

Section 706 - Regulatory Relief for Advanced Services

Background:

What is a "Section 706?"

Section 706 refers to the section of the Federal Telecommunications Act of 1996 that requires the FCC and state commissions to encourage the deployment of advanced telecommunications capability to all Americans through measures that promote competition, or other methods that remove barriers to infrastructure investment.

Section 706(b) of the 1996 Act defines "advanced telecommunications capability" (ATC) as "high-speed, switched broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics and video telecommunications using any technology."

The FCC has further refined the definition to specify that ATCs must have "the capability of supporting in both the provider to consumer (downstream) and the consumer to provider (upstream) directions a speed in excess of 200 kilobits per second in the last mile."

In effect this includes most switched broadband services (ATM, Frame Relay, SMDS) as well as most forms of xDSL loop access but excludes ISDN.

How has the FCC Responded?

To date there have been two interrelated, although independent federal proceedings on Section 706:

On 8/8/98 the Commission released a Notice of Inquiry (NOI) seeking comments on the general state of deployment of advanced telecommunications capability. On 2/2/99, the Commission released its first annual report declaring that "Overall, we find that, although the consumer broadband market is in the early stages of development, it appears, at this time, that deployment of broadband capability is reasonable and timely."

On 8/8/98 the Commission also released an Order and Further Notice of Proposed Rulemaking. This second proceeding was driven by Petitions for relief from various parties. Specifically, Bell Atlantic, the Alliance for Public Technology (APT), US West, Ameritech, the Association for Local Telecommunications Service (ALTS), and SBC filed petitions during early 1998.

The NPRM proposed giving ILECs the option of offering advanced services through a separate subsidiary on a partially deregulated basis while offering CLECs strengthened unbundling and collocation rules. On March 31, 1999, the Commission released an Order and Further Notice of Proposed Rulemaking, which did strengthen collocation rules and give CLECs more options and greater flexibility. The Commission did not rule on regulatory relief for ILECs. It is expected that a second Order will be released after the UNE Remand proceeding is concluded.

Ameritech has requested that the Commission:

- 1) Modify LATA boundaries to facilitate ubiquitous deployment of advanced telecommunications capabilities. Specifically the FCC should allow ILECs to provide intrastate – interLATA data services. In addition, interstate – interLATA data services should be allowed to carry Internet traffic across state boundaries to the nearest Network Access Point (NAP).
- 2) Confirm that ATCs offered through a separate data subsidiary are not subject to unbundling and resale requirements.
- 3) Approve a separate data subsidiary that includes: freedom from unbundling and resale obligations, joint marketing with the ILEC, limited transfer of assets and use of ILEC personnel for installation, operations and maintenance, which sunset when widespread deployment of ATCs occurs.

Summary of Original 706 Petitions

	Freedom from unbundling and resale on Advanced Services	InterLATA freedoms on Advanced Services	Use of a separate subsidiary	More unbundling and resale and better collocation arrangements	No InterLATA relief for ILECs
Bell Atlantic	x	x			
APT	x	x			
USW	x	x			
Ameritech	x	x	x		
ALTS				x	x
SBC	x				

Ameritech Position:

Ameritech's request for relief under section 706, is consistent with the public interest, and will provide the following benefits:

1. **Promote robust competition.** Today, competition in the advanced data services market is limited. Private peering arrangements and partnerships (e.g., WorldCom/MCI merger) threaten competition in the backbone network. Customers demand and deserve a choice and, given the appropriate incentives, Ameritech has the capability and expertise to provide that choice.
2. **Advance infrastructure investment and innovation, increasing productivity across all industries.** Regulatory restrictions -- unbundling and resale in particular -- reduce Ameritech's incentive and ability to make the necessary investment in widespread deployment of ATCs. Building a data infrastructure requires significant investment and risk and TELRIC pricing does not allow recovery of actual costs. Section 706 requires state and federal commissions to remove barriers to investment on a timely basis. The requested regulatory relief provides incentives to invest in widespread deployment of ATCs.
3. **Relieve congestion on the existing voice network.** Customers are demanding ATCs and the existing circuit switched network was not designed to provide these capabilities. Today, data services provide the predominant share of traffic growth -- on the existing circuit-switched network. Existing networks were designed to carry a high volume of short holding time voice calls (3-4 minutes), rather than the longer holding-time connections which characterize Internet data traffic (average of 24 minutes). Offering of ATCs will meet customer demands while minimizing congestion on the circuit-switched network.