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**Genevieve Morelli**  
Executive Vice President  
& General Counsel

April 29, 1997

ORIGINAL

William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M St., N.W.  
Room 222  
Washington, D.C. 20554

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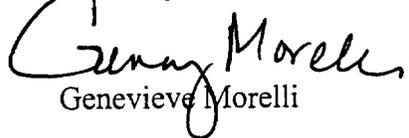
Federal Communications Commission  
Office of SecretaryRe: CC Docket No. 96-262  
Ex Parte Communication

Dear Mr. Caton:

On April 28, 1997, Genevieve Morelli, James M. Smith, and Tony Cassara, representing the Competitive Telecommunications Association ("CompTel"), met with Dan Gonzalez of Commissioner Chong's office to discuss issues relating to switched access charge rate levels and rate structure. The attached document was used during this meeting.

Please address any questions concerning this letter to the undersigned.

Sincerely,

  
Genevieve Morelli

cc: Dan Gonzalez

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CompTel  
April 28, 1997

## Competing On Main Street

- \* The principal focus of many CompTel members is the small to medium size business market.
- \* The access charge reform plan described by FCC Staff dramatically increases the access cost of a typical CompTel member because of the business/residential differential in the carrier "PIC" charge.
- \* The estimated impact on an actual CompTel member serving a smaller city:

	<u>Switched Access MOUs</u>	<u>Average Cost Per S. A. Minute</u>	<u>Total Switched Access Cost</u>
<u>Today</u>	8,162,390	\$0.0210	\$171,159
<u>First Yr Impact</u>			
MOUs	8,162,390	\$0.0126*	\$103,703
Residential Lines	3,350	\$0.75	\$2,513
Business Lines	40,700	\$4.50	<u>\$183,150</u>
			\$318,379
		<b>Increase</b>	\$117,577
		<b>Per Minute Increase</b>	\$0.0144
		<b>Percent</b>	68.7%

- \* This estimated increase in access cost results in a **negative** operating margin. Unless market conditions permit immediate increases in rates charged to customers, the carrier would be forced out of business.
- \* Even if the carrier could raise rates and remain in business, this increase in access cost will destroy the carrier's ability to raise capital to develop local services.

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\* Estimated

## Access Charge Reform Recommendations

### Rate Levels

- \* **A limited market-based approach to access reform *may be* feasible for originating access service. Terminating access charges, however, should be prescribed at cost-based levels immediately.**
- \* The essential precondition to a market-based approach for originating access is the ability to order pre-existing combinations of unbundled network elements (UNEs) at cost-based rates. UNEs must be made as easy to order and obtain as access service is today and the UNE purchaser must be recognized as the provider of both exchange and exchange access services to its customers.
- \* Competition will not bring terminating access rates down to cost. This is because access purchasers (i.e., IXCs) cannot affect the choice of local service provider made by the end users that their customers call.

### Rate Structure

- \* **The existing transport rate structure (i.e., where the purchasing carrier chooses "unitary" or "partitioned" charges) must be made permanent.**
- \* Permitting the ILECs to impose a mandatory partitioned rate structure would result in discrimination among transport customers and would force smaller IXCs to bear the cost of ILEC network deployment choices.
- \* A consensus has emerged within the industry in favor of retaining the unitary rate structure on a permanent basis.
- \* **Non-traffic sensitive costs should be recovered through a combination of flat-rate charges imposed on carriers and end users.**
- \* A flat rate carrier charge should be introduced. However, the Commission should not establish a differential between the flat rate charges applicable when serving business and residential customers.

\* The SLC cap for multi-line business and residential second lines should be eliminated.

\* **The Commission should establish a differential between originating and terminating access rates. The CCL, LS and TIC rates for terminating access should be prioritized as the first switched access rate elements to be brought to cost-based levels.**