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Vice President - Arizona
Public Policy

January 7, 1998

The Honorable Jim Irvin
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

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Dear Chairman Irvin:

As you have probably heard, on New Year's Eve, Judge Joseph Kendall, U.S. District Court Judge for the Northern District of Texas, struck down as unconstitutional limited portions of the Telecommunications Act of 1996 (Sections 271-75), which prevent the former Regional Bell Operating Companies from competing in long distance, manufacturing, electronic publishing and alarm services.

U S WEST joined the case, originally filed by SBC Communications, after much consideration of the current competitive and federal regulatory landscape. The inaction of major long-distance companies to enter the local market to serve residential customers, and the FCC's recent orders denying Bell Company applications for long-distance entry have delayed competition and have held up delivery of lower-priced service packages to consumers. Last week's decision moves U S WEST a step closer to offering consumers the choice and convenience Congress envisioned when it passed the Act.

Please be assured that the Texas court's order in no way affects U S WEST's commitment and ongoing efforts to open up the local phone market to competition. Obligations for interconnection, unbundling and resale included in Sections 251 and 252 of the Telecommunications Act remain in effect and serve as the cornerstone of local telephone competition throughout the country.

Interconnection is alive and well in Arizona. Eighteen telecommunications providers including ATT, MCI Metro, Sprint and WorldCom (MFS) have been certified by the Arizona Corporation Commission and have interconnection agreements with U S WEST. These companies are actively engaged in the business market and are competing with U S WEST for business customers, almost exclusively, in Phoenix and Tucson. An additional six companies have applications pending before the Arizona Corporation Commission. No company other than U S WEST has demonstrated any great interest in serving residential customers.

U S WEST is moving ahead to provide interLATA long distance to our Arizona customers. We believe this gives customers another choice for their long distance provider at rates that will meet and beat the competition. Absent any legal barriers, we expect to start providing interLATA calls later in the first quarter of 1998.

Attached for your review are materials providing additional detail about the order and its benefits for consumers.

Please feel free to give me a call with any questions at 602-630-6666.

Sincerely,

Attachment
cc: Mark DiNunzio

BILL OF ATTAINDER DECISIONBackground

On December 31, 1997, Judge Joe Kendall, United States District Judge for the Northern District of Texas, struck down as unconstitutional limited portions of the Telecommunications Act of 1996, which prevent the former Regional Bell Operating Companies (RBOCs) from competing in long distance, manufacturing, electronic publishing and alarm services (Sections 271-75).

In the case filed by SBC and joined by U S WEST, the judge ruled that these provisions amounted to a "Bill of Attainder" -- a singling out of certain companies for punishment without benefit of a trial. Since 1990, prominent legal scholars have questioned the constitutionality of applying special business restrictions only to the RBOCs. Judge Kendall affirmed that position.

U S WEST and others have been working hard and spending hundreds of millions of dollars to open local markets to competition since passage of the Telecom Act. In U S WEST's territory alone, the company has 244 state commission-approved interconnection agreements with 87 telecommunications firms, and is processing more than 6,000 competitor orders each month.

Yet after all these efforts, regulatory and competitive roadblocks remain to Bell Company provision of long-distance services. Despite the hundreds of interconnection agreements in effect for entry into the local phone market, the major long-distance companies are largely standing on the sidelines, ignoring residential customers. This lack of interest by long-distance carriers seems to be part of a plan to keep the Bell Companies from competing in the long-distance market.

Furthermore, the FCC's recent orders, particularly its denial of Ameritech's and BellSouth's 271 applications, make clear that the Special Provisions section of the Act is being interpreted by Federal regulators in a manner that significantly delays competition and imposes onerous obligations on the Bell Companies beyond what Congress intended.

With Judge Kendall's decision, U S WEST moves a step closer in providing the choice and competitive prices envisioned by Congress when it passed the Telecom Act.

Looking Ahead

The primary beneficiaries of the Court's decision are consumers. Additional competition and choice in the long-distance market and new incentives for long-distance companies to offer local telephone service will drive down prices and spur innovative service packages for consumers.

U S WEST is poised and ready to begin offering a full-range of long-distance services. In some states, the company hopes to provide long-distance service within 30-45 days, and soon thereafter throughout the 14-state region.

U S WEST's commitment to local competition and interconnection with competitors is totally unaffected by the Court's decision. The provisions contained in Sections 251 and 252 are effectively opening up local markets and are the cornerstone of local phone competition. U S WEST is living up to the obligations set forth in those provisions, and looks forward to delivering to consumers the full benefits of communications competition.