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February 7, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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

**RE: Ex Parte Notice
CC Docket No. 96-262**

Dear Mr. Caton:

On February 6, 1997, a group representing USTA and consisting of Philip Quigley (Pacific Bell), Raymond Smith (Bell Atlantic), Thomas Moulton, Jr. (Pacific Telesis), Edward Young (Bell Atlantic), and Roy Neel (USTA) met with Chairman Reed Hundt, John Nakahata and Tom Boasberg.

The USTA group discussed our position on access reform, and particularly the relationship between access reform and investment in the network infrastructure. A prescriptive approach in access reform, based upon TELRIC pricing, would severely affect the incentives and the ability of LECs to invest in the network. The discussion was consistent with USTA comments filed in this docket on January 29. The attached chart was distributed at the meeting.

Because of the lateness of the meeting, this notice is being filed today. An original and one copy of this ex parte notice are being filed in the Office of the Secretary. Please include this notice in the public record of these proceedings.

Respectfully submitted,

Mary McDermott

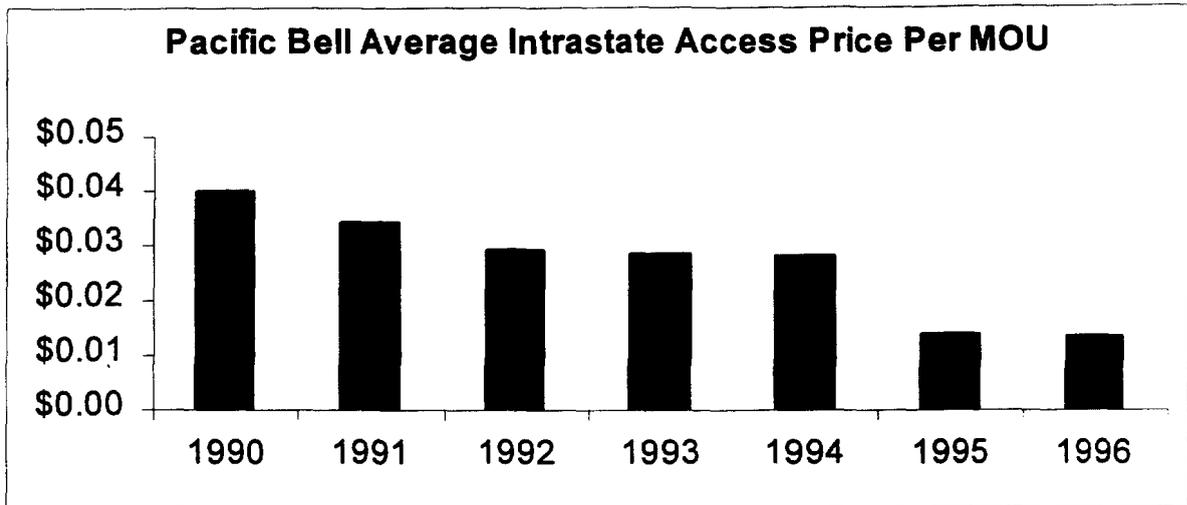
Vice President - Legal & Regulatory Affairs

cc: R. Hundt
J. Nakahata
T. Boasberg

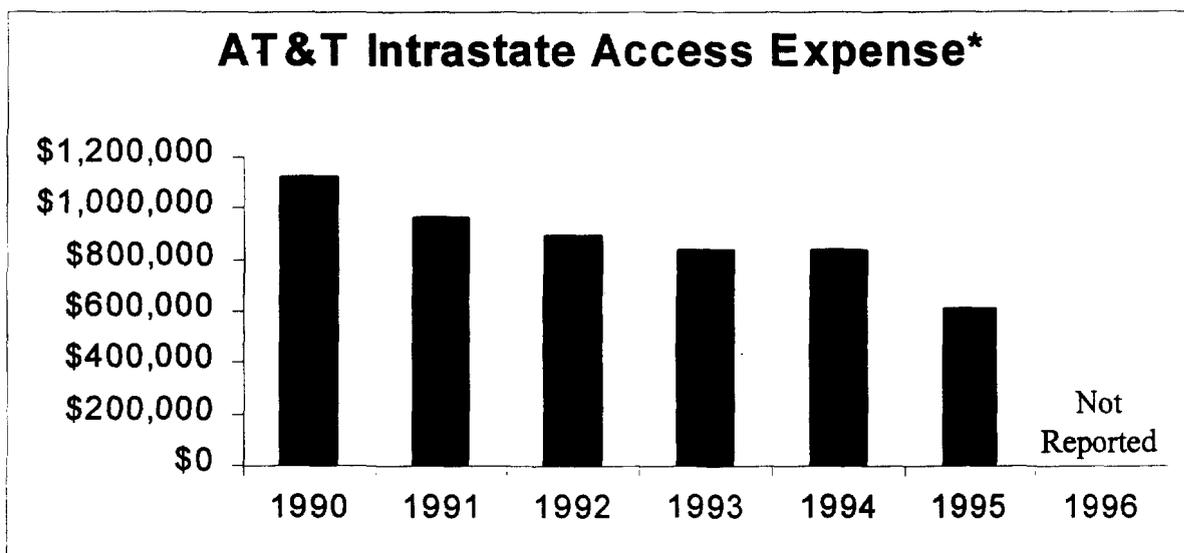
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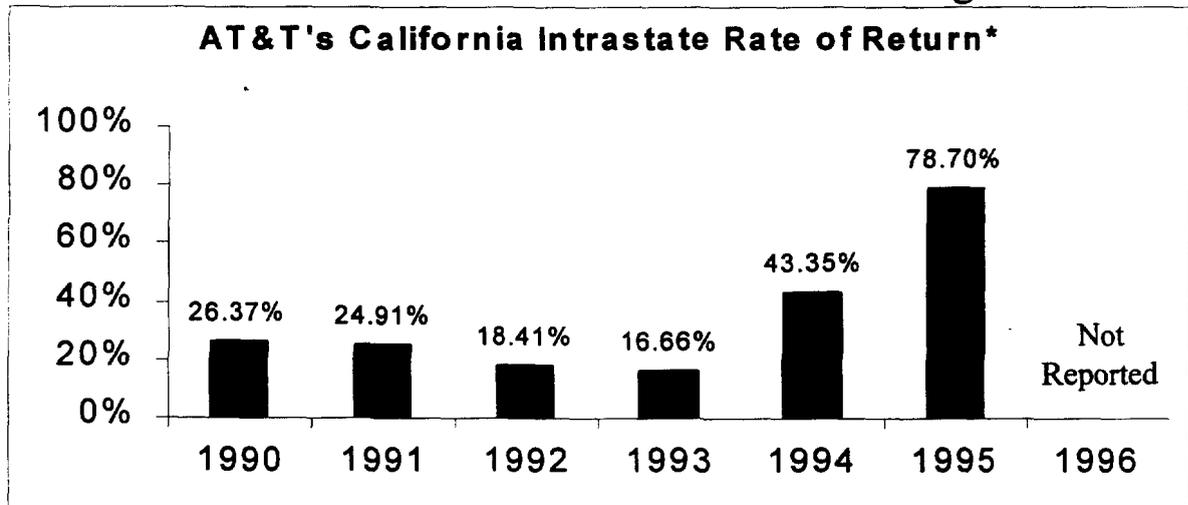
Pacific Bell's intrastate access charges have been declining steadily punctuated by its 50% reduction on 1/1/95.



As a result, AT&T's total intrastate access expense has been falling.



AT&T's intrastate rate of return has risen as access charges have fallen.



* Taken from CPUC Reports Filed by AT&T's