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**BELLSOUTH**

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March 31, 1997

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, DC 20554

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MAR 31 1997

Federal Communications Commission  
Office of Secretary

Re: Ex Parte in CC Dockets 96-45 and 96-262

Dear Mr. Caton:

This is to inform you that on March 31, 1997 Gary Epstein, of Latham & Watkins; and Whit Jordan and the undersigned, of BellSouth, met with Jim Casserly of Commissioner Ness's and Jim Coltharp of Commissioner Quello's office regarding the above-referenced proceeding.

The purpose of the meeting was to discuss issues relating to universal service and access reform. The attached charts were discussed during these meetings.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceeding.

Sincerely,



Robert T. Blau

Attachment

cc: Jim Casserly  
Jim Coltharp

**UNIVERSAL SERVICE**

Fund Size	\$5.6B
LEC USF Payments (Retail Revenues)	\$0.8B
IXC USF Payments	\$4.5B
IXC Access Reduction	\$5.1B
IXC Net Reduction	\$0.6B

**ACCESS CHARGE REVENUE (Price Cap Companies) (B)**

	<u>Current</u>	<u>Proposed</u>		
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Switching	\$3.9	\$2.7	\$2.7	\$2.7
Carrier Common Line	3.3	0	0	0
Transport Interconnection Charge	2.7	0	0	0
Information	0.1	0.1	0.1	0.1
Switched Transport	1.0	2.0	1.9	1.9
Universal Service Fund (Net)		3.5	3.5	3.5
Presubscribed Line Charge (USF)		0.7	0.7	0.7
Presubscribed Line Charge (TIC)		1.3	1.0	0.6
	<u>\$11.0</u>	<u>\$10.3</u>	<u>\$9.9</u>	<u>\$9.5</u>

**ACCESS CHARGES**

	<u>Current</u>	<u>Proposed</u>		
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Switched MOU Charge	\$0.027	\$0.012	\$0.012	\$0.012
USF PSL Charge		\$0.40	\$0.40	\$0.41
TIC PSL Charge		\$0.77	\$0.57	\$0.36

**IXC Access Charge Payments (B)**

	<u>Current</u>	<u>Proposed</u>		
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Switched MOU	\$11.0	\$4.8	\$4.8	\$4.7
Per Line	0	2.0	1.7	1.3
USF Fund	0.9	4.5	4.4	4.4
Total	<u>\$11.9</u>	<u>\$11.3</u>	<u>\$10.9</u>	<u>\$10.4</u>
Percent Change		(5.9%)	(3.5%)	(4.6%)

# **UNIVERSAL SERVICE/ACCESS REFORM FOR PRICE CAP COMPANIES**

## **Universal Service - High Cost Fund**

1. Size of interim interstate universal service high cost fund based upon interstate carrier common line revenue (after removal of payphone and LTS), plus interstate switch line port costs (approximately 30% of current interstate local switching revenue), plus current USF and weighted DEM, LTS, Lifeline and Link-up.
2. Funding obligation based upon each carrier's share of interstate retail revenues.
3. LEC recovery of funding obligation through presubscribed line (PSL) charge to IXCs.
4. Interstate universal service high cost fund identified by study area. Proxy model used to target support to smaller high cost geographic areas.

## **Universal Service - Education & Libraries**

1. Internal connections and Internet are removed from list of items eligible for universal service support. Size of universal service fund for education/libraries is reduced (from current \$2.25 billion) and supports only discounts on eligible telecommunications services. Fund contributions are recovered through an end user surcharge.
2. Non-profit foundation is created with funding from eight large local exchange carriers that will ensure that a) all classrooms and libraries are wired with 5 connections by the year 2000 and b) all economically disadvantaged and rural schools have access to the Internet.

## **Access Reform**

1. Carrier common line charge reduced to zero.
2. Local switching reduced by switch line port costs (approximately 30%).
3. Presubscribed line charge (PSL) applied to IXCs to recover interstate high cost funding obligation.
4. Transport Interconnection Charge (TIC) reduced by moving service related components to new or existing rate elements.
5. Remaining TIC recovered through TIC PSL charge applied to IXCs.
6. Combined USF and TIC PSL charge not to exceed \$2.00. Any remaining amount recovered through a new TIC usage charge.
7. Price cap productivity changes targeted to TIC usage charge first and then TIC PSL charges.
8. Terminating usage charges would be no higher than originating usage charges.
9. LEC price cap index changes should be based on LEC total factor productivity.
10. When the LEC network is used, LECs are entitled to recover all interstate costs.