

EX PARTE OR LATE FILED



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October 9, 1996

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

RECEIVED

OCT - 9 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Ex Parte Meeting - CC Docket 96-45
Federal - State Joint Board on Universal Service

Dear Mr. Caton:

On Wednesday, October 9, 1996, Mr. Gerry Salemme, Mr. Joel Lubin and I met with Mr. Richard Metzger, Mr. Pat Degraba, Mr. Rich Lerner, and Mr. Donald Stockdale of the Common Carrier Bureau, to discuss AT&T's proposal for universal service and access reform. The attachments were used as the basis of the discussion.

In accordance with Section 1.1206(a)(1) of the Commission's Rules, two (2) copies of this Notice are being filed with the Secretary of the FCC.

Sincerely,

Bruce K. Cox

Attachments

cc: Mr. Metzger
Mr. Degraba
Mr. Rich Lerner
Mr. Stockdale

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AT&T PROPOSAL
FOR UNIVERSAL SERVICE and ACCESS REFORM

October 9, 1996

UNIVERSAL SERVICE and ACCESS REFORM ARE INTEGRALLY LINKED

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Universal Service Principles (Section 254)

- Universal service subsidies should be based on same TELRIC standard as unbundled network elements
- All telecommunications service providers contribute to universal service support in an equitable and nondiscriminatory manner
- Universal service support should be explicit and sufficient for intended purpose
- Any carrier designated as eligible would be entitled to universal service support
 - Competitive LECs (CLECs) who buy/lease unbundled network elements from Incumbent LECs (ILECs) should be eligible

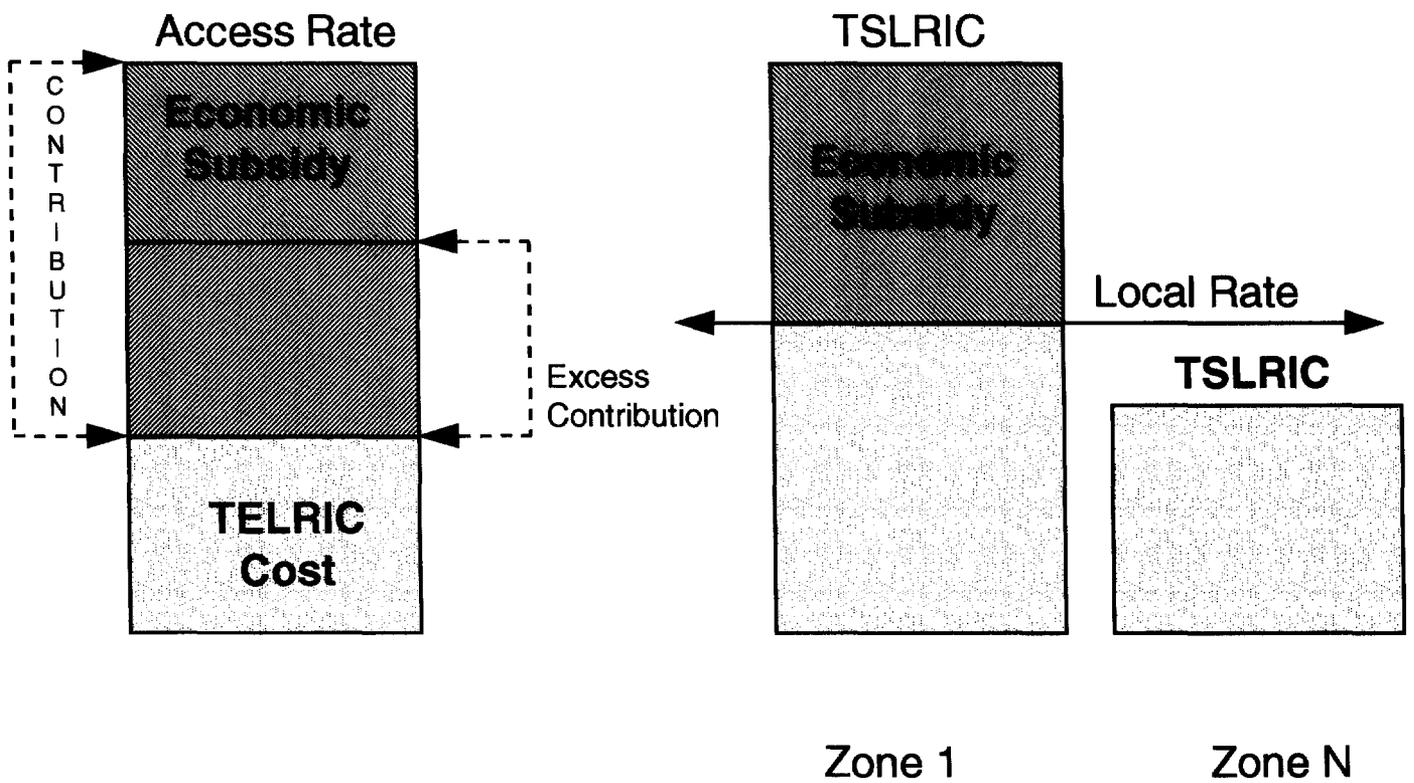
Access Reform Principles

- Access Charge and Section 251 structures must converge
- Contributions must be removed from all carrier-to-carrier payments
 - Access charge is another form of carrier-to-carrier payments

Paradigm Change

Carrier Access

Basic Local Service
(End User)



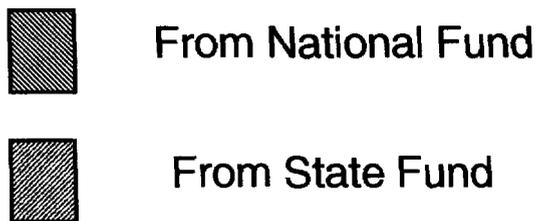
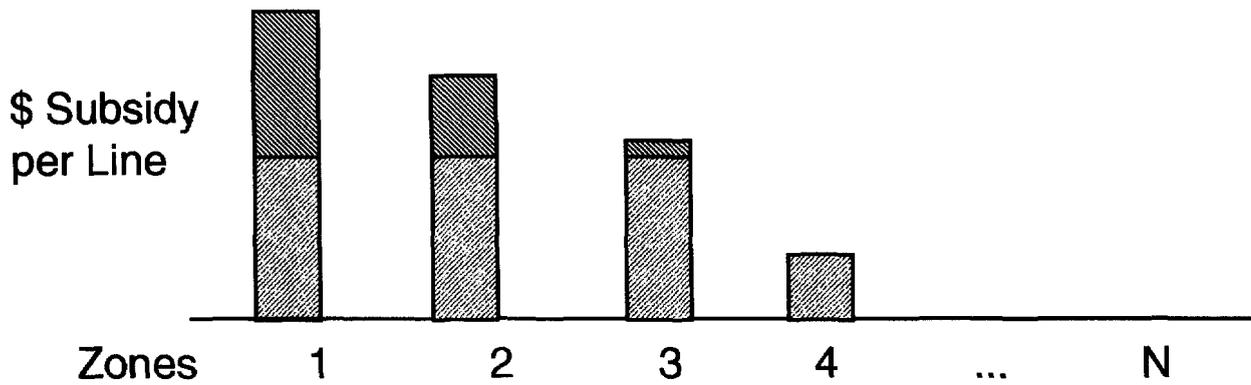
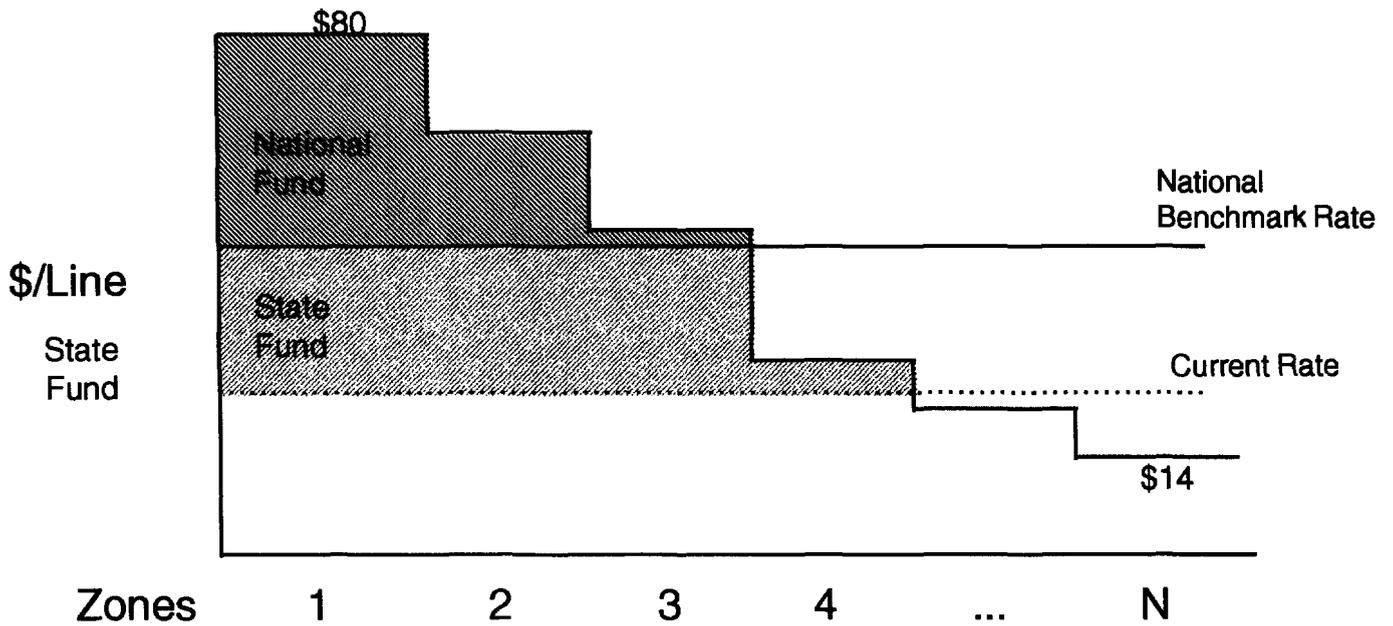
**There is a direct linkage between the
 TELRIC prices of the unbundled network
 elements and the subsidy per line which
 determines the size of the fund.
 (Illustrative)**

UNE*: LOOP	SWITCH	TRANSMISSION	SWITCH
(Zones)	End Office		Tandem
1 to N			
TELRIC \$75....\$9	.2 ¢ - .4 ¢	.25 ¢	.15 ¢

TSLRIC of Local Service	=	zone 1...zone N
Line:		\$75. \$ 9.
Port:		
Switch Usage:		\$ 3. \$ 3.
Transmission:		
Signaling:		
SUBTOTAL		<u>\$78.</u> <u>\$ 12.</u>
Retail End User Cost		<u> 2.</u> <u> 2.</u>
TOTAL		<u>\$80.</u> <u>\$14.</u>

* UNE: Unbundled Network Element

Determination of the Universal Service Fund from the TSLRIC of Local Service



USE LARGE LEC ACCESS RATES AS BENCHMARKS FOR SETTING RATES FOR SMALL RURAL CARRIERS

When calculating the new universal service fund for small rural LECs...

- Access rates should be based on the rates of the large company in the state or region
- Any incremental subsidy required to meet the rural carrier's revenue needs should be provided through the new NUSF mechanism
- Subsidy need not be portable in small rural company territory initially

Summary of Results (Hatfield Estimates)

	<u>RBOC</u>	<u>Large LECs</u>	<u>Total</u>	<u>Small Rural LECs</u>
<u>Access Difference</u>				
1 Current Access \emptyset Rate per min.	2.70 cents	4.41 cents	3.06 cents	6.00 cents+
2 TELRIC Access Rate per min.	.40 cents	.40 cents	.40 cents	.40 cents
	Billions	Billions	Billions	Billions
3 Access Contribution: (L1 - L2) X min.	\$10.21	\$4.81	\$15.02	
<u>Economic Subsidy</u>				
4 National Fund	\$1.84	\$ 1.49	\$3.33	\$1.82*
5 State Fund	\$0.95	\$0.84	\$1.79	
6 Lifeline	\$0.12	\$0.02	\$0.14	
7 Subtotal ** (L4+L5+L6)	\$2.91	\$2.35	\$5.26	\$1.82
8 <u>Excess Contribution***</u> (L3-L7)	\$7.30	\$2.46	\$9.76	0

\emptyset This represents the average interstate/intrastate access rate.

* This includes the current HCF for small rural LECs.

** Schools/Libraries would require additional funds to the USF.

*** This could be partly offset by applying TELRIC access prices to ESP.

Summary of Results (Proxy Estimates)

	<u>RBOC</u>	<u>Large LECs</u>	<u>Total</u>	<u>Small Rural LECs</u>
<u>Access Difference</u>				
1. Current Access \emptyset Rate per min.	2.70 cents	4.41 cents	3.06 cents	6.0 cents+
2 Proxy Access Rate per min.	.63 cents	.63 cents	.63 cents	.63 cents
	Billions	Billions	Billions	Billions
3 Access Contribution: (L1 - L2) X min.	\$9.17	\$4.16	\$13.33	
<u>Economic Subsidy</u>				
4 National Fund	\$2.20	\$1.93	\$4.13	\$1.70*
5 State Fund	\$1.17	\$0.88	\$2.05	
6 Lifeline	\$0.12	\$0.02	\$0.14	
7 Subtotal ** (L4+L5+L6)	\$3.49	\$2.83	\$6.32	\$1.70
8 <u>Excess Contribution***</u> (L3-L7)	\$5.68	\$1.33	\$7.01	0

\emptyset This represents the average interstate/intrastate access rate.

* This includes the current HCF for small rural LECs.

** Schools/Libraries would require additional funds to the USF.

*** This could be partly offset by applying TELRIC access prices to ESP.