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August 15, 1997

EX PARTE OR LATE FILED

Ex Parte

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

RECEIVED

AUG 15 1997

FEDERAL COMMUNICATIONS COMMISSION

Re: CC Docket No. 96-262

EX PARTE

Dear Mr. Caton:

Today, Ernest Bush, Jim Brinkley and the undersigned, all representing BellSouth, met with Tom Boasburg from Chairman Hundt's office and Richard Metzger and Glenn Reynolds from the Common Carrier Bureau in connection with the above referenced proceeding. The attached charts on pricing flexibility were discussed during this meeting. Also, BellSouth requested that the Commission act quickly regarding two issues on reconsideration in this proceeding, the recovery of marketing expense and the level of the PICC.

Please call me if you have any questions.

Sincerely,



W.W. (Whit) Jordan  
Executive Director - Federal Regulatory

Attachment

cc: Tim Boasburg  
Richard Metzger  
Glenn Reynolds

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## **Top Priorities for Pricing Flexibility**

- Clear and achievable path for removing services from price regulation
    - Triggers must be measurable and not manipulatable by competitors
    - Competitive service prices (e.g. - DS3 services) are subject to marketplace constraints; prescriptive approach based on use of X-factor is unnecessary
  - Location specific pricing in response to requests for competitive bids (Phase 1 reform)
  - Baseline changes
-

## **Top Priorities for Baseline Pricing Flexibility**

**Specific pricing flexibility responses result from pressures of the changing market environment**

- **Transport is Transport**
    - **Already begun with SONET architectures**
    - **Switched transport offered under the same terms and conditions as special access**
    - **Let special access transport carry switched access without reapportionment**
  
  - **New tariff arrangements combining switched and special transport with usage**
    - **Combine switched MOUs with Managed Shared Network Service (MSNS)**
    - **DS3 priced to include a level of MOUs**
    - **Customer pays that rate if usage at or below allowance**
    - **Normal rates apply to additional MOUs**
  
  - **Immediate relief for services purchased by multi-line business customers**
    - **Deaveraged SLCs**
    - **Deaveraged PICCs**
    - **Deaveraged residual per minute charge**
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# BellSouth's Market Based Access Reform Proposal

<u>Baseline (Immediately)</u>	<u>Phase 1 (Potential Competition)</u>	
<u>Baseline Reforms</u>	<u>Triggers</u>	<u>Reforms</u>
<ol style="list-style-type: none"> <li>1. Minimum Part 69 rate structure requirements which provides the ability to offer alternative or optional service packages, rebundling of services, etc., and which eliminates inefficient limitations on services.</li> <li>2. New services filing relief. No public interest or other requirements. Core rate structure maintained.</li> <li>3. Geographic deaveraging of Multi-line business rates (SLC, PICC and residual per minute charge).</li> </ol>	<ol style="list-style-type: none"> <li>1. Availability of unbundled network rate elements pursuant to state approved contract or arbitration agreements.</li> <li>2. Transport and termination charges based on additional cost of transporting and terminating another carrier's traffic pursuant to state approved contract or arbitration agreements.</li> <li>3. Wholesale prices for retail services excluding marketing, billing, collection, and other costs that will be avoided by the LEC pursuant to state approved contract or arbitration agreements.</li> <li>4. Interconnection pursuant to state approved contract or arbitration agreements.</li> <li>5. Access to Operational Support Systems, such as:               <ul style="list-style-type: none"> <li>- Companies certify that their systems can handle 5,000 orders per day.</li> </ul> </li> <li>6. At least 5 competitors certified to provide local service in a state. [Vary based on MSA characteristics in state.]</li> </ol>	<ol style="list-style-type: none"> <li>1. Geographic deaveraging of all carrier access charges not previously addressed.</li> <li>2. Volume and term discounts.</li> <li>3. Contract tariffs through individual RFP responses.</li> <li>4. Price cap services afforded minimal or no Part 69 rate element codification requirements.</li> <li>5. Price cap services afforded simplified price cap basket and banding structure treatment.</li> </ol>

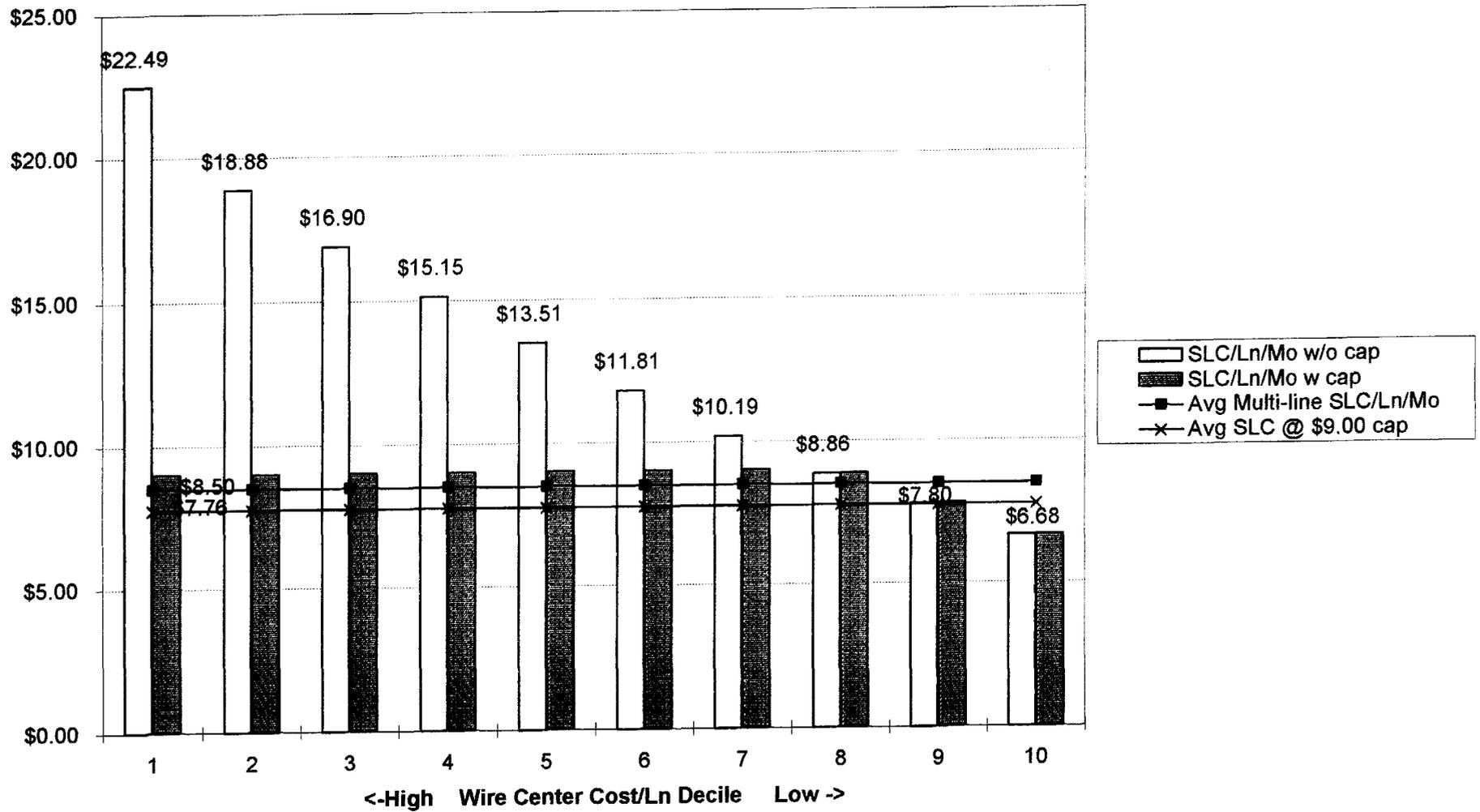
# BellSouth's Market Based Access Reform Proposal

<u>Phase 2 (Actual Competition)</u>		<u>Phase 3 (Substantial Competition)</u>	
<u>Triggers</u>	<u>Reforms</u>	<u>Triggers</u>	<u>Reforms</u>
<p>Demonstrated evidence of competition:</p> <p><u>Transport</u></p> <p>1. Minimum of 4 facilities based competitors in an area (area based on a grouping of wire centers or exchanges designated by the LEC).</p> <p>or</p> <p>2. 50% of the demand in an area is addressable by competitors and at least 1 customer is utilizing a competitive alternative.</p> <p>or</p> <p>3. Number of DS1 equivalent cross connects is greater than 5% of the total DS1 equivalent demand in a given area.</p> <p><u>Switching</u></p> <p>1. At least 4 operational CLECs in an area (area based on a grouping of wire centers or exchanges designated by the LEC).</p> <p>or</p> <p>2. At least 18 months have passed since 2 competitors have begun operation in a designated area.</p> <p>or</p> <p>3. There is at least 1 competitor network with switching capability serving the area.</p>	<p>1. Services removed from price cap regulation for the given area.</p> <p>2. No cost support requirements.</p>	<p>1. Satisfaction of Section 10(a) of the 1996 Act:</p> <ul style="list-style-type: none"> <li>- just and reasonable rates</li> <li>- consumer protection</li> <li>- in public interest;</li> </ul> <p>pursuant to affirmative finding by the FCC based upon filed forbearance petitions.</p>	<p>1. Forbearance from regulations.</p>

## **Methodology For Deaveraging the Charges for Multi-Line Business Customers**

1. Calculate the average adjusted non-traffic sensitive cost plus marketing cost for multi-line business customers.
2. Deaverage the adjusted per line cost from step 1 by wire center. Use the BCPM cost model and 10 wire center groupings to accomplish this. Companies should also have the option of using their current zones or rate groups to deaverage costs.
3. Companies would deaverage their SLC to cover cost with the average cost equal to the amount from step 1.
4. Cap the SLC in step 2 at \$9.00 (adjusted for inflation).
5. Deaverage the PICC for MLB so that it averages \$2.75 per line.
6. Cap the PICC in step 3 at \$2.75 (adjusted for yearly increases plus inflation)
7. Deaverage the residual originating and terminating charges for MLB customers so that it averages the company rate for originating and terminating charges.
8. Cap the residual originating and terminating charges at the company cap for those charges.

### BST - Impact of Pricing Flexibility for Multi-line SLC



### BST - Impact of Pricing Flexibility for Multi-line PICC

