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AT&T

Robert H. Castellano
Director
Federal Regulation

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July 15, 1993

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D. C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Presentation
CC Docket No. 92-77 Phase II
Billed Party Preference

Dear Mr. Caton:

A meeting was held today with Gary Phillips and Mark Nadel of the Policy Division, and AT&T, represented by Ron Gramaglia and myself. The subject was the current proposal for Billed Party Preference (BPP).

AT&T maintains its position that BPP is unnecessary, especially as currently proposed, and appears to be overly costly to implement. However, part of this presentation suggests certain modifications to the current proposal for BPP. If BPP is mandated these modifications are intended to a) avoid strengthening the LEC bottleneck b) avoid improper cost recovery c) maximize the opportunity for carrier innovation.

The attached material was used at the meeting. Please contact me if you have any questions.

Two copies of this Notice were submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Sincerely,

Attachment

Copy to: G. Phillips
M. Nadel

No. of Copies rec'd 0+1
List A B C D E

Billed-Party Preference

The Existing Proposal

Consumer calling habits will outpace the need for BPP

- regulatory initiatives by the Commission have significantly increased customers' already considerable control over the selection of IXCs that will handle their calls
- unblocking, audible "branding" and appropriate signage provide all the information a consumer needs to reach the carrier of choice
- recent history confirms customers already know how to reach their preferred carrier; this is evidenced by the reduction in calls transferred to AT&T by Operator Services Providers as part of the Docket No. 92-77; Phase I proceeding last fall.
- services utilizing alternate access methods will continue to proliferate (e.g., 1-800-COLLECT, 1-800-OPERATOR)
- the marketplace is not waiting for solutions; the proliferation of proprietary calling cards is addressing customer needs today
- even optimistic projections of time to implement BPP are far enough out to witness the marketplace evolve beyond the need for it.

The Existing Proposal

Fostering LEC "bottleneck" control of all 0+/0- traffic will impair competition for services using this form of access

- because the LEC OSS receives all 0+/0- calls first, IXCs will be under tremendous pressure to choose the LEC to complete the call on their behalf or accept degraded service involving two operator systems.

- placing the LEC OSS between the IXCs and their customers will stifle competitive differentiation of IXC 0+ services by "masking" front end call handling with a LEC interface (e.g., commercial credit card billing).

- industry conformance to LEC standards will retard innovation and slow new service delivery.

The Existing Proposal

Implementation is feasible only after massive industry investment; investment which carries significant marketplace risk

- initial comment in this proceeding demonstrated start up costs have been projected to exceed $1 billion; annual operating costs have been projected at approximately $250 million.

- cost estimates continue to fluctuate; GTE's initial estimate of $80M recently ballooned to $300M.

- the significant cost to implement BPP coupled with the implementation lag and the fast pace of competition in this market cause tremendous risk for this proposal.

- incentives to attract usage to an IXC's network via access codes, in combination with a strong pricing message (e.g.,1-800-COLLECT), will continue to burden a system of billed party preference with declining volumes from which to recover the BPP investment.

- the extremely high cost to implement BPP will be passed on to the consumer

The Existing Proposal

In its current form, billed party preference does not appear to provide sufficient consumer benefit to warrant its mandatory implementation

Recommendation:

- the Commission should reject the premise for this proposal recognizing that the incremental costs far outweigh the

BPP Modifications

If, however, the Commission decides to implement billed party preference, AT&T believes the following modifications to the existing proposal must be incorporated

A) Avoid strengthening the LEC "bottleneck"

1. preserve a customers ability to dial access codes and a carriers ability to promote unique services which utilize them.

2. Apply BPP to all stations in all jurisdictions (intraLATA, intrastate and interstate).
   - this causes the cost of BPP to be spread over a much larger base; reducing its unit cost
   - LECs continue to handle 0+ intraLATA calls unless customers, on a proactive basis, select an IXC to handle all of their 0+ traffic.

3. BPP functions (operator services systems and administration of the carrier identification database) must be unbundled and performed by a neutral third party.
   - no carrier-specific branding is allowed until after the billed party's carrier is determined

BPP Modifications

Additional modifications to the existing proposal

B) Avoid improper cost recovery

1. To the maximum extent possible, costs should be recovered from all 0+/0- traffic.

2. The LEC 0- operator transfer charges will no longer apply.

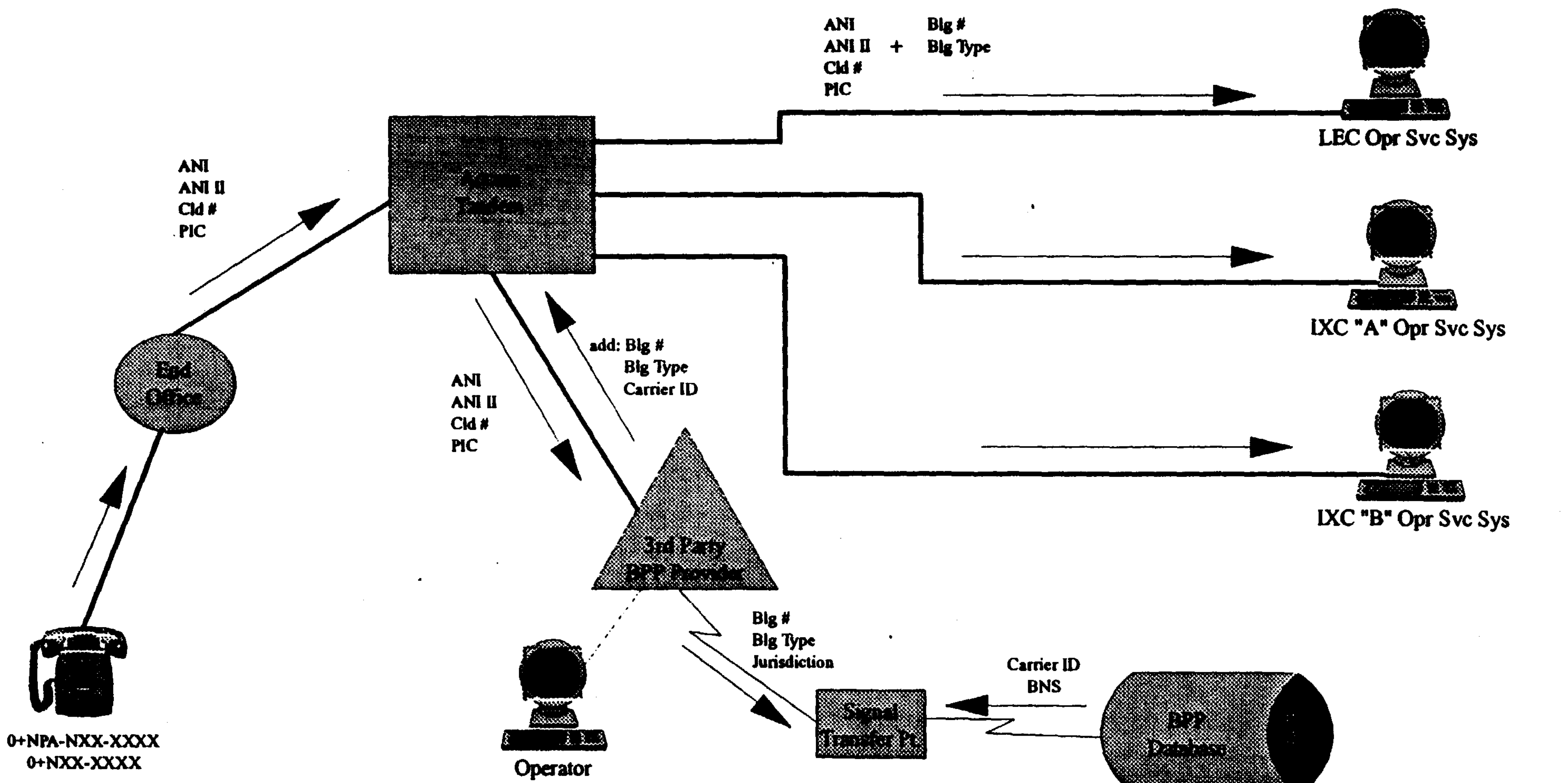
3. The price of BPP to carriers should be differentiated by billing type (e.g., collect, third no., CIID card, telephone line number card, etc.) and reflect actual costs.

4. Billed number screening and the validation of card numbers stored in LIDB should be included in the BPP charge to carriers.

C) Maximize opportunities for IXC innovation

1. Telephone line number based proprietary calling cards usable with 0+ access should be available to all carriers
   - 14-digit calling card screening will allow for multiple PINs associatied with the same telephone line number account
   - this allows customers to move their calling card number from one carrier to another without changing PINs

Competitive 3rd Party Provisioning of BPP



Call Flow Diagram