

EX PARTE OR LATE FILED



E. E. Estey  
Government Affairs Vice President

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EX PARTE OR LATE FILED

October 30, 1997

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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

Re: Re: CC Docket No. 96-128 - Implementation of the Pay  
Telephone Reclassification and Compensation  
Provisions of the Telecommunications Act of 1996

Dear Mr. Caton:

A copy of the enclosed was delivered today to Mr. A. Richard Metzger and Mr. John Muleta of the Common Carrier Bureau for inclusion in the record of the above-referenced proceeding.

Two copies of this Notice are being submitted to the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Very truly yours,

Enclosure

cc: Mr. A. Richard Metzger  
Mr. John Muleta

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**E. E. Estey**  
Government Affairs Vice President

OCT 30 1997

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DEPT. OF THE SECRETARY

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1120 20th Street, NW  
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EX PARTE OR LATE FILED

October 30, 1997

Mr. A. Richard Metzger, Jr.  
Acting Chief, Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, NW, Room 500  
Washington, DC 20554

Re: CC Docket No. 96-128 - Implementation of the Pay  
Telephone Reclassification and Compensation  
Provisions of the Telecommunications Act of 1996

Dear Mr. Metzger:

In calculating the per-call compensation rate adopted in the Second Report and Order in the above docket, the Commission relied upon estimates submitted by the United States Telephone Authority ("USTA") regarding the costs LECs might incur in order to enable payphone service providers to transmit ANI ii digits for calls from payphones. The USTA cost estimates relied upon by the Commission (¶ 37) ranged as high as \$1.035 billion.<sup>1</sup> The Order assumes an ANI ii implementation cost of \$600 million attributable to payphone-related matters, and it assesses all of these costs against carriers in calculating the per-call compensation rate.

On October 24, 1997, USTA submitted the enclosed letter, which substantially revises its cost estimates in response to information which MCI placed on the record on September 30, 1997, but which was not referenced in

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<sup>1</sup> The \$1.035 billion figure represented the cost for "hard-coding" payphone ANI digits in existing switches, a solution that no carrier is currently seeking.

the Commission's October 9 Order. USTA's revised estimates now show that the costs for Flex ANI implementation range from a low of only \$61.2 million for equipping all equal access offices with Flex ANI to a high of \$311.4 million for retrofitting and/or replacing all non-equal access switches to provide Flex ANI.<sup>2</sup> Thus, the referenced portion of the Commission's Order relies on cost estimates which USTA now acknowledges were substantially overstated.

AT&T continues to disagree that Flex ANI implementation costs should be recovered from carriers, but in light of the foregoing and the Commission's authority pursuant to Section 1.108 of its Rules, AT&T requests that the Commission correct its prior order to reflect the new data in the record.

Please let me know if you have any questions or if you would like to discuss this further.

Very truly yours,

A handwritten signature in black ink, appearing to be "E. Katz", written over a horizontal line.

Enclosure

cc: Mr. John Muleta, Acting Deputy Chief, Common Carrier Bureau

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<sup>2</sup> The order notes that the Commission does not expect that all non-equal access offices would be upgraded.

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Ex parte Notice 1897-1997

October 24, 1997

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OCT 24 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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

Dear Mr. Caton:

**RE: Payphones, CC Docket No. 96-128**

Attached is a copy of a letter sent to John Muleta of the FCC. Please include this filing in the record of the above-referenced proceeding.

Respectfully submitted,

Keith Townsend  
Director Regulatory Affairs & Counsel

cc: John Muleta  
Service List

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October 24, 1997

John B. Muleta  
Deputy Chief  
Common Carrier Bureau  
Federal communications Commission  
1919 M Street, NW  
Room 500  
Washington, D.C. 20554

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OCT 30 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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OCT 24 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Dear Mr. Muleta:

**Re: Payphones CC Docket No. 96-128**

In *ex partes* filed on July 28, 1997 and September 10, 1997 and in its September 30 waiver request, USTA placed into the record of this proceeding data intended to reflect the financial and technical scope of the problem faced by LECs in providing per-call tracking of payphone calls. USTA's initial calculations regarding the number of switches and central offices which needed to be upgraded to ensure that specific coding digits would be transmitted to identify the call as a payphone call were consistent with the Commission's recent report.<sup>1</sup> But based upon updated information and further review and research into the data contained in the LERG, USTA provides the following response to specific issues raised about its data calculations. USTA is filing the updated information at this time, because we believe it will assist interested parties in commenting upon our waiver request.

MCI's September 30 letter<sup>2</sup> raises questions regarding USTA's estimated costs to ubiquitously implement Flex ANI in all switches. USTA's earlier cost estimates were influenced in large part by the number of switches that would be involved in the universal provision of Flex ANI. The switch count data used by USTA was derived from NECA Tariff 4 information and from Bellcore's LERG (Local Exchange Routing Guide). MCI stated their data source was Bellcore's NEAD (Non-Equal Access Data). USTA understands the NEAD is a derivative of the LERG and, as such, should contain comparable information. Both documents contain aggregated data and the information in the documents must be scrutinized and properly interpreted based upon decoding of the information to ensure that the data extracted is appropriate for any

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<sup>1</sup> See *Trends in Telephone Service* at 23 (March 7, 1997) which charts the status of central offices converted to equal access as of February 1, 1997.

<sup>2</sup> Letter from Mary J. Sisak, MCI's Senior Counsel Regulatory Law, to Michael K. Kellogg, Counsel to the LEC ANI Coalition (September 30, 1997).

particular use. Therefore, it is not unexpected that review of the NEAD and LERG, with even slightly different decoding criteria, will lead to different results.

After further review of the latest NEAD and LERG data, USTA has determined through analysis of data codes and elimination of double counting of electro-mechanical switches that there are 533 electro-mechanical switches that would need to be replaced to deploy Flex ANI. The major difference in USTA's previous count of 1,100 switches and its revised count of 533 is the elimination of double counting of disconnected switches scheduled for replacement in 1997. USTA's revised count of 533 is not inconsistent with MCI's count of 485 non-equal access, electro-mechanical switches.

Further review of the data indicates that included in the 3,400 switches USTA previously identified as non-equal access, digital switches are several other types of network switching entities. In addition to the host and stand-alone end-office switches USTA had counted, switching entities such as remotes, wireless switches, STPs, other special purpose switches, and switches located outside the United States had been counted. After removing those switches from its calculation, USTA finds there are approximately 760 digital, non-equal access (Non-Feature Group D) switches as opposed to the 3,400 previously reported. Thus, USTA's revised count of digital switches that would require upgrade for Flex ANI is actually lower than MCI's estimate of 1,200 switches.

The LERG also shows that there are 24,095 total switching entities. Again, removing those network switching entities that are not relevant leaves 9,601 Feature Group D switches. This count of approximately 9,600 Feature Group D capable switches is higher than MCI's estimate of 5,500. USTA's revised count is based on an actual data extract from the LERG as opposed to the estimate provided by MCI. Based upon the LERG data, only 2,797 of the 9,600 Feature Group D switches currently provide Flex ANI.

With respect to cost factors, MCI questions USTA's costing figures for upgrading digital, equal-access switches. USTA's cost estimate of \$9,000 to upgrade each switch was derived by averaging costs provided by selected switch vendors. An industry average is appropriate because of the large number of different switch types and vendors providing switches for LEC networks. The cost factors used in USTA's July 28 filing are described in the chart below.

	<b>Cost Factor Used</b>	<b>Range</b>
<b>Flex ANI upgrade for Equal-access Switches</b>	\$9,000	\$4,000 to \$18,000
<b>"Hard-coded" ANI for Equal-access Switches</b>	\$18,000	\$8,000 to 29,000

**USTA FILING**  
**CC Docket No. 96-128, Pay Telephone Compensation**

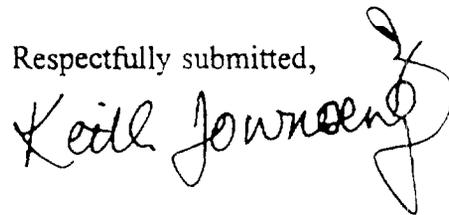
**ANI ii Only Alternatives**

	Non-Equal Access Electro- Mechanical	Non-Equal Access Digital	Equal Access	Total
Number of Switches	530	760	9,600	10,890
Existing ANI Capability	7	7	07 and 27	
Upgrade to Equal Access	\$212 Million for new switches	\$26.6 Million for generic upgrade	N/A	\$238.6 Million
Scenario 1 - hard coding ANI ii 29 and 70	\$212 Million for new switch equipped with equal access.  \$9.5 Million for hard coding ANI ii 29 and 70	\$26.6 Million for upgrade to equal access  \$13.7 Million for hard coding ANI ii 29 and 70	\$172.8 Million for hard coding ANI ii 29 and 70	\$434.6 Million
Scenario 2 - using Flex ANI to provide ANIii 27, 29, and 70	\$212 Million for new switch equipped with equal access  \$4.8 Million for Flex ANI	\$26.6 Million for upgrade to equal access  \$6.8 Million for Flex ANI	\$61.2 Million for Flex ANI (Excludes 2,800 of the 9,600 switches in this category)	\$311.4 Million

Attached is a revised chart which estimates the cost to LECs to implement Flex ANI based on the switch count information provided above. After removing the remote, wireless, STPs, and other switches which are not relevant to this discussion, the estimated costs for hard-coded ANI is \$434.6 million, and the estimated cost to implement Flex ANI is \$311.4 million. The actual implementation costs could be substantially higher than shown in USTA's chart. As explained in the September 22 LEC ANI Coalition letter from Michael Kellogg to AT&T's Richard Rubin "For a variety of reasons, many switches have not had their switch generics upgraded. This means that, before anyone can even think of offering Flex ANI on these switches, the generic upgrades must be installed." Clearly, if digital equal access offices that do not currently provide Flex ANI identification digits need generic upgrades before Flex ANI can be implemented, the estimate shown in the attached table could be well below actual costs.

While lower than previously reported, the costs presented here represent a significant financial burden for all LECs with a particularly onerous burden placed on small, rural and mid-size LECs who would disproportionately bear the cost of network upgrades which they can least afford. Therefore, if Flex ANI is mandated, the Commission must provide for full cost recovery by LECs of all network upgrades.

Respectfully submitted,

A handwritten signature in black ink that reads "Keith Townsend". The signature is written in a cursive style with a large, looping flourish at the end.

Keith Townsend  
Director Regulatory Affairs & Counsel

cc: Service list