NYNEX Government Affairs
1300 I Street NW Suite 400 West Washington DC 20005
202 336 7911

G R Evans
Vice President
Federal Regulatory Affairs

EX PARTE OR LATE FILED

NYNEX

May 1, 1997

RECEIVED

MAY 1 1997

Ex Parte

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

RE: CC Docket 96-45 and 96-262

Dear Mr. Caton:

On April 29, 1997, Mr. E. Young, representing Bell Atlantic and Mr. D. Evans, representing the NYNEX Telephone Companies, met with Commissioner Chong and Mr. D. Gonzalez, Legal Advisor to the Commissioner. The purpose of this meeting was to discuss the FCC staff's proposal for access reform and universal service and to discuss several areas of concern. The following issues were addressed:

Referring to the attachment, the impact of all the anticipated changes, effective July 1, will result in a net increase in costs to long distance carriers. This increase can be offset by certain other adjustments that can be made to reduce the costs to long distance carriers and which consequently can avoid a need for long distance rate increases. First, the universal service fund for schools and libraries can be set at the $2.25 billion proposed by the Joint Board but for purposes of collecting the necessary fund requirements from rates, the amount collected should correspond to the first year actual claims anticipated as these programs are implemented. Since the actual claims in the start up year would not be expected to reach the $2.25 level immediately, the difference would be carried over to subsequent years. Second, the amounts assessed on carriers for rural health care should also be set to reflect the anticipated actual claims. Third, the effective date of the proposed multi-line subscriber line increase can be accelerated to July 1. The net effect of these adjustments is a net decrease in the long distance carriers toll impact.

No. of Copies rec'd 0+4
List ABCDE

NYNEX Recycles

As the attachments demonstrated, there is no need for an access reduction on July 1. However, if the FCC does not accept the proposed adjustments and determines a reduction is necessary, we suggested:

- that any reduction be limited to reducing rates, on a reprice basis, to no lower than the 10.25 % return floor in the existing price cap plan; and
- if the reduction resulted from a change in the productivity factor, that the new factor be determined in a way that it can be reduced when a competitive marketplace exists.

Concern was expressed about the potential impact of access restructuring on business customers. This effect can be ameliorated by reducing the proposed presubscribed line charge for business and phasing in the increase over a greater period of time.

Another concern with the Staff's proposal related to reduce terminating access before any reductions are taken in originating access. A preferred approach would be to lower originating and terminating together or in a set ratio (e.g., a 2:1 ratio). This would have the effect of providing some reductions for the more competitive originating access service.

Finally, the proposed use of projections to implement the access reform rate restructure, rather than following the existing price cap rules, was discussed. The existing price cap rate restructure rules rely on historical data, and as a result, a significant area of dispute surrounding previous filings has been eliminated.

Any questions on the above should be directed to me at either the address or telephone number shown above.

Sincerely,

Attachments

cc: Commissioner Chong
Mr. D. Gonzalez

Access Reform/Universal Service
Estimated Impact on IXCs
($ Millions)

July 1997

	Total	IXC	Toll
Social Funds	2,650	1,018	732
LEC Flowback		946	946
Price Cap	(729)	(729)	(729)
Net Impact	1,921	1,235	949

Jan. 1998

	Total	IXC	Toll
Lifeline	320	204	147
LEC Flowback		53	53
High Cost		(350)	(252)
LEC Flowback		158	158
SLC Change	(795)	(795)	(795)
Net Change	(475)	(730)	(689)

Universal Service/Access Reform
Estimated Impact on IXCs
($ millions)

July 1997

	Base Case (worksheet 1)	Social Fund Transition (worksheet 2)	Social Fund Transition & SLC increase (worksheet 2)
USF:			
New Obligation	2,698	2,154	2,154
Current Obligation	1,680	1,680	1,680
Net USF Change	1,018	474	474
Toll Impact	732	359	359
Access:			
Price Cap Reduction	(729)	(729)	(729)
SLC increase impact	-	-	(200)
Flowback (USF)	946	464	464
Net Access Change	217	(265)	(465)
Total IXC Toll Impact	949	94	(106)