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February 1, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Ex Parte Statement
CC Docket 99-272
US West-Qwest Merger

Dear Ms. Salas:

On Monday, January 31, 2000, Paul Mancini, Vice President and Assistant General Counsel, Wayne Watts, Vice President and Assistant General Counsel, Tom Hartmann, Attorney, and Debrah Baker Oliver, Executive Director, National Local met with Robert Atkinson, Deputy Chief, Common Carrier Bureau, Margaret Egler, Assistant Chief, Policy and Program Planning Division, Anthony Dale and Henry Thaggart. The purpose of the meeting was to discuss the pending merger and the need for enforcement conditions. The attached material was used as part of our discussion.

Sincerely,

Priscilla Hill-Ardoin

Attachment
cc: R. Atkinson
M. Egler
H. Thaggert
A. Dale

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SBC COMMUNICATIONS INC.

Ex Parte Presentation on US West/Qwest Merger

SBC is Both an ILEC and CLEC

- As an ILEC, SBC has negotiated interconnection agreements with hundreds of CLECs.
- As a CLEC, SBC, through its affiliate SBC Telecom, Inc. ("SBCT"), has negotiated with a number of ILECs.

Because of its experiences on both sides of the table, SBC knows that certain market-opening measures are necessary to ensure competition quickly takes root and flourishes.

National-Local Strategy Leads to Competition

- In May 1998, SBC advanced the National/Local Strategy as a key strategic initiative that would be made possible by the SBC/Ameritech Merger (the "Merger").
- The FCC Order approving the Merger adopted the National/Local Strategy as a condition of the Merger and required SBC to:
  - ✶ Begin offering facilities-based, local exchange service in 30 out-of-region MSAs within 30 months following Merger close (October 8, 1999).
  - ✶ Offer facilities-based, local exchange service in three of the 30 MSAs - - Seattle, Boston and Miami - - within 12 months of Merger close.
  - ✶ Offer the same service in 12 more markets by April 2001 and 15 additional markets by April 2002.

Public Benefit - The National Local Strategy quickly brings local competition into 30 markets

SBC's Entry into Out-of-Region Markets Depends on Interconnection Negotiations in 30 Markets

- In order to meet this schedule and begin competing out-of-region, SBC must interconnect with the telecommunications networks of the incumbent local exchange carriers in each of the 30 markets.
- SBC, through SBCT, has entered into interconnection negotiations with
  - ✓ US West and GTE for the Seattle MSA
  - ✓ Bell Atlantic for the Boston MSA
  - ✓ BellSouth for the Miami MSA

SBCT - US West Negotiations

- SBCT's non-disclosure agreement with US West prohibits disclosure of the content of interconnection negotiations.
- US West has entered into about 100 interconnection agreements for Washington State alone.
    - None of the pro-competitive, market-opening conditions adopted by the FCC as a result of the SBC/AIT Merger have been imposed on US West in an arbitration.
    - US West has adopted none voluntarily.

- Beyond Seattle, markets in which SBCT expects to negotiate interconnection agreements with US West include:
    - ✧ Denver, CO
    - ✧ Phoenix, AZ
    - ✧ Salt Lake City, UT
    - ✧ Portland, OR
    - ✧ Minneapolis - St. Paul, MN

- SBC is concerned about future negotiations unless the FCC intervenes in opening local markets.

US West Will Not Open Markets Unless FCC Imposes Conditions

- US West/Qwest argue that they will automatically have the incentive to open the US West markets to competition -- without the need for formal conditions.
  - But not a single key pro-competitive condition like those in the SBC/Ameritech Order has been included in a US West interconnection agreement.
- US West/Qwest have not publicly identified specific, pro-competitive conditions they will commit to offer after their merger.
- If US West/Qwest are committed to opening markets to competition, they should identify the pro-competitive changes they will make in existing and future interconnection agreements and commit to a specific timetable for doing so.
- If US West/Qwest have the incentive to fulfill these conditions voluntarily, requiring them to do so now should not be objectionable - - and should be immediately pro-competitive.

Key CLEC Needs

- Consistent, measurable and enforceable performance plan requirements
- Integrated, sustainable OSS to convert customers to new carriers and provision service
- Timely collocation at cost-based and certain price
- Full access to necessary facilities
- Consistent treatment across all in-region states for CLECs seeking to interconnect
- Monetary incentives to insure reliable performance

Pro-Competitive Conditions US West/Qwest Merger

- The following pro-competitive benchmarks, adopted by the FCC for the SBC/Ameritech Merger -- after careful review and opportunity for public comment -- constitute the critical market-opening conditions which US West/Qwest should be required to adopt before the FCC approves the US West/Qwest Merger.
  - Enforceable Carrier-to-Carrier Performance Plan
  - OSS Process Improvement Plan
  - Super MFN Obligation
  - Carrier-to-Carrier Promotions
  - Collocation Rules

Performance Plan

	Enforceable Performance Plan Available from SBC/AIT	Enforceable Performance Plan Voluntarily Made Available by US West
1. Percentage of Firm Order Confirmations (FOC) Returned Within "X" Hours (per occurrence with cap) (26 items measured)	Yes	None
2. Average Response Time for OSS Pre-Order Interfaces (per occurrence with cap)	Yes	None
3. Order Process Percent Flow Through (per occurrence with cap)	Yes	None
4. SBC Caused Missed Due Dates	Yes	None
a. *POTS*		
b. *Design*		
c. *UNE*		
d. *Percent Mechanized Completions Returned Within One Work Day*		
5. Installation Trouble Reports Within "X" Days	Yes	None
a. *Percent Trouble Reports Within 10 Days of Installation - POTS*		
b. *Percent Installation Reports (Trouble Reports) Within 30 Days of Installation - Design*		
c. *Percent Installation Reports (Trouble Reports) Within 30 Days of Installation - UNE*		

Performance Plan (cont.)

	Enforceable Performance Plan Available from SBC/AIT	Enforceable Performance Plan Voluntarily Made Available by US West
6. Mean Installation Intervals a. *POTS* b. *Average Installation Interval - Design* c. *Percent Installation Completed Within "X" Days – UNE (15 items measured)*	Yes	None
7. Average Delay Days for SWBT Caused Missed Due Dates a. *POTS* b. *Design* c. *UNE*	Yes	None
8. Average Installation Interval – DSL	Yes	None
9. Average Response Time For Loop Qualification Information	Yes	None
10. Percentage Missed Repair Commitments a. *POTS* b. *UNE*	Yes	None
11. Percentage Repeat Trouble Reports a. *POTS (10 Days)* b. *Design (30 Days)* c. *UNE (30 Days)*	Yes	None

Performance Plan (cont.)

	Enforceable Performance Plan Available from SBC/AIT	Enforceable Performance Plan Voluntarily Made Available by US West
12. Mean Time To Restore	Yes	None
a. *Receipt To Clear Duration - POTS*		
b. *Design*		
c. *UNE*		
13. Trouble Report Rate	Yes	None
a. *POTS*		
b. *Failure Frequency - Design*		
c. *UNE*		
14. Average Trunk Restoration Interval for Service Affecting Trunk Groups	Yes	None
15. Percentage Trunk Blockage (per occurrence with cap)	Yes	None
16. Percentage Pre-Mature Disconnects (Coordinated Cutovers)	Yes	None
17. Percentage Missed Collocation Due Dates	Yes	None
18. Billing Timeliness (per occurrence with cap)	Yes	None
19. OSS Interface Availability Compared to Scheduled Availability	Yes	None
20. Common Transport Trunk Blockage	Yes	None
Penalty for Failure to Meet Performance Measures	$1.125 bn	$0

Enhanced OSS

	Enhanced OSS Available from SBC/AIT	OSS Provided Voluntarily by US West
1. OSS Process Improvement Plan.		
• Provide detailed "OSS Process Improvement Plan"	Yes	None
2. Commercially ready, standards-compliant application-to-application and graphical user interfaces.		
• RBOC must deploy in all its service territories commercially ready, uniform (1) application-to-application and (2) graphical user interfaces for OSS.	Yes	None
• Interfaces must comply with ATIS standards (e.g., EDI and EBI) and support pre-ordering, ordering, provisioning, maintenance/repair, and billing of resold local services and required UNEs and UNE combos.	Yes	None
3. Direct access to service order processing systems.		
• RBOC must offer to develop for CLECs direct access to RBOC's service order processing systems (e.g., SORD).	Yes	None
• RBOC must pay entire cost of developing training package for such direct access.	Yes	None
• Once developed for other CLECs, RBOC must provide direct access function at no charge to additional requesting CLECs.	Yes	None

Enhanced OSS (cont.)

	Enhanced OSS Available from SBC/AIT	OSS Provided Voluntarily by US West
4. Enhancement to existing EBI maintenance/repair interfaces.	Yes	None
• RBOC must offer to develop and deploy, in advance of industry standards, enhancements to existing EBI maintenance/repair interfaces, pursuant to written contract with CLECs.		
• If enhancement becomes industry standard within 12 months of deployment, RBOC must refund to CLEC entire cost of development and deployment.	Yes	None
5. Restructuring of certain charges.		
• RBOC must eliminate flat-rate monthly charges for CLEC access to Remote Access Facility and Information Services Call Center.	Yes	None
• For orders of 30 lines or fewer, RBOC must eliminate manual processing charges in excess of charges which apply for processing similar orders electronically.	Yes	None
Penalty for Failure to Meet Enhanced OSS Conditions	Up to $40M	$0

MFN for Out-of-Region and In-Region Agreements

	MFN Requirements Available from on SBC/AIT	MFN Requirements Voluntarily Available by US West
• If RBOC's out-of-region CLEC makes a specific request for and obtains any interconnection arrangement or UNE from an unaffiliated ILEC that has not previously been made available to any other carrier by that ILEC, then RBOC must make the same interconnection arrangement or UNE available to requesting carriers in-region.	Yes	None
• In-region, RBOC must make available to a requesting carrier within any of its states any interconnection arrangement or UNE within any other in-region state that was negotiated with a carrier pursuant to 47 U.S.C. § 252 (a)(1).	Yes	None
• Upon request, RBOC must negotiate interconnection and/or resale agreements covering two or more in-region states. In addition, RBOC is required to make available in a generic agreement applicable to all in-region states, standard interconnection and resale terms and conditions covering all in-region states.	Yes	None
• Post out-of-region interconnection agreements with unaffiliated ILECs on web site	Yes	None

Carrier-to-Carrier Promotions

PROMOTIONS	SBC/AIT DISCOUNT	US WEST DISCOUNT
RBOC to provide carriers with whom RBOC has an existing interconnection or resale agreement in-region, the following carrier-to-carrier promotions:		
Residential Unbundled Local Loop	25%	None
Residential Retail Services Available Via Resale	32% (across the board)	16% and 22% (general range)
Residential UNE Platform	Subject to negotiation or established by state commission	None

Collocation Requirements

	Collocation Requirements Available from on SBC/AIT	Collocation Requirements Voluntarily Applied by US West
Tariffs and Amendments To Existing Interconnection Agreements		
• File collocation tariffs and/or offer amendments to existing interconnection agreements containing standard terms and conditions for collocation, with all rates, terms and conditions necessary to comply with FCC rules.	Yes	No
Audit Requirements		
• Retain an independent auditor to examine such tariffs and amendments and report whether they complied with FCC rules.	Yes	No
Waiver or Credit of Nonrecurring Charges		
• RBOC must waive, credit or refund to carriers 100 percent of the total nonrecurring collocation costs for qualifying collocation projects, if RBOC misses the collocation due date by more than 60 calendar days.	Yes	No

Conclusion

- Despite promises of <u>future</u> open markets and <u>future</u> compliance with Section 271 obligations, US West has not voluntarily adopted pro-competitive, market-opening conditions.
- The US West/Qwest merger is the appropriate venue to impose conditions that benefit competition.
- In order to achieve local competition in the US West in-region states, the FCC should require US West/Qwest to:

  - ✶ Specify the market-opening activities they will implement
  - ✶ Accept the critical conditions identified above
  - ✶ Adhere to concrete penalties for failure to meet their commitments

- Pro-competitive conditions will benefit Seattle and other large population centers in the US West territory.