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March 19, 1997

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

Re: Ex Parte Meeting - CC Docket 96-45 and CC Docket 96-262

Dear Mr. Caton:

On Tuesday, March 18, 1997, Mr. J. Lubin, Mr. P. Malandrakis and I met with Mr. J. Schlichting and Ms. J. Jackson, both of the Common Carrier Bureau's Competitive Pricing Division, to discuss the attached matrices showing different views of the impact of access reform and universal service reform.

Because of the press of other business two (2) copies of this Notice are being filed with the Secretary of the FCC on the next business day, in accordance with Section 1.1206(a)(2) of the Commission's Rules,.

Sincerely,

Bruce K. Cox

Attachments

cc: **Mr. Schlichting**
Ms. Jackson

Impact of Access/Universal Service Reform

	Subscriber Line Charges				Carrier Charges		USF	Net Change	
	Residence		Business		Per Line	Usage			
	Primary	2nd	Single	Multi					
I. Level (\$M)									
1) Business as usual (7/1/97 filing)						(420)		(420)	
2) Billing (GSF)						(124)		(124)	
3) EANR						(110)		(110)	
4) Over-earnings (reinitialize to 10%)						(1,901)		(1,901)	
5) X-Factor change from 5.3% to 9%						(387)		(387)	
6) Other Reductions						(3,430)		(3,430)	
Sub-Total						(6,372)		(6,372)	
II. Structure (\$M)									
1) Retail Expense Reallocation		193	66	582		(840)		-	
2) SLC increases		438	148	220		(806)		-	
3) Carrier Line charge: \$0								-	
Sub-Total		630	213	802		(1,646)			
III. USF (\$M)									
1) Large LECs					(206)	(1,632)	1,838	-	
2) Rural LECs								-	
LTS						(378)	378	-	
DEM						(330)	330	-	
High Cost					(571)		571	-	
Access Differential						(725)	725	-	
3) Schools/Libraries							2,250	2,250	
4) Rural Healthcare							500	500	
5) Lifeline/Linkup					(181)		650	470	
Sub-Total					(957)	(3,064)	7,241	3,220	
IV. Overall Stimulation (\$M)						(202)		(202)	
V. Grand Total (\$M)		630	213	802		(957)	(11,284)	7,241	(3,354)

VI. Rate Impact (\$)							
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306	
2) Rate Impact		\$3.68	\$3.66	\$1.55	(\$0.52)	(\$0.0268)	12.4%
3) New Rates- Stimulated Volume*	\$3.50	\$7.18	\$7.16	\$7.06	\$0.00	\$0.0038	12.4%

*Does not include USF. USF surcharge amount is shown in last column (USF)

- Notes: 1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark
- 2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM
- 3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup
- 4. Line counts based on ARMIS 43-01
- 5. Elasticity assumption: -0.7

Surcharge Option: S&L,RHC,& LL on Total

	Subscriber Line Charges				Carrier Charges		USF	Net Change	
	Residence		Business		Per Line	Usage			
	Primary	2nd	Single	Multi					
I. Level (\$M)									
1) Business as usual (7/1/97 filing)						(420)		(420)	
2) Billing (GSF)						(124)		(124)	
3) EANR						(110)		(110)	
4) Over-earnings (reinitialize to 10%)						(1,901)		(1,901)	
5) X-Factor change from 5.3% to 9%						(390)		(390)	
6) Other Reductions						(3,350)		(3,350)	
Sub-Total						(6,295)		(6,295)	
II. Structure (\$M)									
1) Retail Expense Reallocation		193	66	582		(840)		-	
2) SLC increases		438	148	220		(806)		-	
3) Carrier Line charge: \$0								-	
Sub-Total		630	213	802		(1,646)			
III. USF (\$M)									
1) Large LECs					(206)	(1,632)	1,838	-	
2) Rural LECs								-	
LTS						(378)	378	-	
DEM						(330)	330	-	
High Cost					(571)		571	-	
Access Differential						(721)	721	-	
3) Schools/Libraries							941	941	
4) Rural Healthcare							209	209	
5) Lifeline/Linkup					(181)		272	91	
Sub-Total					(957)	(3,061)	5,259	1,242	
IV. Overall Stimulation (\$M)						(249)		(249)	
V. Grand Total (\$M)		630	213	802		(957)	(11,250)	5,259	(5,302)

VI. Rate Impact (\$)							
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306	
2) Rate Impact		\$3.68	\$3.66	\$1.55	(\$0.52)	(\$0.0268)	9.0%
3) New Rates- Stimulated Volume*	\$3.50	\$7.18	\$7.16	\$7.06	\$0.00	\$0.0038	9.0%

*Does not include USF. USF surcharge amount is shown in last column (USF)

- Notes: 1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark
2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM
3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup
4. Line counts based on ARMIS 43-01
5. Elasticity assumption: -0.7

View: Top down reductions
 Surcharge Option: All Interstate

Impact of Access/Universal Service Reform

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
I. Level (\$M)								
1) Business as usual (7/1/97 filing)						(420)		(420)
2) Billing (GSF)						(124)		(124)
3) EANR						(110)		(110)
4) Over-earnings (reinitialize to 10%)						(1,901)		(1,901)
5) X-Factor change from 5.3% to 9%						(514)		(514)
6) Other Reductions								-
Sub-Total						(3,069)		(3,069)
II. Structure (\$M)								
1) Retail Expense Reallocation		193	66	582		(840)		-
2) SLC increases		438	148	220		(806)		-
3) Carrier Line charge: \$1.88					3,491	(3,491)		-
Sub-Total		630	213	802	3,491	(5,137)		
III. USF (\$M)								
1) Large LECs					(206)	(1,632)	1,838	-
2) Rural LECs								-
LTS						(378)	378	-
DEM						(330)	330	-
High Cost					(571)		571	-
Access Differential						(512)	512	-
3) Schools/Libraries							2,250	2,250
4) Rural Healthcare							500	500
5) Lifeline/Linkup					(181)		650	470
Sub-Total					(957)	(2,851)	7,028	3,220
IV. Overall Stimulation (\$M)						(208)		(208)
V. Grand Total (\$M)		630	213	802	2,534	(11,265)	7,028	(57)

VI. Rate Impact (\$)							
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306	
2) Rate Impact		\$3.68	\$3.66	\$1.55	\$1.36	(\$0.0268)	11.4%
3) New Rates- Stimulated Volume*	\$3.50	\$7.18	\$7.16	\$7.06	\$1.88	\$0.0038	11.4%

*Does not include USF. USF surcharge amount is shown in last column (USF)

- Notes: 1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark
- 2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM
- 3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup
- 4. Line counts based on ARMIS 43-01
- 5. Elasticity assumption: -0.7

View: Top down reductions

Impact of Access/Universal Service Reform

Surcharge Option: S&L,RHC,& LL on Total

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
I. Level (\$M)								
1) Business as usual (7/1/97 filing)						(420)		(420)
2) Billing (GSF)						(124)		(124)
3) EANR						(110)		(110)
4) Over-earnings (reinitialize to 10%)						(1,901)		(1,901)
5) X-Factor change from 5.3% to 9%						(514)		(514)
6) Other Reductions								-
Sub-Total						(3,069)		(3,069)
II. Structure (\$M)								
1) Retail Expense Reallocation		193	66	582		(840)		-
2) SLC increases		438	148	220		(806)		-
3) Carrier Line charge: \$1.845					3,426	(3,426)		-
Sub-Total		630	213	802	3,426	(5,072)		
III. USF (\$M)								
1) Large LECs					(206)	(1,632)	1,838	-
2) Rural LECs								-
LTS						(378)	378	-
DEM						(330)	330	-
High Cost					(571)		571	-
Access Differential						(513)	513	-
3) Schools/Libraries							941	941
4) Rural Healthcare							209	209
5) Lifeline/Linkup					(181)		272	91
Sub-Total					(957)	(2,852)	5,051	1,242
IV. Overall Stimulation (\$M)						(254)		(254)
V. Grand Total (\$M)		630	213	802	2,469	(11,247)	5,051	(2,081)

VI. Rate Impact (\$)							
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306	
2) Rate Impact		\$3.68	\$3.66	\$1.55	\$1.33	(\$0.0268)	8.2%
3) New Rates- Stimulated Volume*	\$3.50	\$7.18	\$7.16	\$7.06	\$1.85	\$0.0038	8.2%

*Does not include USF. USF surcharge amount is shown in last column (USF)

- Notes: 1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark
2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM
3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup
4. Line counts based on ARMIS 43-01
5. Elasticity assumption: -0.7

View: Revenue Neutral
 Surcharge Option: All Interstate

Impact of Access/Universal Service Reform

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
I. Level (\$M)								
1) Business as usual (7/1/97 filing)						(420)		(420)
2) Billing (GSF)-none								-
3) EANR-none								-
4) Over-earnings								-
5) X-Factor change -none								-
6) Other Reductions								-
Sub-Total						(420)		(420)
II. Structure (\$M)								
1) Retail Expense Reallocation-none								-
2) SLC increases		438	148	220		(806)		-
3) Carrier Line charge: \$2					3,714	(3,714)		-
Sub-Total		438	148	220	3,714	(4,519)		
III. USF (\$M)								
1) Large LECs					(206)	(1,632)	1,838	-
2) Rural LECs								-
LTS						(378)	378	-
DEM						(330)	330	-
High Cost					(571)		571	-
Access Differential						(347)	347	-
3) Schools/Libraries							2,250	2,250
4) Rural Healthcare							500	500
5) Lifeline/Linkup					(181)		650	470
Sub-Total					(957)	(2,686)	6,863	3,220
IV. Overall Stimulation (\$M)							(298)	(298)
V. Grand Total (\$M)		438	148	220	2,757	(7,924)	6,863	2,501

VI. Rate Impact (\$)	Primary	2nd	Single	Multi	Per Line	Usage	USF	Net Change
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306		
2) Rate Impact		\$2.56	\$2.54	\$0.43	\$1.48	(\$0.0192)		10.6%
3) New Rates- Stimulated Volume*	\$3.50	\$6.06	\$6.04	\$5.93	\$2.00	\$0.0114		10.6%

*Does not include USF. USF surcharge amount is shown in last column (USF)

- Notes:
1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark
 2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM
 3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup
 4. Line counts based on ARMIS 43-01
 5. Elasticity assumption: -0.7

Surcharge Option: S&L,RHC,& LL on Total

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
I. Level (\$M)								
1) Business as usual (7/1/97 filing)						(420)		(420)
2) Billing (GSF)-none								-
3) EANR-none								-
4) Over-earnings								-
5) X-Factor change -none								-
6) Other Reductions								-
Sub-Total						(420)		(420)
II. Structure (\$M)								
1) Retail Expense Reallocation-none								-
2) SLC increases		438	148	220		(806)		-
3) Carrier Line charge: \$2					3,714	(3,714)		-
Sub-Total		438	148	220	3,714	(4,519)		
III. USF (\$M)								
1) Large LECs					(206)	(1,632)	1,838	-
2) Rural LECs								-
LTS						(378)	378	-
DEM						(330)	330	-
High Cost					(571)		571	-
Access Differential						(347)	347	-
3) Schools/Libraries							941	941
4) Rural Healthcare							209	209
5) Lifeline/Linkup					(181)		272	91
Sub-Total					(957)	(2,686)	4,885	1,242
IV. Overall Stimulation (\$M)						(407)		(407)
V. Grand Total (\$M)		438	148	220	2,757	(8,033)	4,885	414

VI. Rate Impact (\$)							
1) Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306	
2) Rate Impact		\$2.56	\$2.54	\$0.43	\$1.48	(\$0.0196)	7.6%
3) New Rates- Stimulated Volume*	\$3.50	\$6.06	\$6.04	\$5.93	\$2.00	\$0.0109	7.6%

*Does not include USF. USF surcharge amount is shown in last column (USF)

Notes: 1. Large LEC USF from Hatfield, version 3.1, \$30 benchmark

2. Rural LEC USF from USF Data Collection (NECA). Access differential equalizes rural and large LEC usage rates after removal of DEM

3. Lifeline assumes \$5.25 per month for 10M lines; \$20M for Linkup

4. Line counts based on ARMIS 43-01

5. Elasticity assumption: -0.7