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April 23, 1997

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

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RE: CC Docket 96-262 and CC Docket 96-45

Federal Communications Commission
Office of Secretary

Dear Mr. Caton:

This is to inform you that on April 22, 1997, F. Duane Ackerman, David Markey, and the undersigned, all of BellSouth Corporation, met with Commissioner Chong and Dan Gonzales of the Commission concerning the above referenced proceedings.

The purpose of the meeting was to discuss issues relating to access reform and universal service. The attached charts and documents were discussed during the 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 referenced proceedings. Please call me if you have any questions.

Sincerely,



Whit Jordan

Attachment

cc: Commissioner Chong
Dan Gonzales

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Access Reform and Universal Service

The Commission should not make any precipitous reductions in access charges until a permanent Universal Service Fund is established

- Reinitialization would breach price cap deal, take LEC industry back to rate of return regulation, and give the IXCs a windfall at expense of local telephone customers.
- Even with no prescriptive changes in access rates, IXCs access cost will decline by more than \$1 billion in 1998.
- Increased competition in local phone markets and loss of market share will drive LEC productivity down, not up.
- Implementing number portability, dialing parity and other “checklist” requirements will cost BellSouth nearly \$500 million this year alone.

The Commission needs to begin restructuring access charges but in an orderly way that will not put pressure on local rates

- During early phases of access reform transition, LECs should be given the option of keeping pre-subscribed line (PSL) charges for business and residential customers at identical levels.
- The July 1, 1998 deadline for removing access charges from unbundled network elements should be extended until a permanent Universal Service fund is established.

Discounts for schools, libraries, and hospitals should apply only to telecommunications services and should be paid for on a pay as you go basis

- Inside wiring and Internet services are not telecommunications services and should be paid for through voluntary programs like Net Day.
- Any payments made by carriers to fund education and health care discounts that are not used for that purpose during a given year should not be allowed to accumulate, but instead should offset next year’s obligations.

PRODUCTIVITY FACTORS IN STATE JURISDICTIONS

X-Factor	Number	Rank	State(s)
1	1	1	MI
1	1	2	ND ¹
1.3	1	3	VA ²
2	3	6	GA ³ , NJ, NC
2.1	1	7	SC
2.3	1	8	KS
2.5	1	9	LA
2.5	1	10	CA ⁴
3	1	11	MD ⁵
2.93	1	12	PA
3	5	17	AL, DE, DC, OH, WI
4	2	19	KY ⁶ , RI
4.1	1	20	MA
4.3	1	21	IL
4.5	1	22	ME
5	1	23	CT

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AVERAGE 2.8

MEDIAN 2.9

NOTES:

1. Lower of 2.75% or 41.6667% of GDP-PI. (Estimate approx. 1.1%).
2. One-half of GDP-PI. (Estimate 1.3%).
3. 2%, or one-half of GDP-PI if GDP-PI exceeds 3%. (Estimate 2.0%).
4. Inflation minus productivity factor of 5% suspended from 1995 through 1998. Essentially, X minus GDP-PI during this time period, because GDP-PI minus X minus 0%. (Estimate 2.6%).
5. 3-year rolling average of CPI. (Estimate 2.8%).
6. 4% for GDP-PI up to 8%, then one-half of GDP-PI. (Estimate 4%).