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May 14, 1997

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Federal Communications Commission
Office of Secretary

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: CMRS Non-Structural Safeguards, WT Docket No. 96-162; CPNI, CC Docket No. 96-115; ✓

Yesterday, Bruce E. Beard, Senior Attorney, Southwestern Bell Wireless, Inc., Betsy Granger, Senior Attorney, Pacific Bell Mobile Systems and I met with Rosalind K. Allen, Deputy Chief, Wireless Telecommunications Bureau, Karen Gulick, Assistant Chief, Wireless Telecommunications Bureau, David R. Siddall, Legal Advisor to Commissioner Ness, Rudolfo M. Baca, Senior Legal Advisor to Commissioner Quello, and Suzanne Toller, Legal Advisor to Commissioner Chong, to discuss the issues reflected in the attachments. In addition, we briefly discussed privacy and competitive issues related to regulation of customer proprietary network information, and suggested that the Commission address these questions in CC Docket No. 96-115.

We are submitting two copies of this notice in accordance with Section 1.206(a)(1) of the Commission's rules. Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions.

Sincerely yours,

Gina Harrison
202-383-6423

cc: R. Allen
R. Baca
K. Gulick
D. Siddall
S. Toller

Attachments

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List ABCDE

CMRS NON-STRUCTURAL SAFEGUARDS

WT Docket No. 96-162

Ex Parte Presentation

May 13, 1997



SBC Communications Inc.

Rule 22.903 Creates Inefficiencies for BOC Cellular Carriers

- Must have separate officers
- Must have separate operating, installation and maintenance personnel
- Must utilize separate computer and transmission facilities
- Rules concerning use of proprietary information are no longer applicable

Rule 22.903 Creates Inefficiencies for BOC Cellular Carriers

Cont.

- Rule 22.903
 - Adds unnecessary costs to our business and prevents SWB from operating efficiently
 - Prevents SWB from efficiently meeting the needs of our customers
 - Prevents SWB from passing savings to our customers

- Is not applicable to our competitors

Rule 22.903 Creates Competitive Anomalies

- Competitors of SWB are allowed to integrate their cellular and wireline operations
- Cellular competitors, such as GTE, Alltel and MCI are allowed to integrate
- PCS licensees, such as PrimeCo, Sprint Spectrum and AT&T are allowed to integrate

- In one county in Oklahoma, SWB is allowed to integrate its PCS operations, but is precluded from integrating its cellular operation

BOC Cellular Structural Separation Rules Are No Longer Necessary

- Today's environment differs considerably from the environment when the FCC imposed the structural separation requirements
- The ability of carriers to absorb unnecessary costs, one of the rationale used by the FCC when imposing these requirements, is not a legitimate reason to impose unnecessary restrictions
- The FCC's goal should be to eliminate costs and inefficiencies from the provision of CMRS services making it easy for carriers to serve their customers

Adequate Safeguards Exist to Prevent Cross-Subsidization and Discrimination

Cross-Subsidization

- Cost allocation rules and affiliate transaction rules have been found sufficient to protect against cross-subsidization
- Price cap rules and competition also serve as checks

Discrimination

- State commissions will review interconnect agreements between a BOC and its cellular affiliate to safeguard against discrimination

- Actual market experience has not produced any enforcement actions on the part of the FCC
- Abuses will be reported swiftly and will receive immediate attention by regulators

Rule 22.903 Should Be Immediately Eliminated In Its Entirety

- “time is of the essence” because the rules “will prevent the Bell companies from competing with Personal Communications Service providers on a level playing field.” (Cincinnati Bell v. FCC, Sixth Circuit Court)
- No additional or interim rules are necessary

Rule 22.903 Should Be Immediately Eliminated In Its Entirety

Cont.

- By eliminating the rule, BOC cellular carriers can be more efficient, cost-effective competitors
- Result—consumers will benefit from
 - New and innovative services
 - More innovative and “user friendly” customer service

- **Reduced costs and lower prices**

ARKANSAS DEMOCRAT-GAZETTE

Thursday, March 27, 1997

Alltel merging telephone, cellular into one-stop show

ANDREW MOREAU
Arkansas Democrat-Gazette

In a move to bolster ties to customers, Alltel Corp. will combine its telephone and cellular divisions to build a one-stop shop for all telecommunications services.

With the move, the Little Rock telecommunications company will form Alltel Communications as a new entity to offer local telephone, cellular, Internet and long-distance services to its customers. The reorganization is being touted by the company as an effort to make it simpler for customers to buy Alltel products.

"In a deregulated telecommunications market like we have today, Alltel's success will rest on its ability to provide a broad spectrum of products and services to business and residential customers," Chairman Joe Ford said Wednesday in making the announcement.

Company officials would not comment directly, but several industry sources indicated that in the next two weeks Alltel will begin offering a package of long-distance and Internet services in Little Rock. The company has not yet begun offering those services in the capital city.

The reorganization announced Wednesday will ultimately allow customers to go to retail stores that now only offer wireless services and buy other products, including local phone, Internet and long-distance services, according to the company.

The overall goal, company officials said, is to move away from an emphasis on offering individual products to one of finding out what customers want and giving it to them with one sales pitch at one location.

Alltel is calling the project "North Star." In a letter to employees, Ford said the initiative is called North Star "because we are truly setting the course for our future."

Alltel's stock closed up 13 cents per share Wednesday at \$34.25.

Little Rock customers probably will be among the first to see the shift later this year, as Alltel begins offering local phone service in competition with Southwestern Bell Telephone Co. Dennis Whipple, president of the new entity, said Wednesday that Little Rock customers eventually will receive one bill for all the services they receive from the company.

"This reorganization will enhance our ability to deliver that one billing to our customers," Whipple said. "Over time, our customers should find there's ease in doing business with us."

Mike Flynn, who had been president of Alltel's telephone group, will supervise delivery of services in six regions, ranging from the northeastern United States, through the Southeast and back west to Arkansas, Missouri and Oklahoma. He said the reorganization will lump together services for easy access. "The communications business from now and into the future is all about customers," said Flynn. "We want customers to be able to retail shop for services like Internet and long distance."

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Under the reorganization, Flynn will serve as president of the communications group, reporting to Whipple.

Rather than having separate divisions overseeing traditional telephone and cellular operations, as well as newer entities that were developing the latest technologies, the company will combine all telecommunications services into one division.

"This is an efficiency move more than anything," said Dathan Gaskill, an analyst with Stephens Inc. of Little Rock. "It's a good idea to have a company structure that streamlines delivery of a bundled product."

Gaskill said customers should have easier access to buying products from Alltel. "There's going to be a more comprehensive product offering that reaches them quicker and more efficiently," he added.

Though streamlining operations often means job cuts, Ford said in his message to employees that the reorganization will not mean loss of jobs. "What we are announcing is not downsizing or a reduction in force," he wrote. "The net effect is we are creating new jobs."

Employment increases should come as the company builds its network to offer personal communications services in 73 markets in 12 states. The company purchased the licenses earlier this year for \$144 million. Personal communications services are cellular-like mobile offerings on a digital network.

And Alltel could become Southwestern Bell's toughest competitor for local telephone customers.

Unlike other companies such as AT&T, which have to negotiate interconnection agreements with Southwestern Bell and rely on that monopoly to supply services, Alltel is constructing its own local facilities in the Little Rock area. As a facilities-based provider, with its own lines and its own switches, Alltel will rely less on Southwestern Bell-owned network services.

Alltel over the past year has been putting more emphasis on its communications businesses, which serve 2.5 million customers in 14 states. The company's cellular revenues grew by 19 percent in 1996, and its cellular subscriber base, which grew to include 795,136 customers at year's end, increased by 27 percent from 1995.

At the same time, Alltel Information Services Inc., the company's data processing arm, also has shifted its focus. In 1996, information services recorded a pretax write-down of \$53 million in value of assets, mainly software development costs. That division also recorded a \$22 million pretax write-down due to current and projected future operating losses sustained by the community-banking operations.

Information services has moved away from emphasizing mainframe computer operations to "client-server-based applications," which incorporate personal computers and allow for quicker changes in customers' needs. That shift includes development of Virtuoso II, a software billing system for the wireless industry.

Spokesman George Smith said the company's goal is to make customers happy by meeting all their telecommunications' needs. "We want to have one force and one goal in how we acquire customers and how we keep customers," Smith said. "This is part of a continuing strategy where we no longer talk about Alltel Telephone and Alltel Mobile ... From now on we're just going to talk about Alltel."

Whipple will preside over the new Alltel Communications division, and he will report directly to Scott Ford, the executive vice president who reports to his father, Chairman Joe Ford. Under Whipple, Flynn will supervise the six regions; Scott Chesbro will head marketing and business development; Jim Gadberry will head finance and accounting; and another executive will be named later to head network planning and technology. Chesbro and Gadberry will each carry the title of executive vice president of Alltel Communications