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AT&T

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March 10, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton,
Acting Secretary
Federal Communications Commission
1919 M Street, NW. Room 222
Washington, DC 20554

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RE: Ex Parte Presentation
Docket No. 95-3

Dear Mr. Caton:

On Friday, March 10, Doug Goodrich and I met with Peyton Wynns and Alan Feldman to discuss AT&T's position in the above-captioned docket.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.206.(a)(1) of the Commission's rules.

Sincerely,

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1995 FCC Regulatory Fees - Notice of Proposed Rulemaking

0 The Commission has properly concluded that any carrier, whether facilities based or reseller, using the interstate network shall be subject to a regulatory fee payment.

0 AT&T agrees with LDDS that assessing the regulatory fee at the point of retail sale of an interexchange service would eliminate any potential double counting.

0 Fiscal Year 1995 cost allocation is $ 39 Million to users of the interstate network.

0 Need to determine methodology to be utilized to assess the fees.

0 Methodology utilized should be both Efficient and Equitable to all parties.

0 Commission sought comment on either Lines or Minutes of Use as a methodology.

0 Significant industry support for a third option: Revenues.

0 Support for a Revenue based methodology comes from Comments submitted by AT&T, U.S. West, Southwestern Bell, NECA, MFS Communications, and Teleport Communications.

0 Additional support from other industry players indicated within their Reply Comments: Ameritech, GTE, Alltel, the National Telephone Cooperative Association, and Time Warner.

1) Revenues: The Best Approach

0 Revenues are readily available and externally verifiable.

0 Equitable, competitively neutral distribution of fees among users within the industry.

0 Consistent with Commission policy/action in TRS proceeding which is working. Further, consistent with industry support for revenues to be utilized as the basis for assessments associated with the Universal Service Fund.

0 Same interstate revenue data for TRS reporting could be used for regulatory fees.

0 Results in substantially no additional regulatory and resource burden on Commission or carriers.

0 Revenues is therefore an efficient approach to the assessment of regulatory fees.

0 Will readily capture switched and private line services without crossover assumptions as the regulatory fee would be based on billed revenue.

0 Supports Commission's goal to extend fees to a broad base of interstate communications services and is technologically neutral in approach.

0 Nearly all individual state commissions are funded by assessments on their carriers based on gross intrastate revenues.

0 Of the states which assess a regulatory fee, 96% of them base the regulatory fee on revenues (44 of 46 of the states).

2) Minutes: A Less Good Approach

0 Would result in IXCs being assessed fees based on their proportionate share of switched services usage and would not create disincentives to serve low volume users.

0 More complex to administer; little support from commentors.

0 Questionable crossover assumptions which change over time.

0 If utilized, error in rate calculation must be corrected.

3) Lines: A Flawed Approach

0 Flawed because like the current Universal Service Fund allocator, the use of lines inequitably loads costs on the low end users in the market.

0 The low end of the market uses less so they should pay less.

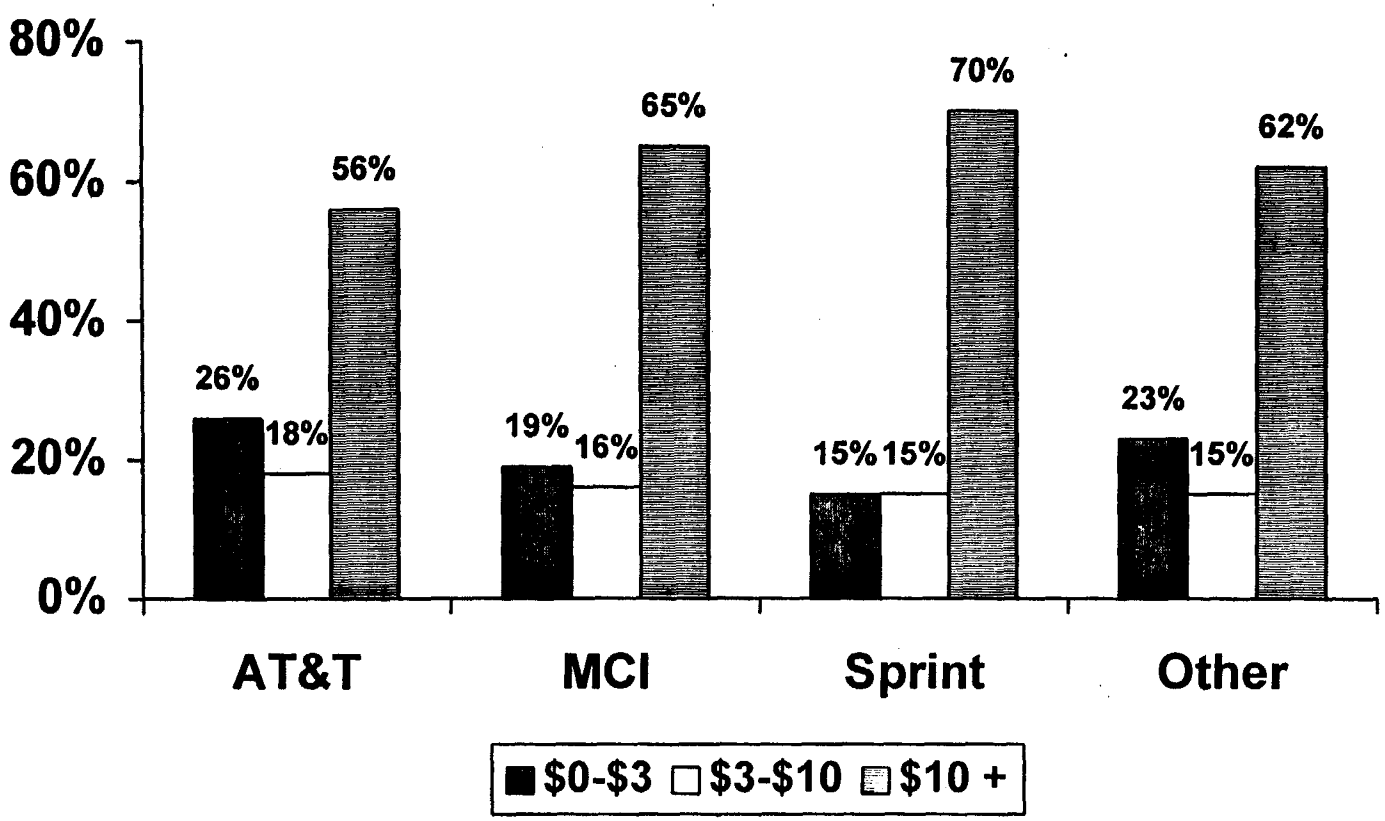
0 Use of lines exacerbates the problem of trying to make the low end profitable and therefore vigorously sought after by competitors.

0 MCI and Sprint characterize the use of lines as fair, accurate, and cost effective. They are not. AT&T has proportionately more presubscribed lines (70.5%) than revenues (59.6%) or minutes (57.8%).

0 Use of lines is inequitable: They do not accurately capture the true usage of various carriers within the industry.

0 The use of "equivalent voice grade capacity" to capture non-switched services introduces complexities and may underestimate private lines for data services.

Distribution of Customers by Long Distance Carrier by Customer-reported Long Distance Usage Level



Other Considerations

0 Electronic Payment of Fees

0 Tariff Filing Fees

0 Changes in Regulatory Fees in Future Years