Bell Atlantic

Bell Atlantic Network Services, Inc.
1133 20th Street, N.W.
Suite 810
Washington, DC 20036
202 392-1189
FAX 202 392-1369

Maureen Keenan
Director - FCC Relations

EX PARTE OR LATE FILED

March 9, 1995

EX PARTE

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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

DOCKET FILE COPY ORIGINAL

RE: CC Docket No. 94-1

Yesterday, Ed Young, Vice-President Bell Atlantic-External Affairs, and Pat Hanley, Bell Atlantic-President Carrier Line of Business met with Jim Casserly Senior Legal Advisor to Commissioner Ness to discuss the attached, as in pertains to the aforementioned proceeding. Due to the lateness of the day in which this contact was held we are filing the ex-parte today.

Please include this letter and the attached into this record as appropriate.

Sincerely,

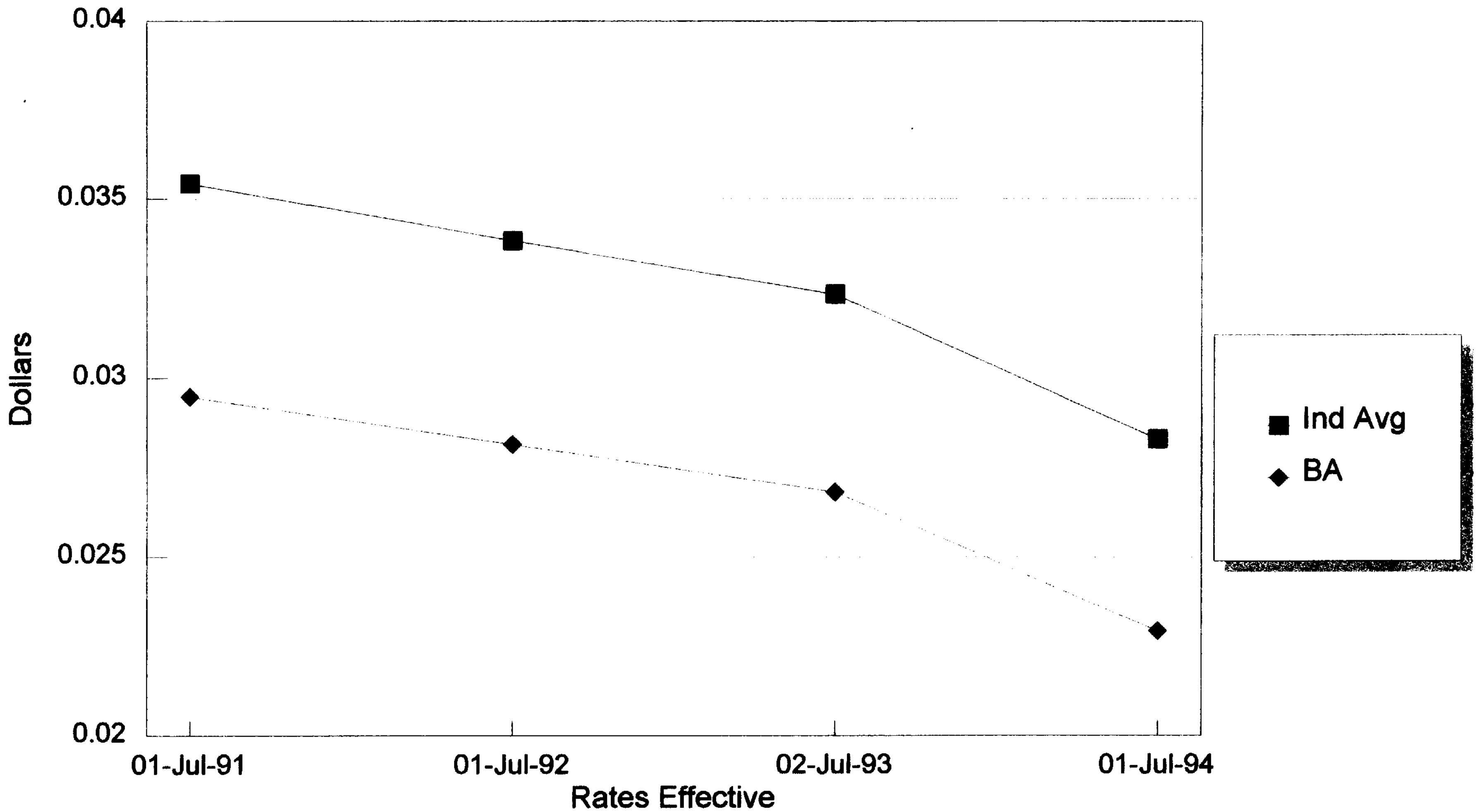
Maureen Keenan (em)

Attachment

CC: J. Casserly

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

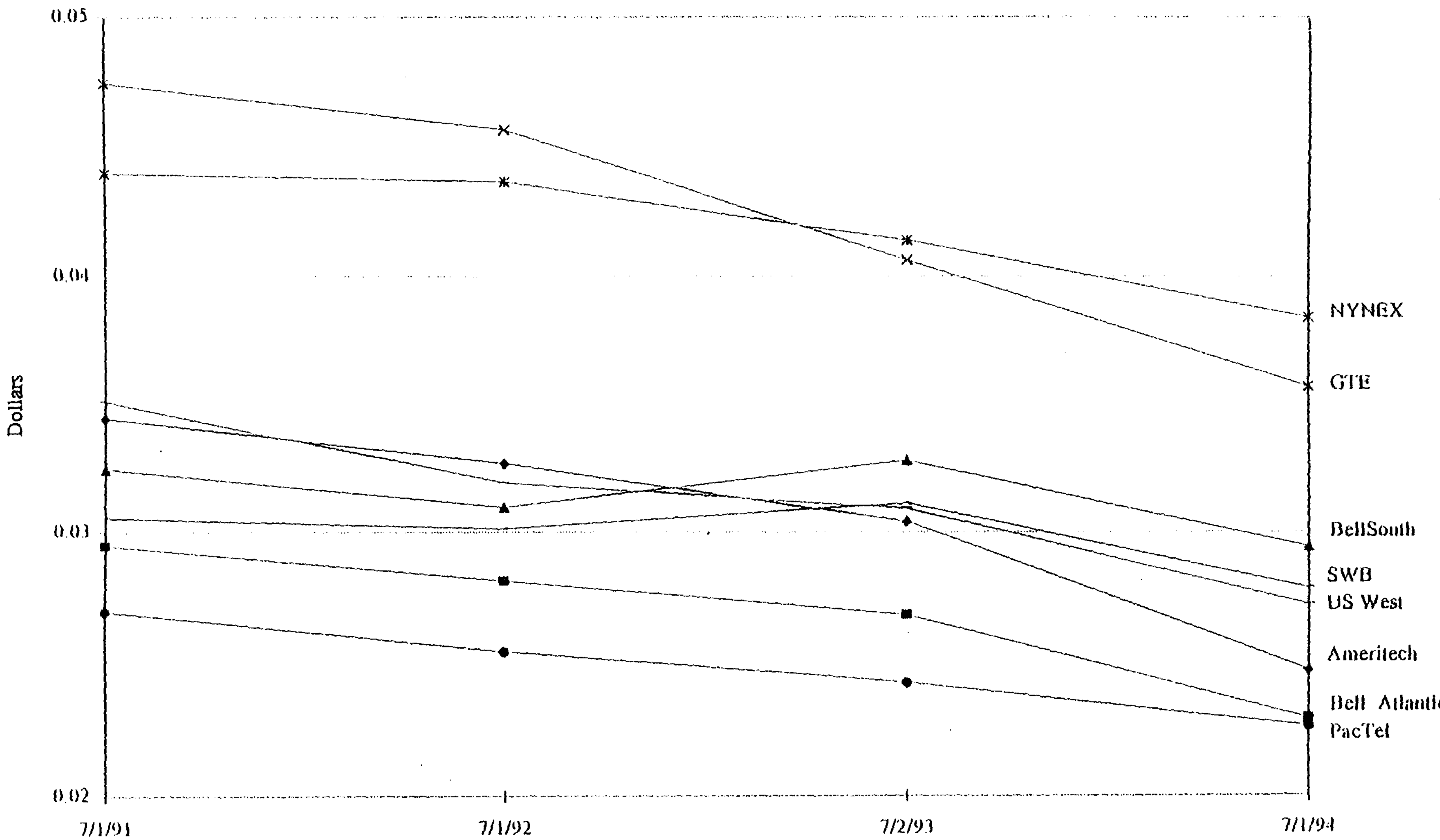
Composite Switched Access Rates

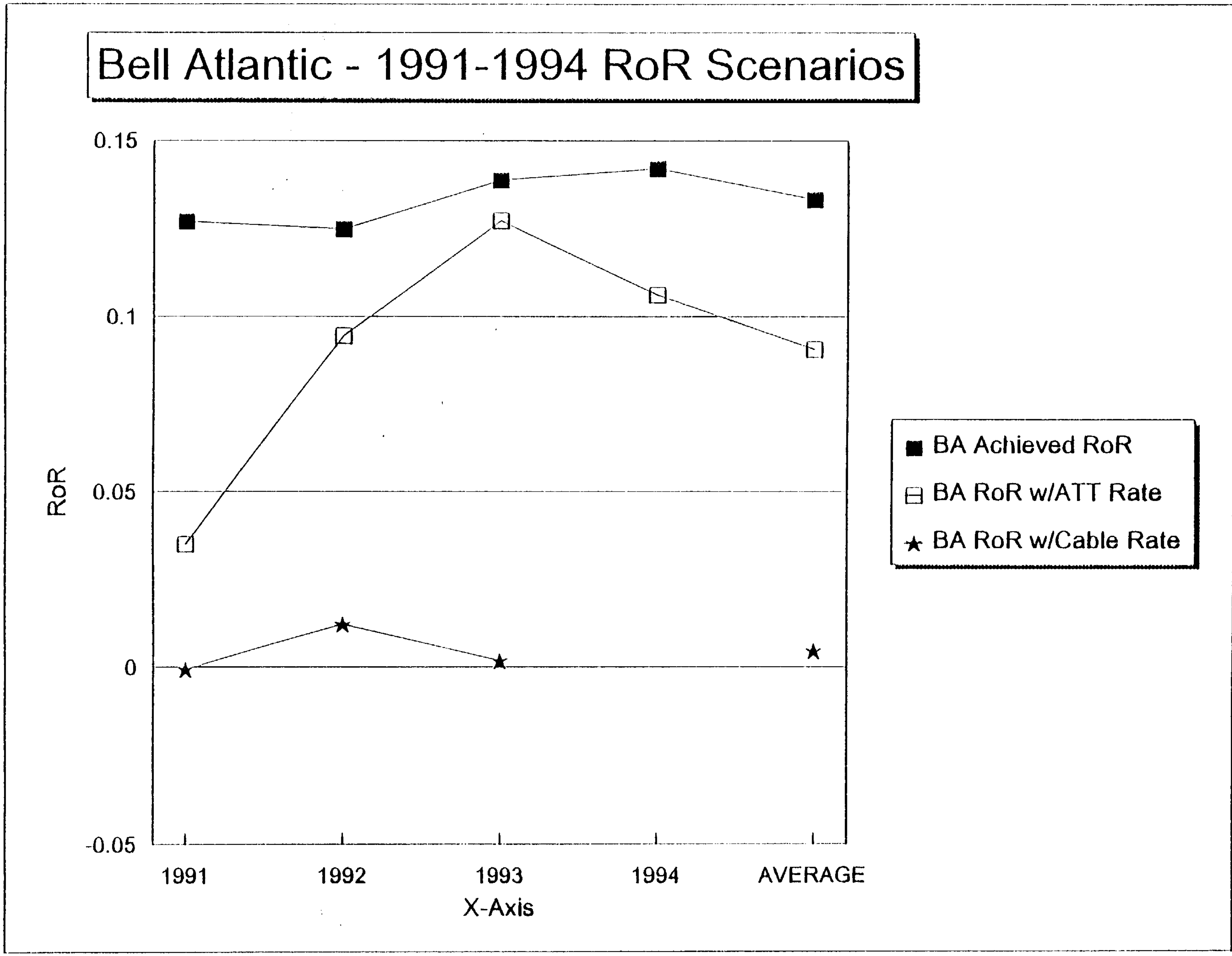


Bell Atlantic rates have declined 22% from 1991 through 1994

Composite Switched Access Rates

BA rates have declined 22% from 1991 through 1994





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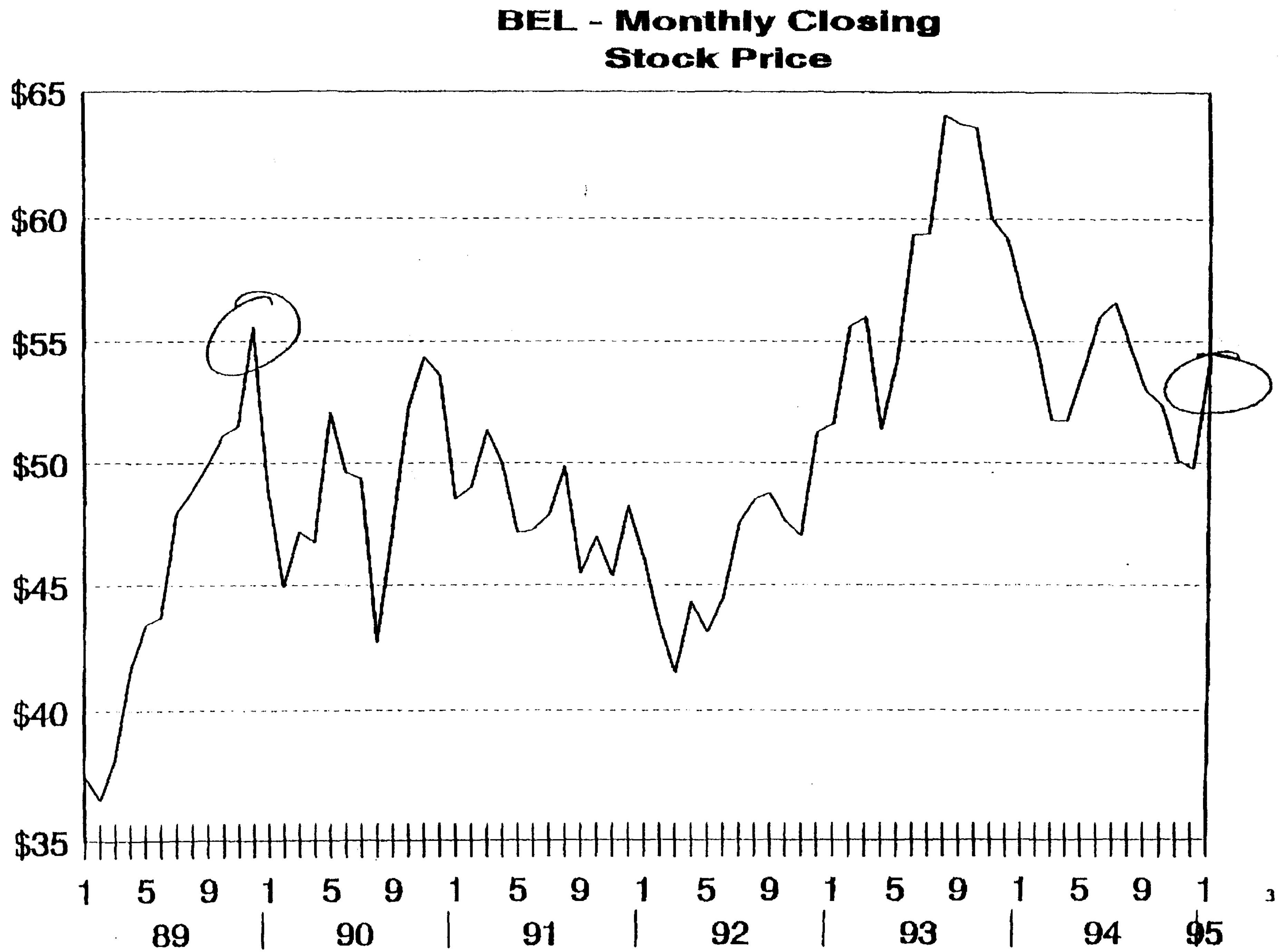
BEL - Monthly Closing
Stock Price
$65
$60
$55
$50
$45
$40
$35
1 5 9 1 5 9 1 5 9 1 5 9 1 5 9 1 5 9 1
89
90
91
92
93
94
95

REVISED

DEPRECIATION COMPARISON

Both AT&T and cable companies have higher composite depreciation rates than does Bell Atlantic. This translates into higher depreciation expense, and lower reported earnings.

Cable: Depreciation is not regulated; cables are therefore free to use economic depreciation lives.

Cable is predominantly outside plant intensive, therefore, higher depreciation rate probably driven by shorter lives for coaxial and fiber cable, as well as headend (electronic) equipment.

Cable is not required to file any depreciation data, so all information is only what is "heard on the street".

One cited example,

Fiber depreciation for cable (we think) =	15 years
Fiber depreciation for LECs =	25 - 30 years

AT&T does file data, and following are examples comparing the plant lives of certain types of plant:

	AT&T	BA
Underground cable		
Metallic	9 yrs	24 yrs
Fiber	20 yrs	25.8 yrs
Buried cable		
Metallic	15 yrs	20.7 yrs
Fiber	20 yrs	25 yrs
digital switch	9.7 yrs	17 yrs
Poles	9.3 yrs	31.4 yrs

The View From Wall Street: Competition in the Long Distance Telephone Market

AT&T and its rivals are pushing some prices up after almost 10 years of steady discounting. This gives AT&T more room to grow profits, and it creates an umbrella over MCI and Sprint, allowing them to raise prices, too. *(Kenneth Leon, Bear Stearns, 10/20/92)*

AT&T, MCI, and Sprint all have high-quality earnings because they operate in a stable, oligopolistic industry. . .without serious price competition. [T]he only real threat [is] posed by the Regional phone companies which are unlikely to gain regulatory freedom to enter this business for at least 3-5 years. *(Philip A. Managieri, Cowen, 8/23/93)*

Margins improved for all four [long distance] carriers, reflecting an impact from price increases and steady declines in access costs. *(Daniel P. Reingold and Richard C.Toole, Merrill Lynch, 2/10/94)*

The combination of a cozy oligopoly that wishes to avoid price wars and falling operating expenses primarily due to [exchange] access cost reductions is an unbeatable environment in which to do business. *(Timothy N. Weller and Nick Frelinghuysen, Donaldson, Lufkin & Jenrette, 6/1/94)*

The long distance industry is one of today's premier growth industries. Where else can you find: (1) double-digit unit volume growth, (2) declining unit costs, on a nominal as well as real basis, (3) a $10 billion barrier to entry, (4) a benign, stable oligopoly where the price leader [AT&T] is looking to generate cash to fund other ventures, and (5) a prohibition on competition. . . It is rare to see a full-fledged price war in an oligopolistic market, witness soft drinks. The same holds true in the long distance market. *(C.W. Woodlief and E. Strumingher, Dean Witter, 10/28/94)*

Many investors still seem to believe that there has been some sort of "price war" among the major interexchange carriers. The fact is that although interstate telephone rates have come down by about 50% over the past decade, the entire decline has been "funded" by decreases in the amounts paid by interexchange carriers to the local exchange carriers for "access." *(John Bain, Raymond James & Assoc., 1/12/95)*

Overall, MCI's new Friends & Family program looks like just another round of discounting funded by previously announced increases in the base rates. By focusing on the discount instead of the rate, the industry has been able to quietly raise base rates while spending millions of dollars promoting ever-increasing discounts. *(D. Reingold and M. Kastan, Merrill Lynch, 1/20/95)*

Regardless of your carrier, you are paying higher and higher rates if you are among the tens of millions of Americans who have not signed up for a discount calling plan. The person paying the retail rate is bearing the disproportionate burden. And these are probably the people who can't afford to make a lot of phone calls and therefore [do not] qualify for those cheaper plans. *(D. Briere, Tele-Choice Inc., 1/21/95)*

AT&T now has the same revenues as the entire Bell system just before the break up in 1984, when they spun off about 85 percent of their assets. *(John Bain, Raymond James & Assoc., 1/24/95)*

MCI. . . filed for a 3.9% across-the-board rate increase. We fully expect AT&T, Sprint, and the second tier carriers to follow suit. This move by MCI is extremely bullish for the long distance stocks since it sends a clear message to the investment community that the long distance industry will practice 'safe pricing' which will lead to stable revenue per minute trends. *(Jack B. Grubman, Salomon Brothers, 2/6/95)*