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June 17, 1996

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

CTIA

Cellular  
Telecommunications  
Industry Association  
1250 Connecticut  
Avenue, N.W.  
Suite 200  
Washington, D.C. 20036  
202-785-0081 Telephone  
202-785-0721 Fax

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

Re: **Ex Parte Presentation**  
**CC Docket No. 95-185** (Interconnection  
Between Local Exchange Carriers and  
Commercial Mobile Radio Service  
Providers) and **CC Docket No. 96-98**  
(Implementation of the Local Competition  
Provisions in the Telecommunications  
Act of 1996)

Dear Mr. Caton:

On Monday, June 17, 1996, Mr. Randall S. Coleman, Vice President for  
Regulatory Policy and Law, CTIA, sent the attached letter and accompanying material to  
the following personnel of the Wireless Telecommunications Bureau:

Michele C. Farquhar  
Karen Brinkmann  
Daniel Grosh  
Jay Markley  
Kathryn O'Brien

Zenji Nakazawa  
Rhonda Lien  
Walt Strack  
Joseph Rose

Pursuant to Section 1.1206 of the Commission's Rules, an original and one copy  
of this letter and the referenced attachments are being filed with your office. If there any  
questions concerning this filing, please contact me at (202) 736-3255.

Sincerely,

Robert F. Roche

Attachments

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List ABCDE



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**Randall S. Coleman**  
Vice President for  
Regulatory Policy and Law

Ms. Michele C. Farquhar  
Chief  
Wireless Telecommunications Bureau  
Federal Communications Commission  
2025 M Street, N.W., Suite 5205  
Washington, D.C. 20554

Re: **Ex Parte Presentation**  
**CC Docket No. 95-185** (Interconnection  
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Dear Michele:

This letter is in response to your question concerning the basis for calculating the amounts paid and payable by CMRS providers to LECs for the termination of CMRS-originated traffic. As you know, the CMRS industry is competitive and, therefore, carriers are reluctant to reveal company-proprietary or competitively-sensitive information. Nonetheless, it has been estimated that the average number of MOUs per subscriber runs between approximately 115 minutes per month and 125 minutes per month. It is possible, therefore, to calculate a range of the approximate cost of interconnection as follows:

At the lower range of usage:

MOUs per sub per year (115 x 12) x estimated total average subscribers

1,380 x 28,960,041 (estimated average subs for 1995)  
= 39,964,855,200 MOUs for year

39,964,855,200 MOUs x 80 % (traditional estimate of origination)  
= 31,971,884,160

31,971,884,160 x 2.5 cents average per minute LEC origination charge  
= \$ 799,297,104

At the upper range of usage:

MOUs per sub per year (125 x 12) x estimated total average subscribers

1,500 x 28,960,041 (estimated average subs for 1995)  
= 43,440,061,500 MOUs for year

43,440,061,500 MOUs x 80 % (traditional estimate of origination)  
= 34,752,049,200

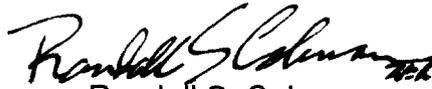
34,752,049,200 x 2.5 cents average per minute LEC origination charge  
= \$ 868,801,230.00

Thus, according to these calculations, the total cost to CMRS providers for interconnection in 1995 was between \$ 799.3 million and \$ 868.8 million. However, elimination of these surcharges would not produce an unrecoverable revenue shortfall for the LECs.

It should be noted that the average number of the total CMRS and LEC lines in 1995 was 179,500,293.5 (28,960,041 estimated average CMRS subscribers plus 150,540,252.5 average LEC subscriber lines, per CTIA's Semi-annual Data Survey and the FCC's *Statistics of Communications Common Carriers (1993/94, and 1995)* at Table 2.3). Thus, the sum amounts to between \$ 4.47 and \$ 5.03 per CMRS and LEC subscriber per year, or between 37.1 cents and 41.9 cents a month. This sum is easily recoverable by the LECs through charges for such additional services as directory assistance, call completion, or other features which could be provided by the LECs to wireless callers and wireless calling parties. See attachment.

If you have any questions on this matter, please contact Mr. Robert Roche, Director for Research, CTIA, at 202/736-3255.

Sincerely,

  
Randall S. Coleman

cc: Ms. Karen Brinkmann  
Mr. Daniel Grosh

## **INCREASED REVENUE OPPORTUNITIES FOR LECs**

Lower interconnection costs for wireless carriers will lead to increased wireless usage. LECs should be excited about the possibility of increased wireless traffic. The pie will get bigger--for everyone. Aside from LEC-encouraged landline originated calls, the following are LEC services that may be used more when wireless usage increases as a result of implementation of reciprocal termination:

- IntraLATA toll service. LECs will continue to have the opportunity to earn revenue, at currently great rates of profit, for intraLATA transport for additional toll charges. Although intraLATA toll competition may soon develop in many markets, LECs will remain at a significant advantage to offer such service as the owners of extensive existing networks.
- Call forwarding and jointly-offered landline/wireless services. Technology is making it increasingly possible for customers to be reached at the same telephone number for both their landline and wireless phones. This number is typically a landline number that is either forwarded to a wireless phone or is alternatively sent to a wireless phone (through services such as GTE's TeleGo and Cellular One's FreedomLink).
- Directory assistance. Where LECs continue to provide the directory assistance service for wireless systems, substantial revenues will continue to pour in, at an increasing rate as wireless usage increases.
- Operator and directory assistance call completion. When a wireless customer asks an operator to place a call or chooses the directory assistance option of automatic call completion, LECs earn revenue. In the instance of directory assistance call completion, most of the customer charge goes to the LEC.
- Landline-connected voice mail and call-waiting. Increased wireless to LEC traffic will stimulate landline-connected voice mail and call-waiting usage.
- Caller ID and distinctive ringing. With the development of technology capable of sending party-identification for wireless customers, more landline customers may choose to purchase caller ID and distinctive ringing services so that they will know when wireless customers are trying to reach them.
- Multiple-party calling services involving at least one wireless user. While wireless carriers increasingly offer this service, LECs may be the sole providers of such services in many markets for the near future.

- Busy-line verification and break on LEC customer lines. When operators determine whether a line is in fact busy rather than out of service and perform emergency break-ins, revenue flows to LECs.