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Kathleen Q. Abernathy
Vice President
Federal Regulatory

AirTouch Communications
1818 N Street N.W.
Suite 800
Washington, DC 20036

Telephone: 202 293-4960
Facsimile: 202 293-4970

July 1, 1996

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

RECEIVED
JUL 11 - 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

RE: Interconnection Between Local Exchange Carriers and Commercial
Mobile Radio Service Providers (CC Docket No. 95-185) and
Commission Initiates Proceeding to Implement Interconnection Provisions of
Telecommunications Act of 1996 (CC Docket No. 96-98).

Dear Mr. Caton:

On Friday, June 28, 1996, David Gross and I, on behalf of AirTouch Communications, Inc. met with John Nakahata of Chairman Hundt's Office to discuss the above proceedings. Please associate the attached material with the above-referenced proceedings.

Two copies of this notice are being submitted to the Secretary in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at 202-293-4960 should you have any questions or require additional information concerning this matter.

Sincerely,

Kathleen Q. Abernathy

cc: John Nakahata

AirTouch Communications

LEC/CMRS Interconnection Issues

CC Docket No. 95-185

&

CC Docket No. 96-98

June 28, 1996

Important Federal Interests Require the Commission to Assert its Jurisdiction

- **The Budget Act demonstrates Congressional intent to shift responsibility to the Federal Communications Commission for the development of a seamless, national CMRS network and this remains unchanged by the 1996 Act.**
- **Interconnection is a critical component of the development of this CMRS network and LEC's have every incentive to charge interconnection rates that will have entry-inhibiting effects.**
 - **All of the evidence developed so far in CC Docket 95-185 demonstrates that CMRS providers are paying excessive rates, sometimes as high as a thousand percent above LEC incremental costs.**
 - **Section 20.11 (b) (1) requires LEC's to pay "reasonable compensation" to CMRS providers for LEC originating traffic terminated by the CMRS provider, yet mutual compensation is virtually nonexistent.**
 - **Legislative history underlying adoption of Section 332(c)(1)(b) supports conclusion that the Federal Communications Commission -- not the states -- was assigned authority to oversee matters related to LEC-CMRS interconnection.**
- **According to H.R. Rep. No. 103111, Section 332(c)(1)(b) was added because "interconnection serves to enhance competition and advance a seamless national network." (emphasis added)**

The Telecommunications Act of 1996

- **NPRM in CC Docket 96-98 demonstrates Federal Communications Commission has authority to adopt pricing rules under Sections 251 and 252.**
 - **Federal Communications Commission has tentatively concluded that Section 251(d) establishes authority to adopt pricing rules to ensure that interconnection rates are just, reasonable and nondiscriminatory. (See, e.g., paras. 36, 117, 119, 134)**
 - **Commission also noted that rate ceilings may be appropriate approach to prevent LEC's from extracting monopoly rents, and encourage entry and to promote competition. (See, e.g., para. 199)**
- **Federal Communications Commission is not questioning its authority to adopt nationwide pricing rules; instead asking whether it is appropriate to do so.**
- **Federal Communications Commission also tentatively concluded that some form of LIRC-based methodology should be adopted for interconnection rates but believes rate ceilings may be simpler and speedier to implement. (See, e.g., paras. 123-125, 132)**

Need for Interim Relief

- **Existing interconnection agreements do not provide for mutual compensation and result in excessively high interconnection rates.**
- **If Federal Communications Commission order is released in August and interconnection negotiations commence under the terms set forth in Section 252 of the Communications Act, existing rates will likely remain in effect for an additional nine months.**
- **In order to avoid delay and eliminate current rule violations, The Commission should provide for immediate interim relief in its August decision.**
 - **The Commission can order that all interconnection payments between LECs and CMRS providers cease until a new rate is negotiated pursuant to new pricing guidelines and the requirements set forth in Section 252.**
 - **Once parties negotiate a new interconnection rate it would be retroactive to August and a “true-up” can occur so that both parties are made whole.**
- **Under this scenario the LECs have an incentive to cooperate with CMRS providers in the negotiation process.**
 - **Absent interim relief the LECs will continue to delay the negotiation process since they alone benefit from the status quo.**