

Gina Harrison
Director
Federal Regulatory Relations

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

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Federal Communications Commission
Office of Secretary

EX PARTE

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

Dear Mr. Caton:

Re: Non-Accounting Safeguards, CC Docket No. 96-149, Accounting Rate Policy,
CC Docket No. 90-337

Today, Carl Frank of Wiley, Rein & Fielding, and I met with Diane J. Cornell, Chief, Telecommunications Division, Troy Tanner, Chief, Policy and Facilities Branch, and Kerry Murray, of the Telecommunications Division, International Bureau, to discuss issues summarized in the attachment. We are submitting two copies of this notice, in accordance with Section 1.206(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,



cc: Diane J. Cornell
Kerry Murray
Troy Tanner

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BOC AFFILIATE ENTRY ISSUES

PBCOM SHOULD BE GRANTED TIMELY INTERNATIONAL SECTION 214 AUTHORITY

- *Limited Scope:* International Section 214 Approval Needed Only for Authority Not Covered by Section 271 “Public Interest” Determination, *i.e.*, Foreign Affiliations.
- *Timing:* In Order to be Consistent with the Intent of Congress that BOC Affiliates Enter the Market Rapidly, International Section 214 Grant is Needed No Later Than Grant of Section 271 Approval.
- *Process:* What Will be the Process for BOC In-region Section 214s?
 - No need for two separate pleading cycles for Section 214 and Section 271 applications.
 - FCC could state its planned procedure in its Report and Order in 96-149.

PBCOM MUST BE REGULATED AS A NONDOMINANT CARRIER INTERNATIONALLY

- **The U.S. Department of Justice Recommends: "The Commission Should Not Apply its Dominant Carrier Regulations to BOC Affiliates."**
- **PBCOM Has No Market Power to Raise Prices by Restricting its Own Output.**
 - **PBCOM has zero initial market share for international telecommunications services.**
 - **The market is dominated by an oligopoly of the big three carriers.**
- **PBCOM Has No Market Power to Raise Prices by Raising Rivals Costs.**
 - **Pacific Bell's local exchange services and facilities are price controlled, precluding exercise of market power.**
 - **PBCOM will not control a bottleneck; it will be required to obtain capacity from its competitors, especially AT&T, which owns much of the capacity on the cables.**

**PBCOM MUST BE REGULATED AS A
NONDOMINANT CARRIER INTERNATIONALLY (CONT'D)**

- **Nimble U.S. Competitors Will Compete More Effectively to Help Erode the Market Power of Monopoly Foreign Providers.**
 - **The streamlined Section 214 process allows rapid introduction of new services.**
 - **Filing tariffs on 1 day's notice enables PBCOM to match price changes of its competitors over an identical time period.**

**TRAFFIC ROUTING ISSUES SHOULD
BE DECIDED BY THE INT'L BUREAU**

- Geographic Allocation of Return Calling Raised by MCI (“Grooming”).
- Could Provide Price Decreases for U.S. Long Distance Customers - Can Avoid Averaging in Long-haul Transmission Across Country.
- Premature to Address Issue in Current Context in Docket 96-149.
- Rather, International Bureau Should Address Issue in Docket 90-337.
 - Geographic allocation of return traffic could relate to liberalization of proportionate return and “no special concessions” language.
 - Address issue generally with respect to all foreign carrier agreements, not just BOC affiliates.