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RECEIVED

MAR 21 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY
March 21, 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 Friday, March 21, 1997, Mr. J. Lubin, Mr. G. Salemme and I met with Ms. R. Keeney, Mr. L. Atlas, Ms. K. Levitz, Mr. P. Degraba, Ms. M. Ginsburg, Mr. T. Peterson and Mr. S. Spaeth, all of the Common Carrier Bureau, to discuss the attached charts showing different views of the impact of access reform and universal service reform and to discuss the attachment showing the impact of monthly long distance bills on customers assuming various line charges and varying scenarios of access charge reductions.

In accordance with Section 1.1206(a)(2) of the Commission's Rules, two (2) copies of this Notice are being filed with the Secretary of the FCC.

Sincerely,

Bruce K. Cox

Attachments (2)

cc: Ms. Keeney
Ms. Levitz
Ms. Ginsburg
Mr. Spaeth

Mr. Atlas
Mr. Degraba
Mr. Peterson

Surcharge Option: All Interstate

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primar	2nd	Single	Multi				
Level (\$M) (1)							(7,210)	(7,210)
Structure (\$M) (2) (6)		438	148	220			(806)	
USF (\$M)								
Large LECs (3)					(206)	(1,632)	1,838	
Rural LECs (4)					(571)	(1,433)	2,003	
Schools & Libraries							2,250	2,250
Rural Healthcare, Lifeline (5)					(181)		1,150	970
Sub-Total					(957)	(3,064)	7,241	3,220
Stimulation (\$M) (7)							(202)	(202)
Grand Total (\$M)		438	148	220	(957)	(11,282)	7,241	(4,192)
Rate Impact (\$)								
Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306		
New Rates- Stimulated Volume(7) (8)	\$3.50	\$6.06	\$6.04	\$5.93	\$0.00	\$0.0038	12.4%	

Notes:

- 1 Level reductions are amounts needed beyond the restructure amounts to reach TELRIC
- 2 Structure reductions are removal of SLC caps
- 3 Large LEC USF from Hatfield, version 3.1, \$30 benchmark
- 4 Rural LEC USF from USF Data Collection (NECA). Includes access differential to equalize rural and large LEC usage rates after removal of DEM
- 5 Lifeline assumes \$5.25 per month for 10M lines, \$20M for Linkup
- 6 Line counts based on ARMIS 43-01
- 7 Includes dampening impact of USF surcharges. Elasticity assumption: -0.7
- 8 Rates shown do not include USF surcharge amount (shown in last column)

Surcharge Option: All Interstate

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
Level (\$M) (1)							(600)	(600)
Structure (\$M) (2) (6)		438	148	220	3,714		(4,519)	
USF (\$M)								
Large LECs (3)					(206)		(1,632)	1,838
Rural LECs (4)					(571)		(1,063)	1,634
Schools & Libraries								2,250
Rural Healthcare, Lifeline (5)					(181)			1,150
Sub-Total					(957)		(2,695)	6,871
Stimulation (\$M) (7)							(302)	(302)
Grand Total (\$M)		438	148	220	2,757		(8,116)	6,871
Rate Impact (\$)								
Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52		\$0.0306	
New Rates- Stimulated Volume(7) (8)	\$3.50	\$6.06	\$6.04	\$5.93	\$2.00		\$0.0109	10.7%

Notes:

- 1 Level includes business as usual P-Cap reduction
- 2 Structure reductions are removal of SLC caps and imposition of carrier line charges
- 3 Large LEC USF from Hatfield, version 3.1, \$30 benchmark
- 4 Rural LEC USF from USF Data Collection (NECA). Includes access differential to equalize rural and large LEC usage rates after removal of DEM
- 5 Lifeline assumes \$5.25 per month for 10M lines, \$20M for Linkup
- 6 Line counts based on ARMIS 43-01
- 7 Includes dampening impact of USF surcharges. Elasticity assumption: -0.7
- 8 New rates do not include USF surcharge amount (shown in last column)

Surcharge Option: All Interstate

	Subscriber Line Charges				Carrier Charges		USF	Net Change
	Residence		Business		Per Line	Usage		
	Primary	2nd	Single	Multi				
Level (\$M) (1)							(4,051)	(4,051)
Structure (\$M) (2) (6)		438	148	220			(806)	
USF (\$M)								
Large LECs (3)					(206)	(1,632)	1,838	
Rural LECs (4)					(571)	(1,287)	1,857	
Schools & Libraries							2,250	2,250
Rural Healthcare, Lifeline (5)					(181)		1,150	970
Sub-Total					(957)	(2,918)	7,095	3,220
Stimulation (\$M) (7)							(289)	(289)
Grand Total (\$M)		438	148	220	(957)	(8,065)	7,095	(1,121)
Rate Impact (\$)								
Current Rates	\$3.50	\$3.50	\$3.50	\$5.50	\$0.52	\$0.0306		
New Rates- Stimulated Volume(7) (8)	\$3.50	\$6.06	\$6.04	\$5.93	\$0.00	\$0.0111	11.5%	

Notes:

- 1 Level reductions: reinitializing to 10%, X of 9%, business as usual P-Cap reductions, and removal of inappropriate retail expenses, EANR and billing (GSF) expenses.
- 2 Structure reductions are removal of SLC caps
- 3 Large LEC USF from Hatfield, version 3.1, \$30 benchmark
- 4 Rural LEC USF from USF Data Collection (NECA). Includes access differential to equalize rural and large LEC usage rates after removal of DEM
- 5 Lifeline assumes \$5.25 per month for 10M lines, \$20M for Linkup
- 6 Line counts based on ARMIS 43-01
- 7 Includes dampening impact of USF surcharges. Elasticity assumption: -0.7
- 8 New rates do not include USF surcharge amount (shown in last column)

ACCESS REFORM

	A	B	C	D	E	F	G	H	I	J
1	MONTHLY LD BILL*	LINE CHARGE	USAGE	NEW BILL	ACCESS REDUCTION					% OF CUSTOMERS
2		\$2.00	SAVINGS							Bill Column A or Less+
3					\$1 BILLION	\$2 BILLION	\$3 BILLION	\$4 BILLION	\$5 BILLION	
4										
5	\$5.00	\$7.00	\$0.57	\$6.43	\$6.27	\$6.10	\$5.94	\$5.78	\$5.61	34%
6	\$6.00	\$8.00	\$0.68	\$7.32	\$7.12	\$6.92	\$6.73	\$6.53	\$6.34	37%
7	\$7.00	\$9.00	\$0.80	\$8.20	\$7.97	\$7.74	\$7.52	\$7.29	\$7.06	41%
8	\$8.00	\$10.00	\$0.91	\$9.09	\$8.83	\$8.57	\$8.30	\$8.04	\$7.78	44%
9	\$9.00	\$11.00	\$1.03	\$9.97	\$9.68	\$9.39	\$9.09	\$8.80	\$8.50	45%
10	\$10.00	\$12.00	\$1.14	\$10.86	\$10.53	\$10.21	\$9.88	\$9.55	\$9.23	47%
11	\$11.00	\$13.00	\$1.25	\$11.75	\$11.39	\$11.03	\$10.67	\$10.31	\$9.95	51%
12	\$12.00	\$14.00	\$1.37	\$12.63	\$12.24	\$11.85	\$11.46	\$11.06	\$10.67	53%
13	\$13.00	\$15.00	\$1.48	\$13.52	\$13.09	\$12.67	\$12.24	\$11.82	\$11.39	55%
14	\$14.00	\$16.00	\$1.60	\$14.40	\$13.95	\$13.49	\$13.03	\$12.57	\$12.12	57%
15	\$15.00	\$17.00	\$1.71	\$15.29	\$14.80	\$14.31	\$13.82	\$13.33	\$12.84	60%
16	\$16.00	\$18.00	\$1.82	\$16.18	\$15.65	\$15.13	\$14.61	\$14.09	\$13.56	62%
17	\$17.00	\$19.00	\$1.94	\$17.06	\$16.51	\$15.95	\$15.40	\$14.84	\$14.29	64%
18	\$18.00	\$20.00	\$2.05	\$17.95	\$17.36	\$16.77	\$16.18	\$15.60	\$15.01	66%
19	\$19.00	\$21.00	\$2.17	\$18.83	\$18.21	\$17.59	\$16.97	\$16.35	\$15.73	68%
20	\$20.00	\$22.00	\$2.28	\$19.72	\$19.07	\$18.41	\$17.76	\$17.11	\$16.45	70%
21										
22										
23										
24	Notes:									
25	* Assume 15 cents per minute LD rate									
26	+ PNR and Associates ,Inc., Bill Harvesting I Data Base.									
27										
28	Data: Large LECs									
29	145.4 million lines									
30	408,128.7 million access minutes of use									

ACCESS REFORM

	A	B	C	D	E	F	G	H	I	J
1	MONTHLY LD BILL*	LINE CHARGE	USAGE	NEW BILL	ACCESS REDUCTION					% OF CUSTOMERS
2		\$1.00	SAVINGS							Bill Column A or Less+
3					\$1 BILLION	\$2 BILLION	\$3 BILLION	\$4 BILLION	\$5 BILLION	
4										
5	\$5.00	\$6.00	\$0.29	\$5.71	\$5.55	\$5.39	\$5.22	\$5.06	\$4.90	34%
6	\$6.00	\$7.00	\$0.34	\$6.66	\$6.46	\$6.27	\$6.07	\$5.87	\$5.68	37%
7	\$7.00	\$8.00	\$0.40	\$7.60	\$7.37	\$7.14	\$6.91	\$6.69	\$6.46	41%
8	\$8.00	\$9.00	\$0.46	\$8.54	\$8.28	\$8.02	\$7.76	\$7.50	\$7.24	44%
9	\$9.00	\$10.00	\$0.51	\$9.49	\$9.19	\$8.90	\$8.60	\$8.31	\$8.02	45%
10	\$10.00	\$11.00	\$0.57	\$10.43	\$10.10	\$9.78	\$9.45	\$9.12	\$8.80	47%
11	\$11.00	\$12.00	\$0.63	\$11.37	\$11.01	\$10.65	\$10.29	\$9.94	\$9.58	51%
12	\$12.00	\$13.00	\$0.68	\$12.32	\$11.92	\$11.53	\$11.14	\$10.75	\$10.36	53%
13	\$13.00	\$14.00	\$0.74	\$13.26	\$12.83	\$12.41	\$11.98	\$11.56	\$11.14	55%
14	\$14.00	\$15.00	\$0.80	\$14.20	\$13.74	\$13.29	\$12.83	\$12.37	\$11.92	57%
15	\$15.00	\$16.00	\$0.86	\$15.14	\$14.65	\$14.16	\$13.67	\$13.18	\$12.69	60%
16	\$16.00	\$17.00	\$0.91	\$16.09	\$15.57	\$15.04	\$14.52	\$14.00	\$13.47	62%
17	\$17.00	\$18.00	\$0.97	\$17.03	\$16.48	\$15.92	\$15.36	\$14.81	\$14.25	64%
18	\$18.00	\$19.00	\$1.03	\$17.97	\$17.39	\$16.80	\$16.21	\$15.62	\$15.03	66%
19	\$19.00	\$20.00	\$1.08	\$18.92	\$18.30	\$17.68	\$17.05	\$16.43	\$15.81	68%
20	\$20.00	\$21.00	\$1.14	\$19.86	\$19.21	\$18.55	\$17.90	\$17.25	\$16.59	70%
21										
22										
23										
24	Notes:									
25	* Assume 15 cents per minute LD rate									
26	+ PNR and Associates ,Inc., Bill Harvesting I Data Base.									
27										
28	Data: Large LECs									
29	145.4 million lines									
30	408,128.7 million access minutes of use									

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1	MONTHLY LD BILL*	LINE CHARGE	USAGE	NEW BILL	ACCESS REDUCTION					% OF CUSTOMERS
2		\$1.50	SAVINGS							Bill Column A or Less +
3					\$1 BILLION	\$2 BILLION	\$3 BILLION	\$4 BILLION	\$5 BILLION	
4										
5	\$5.00	\$6.50	\$0.43	\$6.07	\$5.91	\$5.75	\$5.58	\$5.42	\$5.26	34%
6	\$6.00	\$7.50	\$0.51	\$6.99	\$6.79	\$6.59	\$6.40	\$6.20	\$6.01	37%
7	\$7.00	\$8.50	\$0.60	\$7.90	\$7.67	\$7.44	\$7.22	\$6.99	\$6.76	41%
8	\$8.00	\$9.50	\$0.68	\$8.82	\$8.55	\$8.29	\$8.03	\$7.77	\$7.51	44%
9	\$9.00	\$10.50	\$0.77	\$9.73	\$9.44	\$9.14	\$8.85	\$8.55	\$8.26	45%
10	\$10.00	\$11.50	\$0.86	\$10.64	\$10.32	\$9.99	\$9.66	\$9.34	\$9.01	47%
11	\$11.00	\$12.50	\$0.94	\$11.56	\$11.20	\$10.84	\$10.48	\$10.12	\$9.76	51%
12	\$12.00	\$13.50	\$1.03	\$12.47	\$12.08	\$11.69	\$11.30	\$10.91	\$10.51	53%
13	\$13.00	\$14.50	\$1.11	\$13.39	\$12.96	\$12.54	\$12.11	\$11.69	\$11.26	55%
14	\$14.00	\$15.50	\$1.20	\$14.30	\$13.85	\$13.39	\$12.93	\$12.47	\$12.02	57%
15	\$15.00	\$16.50	\$1.28	\$15.22	\$14.73	\$14.24	\$13.75	\$13.26	\$12.77	60%
16	\$16.00	\$17.50	\$1.37	\$16.13	\$15.61	\$15.09	\$14.56	\$14.04	\$13.52	62%
17	\$17.00	\$18.50	\$1.45	\$17.05	\$16.49	\$15.94	\$15.38	\$14.82	\$14.27	64%
18	\$18.00	\$19.50	\$1.54	\$17.96	\$17.37	\$16.78	\$16.20	\$15.61	\$15.02	66%
19	\$19.00	\$20.50	\$1.62	\$18.88	\$18.25	\$17.63	\$17.01	\$16.39	\$15.77	68%
20	\$20.00	\$21.50	\$1.76	\$19.74	\$19.09	\$18.43	\$17.78	\$17.13	\$16.47	70%
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