Gina Harrison
Director
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004
(202) 383-6423

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PACIFIC TELESIS
Group-Washington

September 27, 1996

EX PARTE OR LATE FILED

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RECEIVED
SEP 27 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Dear Mr. Caton:

Re: CC Docket No. 96-149, Nonstructural Safeguards - Section 272 of the Communications Act

Yesterday, Patricia Mahoney and Stan Moore, Senior Attorneys, Pacific Telesis, Cheryl Peters, Regulatory Manager, Pacific Bell, Michael J. Yourshaw, Wiley, Rein & Fielding, and I met with Radihika V. Karmarkar, Cheryl A. Leanza, Sarah E. Whitesell, Linda I. Kinney, Joseph M. Di Scipio and Blaise Scinto, to discuss the matters summarized in Attachment A. Materials in Attachment B were also given out. Please associate this material with the above-referenced docket.

We are submitting two copies of this notice 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 should you have any questions.

Sincerely,

GINA HARRISON/ AFC

Attachments

cc: Radihika V. Karmarkar
Linda I. Kinney
Cheryl A. Leanza
Blaise Scinto
Joseph M. Di Scipio
Sarah E. Whitesell

No. of Copies rec'd 0+2
List A B C D E

CC Docket No. 96-149 Ex Parte

- Joint Marketing
- Centralized Administrative Services
- Other Issues

Intent of Congress in Passing the Telecommunications Act of 1996

*"... to provide for a **pro-competitive, de-regulatory** national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition."*

To Meet Congress' "Pro-Competitive, De-Regulatory" Goals the Commission Should Not Handicap PBCOM

- Pacific Bell and PBCOM can offer one-stop shopping
- Pacific Telesis can provide administrative services for PBCOM

JOINT MARKETING — SECTION 272(g)(1)&(2)

- The Act permits PBCOM to market intraLATA and interLATA services
- The Act permits Pacific Bell to serve as a sales channel for its interLATA affiliate, PBCOM
- Pacific Bell will meet its equal access obligations for all interexchange carriers
- Pacific Bell and PBCOM can offer one-stop shopping
- PBCOM will fairly compensate Pacific Bell for all joint marketing efforts

PBCOM Plans To Market IntraLATA and InterLATA Services

- PBCOM currently plans to resell local services of its affiliates, Pacific Bell and Nevada Bell, as well as of selected other incumbent LECs
- PBCOM currently plans to resell Sprint interLATA service when Section 271 authorization is received
- Will sell through a variety of channels
  - its own marketing force
  - third party retail channels
  - Pacific Bell/Nevada Bell joint marketing

The Act Permits Pacific Bell To Serve As a Sales Channel for Its InterLATA Affiliate, PBCOM

- Includes all marketing and sales-related activities
- Pacific Bell will comply with all CPNI requirements in marketing PBCOM services
- Marketing and sales include, for example:
  - advertising
  - outbound calling to customers
  - offering both types of services on the same call
  - packaging and bundling services together

Pacific Bell Will Meet Its Equal Access Obligations for All Interexchange Carriers

- On "inbound" customer inquiries about a new service connection or change in local exchange access service, Pacific Bell will
  - inform customers that they have a choice of many interexchange carriers for long distance services
  - offer to read from a "revolving" list of available IECs
  - describe PBCOM's services, prices, terms and conditions
  - place the order for PBCOM's or other IEC's service

Pacific Bell Marketing of PBCOM Services

- On "inbound" calls where a customer requests or inquires about PBCOM service, Pacific Bell will discuss PBCOM's services with the customer and may place the order
- On "outbound" calls (where Pacific Bell contacts a customer) Pacific Bell will actively solicit orders for PBCOM's services

Pacific Bell and PBCOM Can Offer One-Stop Shopping

- This is essential to compete with other IECs that offer bundled services
- Promotes competition — as the Act intends
- Minimizes customer confusion from multiple contacts
- Increases economic efficiency — permits economies of scope

PBCOM Will Fairly Compensate Pacific Bell for All Joint Marketing Efforts

- Terms of compensation will be consistent with federal and state affiliate transaction rules
  - Must be publicly filed and will be closely scrutinized by interested parties
- Subject to various audits — Commission(s), company auditors, and external auditors
- Requirement to maintain separate books will enable detection of inequities

PROVISION OF ADMINISTRATIVE SERVICES BY THE HOLDING COMPANY

- Consolidation of administrative services can benefit consumers
- Section 272(b) does not apply to the holding company
- The provisions of the 1996 Act are sufficient to preclude cross-subsidy and discrimination

Consolidation of Administrative Services Can Benefit Consumers

The holding company or a service subsidiary can perform certain functions for all of its subsidiaries, including the BOC and a section 272 separate affiliate

- Finance and Accounting
- Legal Services
- Human Resources
- Marketing Communications
- Research and Development
- New Product Development
- Certain Procurement
- Management Information and Marketing Support Systems
- Real Estate Management
- Business Placement

By consolidating administrative services the corporation can realize economies of scope and scale and benefit consumers

Section 272(b) Does Not Apply to the Holding Company

- The four structural separation provisions of section 272(b) expressly relate only to the relationship between the separate affiliate (PBCOM) and the Bell Operating Company
- If Congress had intended to separate the holding company, it would have been specific
- The central provision of administrative services is essential to efficient operations
- PBCOM's competitors, such as AT&T and MCI, are permitted to provide centralized administrative services
- Under *Computer Inquiry II*, even the BOC was permitted to provide certain "administrative services" to the separate affiliate

The Provisions of the 1996 Act Are Sufficient To Preclude Cross-Subsidy and Discrimination

- Pacific Bell's books, records, and accounts are separate from PBCOM's
- Pacific Bell and PBCOM will have separate personnel
  - Obtaining services from the same company does not create shared employees
- Pacific Bell's assets will not guarantee PBCOM's credit
  - Any holding company guarantee of the affiliate's debt must be without recourse to the BOC's assets
- Transactions between Pacific Bell and PBCOM must be at arm's length and will be subject to the Commission's affiliate transactions accounting rules

OTHER ISSUES

- Reporting
- Nondiscrimination
- Resale

Reporting Requirements

- Reporting requirements are unnecessary to enforce the nondiscrimination provisions of the Act
  - Years of ONA and CPE filings have not revealed problems
- If reports are required, existing ONA reports should be used
  - Existing reports contain a comprehensive list of services
  - Changing the reporting categories would require a substantial database redesign
  - Internet dissemination of reports is an acceptable alternative to FCC filing
- Status of network disclosure provisions in interconnection agreements

MFJ Nondiscrimination Requirements

- The MFJ equal exchange access and nondiscrimination requirements, which continue in effect under section 251(g) of the 1996 Act, govern discrimination by a BOC between AT&T and other persons
- Sections 272(c)(1) and (e) govern discrimination by a BOC between the interLATA affiliate and others
- The requirements of these sections are generally equivalent

Resale Structure of PBCOM

- Current plans anticipate that PBCOM will resell interexchange service (including access) obtained from another carrier
- PBCOM does not currently plan to obtain Pacific Bell's internal "official" services network interLATA facilities for use in PBCOM's offerings
- There are no current plans for Pacific Bell to provide interLATA or intraLATA facilities or services pursuant to section 272 (e)(4) other than normal tarrifed offerings
- PBCOM has applied for CLEC status for possible marketing flexibility
  - PBCOM will not acquire Pacific Bell's local network to become a facilities-based CLEC

SUMMARY

- Pacific Bell and PBCOM can offer one-stop shopping
- Pacific Telesis can provide administrative services for PBCOM

BUSINESSWIRE

09/18 New AT&T Business Services Platform Offers Unprecedented Flexibility And
Simplicity

BASKING RIDGE, N.J.--(BUSINESS WIRE)--Sept. 18, 1996--AT&T today launched a
new services platform that provides unprecedented flexibility and simplicity in helping business customers manage their telecommunications.

The new platform, called AT&T.ALL, provides features such as one-stop customer care and consolidated billing to businesses subscribing to AT&T long distance and a wide array of AT&T services and calling plans. It enables customers to change their choice of services at any time, without incurring additional charges or having to change calling plans. In addition, customers will receive individualized information about service enhancements, including new offers, that address their business needs.

The AT&T.ALL platform currently enhances AT&T services including cellular, local, messaging, local toll, Internet access via AT&T WorldNetSM Service, Calling Card and 500 EasyReach service, as well as traditional AT&T long distance services and optional calling plans. The platform will be expanded as AT&T introduces new offerings for businesses.

"Given the tremendous diversity of our customers' needs, we don't want to lock them in a box," said Dan Schulman, AT&T vice president-marketing for business services. "Instead, we want to work closely with them to create a custom package of world-class AT&T services that fits their individual needs."

AT&T developed the platform as a strategic infrastructure initiative in response to extensive market research and customer focus groups. Schulman said it represents the culmination of a concerted, multi-year effort to enhance and integrate marketing, customer service and billing systems and processes.

"Customers tell us they want a better way to manage their telecommunications today and for the future, but don't want to be forced into premium-priced plans or additional fees," Schulman said. "The beauty of AT&T.ALL is its flexibility. The platform encompasses a wide range of services and features today, and it will grow with customers as their needs change or as new technologies and services come on-line."

The AT&T.ALL platform is available to all AT&T business customers. Businesses can receive additional information about the capabilities and features of AT&T.ALL by contacting their AT&T account executive, or by calling toll-free 1-888-ATT-ALL1.

CONTACT: Mike Cuno
908/221-5563 (office)
201/252-8582 (home)
mcuno@attmail.com

Janet Wyles
908/221-8790 (office)
908/356-7315 (home)
jwyles@attmail.com

Extended Reach for MCI One

Through MCI One, a first-of-its-kind integrated communications offering introduced in April, MCI offers residential and small business customers cellular service, paging, free e-mail and Internet software, a calling card, long distance and a personal 800 number -- all in one box, at one rate, billed on one invoice with one number to call for customer service. While MCI One is available nationwide, customers in South Florida will now be able to add MCI One cellular to their package of services.

All MCI residential cellular customers receive unlimited free domestic cellular long distance calling within the U.S., making it easier to stay in touch while on the go. Customers only pay for airtime, associated landline charges and taxes.

Residential customers can also sign up for MCI's stand-alone cellular service branded MCI Cellular. MCI Cellular customers can elect to earn five airline frequent flyer miles on any of MCI's five partner airlines for every dollar they spend on cellular airtime and access fees, or they can elect to earn free cellular airtime based on residential long distance calling.

For subscriber pricing and more information about MCI cellular service call 1-800-615-0484.

MCI, headquartered in Washington, D.C., is one of the world's largest and fastest growing diversified communications companies. With annual revenue of more than $15 billion, MCI offers consumers and businesses a broad portfolio of services including long distance, wireless, local, paging, messaging, Internet information services, outsourcing, and advanced global communications.

CONTACT: MCI
Paul Adams, 770-668-6406
2009879@mcimail.com

10:03 ET JUL 24, 1996