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December 3, 1996

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

Re: Ex Parte - CC Docket No. 95-116, Telephone Number Portability

Dear Mr. Caton:

Today, Harry Sugar, Gerry Salemme and I, all of AT&T, met with James Casserly, Senior Legal Advisor to Commissioner Susan Ness. The purpose of this meeting was to discuss AT&T's previously expressed views in the above mentioned proceeding. The attached material was used for discussion in this meeting.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)1.

Sincerely,

Enclosure

cc: Mr.. James Casserly

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Conclusions on Costs

There is no significant cost difference between LRN and QOR.

- The ILECs and GTE have omitted significant costs to make QOR appear cheaper.
  - The costs of ILEC switching and trunking to make QOR queries to the default terminating switch are not accounted for.

- They have overstated LRN costs.
  - The ILEC cost estimates improperly increase the number of queries for calls from other networks without including the appropriate offsetting revenue. At least one ILEC doubled this number.

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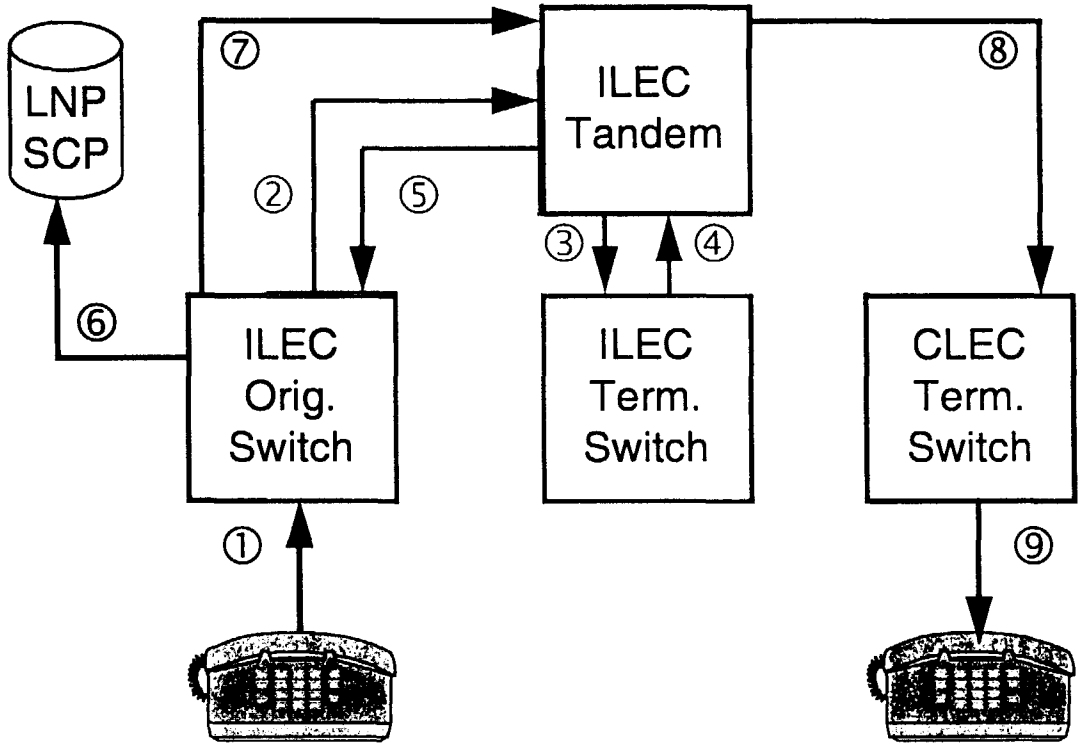
QOR Inefficiencies

QOR Call Flow to IntraLATA Interswitch Ported Number

—— Unnecessary QOR Switching and Trunking Facilities



Unnecessary QOR Functions in Red

1. Call is dialed; originating switch analyzes digits and determines call is intraLATA interswitch. Orig. switch determines terminating switch and whether to route via tandem or direct.

	ILEC SS7 Network	ILEC Trunking Network
2.	Switch signals tandem (assumes tandem).	Switch reserves idle trunk to tandem.
3.	Tandem signals ILEC term. switch; determines number is not resident; creates release message.	Tandem reserves idle trunk to ILEC term. switch.
4.	ILEC term. switch signals tandem.	ILEC term. switch takes down trunk to tandem.
5.	Tandem signals originating switch.	Tandem takes down trunk to orig. switch.

6. Originating switch creates query and signals LNP SCP. SCP returns LRN to originating switch.
7. Originating switch determines terminating switch and whether to route via tandem or direct; reserves idle trunk to tandem and signals tandem.
8. Tandem reserves idle trunk to CLEC terminating switch. Number is resident on CLEC term. switch.
9. Call path is established & phone rings.

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Omitted QOR Costs are Significant

- "It currently costs almost five times more to set up a call than to provide a minute of use." The call set up cost is $0.01621 per attempt.

  Pacific Bell Petition for Rulemaking to amend Section 69.106 of the Commission's Rules, June 30, 1994.

- Call set up costs for unnecessary QOR queries to the wrong switch are 1) significant and 2) have been omitted by the RBOCs.

- In 1995, there were 291B IntraLATA Interswitch Call Attempts.

  AT&T calculation based on 1995 ARMIS data.

At 20% porting, QOR will make 58.2B Unnecessary Call Attempts at a Cost of $943M.

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ILECs Understate QOR Costs

"With internet traffic doubling every 45 days...Short term, telephone companies have to upgrade and add capacity to their networks to keep the traffic flowing."

R.D. McCormick, Chairman & CEO - US West, Communications Week, November 18, 1996

- This growth, coupled with the growth of transaction based services, is straining the ILEC network today. Add to this the stimulative effect of lower prices due to competition and local network usage will grow even faster.
  - With regard to the growth of the Internet, Michael Fitzpatrick, CEO-Pacific Telesis Enterprises, in his keynote address at Wescon/96 on 10/23/96, said "Reinforcing local exchange networks nationwide could be consuming $1.5B a year by 1999."
- QOR will exacerbate this situation by using switching and trunking capacity that might otherwise delay the point at which capacity must be added to the local network to accomodate this growth.
  - It is appropriate to include the cost of advancing the time when new capacity must be added because the spare capacity has been used. [1]
  - Because QOR uses this capacity, the effect of deploying QOR on the whole company is that it will have to spend more with QOR than LRN to add facilities for local exchange growth.
  - The ILECs have left these costs out which, falsely, make QOR appear more attractive.

[1] Engineering Economy, A Manager's Guide to Economic Decision Making, Third Edition, McGraw-Hill, 1977, page 261.

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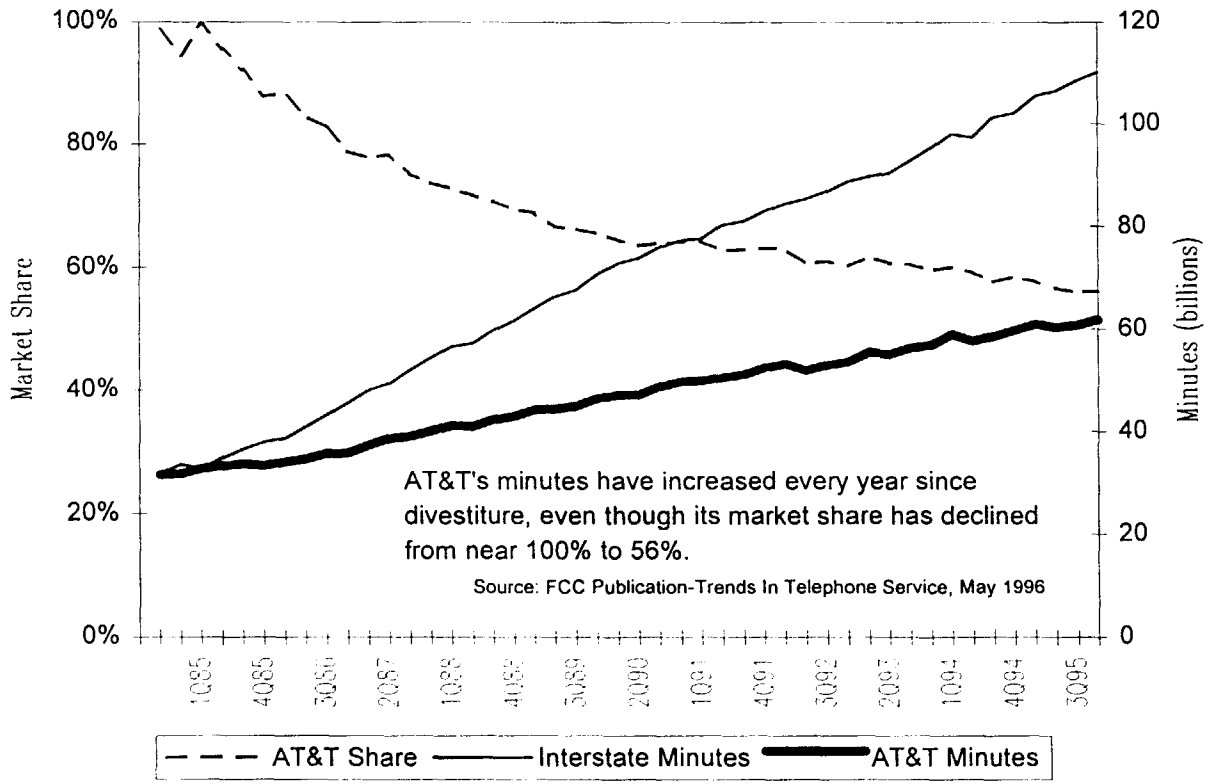
Network Growth

The growth in interexchange industry minutes due to competition will likely pale in comparison to the growth of local exchange minutes due to the combination of prices lowered by competition, the growth of transaction services, and the internet.



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Incumbent LEC Cost Assumptions

Many of the assumptions employed to calculate the cost of LNP are questionable and reflect ILEC attempts to raise the cost of LRN and lower the cost of QOR

- Traffic Data
  - non-participating carriers: Where's the revenue offset?

- Switch replacement / advancement costs
  - the inclusion of these costs is contrary to previous Commission precedent and contrary to the Commission's tentative conclusion in this FNPRM.

- QOR : cost of provisioning in originating, intermediate, and terminating switches will be higher than with LRN alone.
  - under any QOR scenario, all switches will have to be provisioned with both LRN and QOR software.
  - LRN requires no provisioning in intermediate switches; QOR requires installation and provisioning in these intermediate switches.

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Planning Signaling Network Growth

CLEC marketing initiatives will cause unpredictable porting rates throughout ILEC territories.

For example

- ILEC sizes their signaling network to accomodate a 10% porting rate
- CLEC marketing initiatives drive the porting rate to 15%
- Calls to new entrant customers experience blockage due to insufficient ILEC signaling network capacity
- Only calls to new entrant customers are impacted, disadvantaging new entrants

Accurately engineering signaling networks to accomodate forecasted porting rates in a highly competitive environment would require ILEC access to new entrant marketing plans.

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Conclusion

The Commission has properly excluded the use of QOR and should deny the Petitions for Reconsideration.

- QOR is discriminatory. It treats ported and non-ported numbers differently with preferential treatment to non-ported numbers.
- QOR violates the Commission's number portability performance criteria, specifically criteria #4 and #6.
- Once LRN SCP costs are properly determined, indirect costs are removed, and the costs for QOR queries and call path setup and reservation are accounted for, there is no substantive difference between QOR and LRN costs. The SCP cost saving with QOR is canceled out by the significant additional switching and trunking costs for querying the terminating switch and reserving the voice call path.
- When 271 relief is granted, QOR will further degrade the quality of calls to ported numbers by causing QOR "lookaheads" to traverse multiple states.