

EX PARTE OR LATE FILED



RECEIVED

DEC 17 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

December 17, 1998

Ex Parte Notice

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 - 12<sup>th</sup> Street, SW - TW-A325  
Washington, D.C. 20554

Re: CC Docket Nos. 94-1 and 96-262

Dear Ms. Roman Salas:

On December 16, 1998, the undersigned, along with Jay Bennett (SBC), BB Nugent (U S WEST), Ed Lowry (Bell Atlantic), Scott Randolph (GTE), Whit Jordan (BellSouth), and Bill Taylor of NERA, met with Larry Strickling, Tamara Preiss, Jane Jackson, Richard Lerner, Richard Cameron, and Jim Schlichting of the Common Carrier Bureau. Attached is an outline of the points made during the discussion, which are consistent with USTA's written comments in these proceedings.

Dr. Taylor discussed why the interstate-only productivity offset is economically meaningless as discussed in his affidavit filed as Attachment A to USTA's Reply Comments of November 9, 1998. He also discussed why a prescriptive approach to access pricing would be detrimental, as explained in his affidavits filed as Attachment A to USTA's Comments of October 26, 1998 and Attachment A to USTA's Reply Comments. We discussed USTA's pricing flexibility plan which was contained in Attachment E of USTA's Comments.

In accordance with Section 1.1206(a)(1) of the FCC's rules, two copies of this notice are being submitted today for inclusion in the record of each referenced proceeding. Please contact me if you have questions.

Sincerely,

A handwritten signature in cursive script that reads "Linda L. Kent".

Linda L. Kent  
Associate General Counsel

attachment

cc: L. Strickling R. Lerner  
J. Schlichting R. Cameron  
T. Preiss  
J. Jackson

**USTA**  
**Access Charge Reform**  
**(CC 96-262)**  
**December 16, 1998**

**I. The Market Approach is Superior to a Prescriptive Approach**

- **Prescriptive regulation would undermine the incentives in price caps**
- **Price cap regulation ensures reductions in access rates**
- **The Commission recognizes that its access charge reform decision set a framework to reduce the per-minute rate of access to a level approaching incremental cost**
- **Local competition is emerging to constrain access rates**
- **Prescriptive price reductions would harm competition**
- **Price cap ILECs are not earning excessively**
- **Prescriptive price reductions will not benefit consumers**

**II. Adopt Pricing Flexibility Framework and Reduce Unnecessary Asymmetric Regulation**

**III. The Productivity Offset Should be Based on Total Factor Productivity**

- **Implementing prescriptively lower prices is economically inefficient**
  - **Interstate TFP growth is not defined**
  - **Changes in the access charge structure make an historical industry productivity target more difficult to achieve**
  - **The consumer productivity dividend should be eliminated**
  - **There is no economic basis to drive prices to incremental cost**
  - **Even if it were appropriate to set prices to some measure of incremental costs, the Commission lacks a reliable method to accomplish the task**
-