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March 6, 1997

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

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

RECEIVED COPY ORIGINAL

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

Dear Mr. Caton:

On March 5, 1997 Elizabeth Kistner, and Leonard Sawicki, representing MCI, and Harry Sugar and I, representing AT&T, met with Christopher Barnekov, Lloyd Collier, Neil Fried, and Lenworth Smith, all of the Common Carrier Bureau's Competitive Pricing Division. The purpose of the meeting was to discuss AT&T's and MCI's previously expressed views in the above noted proceeding.

Due to the late hour of the meeting, two copies of this Notice are being submitted to the Secretary of the FCC, in accordance with Section 1.1206(a)1, the next day.

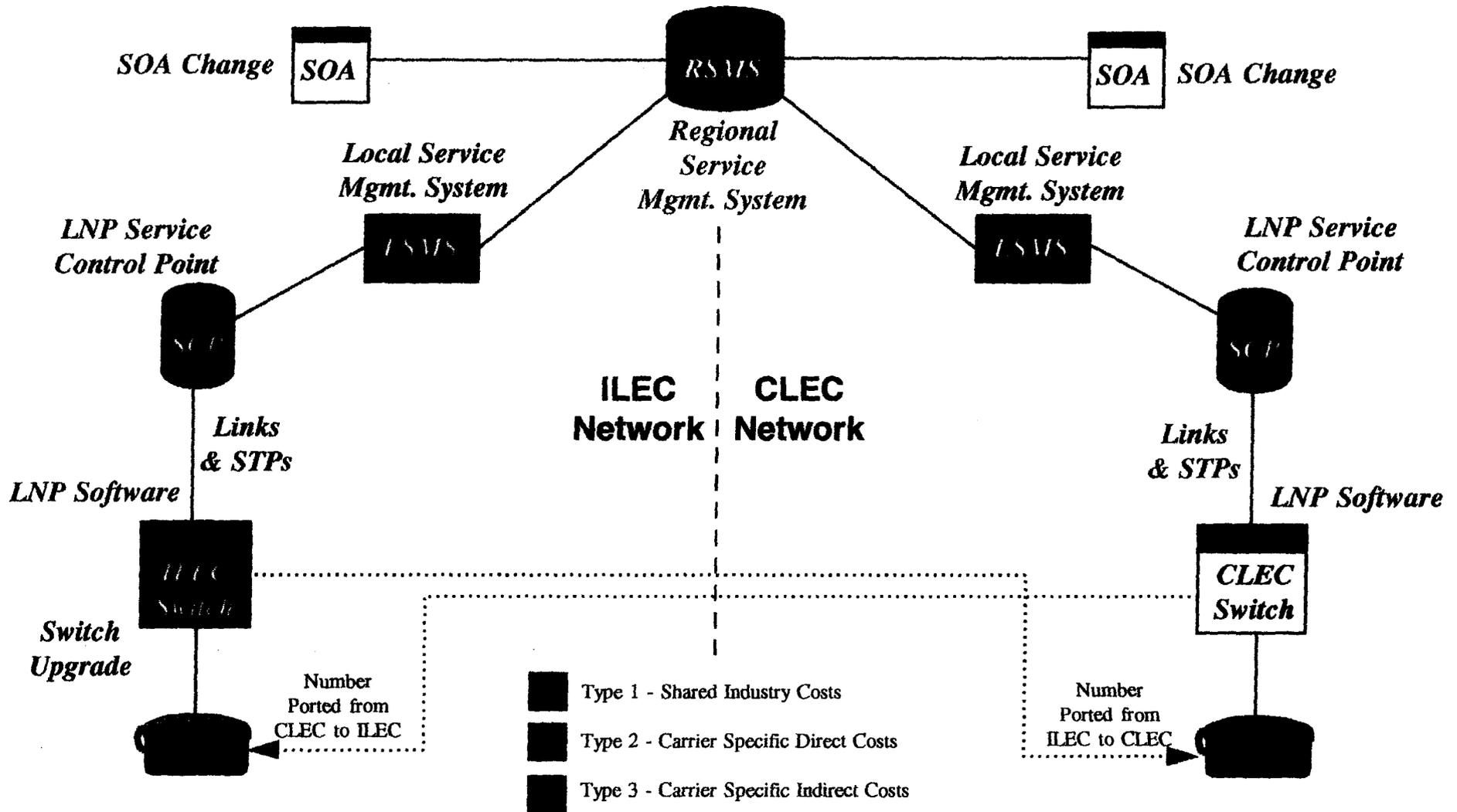
Sincerely,

Attachments

cc: Christopher Barnekov
Lloyd Collier
Neil Fried
Lenworth Smith

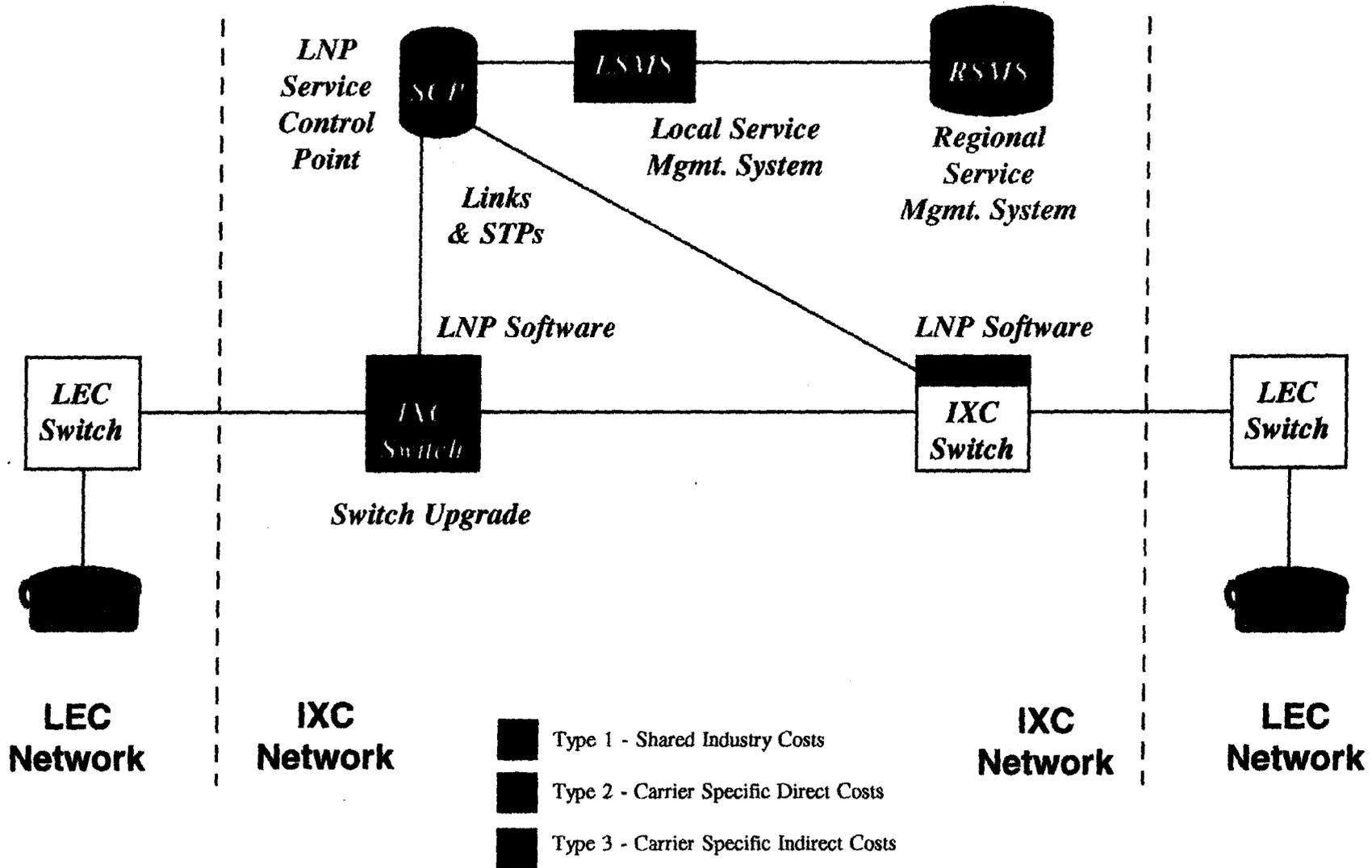
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CC Docket No. 95-116, FNPRM
 Telephone Number Portability Cost Recovery
Local Network Costs



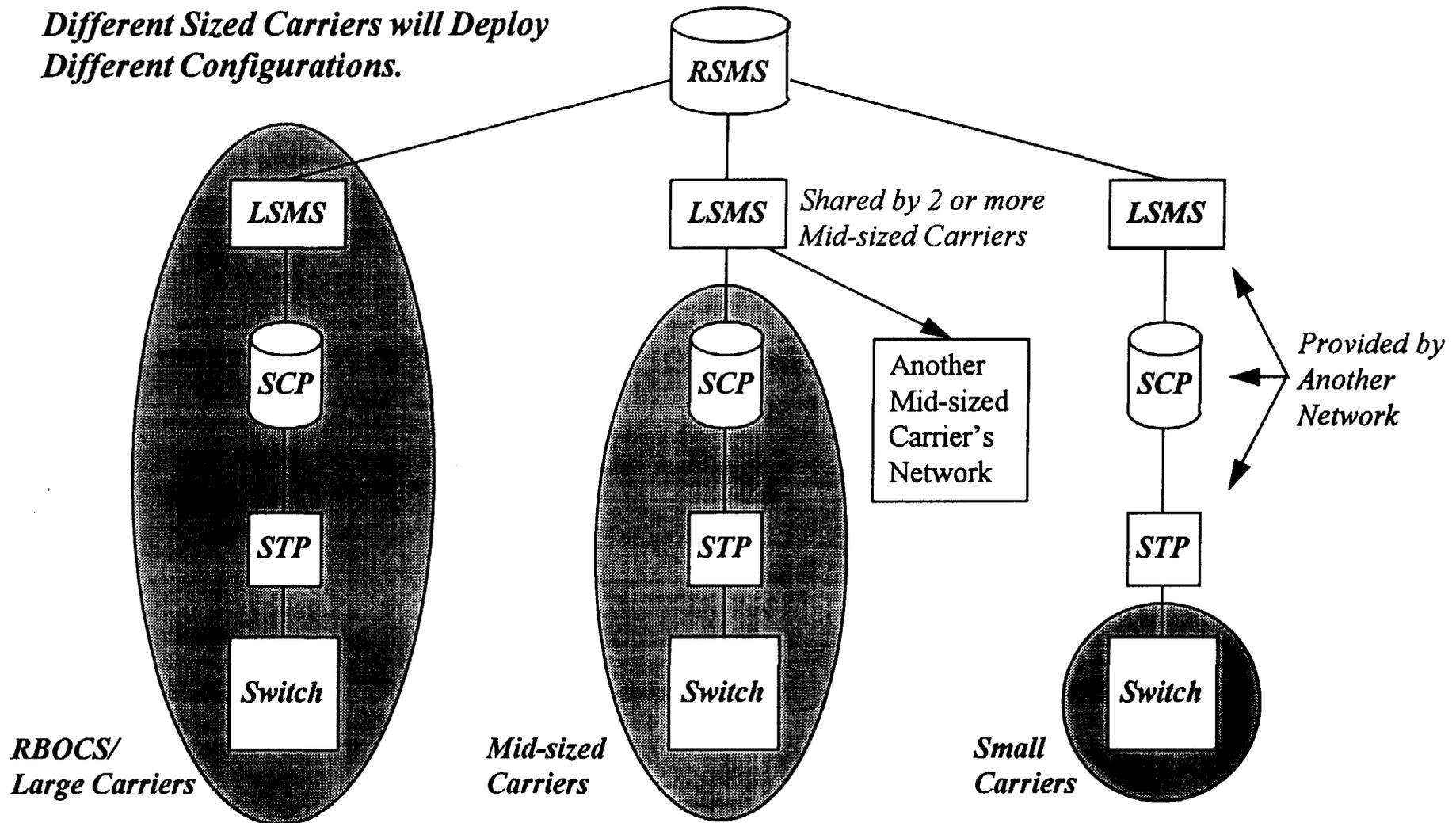
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 Telephone Number Portability Cost Recovery

IXC Network Costs



LEC Local Number Portability Configurations

*Different Sized Carriers will Deploy
Different Configurations.*



Proposed Cost Elements for Shared Industry Costs

- **Service Establishment**

- A nonrecurring charge assessed at direct cost¹ for each logon ID established for a user. Different charges will apply for the first and subsequent IDs established for each user.

- **Access**

- A recurring charge assessed at direct cost for each connection to the NPAC/SMS. Different charges will apply for dedicated or temporary connections and according to speed.

- **Portability Information Download**

- A nonrecurring charge assessed at direct cost for each download provided to a user.

- **Miscellaneous Charges**

- A nonrecurring charge assessed at direct cost for each item provided, including reports, testing, out-of-hours assistance, and other items of a specific nature in support of a user.

- **Porting Local Carrier Charge**

- A recurring charge for all remaining NPAC/SMS costs. These costs will be allocated to carriers providing local exchange service in the areas both served by the NPAC and where permanent LNP has been implemented based on each carrier's working telephone numbers.

¹Direct Cost: The cost incurred by NPAC that are directly driven by the specific element. These costs are the result of a competitive bidding process administered by each Regional Limited Liability Corporation.

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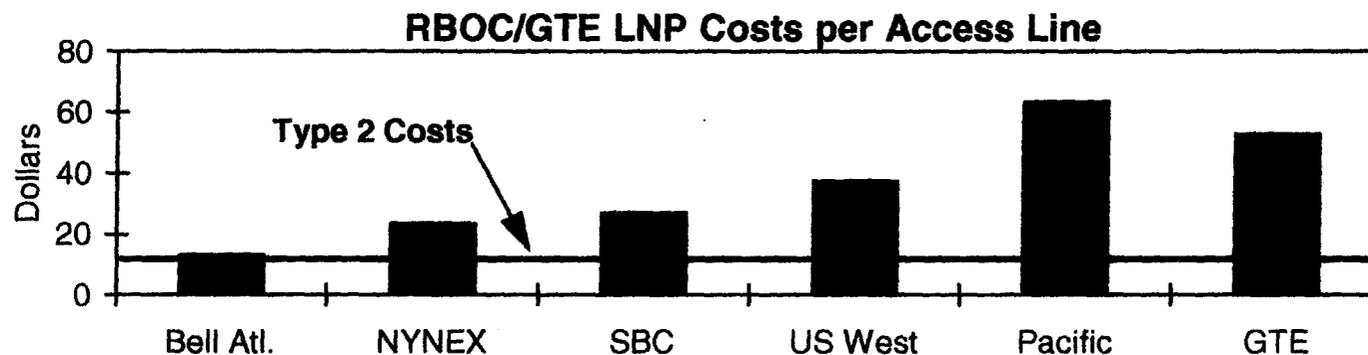
Proposed Allocation of Shared Industry Cost Elements To Participating Carriers

	Service Establishment Non-Recurring @ direct cost	Access Recurring @ direct cost	Port. Info Download Non-Recurring @ direct cost	Misc. Charges Non-Recurring @ direct cost	Porting Local Carrier Charge Recurring
Large LECs	per logon ID	per connection	per download	per item	per WTN
Mid-sized LECss	per logon ID of shared LSMS	per connection of shared LSMS	per download to shared LSMS	per item to shared LSMS	per WTN of all sharing carriers
Small LECs (Chgs. to Host)	per logon ID of host network	per connection of host network	per download to host network	per item to host network	per WTN of all sharing carriers
IXCs	per logon ID	per connection	per download	per item	N/A
Resellers/Switch UNE Resellers	included in wholesale/TELRIC rates				
Non-Participant Carriers	by agreement with participating carriers				

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Proposed Allocation of Type 2 & Type 3 Costs



- Type 2 costs are \$12-14 per access line for large carriers. Bell Atlantic's costs are in line with these Type 2 costs and are an indication of a higher degree of network modernization than other RBOCs and GTE. Costs submitted by these RBOCs and GTE include Type 3 costs, such as switch upgrades.
- Pooling of both Type 2 and Type 3 costs will result in the subsidization of carriers who have not yet incurred costs to upgrade their networks by those carriers that have upgraded their networks.
 - AT&T and MCI support the Commission's tentative conclusion in this proceeding that Type 3 costs are to be borne by individual carriers as general network upgrades and are not subject to Section 251 requirements.
 - The remaining Type 2 costs, on a per line basis, are fairly uniform across the RBOCs and GTE. Any pooling and subsequent allocation of Type 2 costs to carriers would accomplish little and is essentially equivalent to each carrier bearing its own Type 2 costs.

Therefore, each carrier should bear its own Type 2 costs. Further, each carrier should bear its own Type 3 costs as general network upgrades.

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ILEC Proposals are not Competitively Neutral

- **Pooling and Mandatory Surcharges**
 - Pooling forces more efficient carriers to subsidize less efficient carriers.
 - Mandatory surcharges force customers to associate emerging local competition with higher and more confusing charges.
 - USTA and Bell Atlantic proposals exclude significant IXC deployment costs from the pool, but include IXCs in the allocation of LEC costs.
 - SBC and GTE proposals force a disproportionate amount of costs onto long distance carriers and their customers.
- **SBC's Elemental Access Line (EAL) Proposal**
 - Forces two-thirds of local number portability costs onto toll providers and their customers.
 - Forces more efficient carriers to subsidize less efficient carriers.
- **Revenue-Based Allocation Proposals**
 - If based on gross or retail revenues (as ILECs propose), results in assessments on IXCs and CLECs based on revenues that are passed through to the ILECs, while ILEC assessments are based on artificially reduced revenues.
 - Forces more efficient carriers to subsidize less efficient competitors.
 - Forces wireless carriers to subsidize wireline carriers.

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ILEC Proposals Discourage Efficient LNP Deployment and Usage

- **Pooling and Mandatory Surcharges**
 - Reduces incentives for carriers to maximize efficiency of SMS use, either through aggregation of demand for SMS functionalities or more cost effective SMS connections.
 - Blunts incentive for carriers to reduce Type 2 costs (when these costs are also included in the pool).
 - Encourages carriers to attribute general network upgrades (Type 3) and unrelated capabilities/services to LNP costs.
- **SBC's Elemental Access Line (EAL) Proposal**
 - Requires pooling and recovery through mandatory surcharges of all Type 1 and Type 2 costs -- carriers will have no incentive to pursue most cost effective implementation strategy.
 - Encourages "gold-plating" and exaggeration of reported costs.
- **Revenue-Based Allocation Proposals**
 - Requires pooling and, therefore, eliminates incentives for carriers to pursue most cost effective implementation strategy.
 - Encourages carriers to attribute general network upgrades (Type 3) and unrelated capabilities/services to LNP costs.

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ILEC Proposals Are Detrimental to Consumers

- Pooling and Mandatory Surcharges
 - Removes all incentives for cost efficiency, leading to higher overall costs to consumers.
 - Surcharges inappropriately highlight one type of network costs (i.e., LNP) on customers' bills while aggregating all other types of costs (e.g., SS7 upgrades, AIN investment, executive salaries, loop overbuilds, etc.)
 - Mandatory surcharges prevent states from tailoring end user cost recovery to each carrier's regulatory scheme and overall recovery picture.
 - Surcharges are unnecessary. SBC states, "The end-user charge will be offset by price decreases presumably resulting from increased competition." Therefore, why force such a charge at all?
- SBC's Elemental Access Line (EAL) Proposal
 - Mandatory surcharge is unnecessary and leads to higher overall costs to consumers.
 - EAL charges are confusing -- total surcharge to any one customer could be split between as many as three different provider bills.
- Revenue-Based Allocation Proposals
 - Pooling removes all incentives for cost efficiency, leading to higher overall costs to consumers.

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ILEC Proposals Are Complex and Burdensome to Administer

- Pooling and Mandatory Surcharges
- SBC's Elemental Access Line (EAL) Proposal
- Revenue-Based Allocation Proposals

All three:

- Require identification of detailed recoverable cost element criteria.
- Require tracking, reporting, and verification of thousands of carriers' cost charges.
- Require extensive on-going auditing.
- Require third party administration, which must be selected and monitored by the Commission. (Some proposals suggest NANC, but NANC isn't currently organized for such a complex function and its charter is time-limited.)

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Proposed Cost Allocation and Recovery

*The Commission Should Determine the Allocation Plan for Shared Costs
and Set Cost Recovery Guidelines for the States.*

- Shared industry costs should be allocated to participants on a regional basis by rate elements and billed to participants by the regional SMS vendor.
 - Porting carrier charge element costs should be allocated based on WTNs.
 - All other element costs (service establishment, access, portability information download, and misc. charges) should be charged at direct cost.
- The Commission should set guidelines for the states to address end user cost recovery.
 - A carrier's allocation of shared industry costs should be recovered the same as, and along with, Type 2 costs.
 - Type 3 costs should be recovered in the same manner as general network upgrades.
 - There should be no cost recovery through increased charges to other carriers for bottleneck services, e.g., access charges.
 - There should be no mandatory subscriber surcharges.
 - Cost recovery of Type 1 and Type 2 costs should be consistent with market developments and demands.

**Approval of this Plan Assures that the Costs of Number Portability Will
Be Borne by All Telecommunications Carriers in the Simplest,
Most Efficient, and Competitively Neutral Manner.**