MCI Communications Corporation
1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2048

Leonard S. Sawicki
Director
FCC Affairs

DOCKET FILE COPY ORIGINAL

ORIGINAL

EX PARTE OR LATE FILED

EX PARTE

January 21, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

RECEIVED
JAN 21 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket 95-116: Local Number Portability

Dear Ms. Salas:

Today, Mary Brown, Elizabeth Kistner and I met with Richard Welch, Glenn Reynolds and Patrick Donovan of the Common Carrier Bureau. The purpose of the meeting was to review MCI's position on cost recovery for local number portability. The attached material was used during the meeting and details the subjects discussed.

Please add this letter and the enclosed copy to the record of this proceeding.

Sincerely,

Leonard S. Sawicki

Leonard S. Sawicki

Attachment

cc: Mr. Donovan
Mr. Reynolds
Mr. Welch

No. of Copies rec'd 0+2
List A B C D E

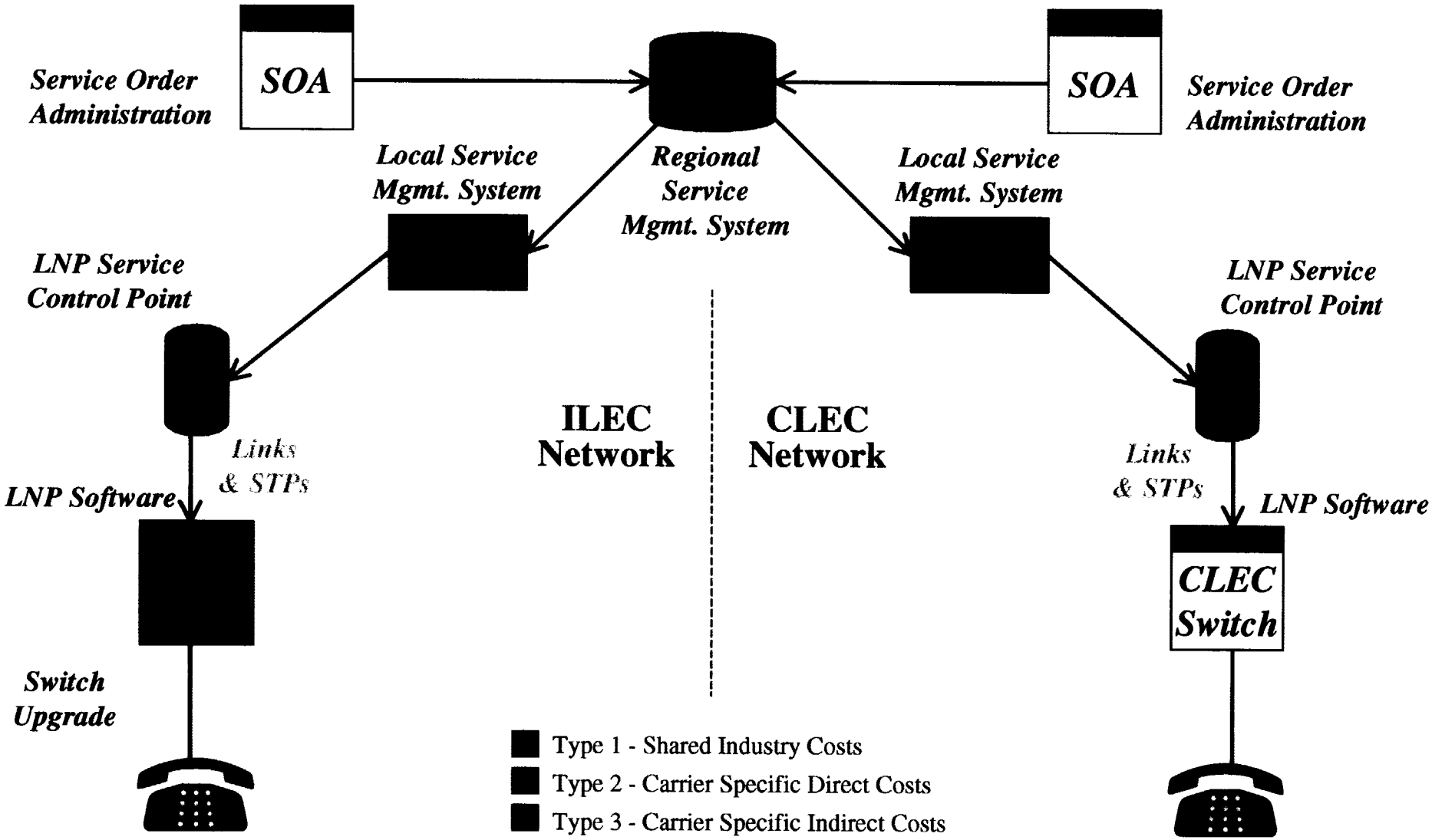
MCI

Local Number Portability Cost Recovery: The Competitively Neutral Solution

MCI Telecommunications Corporation

January 21, 1998

LNP Network Costs Are The Same For All LECs



MCI

Section 251 Requires Competitive Neutrality

- IXCs should not be required to bear ILECs LNP costs
  - LNP is designed to promote local exchange competition
    - No direct benefit to IXCs or IXC customers
  - IXCs already bear a share of LNP costs
    - They should not have to pay ILEC costs in addition to their own
- The FCC has the authority and responsibility to exclude number portability costs from both interstate and intrastate access
  - Section 251(e)(2) expressly grants authority to the FCC to determine how carriers will bear the costs of number portability
  - Exogenous cost treatment of ILEC LNP costs in either federal or state jurisdictions would result in ILECs bearing NO share of LNP costs

MCI

Interexchange Carriers Are N-1 Carriers Only

- IXCs Do Not Benefit Directly From LNP
  - N-1 carriers do not use ILEC services to perform call routing queries, or
  - N-1 carriers pay on a per transaction basis to query LNP databases to ensure proper routing of calls and effectuate LNP
  - MCI, as an IXC, has incurred and continues to incur its share of LNP costs as an N-1 carrier
    - increases efficiency
    - increases reliability

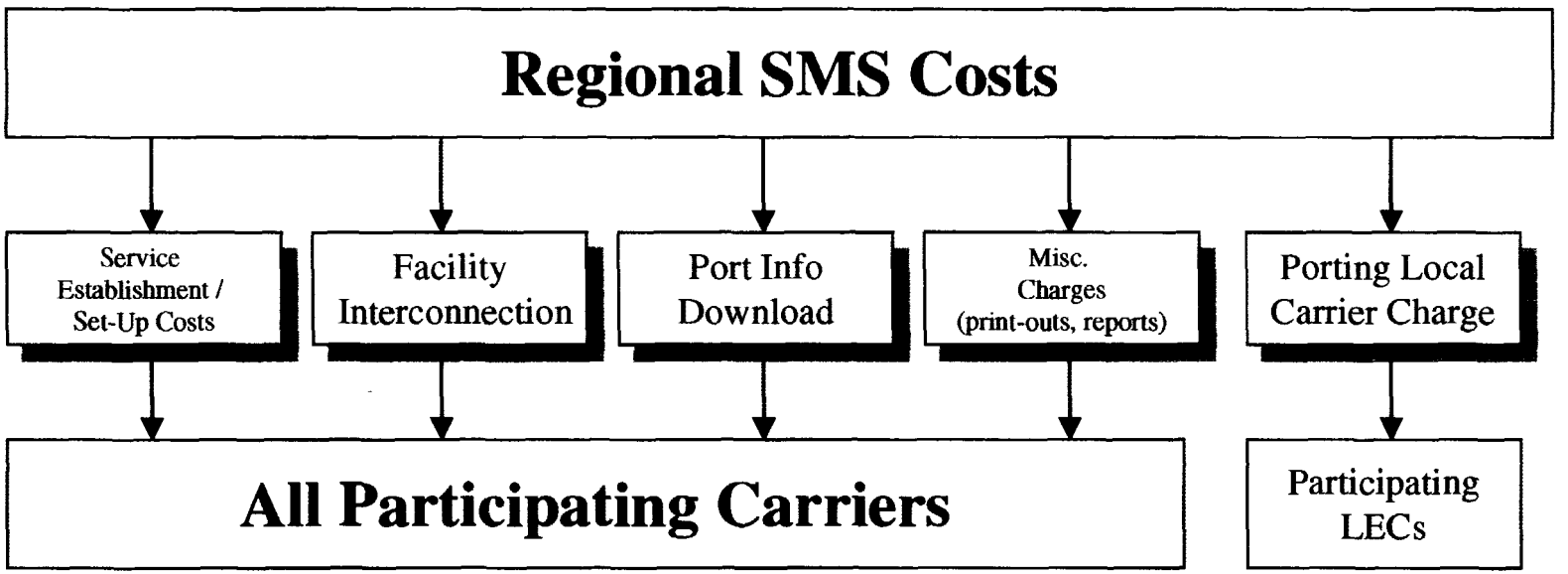
MCI

Allocation of Costs On A Competitively Neutral Basis

- Cost Allocation
  - Type 1 Costs: Each local carrier is charged for its share of the regional SMS via specific cost elements in its contract with the regional SMS vendor.
  - Type 2 & Type 3 Costs: Each carrier bears its own costs.

- Cost Recovery
  - Type 1 and Type 2 Costs: The marketplace provides the flexibility for each carrier to recover its direct LNP costs.
  - Type 3 Costs: We agree with the FCC's tentative conclusion that these carrier-specific costs, which are "not directly related to number portability," are general network upgrades and are "not subject to the requirements set forth in section 251." (1st R&O, § 226)

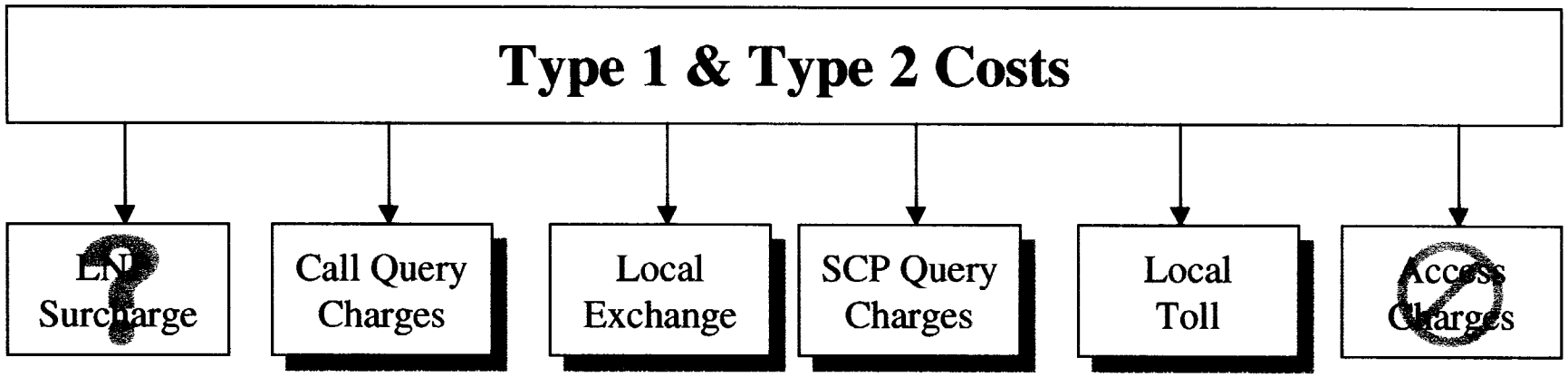
Allocation of Type 1 Costs



- All participating carriers pay direct costs of Type 1 costs for service establishment, access, portability information download, and misc. charges.
- All participating LECs pay residual costs through Porting Local Carrier Charge based on their count of working telephone numbers.
- Carriers should be billed on a non-discriminatory basis.

MCI

Options for ILEC Cost Recovery



MCI

How Carriers Pay For LNP

- Within every market segment, all carriers will bear a proportionate share of LNP costs, without pooling or other artificial allocation processes
  - Participating LECs and CLECs incur bulk of total industry costs through network investment and payments to SMS providers
    - Investment and on-going costs are proportionate to network size and customer base
  - Participating IXCs incur significant costs through network investment and payments to SMS providers
    - Investment and ongoing costs are proportionate to network size and customer base
  - Non-participating IXCs, CMRS providers and other non-porting LECs incur costs through query rates paid to participating carriers
    - Costs are proportionate to call volume
- Artificial allocation schemes, especially that involve pooling of costs (especially type ii), encourages inefficient expenditures and inflated cost claims, and are complex to administer

MCI

FCC Should Delegate LNP Cost Recovery To States

- The FCC Should Establish Specific Guidelines For States:
  - Carrier's allocation of shared industry costs (type 1) should be recovered the same as, and along with, type 2 costs.
  - Type 3 costs should be recovered in same manner as general network upgrades.
  - No cost recovery through increased charges to other carriers for bottleneck services, e.g., Access charges, interconnection charges, etc.
  - No mandatory end user surcharges