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**Anthony M. Alessi**  
Director  
Federal Relations

March 19, 1997

RECEIVED

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Federal Communications Commission  
Office of Economic

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

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

Dear Mr. Caton:

On March 19, 1997, Mr. Kenneth Gordon of National Economic Research Associates, Mr. Larry Strickling and Ms. Kris Shulman of Ameritech, and I met with Mr. Richard Metzger, Deputy Bureau Chief, Common Carrier Bureau, and Mr. Aaron Goldschmidt to discuss Ameritech's position in the above referenced proceeding. The attached material was used as part of our discussion.

Sincerely,

Attachment

cc: R. Metzger  
A. Goldschmidt

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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%	
<b>Total</b>	<b>25,327</b>	<b>\$ 545.4</b>	<b>21,575</b>	<b>\$ 464.6</b>	<b>46,902</b>	<b>\$ 1,010.0</b>	<b>54%</b>	
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								
<b>Notes:</b>								
- Totals are 1996 Ameritech interstate								
- Carriers originating minutes were calculated 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
<b>AT&amp;T</b>	12,384	\$ 387.9	\$ 118.0	\$ 505.9	\$ 100.5	\$ 606.4	83%
<b>MCI</b>	3,025	\$ 94.7	\$ 38.8	\$ 133.6	\$ 33.1	\$ 166.6	80%
<b>Sprint</b>	1,352	\$ 42.3	\$ 19.2	\$ 61.5	\$ 16.4	\$ 77.9	79%
<b>WorldCom</b>	510	\$ 16.0	\$ 10.0	\$ 26.0	\$ 8.5	\$ 34.6	75%
<b>LCI</b>	159	\$ 5.0	\$ 2.0	\$ 6.9	\$ 1.7	\$ 8.6	81%
<b>OTHER</b>	1,919	\$ 60.1	\$ 30.1	\$ 90.2	\$ 25.6	\$ 115.9	78%
<b>Total</b>	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						
<b>Notes:</b>							
- Totals are 1996 Ameritech interstate							
- Carriers originating minutes were calculated 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**

<b>Customer</b>	<b>Current Interstate Switched Access Rev (Mil)</b>	<b>Current % Orig</b>	<b>Proposed Interstate Switched Access Rev (Mil)</b>	<b>Proposed % Orig</b>
<b>AT&amp;T</b>	\$ 546.4	54%	\$ 606.4	83%
<b>MCI</b>	\$ 179.8	54%	\$ 166.6	80%
<b>Sprint</b>	\$ 88.9	54%	\$ 77.9	79%
<b>WorldCom</b>	\$ 46.4	54%	\$ 34.6	75%
<b>LCI</b>	\$ 9.1	54%	\$ 8.6	81%
<b>OTHER</b>	\$ 139.4	54%	\$ 115.9	78%
<b>Total</b>	\$ 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.