EX PARTE OR LATE FILED

RECEIVED

MAY 30 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

AT&T

Patrick H. Merrick, Esq.
Director - Regulatory Affairs
AT&T Federal Government Affairs

Suite 1000
1120 20th St. NW
Washington, DC 20036
202 457-3815
FAX 202 457-3110

May 30, 2001

ORIGINAL

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

Re: Notice of Ex Parte Presentation: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, CC Docket No. 98-77; and Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, CC Docket No. 98-166.

Dear Ms. Salas:

Today, Joel Lubin, Mark Lemler, Paul Malandrakis and I met with Rich Lerner, Jay Atkinson, Bill Scher, Doug Slotten, Eric Einhorn, Adam Candeub, Ted Burmeister and Marv Sacks of the FCC's Common Carrier Bureau. Our discussions were consistent with AT&T's comments and reply comments in the above referenced proceedings. The attached document was used as an outline for those discussions.

I have submitted an original and two copies of this Notice in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Pat

Attachment

cc: Jay Atkinson
Ted Burmeister
Adam Candeub
Eric Einhorn
Marv Sacks
Bill Scher
Doug Slotten

Recycled Paper

AT&T Comments on MAG

MAG properly recognizes that implicit subsidies should be removed from carrier access charges.

AT&T's position:

- TS rates should be reduced to CALLS rate for rural LECs of $0.0095.
- SLC caps should be increased to CALLS levels.
- Any residual CCLC on July 1,2003 transferred to fund.
- Recovery of LECs' USF obligation should be removed from IXC-paid access charges and recovered directly from end users, as in CALLS.
- RAS (or HCF3) should be provided for all ROR LECs and ROR LECs opting for incentive regulation, regardless of Path A or B status or NECA pool participation.
- RAS must be collected and distributed in a competitively neutral manner.
- Implement these explicit subsidy/access reforms immediately.

The MAG proposal for incentive regulation needs to be modified.

- A productivity factor is needed: AT&T estimates it to be 3.3% if revenue per line is capped.
- There should be no low-end adjustment unless the incentive plan also contains a provision for sharing.
- A company electing incentive regulation must do so for all its study areas.
- Incentive regulation should be mandatory for largest ROR companies.

AT&T Analysis of MAG Incentive Regulation (AT&T Comments, Appendix A)

- MAG plan consists of cap on CL + TS revenue per line, adjusted annually for inflation (GDP-PI).

- Growth in GDP-PI has exceeded growth in NECA revenue per line and embedded costs per line.

- If all ROR LECs had been under MAG from 1995 to 1999, they would have obtained substantially more revenue:

  --- An extra $424M in 1999

  --- Cumulative over four-year period of $1.0 billion.*

*Excluding high-cost loop support and based on NECA pool data, extrapolated to entire ROR LEC industry.