

EX PARTE OR LATE FILED

LEVINE, BLASZAK, BLOCK & BOOTHBY

1300 CONNECTICUT AVENUE, NW
SUITE 500

WASHINGTON, D.C. 20036-1703

(202) 223-4980

FAX (202) 223-0833

March 21, 1995

RECEIVED

MAR 21 1995

RECEIVED
SECRETARY

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

Dear Mr. Caton:

DOCKET FILE COPY ORIGINAL

RE: Ex-Parte Meeting
CC Docket No. 94-1

On March 20, Laurel B. Kamen of American Express, Del Moore of American Airlines and Colleen Boothby of Levine, Blaszak, Block & Boothby, representing the Ad Hoc Telecommunications Users Committee ("Ad Hoc") met with Chairman Reed Hundt and Special Assistant Karen Brinkmann regarding its position on the LEC Price Caps Performance Review proceeding and the attached handout.

The original and a copy of this *ex parte* notice are being filed in the Office of the Secretary. Please include it in the public record of this proceeding.

If you have any questions regarding this filing, please do not hesitate to call us.

Respectfully submitted,



Leah Moebius

cc: Chairman Reed Hundt
Karen Brinkmann, Special Assistant

200.12 3-21xpar.doc

No. of Copies rec'd
List ABCDE

001

LEC Price Caps Performance Review

Position of Ad Hoc Telecommunications Users Committee

Who we are

Ad Hoc is a cross-section of America's largest corporate users. The committee has been an active participant in FCC proceedings for over 20 years, supporting long-term public policy solutions, on which all of its members agree, rather than the short-term economic self-interest of individual members.

Where we stand

LEC access rates are too high

The LECs have enjoyed the fruits of unreasonably high rates for the past four years of price caps.

FCC deliberately took a conservative approach when it specified the price caps rules.

This performance review is a key part of the safety net for users. Now is the time for the Commission to make good on its promise to protect users from unreasonably high rates.

Subsidized entry into new markets is anti-competitive

We support infrastructure development; we are keenly aware of the economic benefits.

We can't support the LECs' broadband investment when they pay for it with monopoly rent from local exchange access service:

Hurts users -- our rates are too high.

Hurts potential competitors -- Subsidized entry enables the LECs to compete unfairly with competitors who may provide better, cheaper service.

Hurts LEC investors and shareholders -- LEC business plans are insulated from the normal corrective scrutiny of capital markets.

Flow-through by the IXC is a red herring in this proceeding

LECs have claimed that the IXCs keep the savings from access rate reductions rather than flowing them through in the form of lower long distance rates. IXCs deny it.

There won't be *any* flow-through to users so long as the LECs are permitted to keep excessive profits because of a too-generous price cap plan. If there are no access rate reductions, there are no reductions for the IXCs to flow-through.

As the beneficiaries of access flow-throughs, we appreciate the LECs' concern for our interests. We use our buying power as customers and competitive alternatives to extract flow-through from the IXCs. If a problem arises in the interexchange market, we would expect the Commission to pursue it in the proper docket.

We have no competitive ax to grind

All the carriers (IXCs and LECs) claim to have our interests at heart. But as regulated companies and as potential competitors, they have their own business agendas.

Unlike the carriers, we have no secret agenda. When we say there's no LEC competition, we speak from our experience, not our legislative agenda.

The LECs are currently monopolists. When their rates are too high, we have no alternative providers to turn to. We can turn only to the FCC to keep LEC rates reasonable through firm regulation.