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June 28, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Via Hand Delivery

Magalie R. Salas, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of *Ex Parte* Presentation by the Association for Local
Telecommunications Services

In the Matter of:)
)
Access Charge Reform)
)
Petition of U S West Communications, Inc.)
For Forbearance from Regulation as a)
Dominant Carrier in the Phoenix, Arizona MSA)
)
SBC Companies For Forbearance from)
Regulation as a Dominant Carrier for High)
Capacity Dedicated Transport Services in)
Specified MSAs)
)
Petition of Bell Atlantic Telephone Companies)
For Forbearance from Regulation as a)
Dominant Carriers in Delaware; Maryland;)
Massachusetts; New Hampshire; New Jersey;)
New York; Pennsylvania; Rhode Island;)
Washington, D.C.; Vermont; and Virginia)

Docket No. 96-262 ✓

Docket No. 98-157

Docket No. 98-227

Docket No. 99-24

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Petition of Ameritech For Forbearance)
from Dominant Carrier Regulation of its)
Provision of High Capacity Services in the)
Chicago LATA)**

Docket No. 99-65

Dear Ms. Salas:

Pursuant to Section 1.1206(b) of the Commission's Rules, the Association for Local Telecommunication Services ("ALTS") submits this notice in the above-captioned docketed proceedings of an oral *ex parte* presentation made on to the following Commission Staff:

Tamara Preiss, Competitive Pricing Division
Edward B. Krachmer, Competitive Pricing Division
Florence O. Setzer, Common Carrier Bureau
Steven Spaeth, Competitive Pricing Division.
Jay Atkinson, Competitive Pricing Division

The presentation was made by Cronan O'Connell and Jonathan Askin of ALTS, Don Gonzales of NEXTLINK, Jonathan Canis and Ross Buntrock of Kelley Drye & Warren LLP (collectively, "the parties"). During the presentation, the parties discussed a variety of issues related to the Petitions for Forbearance from price regulation filed by a number of incumbent local exchange carriers ("ILECs") in the above-captioned proceedings. Specifically, the parties maintained that ILECs retain market power in relevant product markets that militates against deregulation of their services, including special access. During the presentation, the parties distributed written *ex parte* materials, a copy of which is appended to this filing.

Pursuant to the Commission's rules, ALTS submits an original and two copies of this *ex parte* notification and attachment for inclusion in the public record of the above-referenced proceeding. Please direct any questions regarding this matter to the undersigned.

Respectfully submitted,



Jonathan E. Canis

Enclosure:

cc: Yog R. Warma, Deputy Bureau Chief, Common Carrier Bureau
Jane E. Jackson, Chief, Competitive Pricing Division
Kathryn Brown, Office of Chairman Kennard
Tamara Preiss, Competitive Pricing Division

Edward B. Krachmer, Competitive Pricing Division
Florence O. Setzer, Common Carrier Bureau
Steven Spaeth, Competitive Pricing Division
International Transcription Service

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ILEC TARGETED PRICING

Cronan O'Connell, ALTS

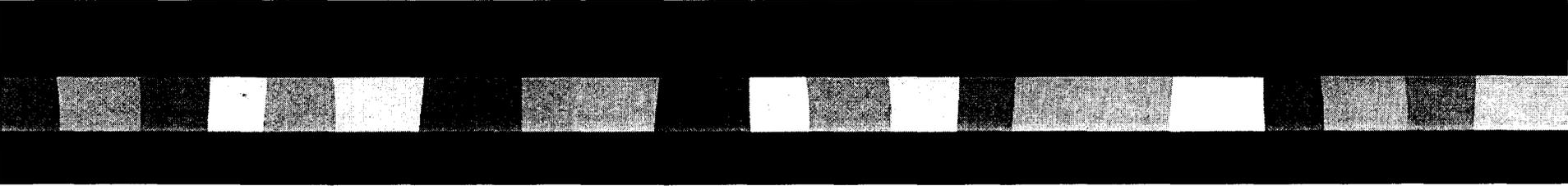
Jonathan Askin, ALTS

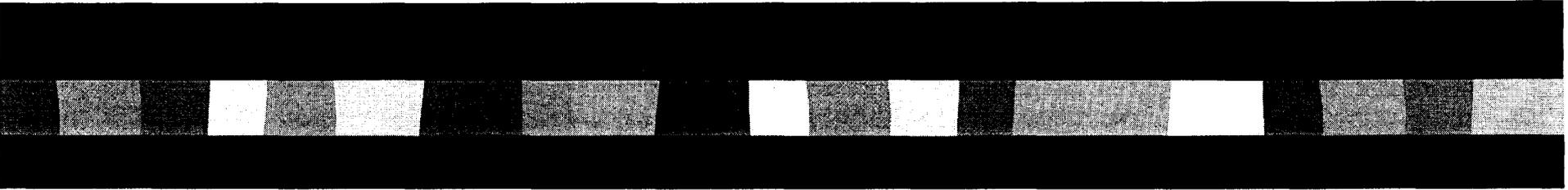
Dan Gonzales, NEXT LINK

Jonathan Canis, Kelley Drye & Warren

Ross Buntrock, Kelley Drye & Warren

June 25, 1999

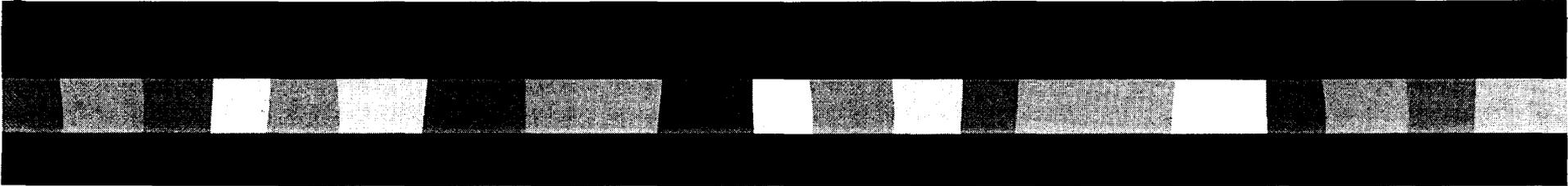
- 
- The ILECs retain substantial market power in the provision of special access services, even within the narrow service and geographic niches where competitive local exchange carrier (“CLEC”) competition is developing.

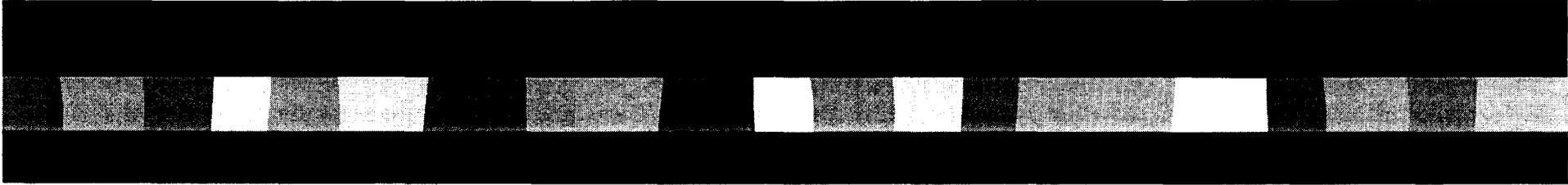


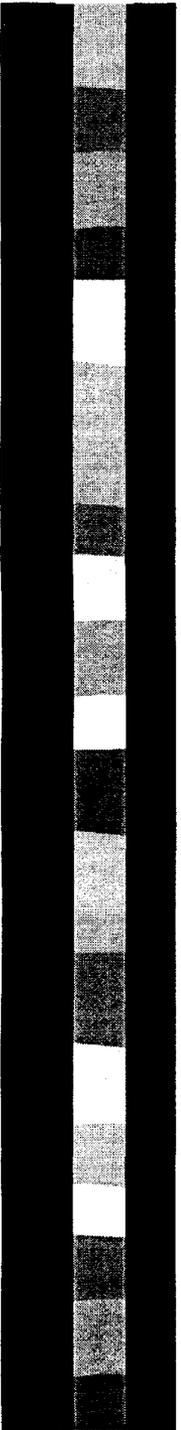
•The Commission has recognized the danger of such strategic anti-competitive pricing:

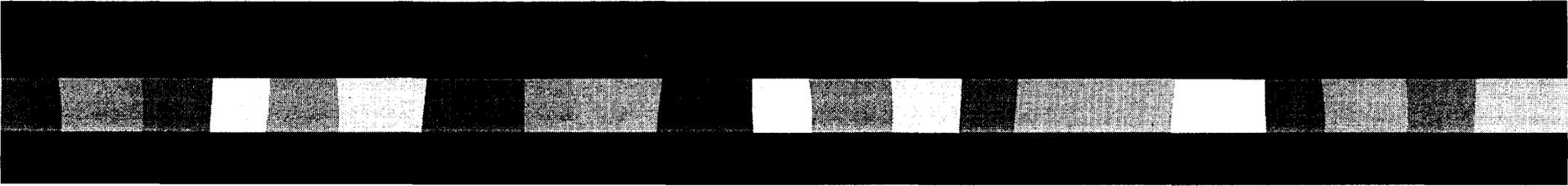
“If the incumbent is able to develop a reputation of aggressively competing via targeted bids with recent entrants by doing so in a handful of markets, it may be able to dissuade potential entrants from entering any of its other markets. Thus, the incumbent may protect its monopoly position in all of its markets by aggressively competing in markets where entry initially occurs.”

In the Matter of CC Docket No. 97-158, Southwestern Bell Telephone Company Transmittal No. 2633 Tariff F.C.C. No. 73, Order Concluding Investigation and Denying Application For Review, rel. November 14, 1997.

- 
- The potential for short-run predatory pricing should not be ruled out.
 - Modern economic analysis demonstrates that predatory behavior can be profit maximizing under certain circumstances.
 - Multi-market and network businesses allow dominant firms to signal rivals in order to discourage entry.
 - The Department of Justice complaint against American Airlines shows that the antitrust authorities understand and disapprove of such predatory pricing behavior.

- 
- If the Commission grants the ILECs' forbearance petitions, this market power could be used to harm both consumers and competition.
 - Where competitive alternatives are not available, prices can be raised.
 - Where competitive alternatives are available, prices can be reduced.
 - The net effect will be a reduction in consumer welfare because the prospects for competition will be reduced.

- 
- The phased-in deregulation of the long distance market was successful.
 - That experience can be used to inform Commission decisions regarding deregulation of local markets as well.
 - AT&T was declared non-dominant in 1995 only after barriers to entry into the interLATA long distance business had been substantially removed.
 - Visible competition and the ability to assume AT&T current demand (AT&T had surrendered almost 40% of market share).

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- The conclusion is that contract pricing authority requires ubiquitous, or nearly ubiquitous, competition in the geographic area where the authority is being requested. This requires:
 - An efficient and smoothly operating process for provisioning collocation and unbundled network elements at reasonable prices.
 - Actual collocation is 90% of the ILEC wire centers in the LATA.
 - Competitive interoffice transport facilities extending to all offices.

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JUN 14 1999

Bell Atlantic Network Services
222 Bloomingdale Road
Room 257
White Plains, NY 10605
914 644-4820 Fax 914 422-0919

Thomas Dreyer
Director - Account Management - CAP/CLEC
Telecom Industry Service



June 10, 1999

[Redacted]

On May 27, 1999, the Bell Atlantic telephone companies filed transmittal No. 1140 for the Bell Atlantic FCC Tariff Nos. 1 and 11 to change some interstate rates to rebalance some of the interstate revenues between Switched and Special Access services. The net impact of the proposed rate changes on the Price Cap revenue is zero. Bell Atlantic proposes modest price increases to certain DDS, Hi-Cap Special Access, SONET, FMS, Frame Relay, SMDS, and Switched Access Direct Trunk Transport (DS1 and DS3) services. The revenues associated with these increases are offset by reductions in the Transport Interconnection Charge (TIC) rate elements in Bell Atlantic-North (FCC Tariff No. 11). The following chart illustrates the proposed changes by service and rate categories, which are scheduled to become effective on June 11, 1999.

Tariff Rate	North	South
DS1 Overall	2.5%	1.6%
• Channel Termination	5% in Zone 1 No increase in Zones 2 & 3	1.5% in Zone 1 No increase in Zones 2 & 3
• Fixed Mileage	3%	3%
• Per Mile	3%	3%
• Multiplexer	No change	No change
DS3 (CT, Mileage & Multiplexer)	5%	5%
DDS (CT & Mileage)	5%	5%
SONET (SALT, SABB & ICRS)	-	5%
Facility Management Service (All recurring elements)	-	5%
Frame Relay (All recurring elements)	-	5%
SMDS (All recurring elements)	-	5%
Transport Interconnection Charge (TIC)	-16%	No Change

If you have any questions, please contact your Account Manager.

Sincerely,

Thomas Dreyer