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U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3134
FAX 202 296-5157

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Eiridge A. Stafford
Executive Director-
Federal Regulatory

EX PARTE

JUL 15 1997

July 15, 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

RE: Competitive Service Safeguards For Local Exchange Carrier
Carrier Provision Commercial Mobile Radio Services,
WT Docket No. 96-162

Dear Mr. Caton:

Late yesterday, Kathy Zachem and Ken Patrich of Wilkinson, Barker, Knauer & Quinn, and the undersigned met, on behalf of U S WEST, with Dan Phythyon, Acting Chief, Wireless Telecommunications Bureau, Rosalind Allen, Deputy Chief, Wireless Telecommunications Bureau, and Mika Savir, Attorney, Commercial Mobile Division. Attached are handouts that were the basis for discussion at this meeting.

Because the meeting ended late in the day, this letter is being filed on the day after the meeting. In accordance with Commission Rule 1.1206(a)(2), an original and one copy of this letter and the attachment are being filed with you for inclusion in the public record.

Acknowledgment and date of receipt of this submission are requested. A copy of this transmittal letter is provided for this purpose.

Please call if you have questions.

Sincerely,

Eiridge Stafford /dc

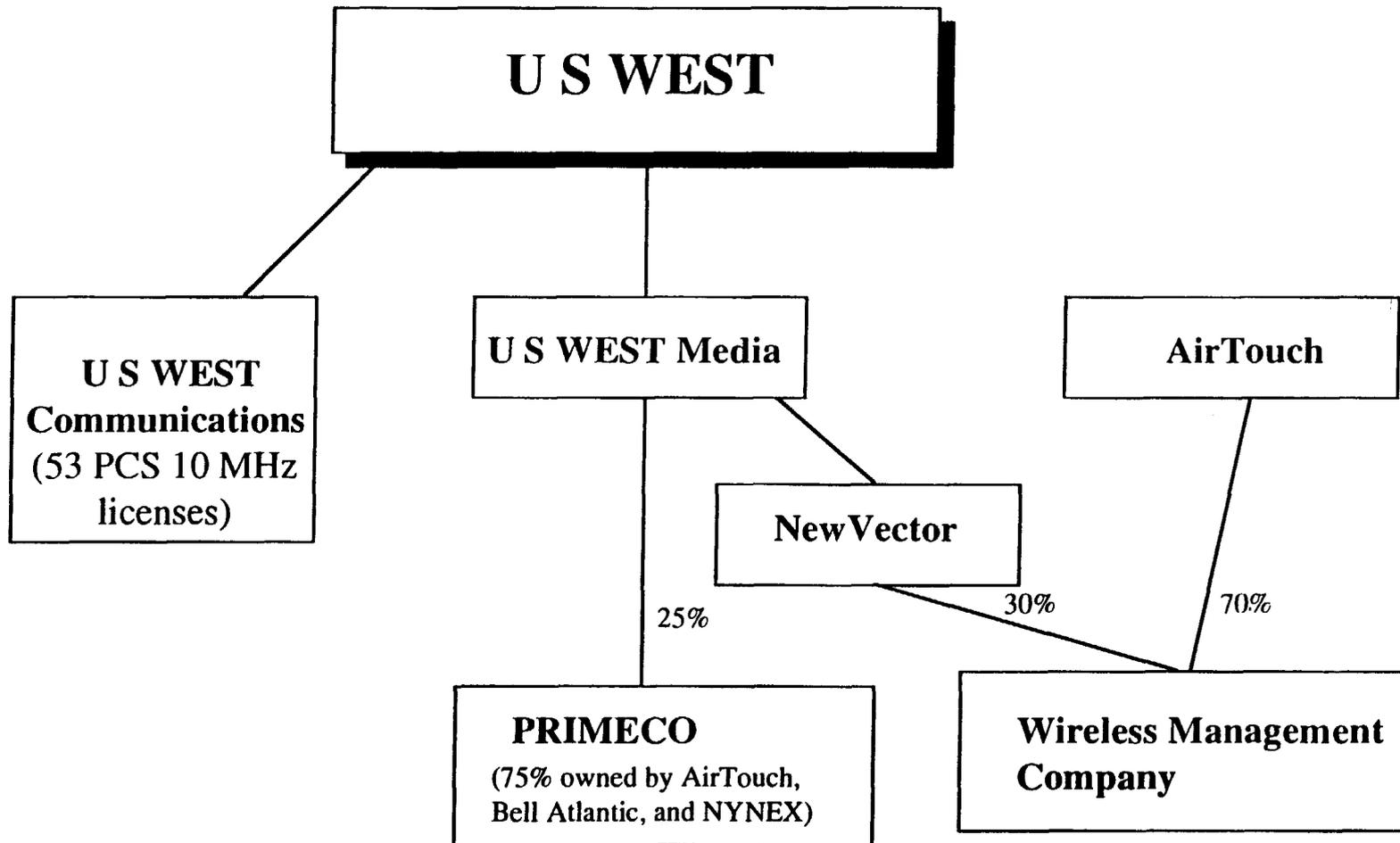
Attachment

cc: Mr. Dan Phythyon
Ms. Rosalind Allen
Ms. Mika Savir

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PRESENT CORPORATE STRUCTURE

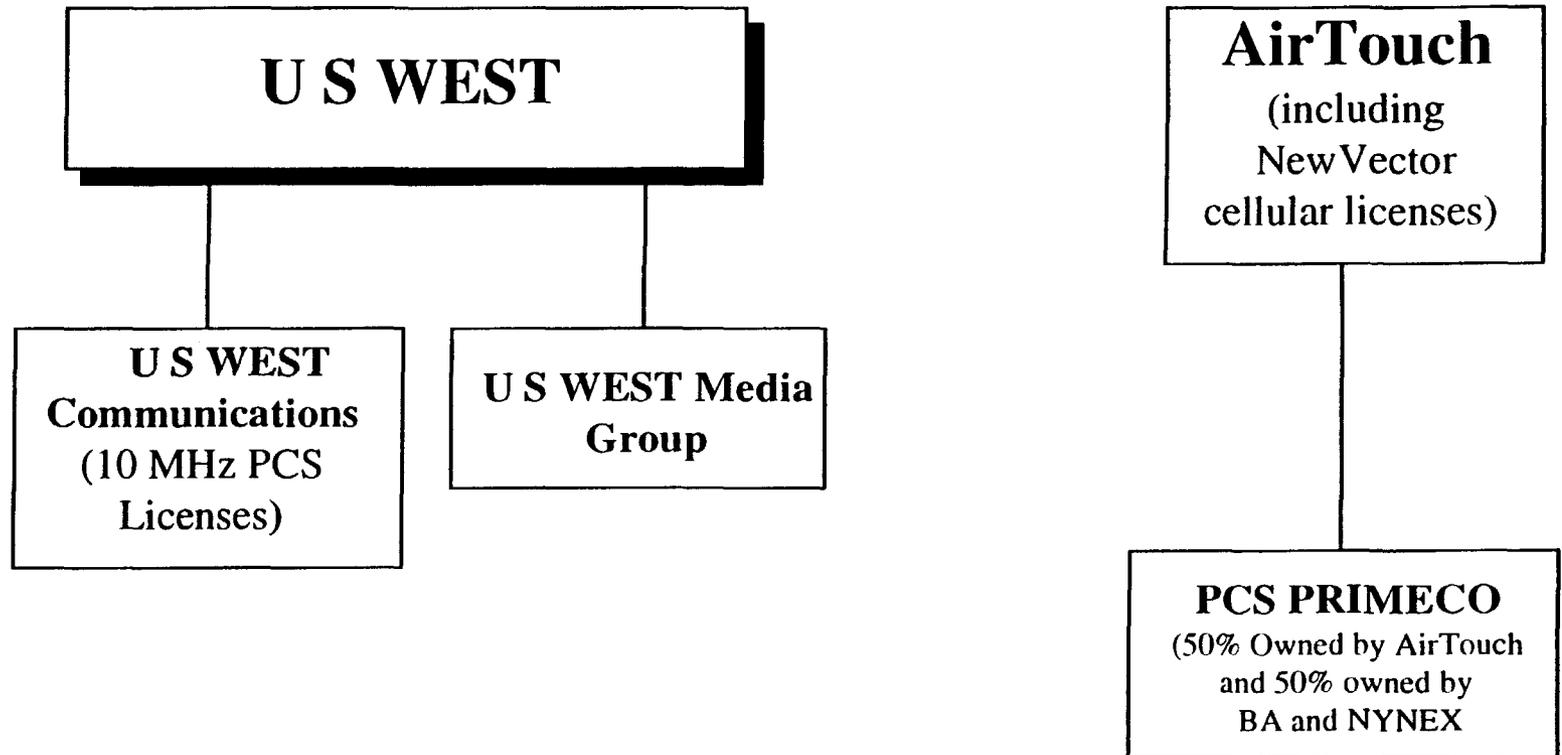


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FUTURE CORPORATE STRUCTURE



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PCS STATUS

- **U S WEST Communications was Recently Granted 53 PCS 10 MHz Licenses.**
 - **Paid Over \$57 Million**
 - **Covers Nearly All in-region Major Markets**
 - **Plans to Begin Service Rollout This Year**
- **Original Business Plans Developed Based on Safeguards Adopted in CMRS Second Report and Order.**
- **Extensive Effort Underway for Contingency Business Plan Based on Affiliate Proposed in LEC-CMRS Safeguards Proceedings.**

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PCS PLANS

- ◆ Entire Business Plan Based on PCS Product that is Complimentary to Wireline Services.
- ◆ Plans to Meet Customers Expectations by Offering on its 10 MHz PCS Licenses a Customer Friendly Wireless Option that Can be purchased Separately or Along with other Telecommunications Services.
 - Same Customer Service Channels for All Customers (Wireline-only, PCS-only, Wireline/PCS)
 - All Services on a Single Bill
 - A Customer Friendly PCS Phone (e.g. One that Provides a Dial tone to Prompt the User)
- ◆ One-stop Shopping Is The Key.

ADVOCACY

- CMRS Second Report and Order Accounting Safeguards are sufficient to prevent cost-shifting and anticompetitive conduct.
- Accounting and Interconnection Safeguards of the Competitive Carrier Fifth Report and Order, as proposed by FCC for Tier 1 LEC PCS, are more than sufficient, particularly given the Telecommunications Act of 1996.

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BACKGROUND

- **Competitive Carrier Fifth Report and Order Established Safeguards for Regulation of Certain Affiliates of Independent LECs as Non-dominant Carriers.**
 - **Separate Books of Accounting**
 - **Not Jointly Own Transmission or Switching Facilities with Exchange Telephone Company**
 - **Obtain Any Exchange Telephone Company-provided Communications Services at Tariffed Rates and Conditions**
- **CMRS Second Report and Order (Gen Docket No. 90-314) Found that Accounting Safeguards Were Sufficient and in the Public Interest for LEC Provision of PCS.**
- **In CMRS Safeguards NPRM (WT Docket No. 96-162) the Commission Proposed Accounting Safeguards for Tier 1 LEC Provision of PCS Based On Competitive Carrier Fifth Report and Order Model.**
 - **Separate Books of Accounts**
 - **Not jointly Own Transmission or Switching Facilities With Incumbent LEC that ILEC uses to Provide Landline Service in Same In-region Market**
 - **Obtain Any Exchange Telephone Company-provided Communications Services at Tariffed Rates and Conditions.**

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BENEFITS OF LEC/PCS INTEGRATION ARE RECOGNIZED

- ◆ FCC initially recognized the potential consumer benefits of allowing LECs to hold PCS licenses and to provide services on an integrated basis.

“[W]e ... find that allowing LECs to participate in PCS may produce significant economies of scope between wireline and PCS networks. We believe that these economies will promote more rapid development of PCS and will yield a broader range of PCS services at lower costs to consumers. CMRS Second Report and Order at para. 126 (October 22, 1993).”

- ◆ In the CMRS Safeguards proceeding, the Commission Affirmed that LECs, including the BOCs, Should be Permitted to Provide PCS Through Nonstructural Safeguards. The Commission also Tentatively Concluded that the Competitive Carrier Affiliate Was Adequate to Address Cost-shifting and Anticompetitive Conduct.

“We continue to believe that it serves the public interest to permit the LECs, including the BOCs, flexibility in the provision of PCS through nonstructural safeguards as part of our efforts to introduce greater competition to the CMRS market. LEC participation in PCS was originally considered very important to getting the service started quickly, and on a broad scale, so as to provide vigorous competition to incumbent cellular providers, and this public interest benefit continues to inform our judgement regarding the need to permit flexibility in service provisioning.” ... “In the *Fifth Report and Order* and in the recent *BOC Out-of-Region Notice*, the Commission found that the requirements discussed there would not impose excessive burdens on LECs, while providing “some, albeit not complete, protection against cost-shifting and anticompetitive conduct.” We tentatively conclude that this is also true in the case of Tier 1 LEC in-region PCS, in that the *Competitive Carrier* separate affiliate requirement permits greater flexibility for the LEC than the Section 22.903 structural separation requirement, while preserving the competitive safeguards of separate books of account, facilities, and tariffed services between the PCS affiliate and its affiliated LEC. Notice of Proposed Rulemaking, WT Docket No. 96-162 at paras. 109 and 119 (August 13, 1996).”