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July 15, 1996

James L. Casserly
Senior Legal Advisor
Commissioner Ness' Office
Room 832
Federal Communications Commission
1919 M St. NW
Washington, D.C. 20554

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Federal Communications Commission
Office of Secretary

Re: Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; CC Docket No. 96-98

Dear Mr. Casserly:

Pursuant to your request, attached is a chart that differentiates between 251(c)(4) resale and 251(c)(3) unbundled elements.

Sincerely,

Mary L. Brown



<p>The same underlying network facilities are used by the ILEC and the local service reseller, which eliminates any ability to introduce competition in the efficient provisioning of services. Resale provides limited opportunities for carriers to compete, and it is difficult to differentiate the resold service from the ILEC's offering. While there is some ability to offer competing retail functions such as customer service, the opportunities are marginal.</p>	<p>Because the new entrant can order unbundled elements according to its preferences, carriers have some ability to compete for the most efficient configuration of, e.g., local transport. Stated differently, a new entrant might be more efficient in configuring ILEC-owned transport facilities than the ILEC in its provision of transport. In addition, carriers would compete in the efficient provision of retail functions.</p>
<p>ILECs and new entrants face a dramatically different cost structure (ILECs face economic costs, while CLECs face the wholesale price which is likely to be above economic cost).</p>	<p>Provided unbundled elements are priced at their economic cost, ILECs and new entrants would face the same set of costs in provisioning services. That allows the new entrant freedom to design a rate structure that is different from the ILEC's.</p>
<p>Can only resell what an ILEC offers. Cannot package services differently due to constraint of ILEC pricing structure.</p>	<p>Provides opportunities to offer different versions of local service, e.g., by offering different packages of local service. One example might be to combine one or more vertical features with basic local service -- packaging call waiting with the basic offering instead of charging separately for it.</p>
<p>May be subject to state restrictions on an ability to resell services to a different category of customers</p>	<p>Allows carrier to offer a "high end" local service offered to business customers (e.g., guarantees against outages) to "lower end" customers.</p>
<p>Must offer service pursuant to the ILEC's calling area and routing requirements.</p>	<p>Possible to redesign routing (by creating new line class codes) that would allow a carrier purchasing unbundled elements to route calls to different trunk groups, thereby creating a different local service area.</p>

Resale	Combination of Unbundled Elements
<p>Appears to be no opportunity to resell enhanced services that ILECs typically sell with basic services, e.g., voice mail. ILECs argue that enhanced services are not subject to (c)(4). Nor does there appear to be an opportunity to interconnect the resold ILEC offering with the new entrant's own provision of enhanced services, according to the ILEC view.</p>	<p>New entrants can combine their own enhanced services with unbundled elements purchased from the ILEC, to offer customers a spectrum of basic and enhanced offerings.</p>
<p>In an environment in which a new entrant wants to offer a service provisioned off its own facilities and its own platforms, but does not have national facilities in place on the date it wishes to make its offering, the new entrant would need to use some other means of serving customers in areas where it does not have facilities. Using resale instead of unbundled elements might prove difficult or impossible since resale requires the use of ILEC back office systems that may be incompatible with the new product. Also, nonrecurring charges might be incurred twice, once when the service is provided using resold ILEC services and again when the new entrant substitutes its facilities for the resold offering.</p>	<p>The availability of unbundled elements in combination would allow a new entrant to initiate a new service even before the new entrant has national facilities available. For example, a feature or function available via a new entrant's switch in one LATA could be used to serve customers in other LATAs where the new entrant must rely on unbundled elements to serve customers. In the case of unbundled network elements, the retail customer is supported by the new entrant's back office systems, allowing the new entrant to offer a service that has the "look and feel" of a national offering, even though national facilities are not yet available.</p>