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April 28, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D. C. 20554

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APR 28 1997

Federal Communications Commission
Office of Secretary

Re: Ex Parte Meeting - CC Docket 96-263
Usage of the Public Switched Network by
Information Service and Internet Access Providers

Dear Mr. Caton:

On Friday, April 25, 1997, Mr. Gerry Salemme, Mr. Joel Lubin and I met with Mr. Daniel Gonzalez, Legal Advisor to Commissioner Chong, Mr. Anthony Dale and Ms. Gail McGuire, Interns, to discuss AT&T's interpretation of the Chairman's proposal on access reform and universal service reform. The attachment was used and discussed during the meeting.

One of the concerns we raised is whether enhanced service providers ("ESPs") will continue to be exempt from payment of interstate access charges. Rather than adopt the tentative conclusion in the NPRM of the Access Reform proceeding (CC Docket 96-262), we urged the Commission to consider this issue in the above referenced Notice of Inquiry.

Because the meeting was held late in the day, two (2) copies of this Notice are being submitted to the Secretary of the FCC, in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

Bruce K. Cox

Attachment

cc: Mr. Gonzalez
Mr. Dale
Ms. McGuire

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List ABCDE

**FCC PLAN
(July 1, 1997)**

Changes in Universal Service Fund

Universal Service Fund Increase: **\$2.65B**
(To cover cost of wiring schools, libraries, rural healthcare)

USF Collection

LECs Pay: **\$.157B**

The LECs' assigned obligation is \$1.12 billion. However, \$963 million of LEC obligation will be charged to IXCs in the form of higher access fees. So, net LEC obligation is \$157 million.

IXCs Pay: **\$2.016B**

The IXCs' assigned obligation is \$1.053 billion. However, IXCs must also pay \$963 million of the LEC obligation (see above). IXCs' full payment is \$2.016 billion.

Other Carriers pay (Wireless, CAP, etc): **\$.477B**

TOTAL **\$2.65B**

Changes in IXC Access Charges

July 1, 1997: reduction in access fees as a result of the mandatory annual price cap adjustment for large LECs regulated under price cap rules (i.e., imposition of 5.3% productivity factor).
IXC access charges decrease: **(\$.500B)**

July 1, 1997 Net Change in IXC Payments

IXCs new USF obligation (see above). **\$2.016B**

IXC access charge decrease **(\$.500B)**

Net IXC rate increase July 1, 1997 **\$1.516B**

Customer Impact

Customers will see \$1.516 billion in long distance rate increases. **\$1.516B**

January 1, 1998

Changes in Universal Service Fund

Universal Service Fund increase: **\$2.0B**
(Includes increase of \$1.5 billion in high cost fund for small and large LECs; \$500 million for Lifeline/Linkup.)

USF Collection

LECs Pay: **\$.034B**

The LECs' assigned obligation is \$.259 billion. However, \$225 million of LEC obligation will be charged to the IXCs in the form of higher access fees. So, net LEC obligation is \$34 million.

IXCs Pay: **\$1.742B**

The IXC's assigned obligation is \$1.517 billion. However, IXCs must also pay \$225 million of the LEC obligation. So, full IXC payment is \$1.742 billion.

Other Carriers Pay (Wireless, CAP, etc.): **\$.224B**

Changes in IXC Access Charges

Jan. 1, 1998 - New so-called "presubscribed line charge" imposed on IXCs by LECs for every presubscribed customer (\$.75 cents for residential lines and single-line businesses; \$1.50 for non-primary residential lines; and \$4.50 for multi-line businesses). **\$3.9B**

Jan. 1, 1998 - Decrease in usage charges that will be collected as presubscribed line charges. **(\$3.9B)**

Jan. 1, 1998 - Access usage charge reduction as a result of subscriber line charge increases on multi-line businesses and non-primary residential lines. **(\$1.072B)**

Jan. 1, 1998 - Access charge reductions now collected in the new Universal Service Fund. **(1.621B)**

January 1, 1998 Net Charges in IXC Payments

Jan. 1, 1998 - New Universal Service payments (The IXC obligation is \$1.742 billion (see above); IXC access charges are reduced by \$2.693 billion, netting a reduction of \$.951 billion). **(\$.951B)**

Customer Impact

Customers will see a net increase of \$.121 billion. IXC's net payments decrease \$.951 billion on January 1, 1998, while subscriber line charges for certain customers would increase by \$1.072 billion. When \$.121 billion Jan. 1, 1998 increase is combined with the \$1.516 billion increase from July 1, 1997, the net customer increase is \$1.637 billion. **\$.121B**