



ORIGINAL

EX PARTE OR LATE FILED

RECEIVED

JUL 28 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL

July 28, 1999

EX PARTE PRESENTATION

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th St., S.W., Room TW-A325
Washington, D.C. 20554

RE: *In The Matter of Implementation of the Non-Accounting Safeguards of Sections 271 & 272 of the Communications Act of 1934, as Amended; CC Docket Nos. 96-149 & 96-150*

Dear Ms. Salas:

On July 27, 1999, Kathleen Larkin, Tom Weckel, Lori Fink and the undersigned representing SBC met with John Stanley, Tony Dale, Ron Kaufman and Alicia Dunnigan of the Common Carrier Bureau to discuss issues in the above referenced docket.

SBC representatives discussed their compliance with the FCC's Accounting and Non-Accounting Safeguards in the context of 271 filings.

Please include this letter and attachments in the record of these proceedings in accordance with Section 1.1206(a)(2) of the Commission's Rules.

Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for that purpose.

Please call me on 314-235-1107 should you have any questions.

Respectfully submitted,

Kathy Rehmer

Attachment

CC: Audrey Wright
John Stanley
Tony Dale
Ron Kaufman
Alicia Dunnigan

SBC's Section 272 Compliance

FCC Ex Parte

July 27, 1999



Section 272(a)

- Activities subject to separate affiliate
- In-region interLATA services
 - Incidental exceptions
- Out-of-region interLATA information services
- International Operations
- Out-of-region InterLATA telecommunications Services

Section 272(b)(1)

- No joint ownership of switching & transmission facilities or land or building
- 272 affiliate obtains OI&M for those facilities from itself or third party vendor, not another non-272 affiliate
- 272 affiliate does not perform OI&M for BOC/Telco facilities

Section 272(b)(1) (continued)

- Permits sharing of administrative & other services
 - Non-accounting Safeguards Order @ 167-168
- Discussion of SBC structure

SBC LD Structuring Proposal

Concept:

- LD is a “product factory”
- Long Distance entity:
 - Operates, installs and maintains LD services
 - Manages LD platform services and network through Williams and other vendors (not subcontracting to BOC or BOC affiliate)
 - Directly manages product testing and quality with Williams

SBC LD Structuring Proposal (continued)

- Coordinates management of out-sourced functions for:
 - Marketing, sales, customer care and product development
- Utilitizes shared services functions for:

legal & regulatory

human resources

procurement

information technology

auditing

financial processing

insurance

pension

billing operations

affiliate transactions

architecture/network

marketing

planning

product development

SBC LD Structuring Proposal (continued)

- Appropriate siloing of LD support personnel to ensure non-discrimination
 - Directly manages comptroller and accounting functions
 - Maintains separate books and records
- LD entity operates independently and maintains separate officers, directors and employees from BOC

Section 272(b)(2)

- Section 272(b)(2) - Maintain separate books, records & accounts
 - SWBT maintains books, records, and accounts separate from SBLD
 - SWBT maintains books, records, and accounts separate from SNET Enhanced Services, Inc.

Section 272(b)(3)

- Separate officers, directors & employees
- FCC allows shared services (Order @ 181-183)
- FCC confirmed in BellSouth Louisiana II Order that analysis of reporting structure was not required for (b)(3) determination

Section 272(b)(4)

- Affiliate may not obtain credit under arrangement that would permit recourse to BOC assets

Section 272(b)(5)

- Section 272(b)(5) - Conduct all transactions on an arm's length basis
 - SWBT has implemented and complies with the accounting safeguards as promulgated to prevent cross-subsidization

Section 272 (c)(1)

- SBC has safeguards in place to ensure shared affiliates do not use Telco information for 272 affiliate work
- SBC will ensure that inputs from Telco used by shared affiliate are made available on a nondiscriminatory basis
- Product Development, procurement & standards

Section 272(c)(2)

- Section 272(c)(2) - Account for all transactions in accordance with FCC rules
 - all agreements are reduced to writing
 - all agreements are posted in the BOC's central file
 - all agreements are posted on the websites
 - BOC's central file and affiliate's websites disclose:
 - specific terms and conditions of the service or asset
 - description of service
 - specific price for the service or asset
 - specific employee information supplemented if necessary

Section 272(c)(2) (continued)

- basis upon which the price for the service was established based upon the requirements of the FCC affiliate accounting safeguards
 - beginning date and cancellation/completion date of the contract
 - frequency of transaction consistent with FCC RAO 26
 - information on quality, net book and fair market value for assets transferred
- Section 272(c)(2) - Accounting for all transactions in accordance with FCC rules
 - Additional BOC central file Billing detail
 - date the service began based upon billing detail
 - unit price for the service
 - number of units billed

Section 272(c)(2) (continued)

- total monthly billing amount by service
- frequency at which the service was provided
- date the service was terminated
- Limited protection of billing volume
 - nondisclosure agreement for billing volume detail due to the highly confidential nature of information
 - does not limit an IXC's ability to make a purchasing decision
 - information needed for an informed buying decision is unprotected in the BOC central file and the affiliate's internet websites within 10 days of execution
 - description of the service
 - detailed terms and conditions
 - specific unit price for the service

Section 272(d)

- Section 272(d) - Obtain and pay for a joint Federal/State audit every 2 years
 - SWBT will obtain and pay for the joint Federal/State audit
 - Auditor will be selected in accordance with FCC rules
 - Audit will be performed consistent with all regulatory requirements
 - Audit results submitted in accordance with section 53.213 of the Commission's rules
 - All SBC entities will provide access to financial records and accounts necessary to verify compliance with Section 272
 - Working papers and supporting materials will be provided to the FCC and other involved state commissions

Section 272(e)(1)

- SBC agreed to provide reporting outlined in Appendix B to show BOC/ILEC measurements

Section 272(e)(2)

- Network disclosure requirements
- Equal Access requirements

Section 272(e)(3)

- SBC will charge 272 affiliate same price for use of exchange and exchange access services

Section 272(e)(4)

- SBC ensures nondiscriminatory provision of intra and interLATA facilities or services

Section 272(g)

- SBC will allow others to market/sell BOC telephone exchange services if 272 affiliate markets/sells those services
- After 271 relief, the BOC can jointly market & sell 272 affiliate's services
- SBC agrees to in-bound script adopted by FCC in BellSouth 271 proceedings which incorporates joint marketing & equal access obligation
- Marketing & sales includes post-marketing customer care