES NOT IMPOSE UNDUE BURDENS ON OTHER PUBLIC INTEREST OBJECTIVES. FEATURE RICHNESS IS A

LAUDABLE GOAL FOR A NUMBER OF REASONS. IT INCREASES THE VALUE OF THE NETWORK TO BOTH THE UTILITY AND ITS SUBSCRIBERS. IT INCREASES CARRIER COMPETITIVENESS IN LIGHT OF PRESSURES FROM ALTERNATIVE SERVICE AND EQUIPMENT SUPPLIERS, THUS HELPING TO ENSURE THE INTEGRITY OF THE CARRIER OF LAST RESORT. MOREOVER, IT IMPROVES THE ATTRACTIVENESS OF THE CARRIER'S SERVICE AREA TO BUSINESSES, THEREBY ENHANCING THE AREA'S ECONOMIC DEVELOPMENT. CLEARLY, REGULATORS CANNOT TURN THEIR BACKS ON PRUDENT TECHNOLOGICAL IMPROVEMENTS.

RECONCILING THE TENSION BETWEEN THE DESIRABILITY OF A FEATURE RICH NETWORK AND THE NEED TO PROMOTE UNIVERSAL SERVICE IS AT THE HEART OF THE ISDN PRICING ISSUE. WHILE ISDN IS DESCRIBED AS A GREAT STEP FORWARD FOR CARRIERS, THE NEEDS OF ALL TELEPHONE SUBSCRIBERS MUST PLAY A PROMINENT ROLE IN CRAFTING PRICING POLICY. TO THE EXTENT THAT ISDN IS A MONOPOLY SERVICE OR NEAR MONOPOLY SERVICE, (AND THERE ARE MANY INDICATIONS THAT IT IS) SUBSCRIBERS MUST BE PROTECTED FROM PRICE GOUGING. THIS IS PARTICULARLY TRUE FOR THE SMALL BUSINESS SUBSCRIBER.

AT THE SAME TIME, THE GENERAL BODY OF RATE PAYERS MUST BE INSULATED FROM ABSORBING THE COSTS OF ISDN, A SERVICE ENHANCEMENT THAT THE VAST MAJORITY OF SUBSCRIBERS WILL ARGUE IN NO WAY SERVES THEIR NEEDS. AS SUCH, ISDN CUSTOMERS MUST PAY THEIR OWN WAY. AS THE COST CAUSERS, ISDN CUSTOMERS MUST SHOULDER THE BURDEN OF THE ADDITIONAL EXPENSES THEY CREATE. AT THE SAME TIME, THEY MUST BEAR THEIR FAIR SHARE OF THE COSTS OF OPERATING THE NETWORK AS A WHOLE. ACCORDINGLY, ANY ISDN PRICING STRATEGY MUST INCLUDE A REASONABLE CONTRIBUTION TO THE COSTS ASSOCIATED WITH ALL BASIC SERVICES, AS IS BEING DONE TODAY IN OTHER BUSINESS-ORIENTED LOCAL COMMUNICATIONS SERVICES. THIS IS NOTHING NEW AND SUCH AN APPROACH HAS LONG BEEN ADOPTED BY COMMISSIONS THROUGHOUT THE NATION, BASED ON THE RATIONALE THAT PRICING FOR SERVICES SHOULD REFLECT THE VALUE OF THE NETWORK TO THE CLASS OF USERS.

THE CONCEPT OF A SINGLE ACCESS POINT FOR VOICE AND DATA COMMUNICATIONS HAS A GREAT DEAL OF APPEAL. MANY EXPERTS ARE SAYING THAT THE DAWN OF THE TRUE INFORMATION AGE WILL NOT BE AT HAND UNTIL DATA COMMUNICATIONS CAN FLOW FREELY. AND AS A

REGULATOR I WOULD NOT WANT IT SAID THAT I PREVENTED THE  
REALIZATION OF THE DREAM OF WHAT THE INFORMATION AGE HOLDS FOR US  
ALL. HOWEVER, IT WOULD APPEAR THAT THE PROMISES ASSOCIATED WITH  
ISDN CAN ONLY BE FULLY REALIZED THROUGH AN EVOLUTIONARY PROCESS.  
THE FIRST PHASE BEING THE COMPLETE DEPLOYMENT OF DIGITAL LOCAL  
SWITCHING WITH THE DIGITAL CENTRAL OFFICE REPRESENTING THE  
BACKBONE OF THE NETWORK. ALSO, ISDN LOOP TERMINATIONS WILL BE  
REQUIRED FOR EACH POTENTIAL ISDN SUBSCRIBER. THE SECOND PHASE  
WILL REQUIRE ISDN CAPABILITIES TO BE EXTENDED BETWEEN SWITCHING  
OFFICES. THIS, I AM TOLD, WILL REQUIRE THE NEED FOR DIGITAL  
TRUNKS AND THE DEPLOYMENT OF CCITT'S COMMON CHANNEL SIGNALLING  
CALLED SIGNALLING SYSTEM #7. AND THE FINAL STAGES WILL BE A  
TOTAL INTER-NETWORKING TO THE POINT OF A SINGLE WORLDWIDE  
OPERATION.

THIS SCENARIO, THOUGH I ADMIT A VERY EXCITING ONE, CAUSES  
STATE REGULATORS TO EXPERIENCE A SHARP DECLINE IN PRESENT COMFORT  
LEVELS. WE ARE CONCERNED THAT THE IMMEDIATE EFFECT THAT ISDN  
WILL HAVE ON EXISTING CARRIERS IS AN INCREASE IN NETWORK

INVESTMENT. THAT IS, ISDN WILL RESULT IN EARLY RETIREMENTS OF EXISTING FACILITIES INCAPABLE OF PROVIDING ISDN - ULTIMATELY RESULTING IN STRANDED INVESTMENT.

IF A TELEPHONE COMPANY IS TOO AGGRESSIVE IN DEPLOYING ISDN FACILITIES AND THEREBY RETIRES AN OTHERWISE ACCEPTABLE PIECE OF EQUIPMENT, WHERE THE COMPANY IS UNABLE TO RECOUP THE UNDEPRECIATED PORTION OF THE SWITCH FROM THE ISDN CUSTOMER, IT MAY ATTEMPT TO SEEK TO RECOVER ITS COSTS THROUGH THE GENERAL BODY OF RATEPAYERS. IN EFFECT, NON-USERS OF ISDN WOULD BE FORCED TO SUBSIDIZE THE SERVICE.

I WOULD SUPPORT A CAUTIOUS AND WELL-THOUGHT OUT APPROACH TO THE DEPLOYMENT OF ISDN TECHNOLOGIES - PERHAPS A DISCUSSION WITH EQUIPMENT VENDORS WHO ARE ABLE TO PROVIDE PRODUCTS TO ENHANCE OLDER SWITCHES OR TO DEPLOY THESE ISDN CAPABILITIES FOR LARGE USERS ON A TRIAL BASIS (WHICH, I UNDERSTAND, HAS BEEN THE APPROACH, THUS FAR, OF THE BELL OPERATING COMPANIES). FOR I CAN ASSURE YOU THAT STATE REGULATORS WILL BE SCRUTINIZING ISDN RELATED INVESTMENT BOTH "CAUTIOUSLY" AND "CAREFULLY". I

UNDERSTAND THAT ONCE A REGULATOR USES SUCH WORDS AS "CAREFUL" AND "CAUTIOUS", MEMBERS OF THE INDUSTRY, EQUIPMENT VENDORS AND LARGE USERS RENDER A LARGE SIGH. I WAS ASKED TO SPEAK TODAY, I AM SURE, IN ORDER FOR YOU, THE AUDIENCE, TO HAVE SOME SENSE OF THE REGULATORY APPROACH WE WILL APPLY TO ISDN AS WELL AS SOME IDEA OF A REGULATOR'S PERSPECTIVE WITH REGARD TO THE PRICING OF ISDN SERVICES.

I HAVE GIVEN YOU MY PERCEPTION OF THE REGULATORY APPROACH THAT MOST STATE COMMISSIONS WILL FOLLOW. I WILL NOW ATTEMPT TO PROVIDE SOME INSIGHT AS TO REGULATORY PRICING ISSUES.

CERTAIN PRICING CONSIDERATIONS IMMEDIATELY COME TO MIND IT IS CLEAR THAT ISDN RATES MUST BE SET LOW ENOUGH TO ATTRACT SUFFICIENT NUMBERS OF SUBSCRIBERS TO JUSTIFY THE INVESTMENT AND TO COVER COSTS. THE RATES MUST ALSO, ULTIMATELY, APPEAL TO A BROAD RANGE OF CUSTOMERS, NOT JUST TO THE CARRIER'S LARGEST CUSTOMERS. AT THE SAME TIME, PRICES SHOULD BE SET WITH AN EYE TOWARD COMPETITIVE ALTERNATIVES, PARTICULARLY THE CAPABILITIES OF PRIVATE NETWORKS. ISDN IS NOT GOING TO GROW UNLESS



SUBSCRIBERS ARE PROVIDED BETTER SERVICES FOR THEIR DOLLAR. MOREOVER, FOR OBVIOUS POLITICAL REASONS, CARRIERS SHOULD INVESTIGATE THE FEASIBILITY OF INITIATING A RESIDENTIAL ISDN SERVICE TO BRING THE BENEFITS OF NEW TECHNOLOGY TO THE BROADEST RANGE OF CONSUMERS.

ISDN, THUS FAR, HAS BEEN DEPLOYED IN TWO FASHIONS, EITHER ON AN INDIVIDUAL CASE BASIS (ICB) FOR A SINGLE USER, OR IN TARIFFS OF GENERAL APPLICABILITY. LET ME SAY A FEW WORDS ABOUT EACH.

MY OWN EXPERIENCES WITH ICB TARIFFS DERIVES FROM THE ONGOING CENTREX PROCEEDING IN THE DISTRICT OF COLUMBIA. IN THAT PROCEEDING, THE D.C. COMMISSION AUTHORIZED THE CHESAPEAKE AND POTOMAC TELEPHONE COMPANY TO ENTER LONG TERM CONTRACTS WITH CENTREX SUBSCRIBERS IN ORDER TO ESTABLISH FACILITIES-BASED SERVICE FOR A PREDETERMINED TIME PERIOD AT RATES DIFFERENT THAN THOSE AVAILABLE IN TARIFFS OF GENERAL APPLICABILITY. C&P MAY BARGAIN FREELY WITH POTENTIAL ICB CUSTOMERS AND ENTER A BINDING CONTRACT. THE PROVISIONS OF THE CONTRACT ARE THEN PUT IN TARIFF FORMAT AND SUBMITTED TO THE COMMISSION WITH COST SUPPORT DATA.

COMMISSION STAFF REVIEWS THE DATA IN ORDER TO ASCERTAIN WHETHER THE AGREED UPON RATES COVER COSTS. IF IT APPEARS THAT THEY DO, THE COMMISSION WILL ALLOW THE RATES TO GO INTO EFFECT ON AN EXPEDITED BASIS. IF THE AGREED UPON RATES FAIL TO COVER COSTS, HOWEVER, THE BURDEN FALLS ON THE COMPANY'S SHAREHOLDERS. THE SHORTFALL MAY NOT BE RECOVERED THROUGH RATES FOR SERVICES RENDERED TO OTHER CLASSES OF SUBSCRIBERS. INSTEAD, THE SHORTFALL IS RECORDED BELOW THE LINE, AND MUST BE RECOVERED BY THE CARRIER'S SHAREHOLDERS, BELL ATLANTIC, AND ULTIMATELY, BY BELL ATLANTIC'S SHAREHOLDERS.

THE ICB CONCEPT RECOGNIZES THAT CARRIERS ARE FACED WITH COMPETITIVE PRESSURES FOR SOME CENTREX SERVICES, AND PROVIDES CARRIERS WITH SOME LEEWAY IN COMPETING FOR LARGE CONTRACTS. AT THE SAME TIME, IT RECOGNIZES THAT THE GENERAL BODY OF RATEPAYERS MUST NOT BE COMPELLED TO BEAR THE BURDEN OF PAYING FOR HIGH-COST SERVICES OF VALUE TO ONLY ONE CUSTOMER WHERE THE COMPANY HAS FAILED TO PROJECT ACCURATELY ITS COSTS.

TO DATE, ONLY TWO ISDN TARIFFS OF GENERAL APPLICABILITY HAVE

BEEN FILED, AT&T'S PRIMARY RATE INTERFACE INTERSTATE TARIFF AT THE FCC, AND ILLINOIS BELLS' BASIC RATE INTERFACE TARIFF AT THE ILLINOIS COMMERCE COMMISSION.

AFTER REVIEWING THESE ISDN TARIFFS AND LISTENING TO THE PUBLIC STATEMENTS BEING MADE BY OPERATING COMPANY REPRESENTATIVES, THERE APPEARS TO BE DEVELOPING A RANGE OF APPROACHES TO ISDN PRICING AND REGULATION:

AT ONE END OF THE SPECTRUM IS THE AMERITECH APPROACH, AS EVIDENCED BY THE ILLINOIS BELL FILING. ILLINOIS BELL FILED A TARIFF WHICH UNBUNDLES AND THUS PRICES SEPARATELY EVERY ASPECT OF THE SERVICE. THE TARIFF HAS BEEN FILED WITH THE ILLINOIS COMMISSION, BUT AS A "COMPETITIVE SERVICE" UNDER THE PROVISIONS OF A VERY UNIQUE ILLINOIS STATUTE.

THE MIDDLE GROUND WOULD BE A COMPANY THAT FILES A NEW TARIFF FOR ONLY THE ACCESS PORTION OF ISDN. TRANSPORT (TRADITION) ELEMENTS WOULD BE THE SAME FOR SIMILAR FACILITIES AND IF THE SERVICES BEING OFFERED ARE THE SAME AS EXISTING SERVICES THEN THE EXISTING TARIFFS WOULD APPLY. TO THE EXTENT THAT ISDN ALLOWS THE

PROVISION OF NEW SERVICES OR FEATURES WHICH REQUIRE ADDITIONAL OR DIFFERENT COST, THEN NEW TARIFFS WOULD BE FILED.

THE OTHER EXTREME OR END OF THE SPECTRUM, WHICH I FONDLY CALL, THE "U.S. WEST" APPROACH VIEWS "ACCESS" AS A TECHNOLOGY AND THUS NOT WITHIN THE PREVIEW OF STATE REGULATORY OVERSIGHT. RESULTING SERVICES THAT ARE CURRENTLY AVAILABLE WOULD CONTINUE TO BE AVAILABLE UNDER EXISTING TARIFFS.

WHEN A CUSTOMER ELECTS TO TAKE ISDN THERE ARE CLEARLY COSTS ASSOCIATED WITH PROVIDING THAT SERVICE. THE COSTS VERY DEPENDING ON WHETHER THE COMPANY WILL BE PROVIDING PRIMARY OR BASIC RATE INTERFACE. THE LOOP QUALIFICATIONS (AT THE SWITCH AND AT THE CUSTOMERS' PREMISES, ENTRANCEMENT TO THE SWITCH OR NEW SWITCHING EQUIPMENT, THE SERVICE ORDER PROCESS AND NEW MAINTENANCE PROCEDURE AND RELATED EQUIPMENT.

HOWEVER, WHAT WE REGULATORS NORMALLY CALLED "TRANSPORT" COST, THE MTS AND USAGE COSTS SHOULD BE VERY SIMILIAR, IF NOT THE SAME, FOR ISDN SERVICES AS IT IS FOR BASIC BUSINESS CUSTOMERS. THE OPERATING COMPANIES WILL BE UTILIZING THE SAME FACILITIES.

THUS, IN MY OPINION THE SERVICES SHOULD BE PRICED UNDER EXISTING TARIFFS.

I THEREFORE DEEM THE "MIDDLE GROUND" TO BE THE MOST APPROPRIATE PRICING SCHEME METHODOLOGY FOR ISDN SERVICE AS IT IS FOR BASIC BUSINESS CUSTOMERS. AND THEREFORE SHOULD BE PRICED UNDER EXISTING TARIFFS.

AS I INDICATED EARLIER, THERE IS SOME DISCUSSION AMONG CARRIERS THAT ISDN IS, ESSENTIALLY, AN ENHANCED SERVICE, AND THAT THE FCC'S COMPUTER III ORDERS ALLOW ISDN SERVICES TO BE OFFERED ON A NON-TARIFFED BASIS. I DO NOT AGREE WITH THIS POSITION. ISDN PROVIDES SWITCHED TRANSMISSION CAPABILITIES SIMILAR TO ANY OTHER SWITCHED SERVICE. THE ONLY PERTINENT DIFFERENCE BETWEEN ISDN AND EXISTING BASIC SERVICE. IS THE EASE WITH WHICH CUSTOMERS MAY OBTAIN MULTICHANNEL CAPABILITY, THE DIGITAL RATHER THAN ANALOG CAPABILITY, AND THE ADVANCED SWITCHING SERVICES EMPLOYED. WHILE ENHANCED SERVICE PROVIDERS MAY NO DOUBT EMPLOY ISDN TO PROVIDE SERVICES WHICH THE FCC CLAIMS TO HAVE PREEMPTIVELY DETARIFFED (AND WHICH THE BELL OPERATING COMPANIES MAY SOMEDAY BE ABLE TO

OFFER) THERE IS NOTHING ABOUT THE UNDERLYING NATURE OF ISDN THAT MAKES IT MATERIALLY DIFFERENT FROM EXISTING BASIC SERVICES OFFERED BY REGULATED COMMON CARRIERS. HENCE, I WOULD EXPECT REGULATORY SCRUTINY OF EACH SUCH OFFERING.

THE AT&T ISDN TARIFF WAS FILED APRIL 5, 1988 WITH THE FCC. THE PRIMARY RATE INTERFACE OFFERING WILL PERMIT A CUSTOMER TO ACCESS AT&T MEGACOM SERVICE, AT&T MEGACOM 800 SERVICE AND 56 KBPS SWITCHED DIGITAL SERVICE OVER A SINGLE ACCESS LINK. THE FILING ALSO INTRODUCED TWO ISDN OPTIONAL FEATURE (1) CALL-BY-CALL SERVICE SELECTION WHICH PERMITS CUSTOMERS TO PROGRAM THEIR ACCESS CAPACITY TO CARRY DIFFERENT SERVICE ON AN ON-DEMAND BASIS AND (2) 800 INFORMATION FORWARDING-2 WHICH WILL ENABLE CUSTOMERS OF AT&T MEGACOM 800 SERVICE TO IDENTIFY THE TELEPHONE NUMBERS OF CALLERS.

THE RATE STRUCTURE FOR THE PRI OF A NONRECURRING CHARGE OF \$3,000.00 AND A MONTHLY RECURRING CHARGE OF \$400.00 THE NONRECURRING CHARGE WAS ESTABLISHED TO RECOVER COSTS ASSOCIATED WITH INSTALLATION AND INITIAL TESTING OF THE FEATURE. THE

MONTHLY RECURRING CHARGE WAS ESTABLISHED TO RECOVER THE RECURRING COSTS ASSOCIATED WITH PERFORMANCE MONITORING, MAINTENANCE AND BILLING. THE CALL-BY-CALL SERVICE SELECTION FEATURE HAS A NONRECURRING CHARGE OF \$250.00 WHICH WAS ESTABLISHED TO RECOVER THE COSTS ASSOCIATED WITH THE INITIAL INSTALLATION AND ESTABLISHMENT OF A GROUP OF B CHANNELS THAT SHARE THE SAME CONTINUATION OF SERVICES REQUESTED BY A CUSTOMER. THE CHARGES ALSO RECOVER THE ADDITIONAL COSTS OF PROVISIONING AND TESTING THIS FEATURE. 800 INFORMATION FORWARDING-2 HAS A USAGE SENSITIVE CHARGE OF 3 CENTS PER DELIVERED ANI WHICH WAS ESTABLISHED TO RECOVER THE COSTS OF TRANSPORTING THE ANI MESSAGE OVER AT&T'S SIGNALLING NETOWRK. THIS CHARGE IS IN ADDITION TO THE AT&T MEGACOM 800 SERVICE USAGE CHARGES FOR THE CALL.

IF THERE IS ADEQUATE COST SUPPORT DATA SUBSTANTIATING THE CHARGE (THOUGH U.S. SPRINT HAS COMPLAINED THAT AT&T HAS FAILED TO PROVIDE SAME) THEN AT&T PRICE PROPOSAL MORE CLOSELY PARELLELS MY HYPOTHETICAL MIDDLE GROUND. (I AM SOMEWHAT CLOUDY AS TO THE USAGE CHARGES FOR ANI BUT THEN I HAVEN'T SEEN THE COST DATA AND

APPARENTLY NO ONE ELSE HAS EITHER).

IN CONCLUSION, LET ME REITERATE THAT I BELIEVE THAT DEPLOYMENT OF ISDN SHOULD MEET THE SAME PUBLIC INTEREST STANDARDS APPLICABLE TO ANY NEW COMMON CARRIER SERVICE: RATES MUST BE FAIR AND REASONABLE, THE GENERAL BODY OF RATEPAYERS SHOULD BE FREE FROM BEARING AN UNFAIR PORTION OF THE COSTS OF SERVICES THEY WILL NOT BE UTILIZING AND, FINALLY, USERS OF ISDN MUST BE REQUIRED TO PAY THEIR FAIR SHARE OF THE COSTS OF MAINTAINING LOCAL NETWORKS THROUGH A CONTRIBUTION ESTABLISHED IN ISDN RATES. AT THE SAME TIME, PRICING SHOULD BE DEVELOPED TO PROMOTE A FEATURE RICH NETWORK THAT WILL ENHANCE THE VALUE OF THE NETWORK TO THE FRANCHISE AREA. WHILE IT IS TOO EARLY TO TELL WHETHER THE TWO ISDN TARIFFS PRESENTLY IN PLACE ADDRESS ADEQUATELY THESE CONCERNS, RESPONSIBLE REGULATORS WILL BE LOOKING TO THESE ISSUES WHEN CONFRONTED WITH ISDN TARIFFS IN THE FUTURE.

THANK YOU.