

September 12, 2000

EX PARTE

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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Ms. Salas:

CC Docket Nos. 96-62; 97-146

On September 12, 2000, Hank Hultquist, Alan Buzacott, and I met with Jeff Dygert, Tamara Preiss, and Scott Bergmann of the Common Carrier Bureau. We discussed the issues described in the attached presentation.

In accordance with section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), an original and one copy of this memorandum and attachment are being filed with your office.

Sincerely,



Lori Wright
Senior Manager, Regulatory Affairs

CC: Jeff Dygert, Tamara Preiss, and Scott Bergmann

CLEC Switched Access

WORLDCOM, Inc.

September 12, 2000

CC Docket Nos. 96-262, 97-146

Current Policies Have Not Produced A Competitive Switched Access Market

- CLECs do not compete for switched access.
 - CLECs that negotiate for special access, often unwilling to negotiate for switched.
 - Rates vary widely:
 - from $< \$0.02/\text{MOU}$ to $> \$0.09/\text{MOU}$
- No need for CLECs to compete.
 - Can target end users with particular traffic patterns.
 - Costs can't be passed on directly to CLEC customers.

Impact is Significant

- CLEC access charges are becoming a significant component of IXC access costs.
 - Approximately 2% of minutes, 6% of costs.
- Combined with IXC rate averaging requirements, this will harm interexchange competition.
 - Upward pressure on rates everywhere.
- Result is FCC being asked to referee.

A New Approach is Needed

- Options available:
 - Price Regulation
 - Inconsistent with deregulatory policy.
 - Unnecessary for many CLECs.
 - Tremendous administrative burden.
 - Complaint Proceedings
 - Costly, time-consuming and haphazard.
 - Difficult to manage consistency of results.
 - Complete Detariffing
 - Requires affirmative adoption of policy/rules by FCC.
- Regulatory environment should:
 - Subject access charges to competitive forces without burdensome intervention or oversight.

Detariffing Can Work If:

- Neither CLECs nor IXCs can be forced to accept terms that they find unreasonable.
 - E.g., IXCs must be allowed to refuse to accept traffic from a CLEC that would charge rates that the IXC is unwilling to pay.
- Agreements are publicly disclosed.
- Commission establishes non-discrimination rule for carrier practices with respect to traffic exchange.
 - Should be presumptively unreasonable for a carrier to refuse to exchange traffic on terms and conditions to which it has agreed with another party in same market.

CLEC Arguments are Flawed

- Competitive interexchange market ensures that IXCs cannot force unreasonable terms on CLECs.
- Tariffs not intended to shelter sellers from market forces.
- Claim that high rates justified by high costs is unconvincing.
 - CLECs have much lower rates for reciprocal compensation for exchange of local traffic.
 - Competition does not guarantee cost recovery.