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Kathleen Q. Abernathy
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 7, 1998

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

RE. CC Docket No. 98-147: Deployment of Wireline Services Offering Advanced Telecommunications Capability

Dear Ms. Salas:

On October 6, 1998 Frank Hatzenbuehler and the undersigned, representing U S WEST, met with Kyle Dixon, Legal Advisor to Commissioner Powell, to discuss the above-referenced proceeding. A copy of the material discussed in the meeting is attached.

In accordance with Section 1.1206(a)(2) of the Commission's rules, an original and one copy of this letter and the attachment are being filed with your office for inclusion in the record of this proceeding.

Acknowledgment and date of receipt of this submission are requested. A duplicate letter is attached for this purpose.

Please call if you have questions.

Sincerely,

Kathleen Q. Abernathy

Attachment

cc: Kyle Dixon

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ADVANCED SERVICES AFFILIATE

Some Practical Concerns

An ILEC cannot provide advanced service in two corporate entities, the incumbent and an affiliate. No company has enough talent and resources to be able to do so. Therefore, if forming an advanced services affiliate is to be a realistic option for an ILEC it must be able to transfer its existing advanced services assets to the affiliate.

Obstacles to the transfer of assets:

* Requires state commission approval, unless the FCC preempts.
* Must not result in affiliate becoming a successor or assign
* Commissions tentative conclusion regarding assign penalizes ILEC's which have been aggressive in deploying advanced services.
* Requirements to move equipment could be prohibitively expensive.
* Transfer of existing customers of advanced services will be required.
* State commissions could oppose discontinuance of advanced service offerings by incumbent.

Consumer demand for integrated service offerings will require subsidiary to become a CLEC.

* State commissions may oppose incumbent forming in-region CLEC.

* State commissions could attempt to regulate affiliate/CLEC as incumbent/dominant provider.

Prohibition of incumbent performing operating, installation, or maintenance functions for affiliate will necessitate two technical field forces in every community.

* Will limit the size of communities affiliate is willing to serve.
* Adds significant costs imposed by regulation.

Consumer demand for integrated service offerings and convergence of voice/data/video technology will drive provision of bundled offerings including cable television into affiliate

* New broadband architecture supporting voice/data/video services would be built in affiliate.
* Advanced network operations center will be built in affiliate.
* Incumbent will have no economic incentive to upgrade circuit switched network.

Affiliate must learn to behave like other new entrants if it is to be successful and attract capital.

* It will pick and choose where it serves for economic reasons.
* It will operate like @ Home and Road Runner because they are its competitors.
* It will focus on expanding product line rather than expanding geographic reach into smaller communities.

ADVANCED SERVICES

Requiring formation of an advanced services subsidiary is an extreme way to assure non-discrimination.

- It will result in significant unintended consequences.

The commission does not distinguish significant differences between the types of advanced services in its findings that advanced services are either telephone exchange service or exchange access service.

- The internet (the public I) could conceivably meet the definition of exchange service. Private and secure intranets (i) do not meet that definition
- Secure intranets are necessary for businesses to conduct commerce. They are not "comparable" to exchange service because subscribers cannot originate and terminate telecommunications with any other subscriber.