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Ameritech

Anthony M. Alessi
Director
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EX PARTE OR LATE FILED

April 2, 1997

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APR 2 1997
Federal Communications Commission
Office of Secretary

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 April 2, 1997, I met with Mr. James Coltharp, Legal Advisor to Commissioner Quello, to discuss Ameritech's position in the above referenced proceeding. The attached material was used as part of our discussion.

Sincerely,

Anthony M Alessi

Attachment
cc: J. Coltharp

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List ABCDE

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:	The relief granted:
Unbundled network elements at rates approved by the states	Geographic deaveraging
Wholesale prices for retail services are based on reasonably avoidable costs	Contract/RFP pricing
Transport and Termination at cost based rates	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)