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January 27, 1998

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Federal Communications Commission
Office of Secretary

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

RE: Ex Parte Meeting
CC Docket No. 95-116, Telephone Number Portability

Dear Ms. Salas:

On Monday, January 26, 1998, Albert Lewis, Harry Sugar, James Bolin and I of AT&T met with Kyle Dixon, Legal Advisor to Commission Powell. The purpose of this meeting was to discuss AT&T's position on the allocation and recovery of the local number portability implementation costs as previously expressed in its comments in the above-referenced proceeding.

Two copies of this Notice are being submitted on the following business day to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

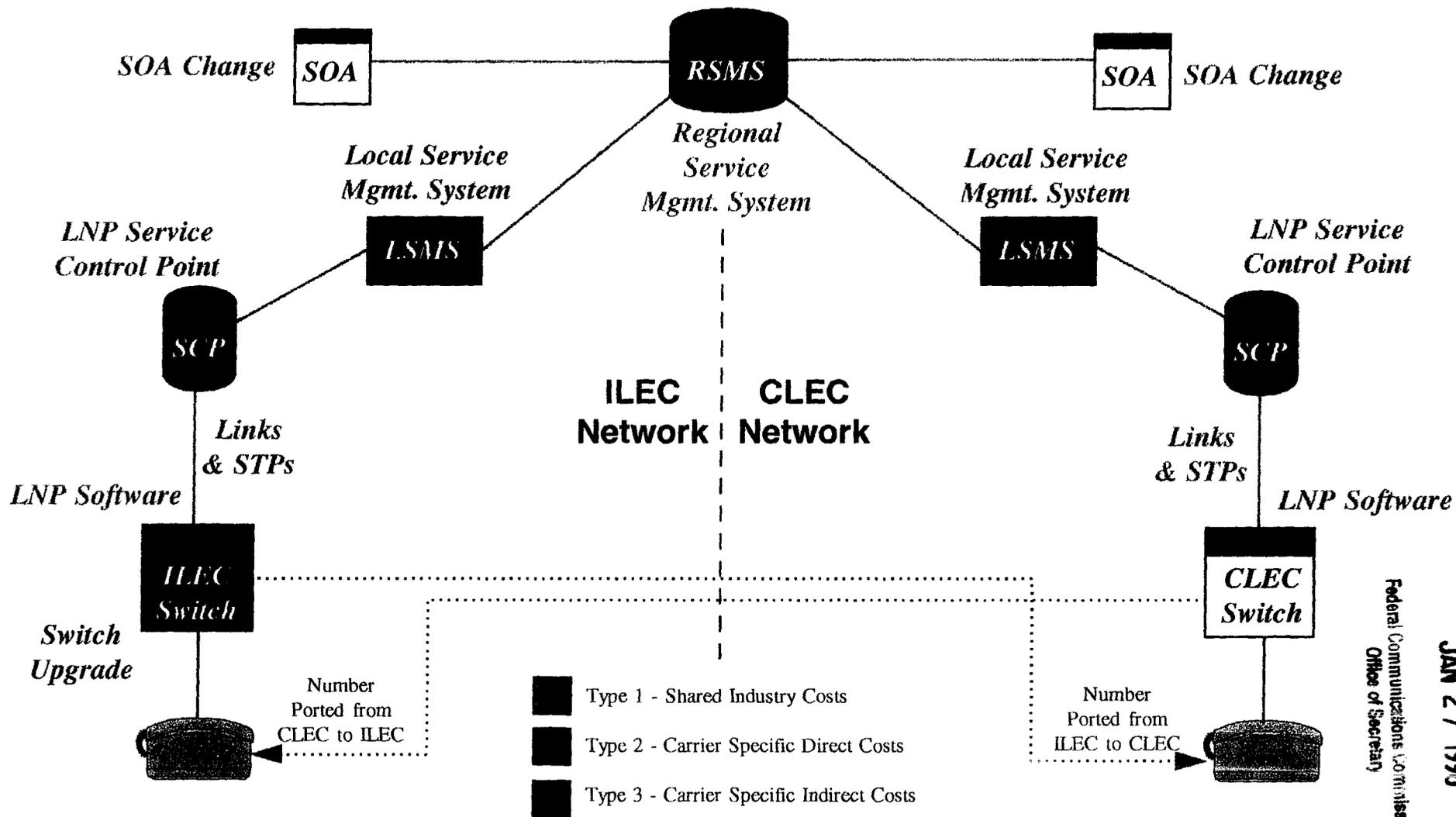
Sincerely,

Attachments

cc: K. Dixon

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CC Docket No. 95-116, FNPRM
 Telephone Number Portability Cost Recovery
Local Network Costs



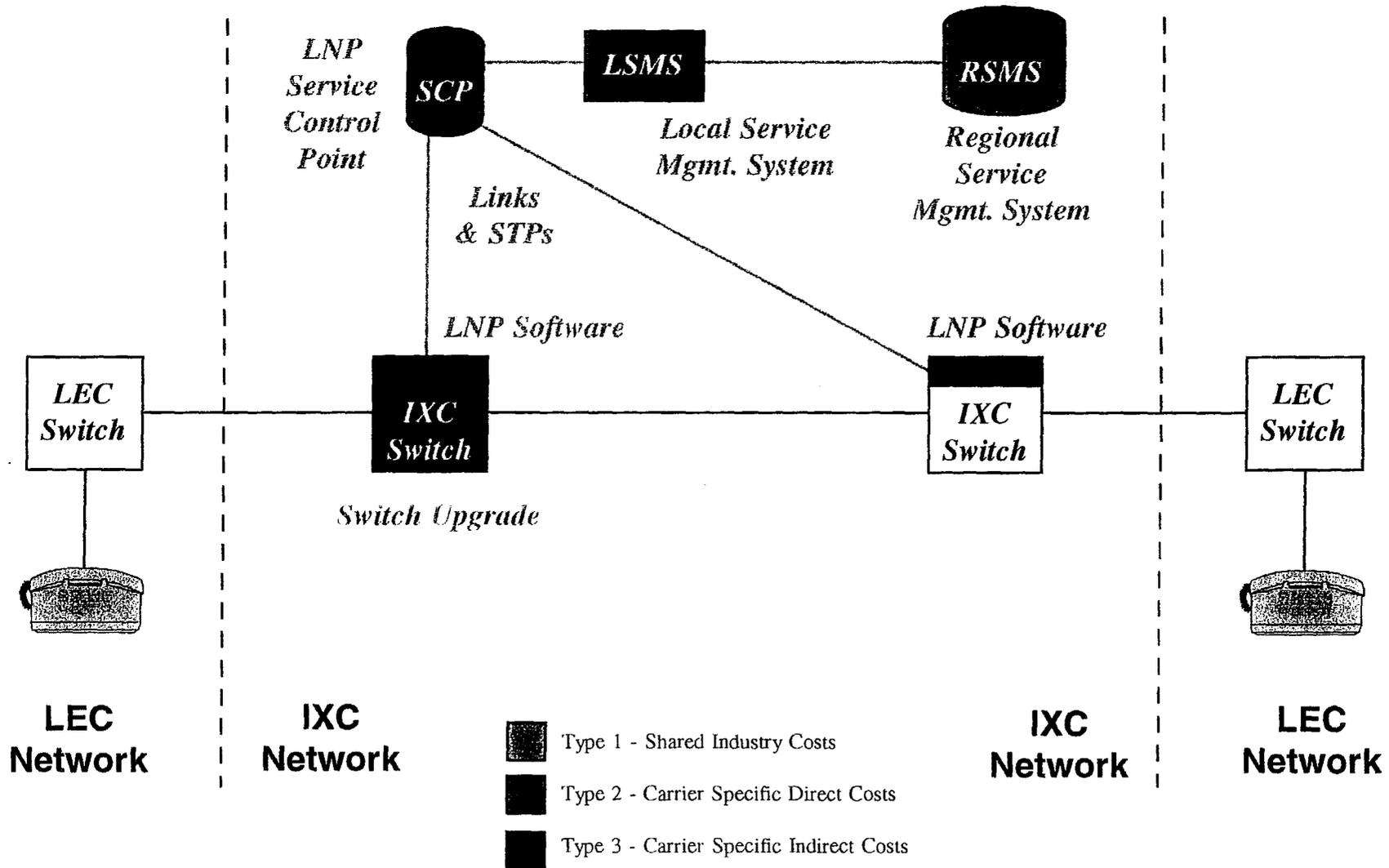
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CC Docket No. 95-116, FNPRM
Telephone Number Portability Cost Recovery

IXC Network Costs



CC Docket No. 95-116, FNPRM
Telephone Number Portability Cost Recovery

LEC Local Number Portability Cost Allocation

LECs Will Derive All The Benefits Of Local Number Portability And Each Should Bear Its Own Costs

- CLECs benefit from ability to win ILECs' customers without requiring a telephone number change.
- RBOCs benefit by fulfilling one of the Section 271 "checklist" requirements for in-region interLATA service.
- All LECs benefit by being able to win (or win back) customers from competing LECs without requiring a telephone number change.
- Contrary to ILEC arguments, expenditures for LNP are not for the benefit of their competitors, but implement 1996 Act's mandate to promote local exchange competition

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Telephone Number Portability Cost Recovery

IXC Local Number Portability Cost Allocation

IXCs Should Not be Required to Subsidize Local Exchange Carriers

- LNP is purely a function of local exchange service; it is required for full and fair *local exchange competition*.
- LNP is not related to the provision of interexchange service or competition in the interexchange market.
 - Nevertheless, IXCs will incur additional costs to accommodate local number portability. IXCs must choose to either:
 - . pay LECs to perform originating or terminating carrier queries, or
 - . perform their own queries as the “N-1” carrier in their networks.
 - N-1 carrier query is the most efficient and cost-effective method of routing calls and is in the public interest.
 - . However, IXCs will incur their own costs to upgrade their networks, with no corresponding benefit to IXC competition.

Most RBOCs Agree: Each LEC Bears Its Own Cost

This Approach Will Provide the Incentive for Efficient Deployment of the LNP Capability

- PacTel (8/16/96 comments):
 - *“Type 2 costs should not be pooled and allocated. Rather, each carrier should bear its own cost.”*
- Ameritech (8/16/96 comments):
 - *“A mechanism involving pooling is administratively expensive and may incent and reward inefficiency.”*
- U S West (8/16/97 comments):
 - *“Application of the ‘competitively neutral’ standard requires each provider of telephone exchange service -- incumbent or facilities-based entrant -- to recover its number portability costs from its own end-user customers and not from other facilities-based carriers.”*
- SBC (4/25/97 ex parte):
 - *SBC Recommendation 2 - Each Carrier Recovers Its Own Costs: “It closely reflects the realities of a competitive environment” and “This arrangement better ensures that carriers will deploy more efficiently”*



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LNP Costs In Perspective

	Bell Atlantic	NYNEX	Ameritech	BellSouth	SBC	US West	Pacific
Estimated Cost of LRN, \$M ¹	256.2	272.5	280.7	453.8	372.4	406.7	669.9
Switched Access Lines, M ²	20.14	17.32	19.05	21.49	14.45	15.17	16.43
Cost per Access Line	\$ 12.72	\$ 15.73	\$ 14.73	\$ 21.12	\$ 25.77	\$ 26.81	\$ 40.77
Cost per month (5 yrs.)	\$ 0.21	\$ 0.26	\$ 0.25	\$ 0.35	\$ 0.43	\$ 0.45	\$ 0.68
Basic Service Rev. per line per mo. ³							
- Residence ⁴	\$ 15.29	\$ 20.33	\$ 17.86	\$ 17.34	\$ 17.10	\$ 18.03	\$ 13.58
- Business	\$ 30.30	\$ 44.10	\$ 34.85	\$ 44.52	\$ 35.79	\$ 38.88	\$ 27.58
LNP Cost as a % of Basic Svc. Rev.							
- Residence	1.4%	1.3%	1.4%	2.0%	2.5%	2.5%	5.0%
- Business	0.7%	0.6%	0.7%	0.8%	1.2%	1.1%	2.5%
Gross Additions to Plant (1996), \$M ⁵	2815.5	2299.4	1996.8	3731.0	2326.2	2993.3	1877.4
LNP Cost (1 yr.) as a % of Gross Add.	0.09%	0.14%	0.15%	0.11%	0.22%	0.18%	0.43%
¹ Ex parte filings: BAN: 4/18/97, Ameritech: 4/29/97, BellSouth: 7/7/97, SBC: 10/21/96, US West: 1/16/97, Pacific: 7/19/97							
² Annual Telco data for 1996, as reported in ARMIS							
³ Ibid, defined as basic area revenues and optional extended service revenues							
⁴ Derived from BPI special study of regional business/residence split							
⁵ ARMIS report no. 4302							

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Remaining Issues

- We remain concerned that ILEC Type 2 cost estimates improperly include Type 3 costs
 - For example, many ILECs have included the cost of accelerated switch replacements as Type 2 costs

- ILEC number portability costs should not be passed through to other carriers as local interconnection rates or access rates.
 - “Application of the ‘competitively neutral’ standard requires each provider of telephone exchange service -- incumbent or facilities-based entrant -- to recover its number portability costs from its own end-user customers and not from other facilities-based carriers.” US West Comments, August 18, 1997.

- If the Commission agrees that ILEC recovery of number portability implementation costs through charges to other carriers is inappropriate and/or not competitively neutral, then it should directly assign these costs to the intrastate jurisdiction as part of the separations process.
 - Absent direct assignment to the intrastate jurisdiction, AT&T estimates that approximately 15% of the number portability costs would be allocated to the interstate jurisdiction with only interstate access charges to IXCs as a recovery mechanism

 - Without guidance from the FCC, state commissions could allow LNP cost recovery via intrastate interconnection and access charges to other carriers

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Scorecard of Positions

<u>Industry Group</u>	<u>LNP Cost Allocation</u>	<u>LNP Cost Recovery</u>
RBOCs	Each Carrier Bears Its Own Costs - Ameritech, US West, PacBell Pooling of Costs - Bell Atlantic, BellSouth Supports Either - SBC	Federal Surcharge
CLECs	Each Carrier Bears Its Own Costs	No Charges to Other Carriers
IXCs	Each Carrier Bears Its Own Costs	No Charges to Other Carriers
PUCs	Cost Allocation and Recovery is a State Matter	