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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Ex Parte

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

Re: CC Docket Nos. 96-262 & 94-1

Dear Mr. Caton:

Today, Susanne Guyer, Frank Gumper, and I, representing NYNEX, met with Jim Casserly, Senior Legal Advisor to Commissioner Ness, regarding the items captioned above. The attached material served as the points of discussion.

Any questions on this matter should be directed to me at either the address or the telephone number shown above.

Sincerely,

Ken Rust

Attachment

cc: J. Casserly (letter only)

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List ABCDE

NYNEX Recycles

GUIDING PRINCIPLES FOR ACCESS REFORM

- ILEC revenues reduced by competitive forces, not regulatory fiat;
- ILECs must win end users to retain revenue;
- Fixed costs removed from TS elements
- Over allocations to IS recognized;
- Pricing flexibility commensurate with competitive market.

ILECs MUST WIN END USERS TO RETAIN REVENUE

- "Revenue neutrality" does not mean "revenue stability;"
- PSL recovery from IXCs not guaranteed:
  - Revenues lost as competition erodes end user market share;

FIXED COSTS REMOVED FROM TS ELEMENTS

- Current structure must be made economically efficient;
- Costs of loops and ports, and over-allocations to IS should be recovered on flat-rated basis from IXCs;
- Cannot sustain MOU recovery of fixed costs in competitive environment.

OVER ALLOCATIONS TO IS RECOGNIZED

- Access margins above economic costs do not equate to "profits;"
  - Access recovers legitimate costs over-assigned by regulators to Interstate;
  - Unless Separations reform shifts costs back to State jurisdiction, LECs should be given a reasonable opportunity to recover IS assignment.

PRICING FLEXIBILITY COMMENSURATE WITH COMPETITIVE MARKET

- Competition already present in selected markets;
- Unbundled network elements, where available, create ubiquitous alternatives to Access;
- Current pricing flexibility insufficient for the new access market

COMPETITION FROM UNBUNDLED ELEMENTS

- Recombination of unbundled network elements (UNEs) changed competitive landscape:
  - Previous view required "build out" of facilities & gradual growth in and through selected markets.
- UNEs allow competitors easily to reach any customer anywhere.

UNEs MUST BE PROVIDED

- Just as there is no escaping the competitive market created by UNEs, there is no escaping the obligation to provide them pursuant to Sect. 251 of the Act.
- UNEs will be available in increasing numbers beginning in 1997, & competition will grow commensurately.

VARYING STATES OF COMPETITION

- Commission should accommodate different states of competition, and use a more prescriptive approach only to prompt rapid compliance with Sect. 251 provisions.
- A mixture of market-based and prescriptive will likely be required for the short term.