

EX PARTE OR LATE FILED



Anthony M. Alessi
Director
Federal Relations

March 19, 1997

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

MAR 19 1997

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

Dear Mr. Caton:

On March 18, 1997, Mr. Kenneth Gordon of National Economic Research Associates, Ms. Kris Shulman and Mr. Scott VanderSanden of Ameritech, and I met with Mr. Jim Schlichting, Mr. Richard Lerner and Mr. Steve Spaeth of the Competitive Pricing Division and Mr. Jeffrey Lanning of the Office of General Counsel, to discuss Ameritech's position in the above referenced proceeding. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in black ink that reads "Anthony M. Alessi".

Attachment

cc: J. Schlichting
R. Lerner
S. Spaeth
J. Lanning

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**Ameritech
Access Reform**

Let the markets work

- The market based approach provides the proper incentive for continuing infrastructure investment
- The market based approach will result in significant downward pressure on access rates because of the availability of unbundled network elements and competition
- The prescriptive approach is equivalent to a restoration of cost-based regulation
- The prescriptive approach will stifle and distort the development of efficient competition

Non-traffic sensitive costs must be removed from traffic sensitive rates and recovered via non-traffic sensitive charges

- Modify the existing switched access rate structure
 1. Recover loop and line port costs thru a flat per PIC'ed line charge assessed to Interexchange Carriers
 2. Eliminate the TIC recovery of tandem switching costs and recover the remainder of the TIC thru a flat per PIC'ed line charge assessed to Interexchange Carriers
 3. Phase out the TIC over a five year period, but ONLY if coupled with additional pricing flexibility and the flexibility to target mandatory price cap reductions to the TIC

Pricing flexibility must be granted commensurate with market conditions

The Market Based Approach:

Phase 1 - Potential Competition

When all triggers are met:

Unbundled network elements at rates approved by the states

Wholesale prices for retail services are based on reasonably avoidable costs

Transport and Termination at cost based rates

The relief granted:

Geographic deaveraging

Contract/RFP pricing

Volume and Term Discounts

**Ameritech
Access Reform**

Phase 1 - Potential Competition (Continued)

Network elements and services are capable of being provisioned rapidly and consistent with a significant level of demand; CLECs must provide demand forecasts

Price deregulation of technically new services

Growth discounts

Reduction of the X factor from 5.3 to 4.0 for the no sharing option

Phase 2 - Actual Competition

When all triggers are met:

The relief granted:

Presence of competition

Simplification of price cap bands and baskets

End of mandatory Part 69 rate structure

Ability to price differentiate between classes of customers

Reduction of the X factor from 4.0 to 0.0

Competitive Access Services should be removed from price regulation

- Demonstration of substantial competition or when an ILEC cannot dictate price movement
- Removal on a service by service basis, LATA by LATA basis
- Services currently facing substantial competition - Directory Assistance, HiCap Transport in certain LATAs and Interstate IntraLATA (IX)

Current Rate Structure								
Using Information from the FCC's Long Distance Market Shares Report								
	Orig Min (Mil)	Orig Rev (Mil)	Term Min (Mil)	Term Rev (Mil)	Total Min	Total Rev (Mil)	% Orig	
AT&T	13,702	\$ 295.1	11,672	\$ 251.3	25,374	\$ 546.4	54%	
MCI	4,508	\$ 97.1	3,840	\$ 82.7	8,348	\$ 179.8	54%	
Sprint	2,229	\$ 48.0	1,898	\$ 40.9	4,127	\$ 88.9	54%	
WorldCom	1,165	\$ 25.1	992	\$ 21.4	2,157	\$ 46.4	54%	
LCI	228	\$ 4.9	194	\$ 4.2	422	\$ 9.1	54%	
OTHER	3,496	\$ 75.3	2,978	\$ 64.1	6,474	\$ 139.4	54%	
Total	25,327	\$ 545.4	21,575	\$ 464.6	46,902	\$ 1,010.0	54%	
Total Access Lines	19,349,474							
Average Rate		0.022728						
LTS	\$ 56,000,000	46,902,000,000	0.001194					
Average Rate	Less Long Term Support - used in calculation		0.021534					
**Revenue Calculation is Less NECA Long Term Support of \$56M								
Notes:								
- Totals are 1996 Ameritech interstate								
- Carriers originating minutes were calculating by multiplying the carrier's total minutes by Ameritech's average originating percentage (54%).								
- Carriers total minutes were calculated by multiplying Ameritech's total minutes by the carriers national toll revenue market share. This data is found in the FCC's Long Distance Market Shares Third Quarter 1996 report, Table 6, used 2Q 1996 data.								
- 800 Originating traffic included in originated minutes.								

Post Access Reform Structure							
1996 Estimated Interstate Minutes of Use and Revenue Impact**							
	PIC Lines (000's)	Orig Flat Rate Rev (Mil)	Orig Minute of Use Rev (Mil)	Total Orig Rev (Mil)	Term Minute of Use Rev (Mil)	Total Rev (Mil)	Percent Orig
AT&T	12,384	\$ 387.9	\$ 118.0	\$ 505.9	\$ 100.5	\$ 606.4	83%
MCI	3,025	\$ 94.7	\$ 38.8	\$ 133.6	\$ 33.1	\$ 166.6	80%
Sprint	1,352	\$ 42.3	\$ 19.2	\$ 61.5	\$ 16.4	\$ 77.9	79%
WorldCom	510	\$ 16.0	\$ 10.0	\$ 26.0	\$ 8.5	\$ 34.6	75%
LCI	159	\$ 5.0	\$ 2.0	\$ 6.9	\$ 1.7	\$ 8.6	81%
OTHER	1,919	\$ 60.1	\$ 30.1	\$ 90.2	\$ 25.6	\$ 115.9	78%
Total	19,349	\$ 606.0	\$ 218.1	\$ 824.2	\$ 185.8	\$ 1,010.0	82%
Originating Minute of use rate	0.008613	**Excludes Tandem and NECA LTS dollars					
Terminating Minute of use rate	0.008613	**Excludes Tandem and NECA LTS dollars					
Originating Flat Rate	2.61						
Notes:							
- Totals are 1996 Ameritech interstate							
- Carriers originating minutes were calculating by multiplying the carrier's total minutes by Ameritech's average originating percentage (54%).							
- Carrier PIC lines were developed by multiplying Ameritech's total by the carrier's June 1996 national PIC percentage found in the FCC's Long Distance Market Shares Third Quarter 1996 report, Table 4.							
- Carriers total minutes were calculated by multiplying Ameritech's total minutes by the carriers national toll revenue market share.							
This data is found in the FCC's Long Distance Market Shares Third Quarter 1996 report, Table 6, used 2Q 1996 data.							
- 800 Originating traffic included in originated minutes.							

**Estimated Customer Impact of Proposed Rate Restructure
Using FCC Long Distance Market Shares Report**

Customer	Current Interstate Switched Access Rev (Mil)	Current % Orig	Proposed Interstate Switched Access Rev (Mil)	Proposed % Orig
AT&T	\$ 546.4	54%	\$ 606.4	83%
MCI	\$ 179.8	54%	\$ 166.6	80%
Sprint	\$ 88.9	54%	\$ 77.9	79%
WorldCom	\$ 46.4	54%	\$ 34.6	75%
LCI	\$ 9.1	54%	\$ 8.6	81%
OTHER	\$ 139.4	54%	\$ 115.9	78%
Total	\$ 1,010.0	54%	\$ 1,010.0	82%

Notes:

- The proposed flat rate charge is \$2.61 per month per PIC Line
- The proposed MOU charge is 0.008613
- Excludes NECA Long Term Support payments of \$56M
- Estimated customer data derived using data contained in FCC's Long Distance Market Shares report
- Totals are 1996 Ameritech interstate
- 800 Originating traffic included in originated minutes.