



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

Suite 1000
1120 20th Street NW
Washington DC 20036
202 457 3815
FAX 202 457 3110

May 1, 2002

Via Electronic Filing

Mr. William Caton, Acting Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TW-B204
Washington, DC 20554

Re: Notice of Ex Parte Presentation: Developing a Unified Intercarrier
Compensation Regime, CC Docket No. 01-92.

Dear Mr. Caton:

Yesterday, David Talbott, Teresa Marrero, Richard Clarke, Frank Simone and I met with Tamara Preiss, Chris Barnekov, Margaret Dailey, Rob Tanner, Jay Atkinson, Praveen Goyle, Steve Morris and Victoria Schlesinger of the Wireline Competition Bureau. We discussed AT&T's position in this proceeding using the attached document as an outline for those discussions. Our statements and comments were consistent with our comments and reply comments filed in the above mentioned proceeding.

Consistent with the Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the proceedings.

Sincerely,

A handwritten signature in black ink that reads "Patrick H. Merrick".

Attachment

cc: Tamara Preiss Praveen Goyle
Chris Barnekov Steve Morris
Margaret Dailey Victoria Schlesinger
Rob Tanner
Jay Atkinson

CC Docket No. 01-92

AT&T

Ex Parte Presentation

April 30, 2002

1

Addressing Local Interconnection Separate From Access Charges Only Increases ILEC Advantages

- Addressing intercarrier compensation on a piecemeal basis will disadvantage competitive carriers.
- Treating identical uses of the network in radically different ways creates uneconomic incentives, opportunities for regulatory arbitrage and barriers to entry.
- The Commission should establish “a minute is a minute” principle for transport and termination purposes, regardless of carrier, content or destination.

2

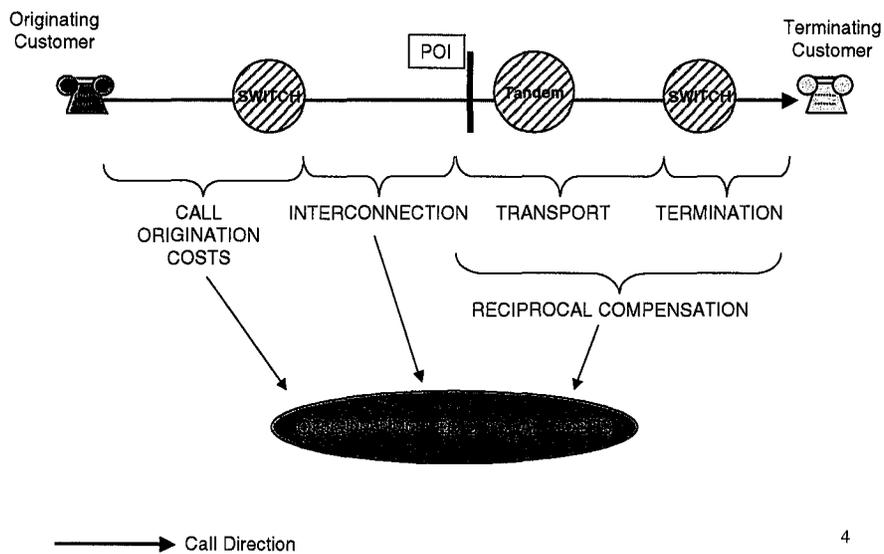
Current Rules Promote Efficiency and Competitive Neutrality

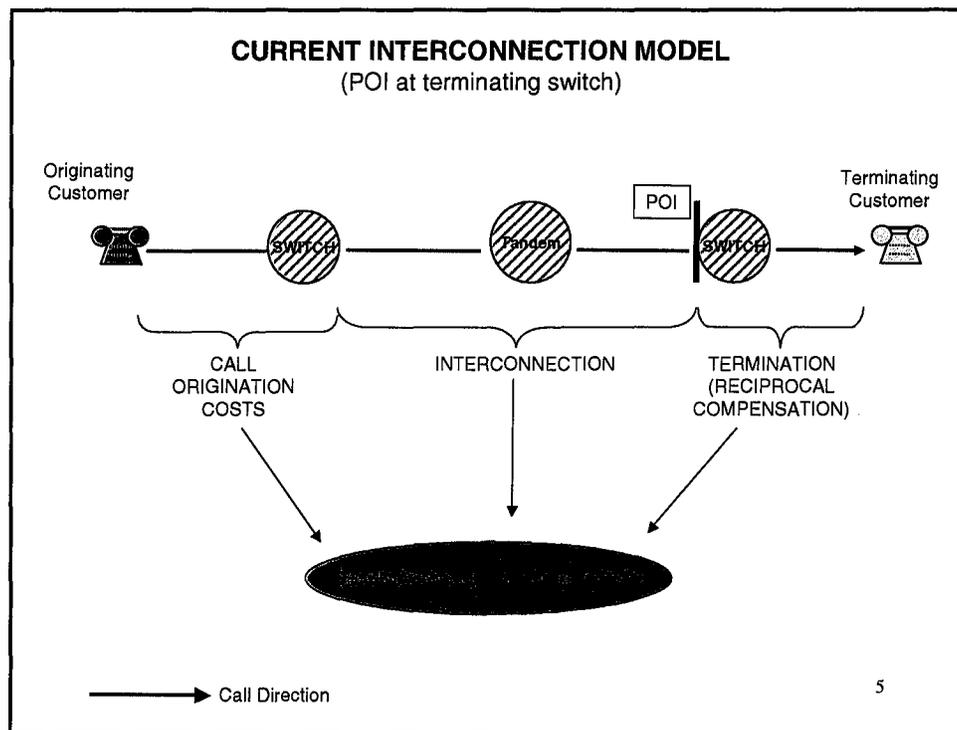
- Current rules flow directly from the Act.
 - Section 251(c) (2) imposes duty to interconnect at “any technically feasible point...”
 - Section 251(b) (5) imposes a duty to “establish compensation arrangements for transport and termination of telecommunications.”
 - Section 252(d) (2) (A) requires that carriers be permitted to recover a “reasonable approximation of the additional costs of *terminating* such calls.”

3

CURRENT INTERCONNECTION MODEL

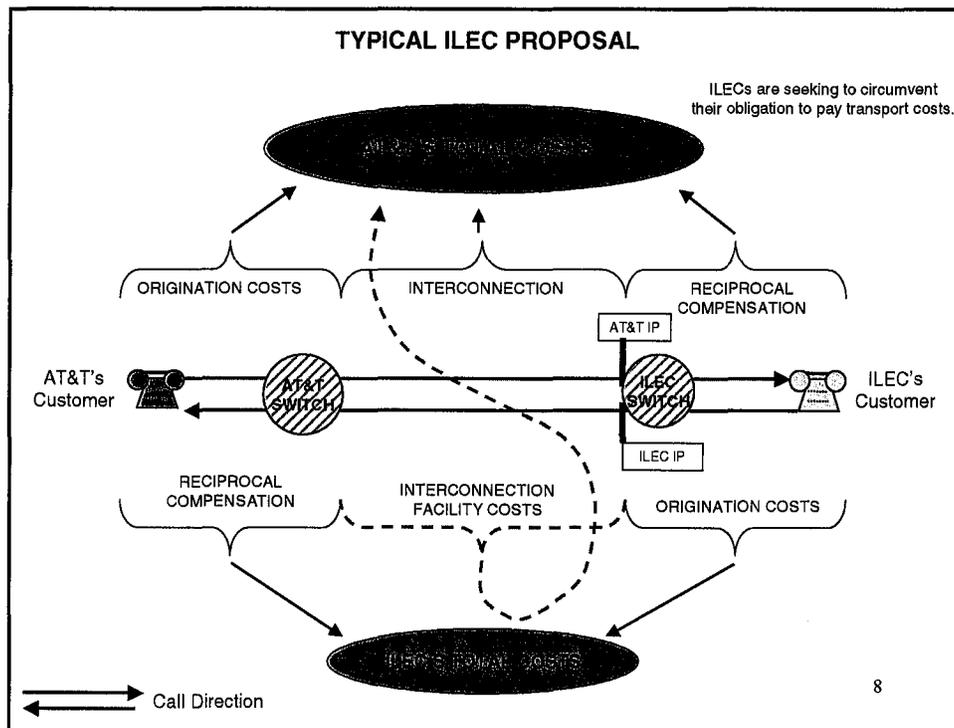
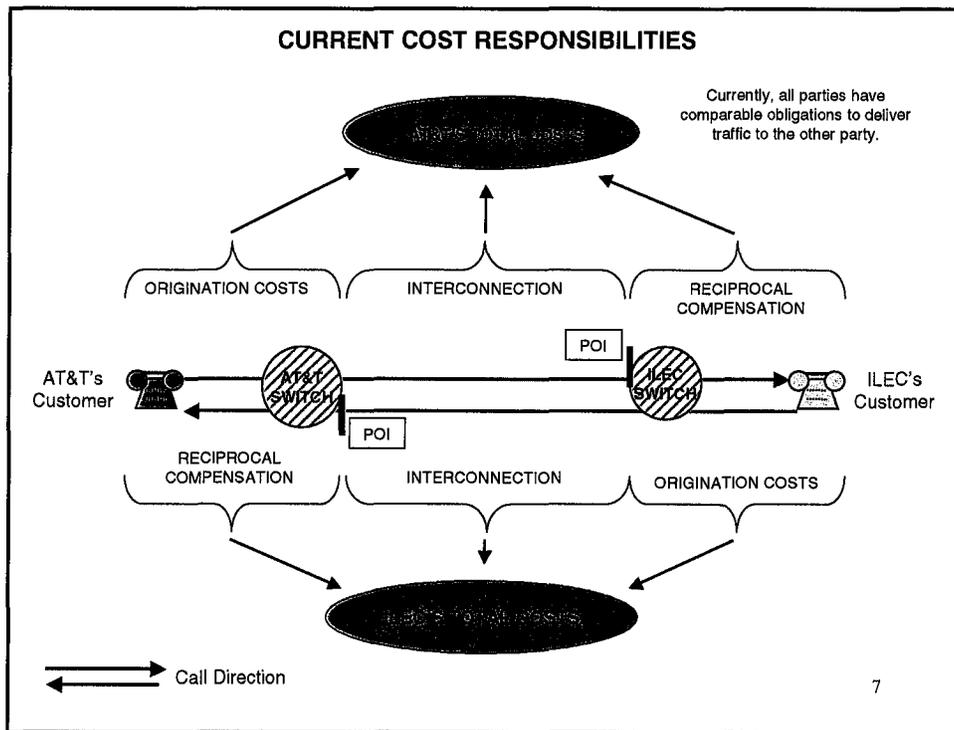
(POI “distant” from terminating switch)





Current Requirements

- It is the *financial* responsibility of the originating carrier either to self-transport the call to the terminating switch or to pay for the transport to the terminating switch – regardless of the POI location.
- ILECs take the position that only they are not financially responsible for transport beyond their POI or artificially determined local calling area – in conflict with the Act's requirement that carriers' not charge others for calls originated by the first carrier's customers.



Regulation Should Incent Efficiency and Competitive Neutrality

- Forward-looking, cost-based intercarrier compensation is mandated by the Act as well as fundamental economic principles.
- Interconnection rules should incent the development of efficient network architectures.
- Properly structured forward-looking, cost-based prices encourage efficient investment and use, discourage regulatory arbitrage, and create a competitively neutral playing field.

9

Regulation Should Incent Efficiency and Competitive Neutrality (con't.)

- Existing rules are efficient
 - Because originating carriers must internalize all incremental costs of their interconnecting traffic, they will choose efficiently their POIs (make vs. buy decisions).
- Existing rules prevent incumbents from exploiting their scale economies to preclude entry.
 - Larger carriers can gain a competitive advantage by refusing or overpricing interconnection to smaller carriers.
 - CLECs cannot deploy switches at multiple locations within a LATA until their traffic expands and it becomes efficient.

10

Current Rules Promote Efficiency and Competitive Neutrality (con't.)

- Mirroring the ILEC legacy network is not economic for new entrants and will stifle competition.
- CLEC and ILEC networks must and will be different based upon the individual carriers' traffic volumes and customer bases.
- New network architectures provide a source of CLEC differentiation, the very innovation the Commission and the Act seek to promote.

11

ILEC Claims Misconstrue Their Costs

- Data show that where it is efficient, CLECs generally place multiple POIs within a LATA.
- POIs are usually located at end offices or tandem switches
- The FCC just lowered, significantly, ILEC interconnection costs through its interim reciprocal compensation prices.

12

Impact of the “ISP Remand Order”

- ILECs would not be complaining about “distant” POIs and Virtual NXX codes if traffic were balanced.
- But if these POI “issues” are only the result of traffic imbalances, then past FCC actions have begun the correction process and adopting new POI, transport or virtual NXX rules is both unnecessary and will create its own problems.
- The FCC should allow its ISP remand order to have its anticipated effect.

13

Virtual “NXX” Codes Are Appropriate

- Sound business reasons exist for the use of virtual NXX codes.
 - Consumers who receive calls from outside an individual local calling area. (Taxi dispatch, radio stations, ISPs, etc.)
 - Allows CLEC to compete with ILEC FX service.
- Carriers are treated equally because both pay cost-based compensation when one of their subscribers places a call.

14

CURRENT AT&T INTERCONNECTION

State - ILEC	Percent of local interconnection trunks to ILEC end offices
New York - Verizon	76.1%
Virginia - Verizon	67.3%
Georgia	64.9%
Alabama	69.7%
Kentucky	29.2%
North Carolina	73.0%
Florida	72.8%
Tennessee	53.2%
Texas - SWBT	60.8%
GTE - Los Angeles	55.0%
Total	67.1%

Virtually of AT&T end office trunking is provided via special access dedicated transport, which establishes a POI at such end office.

ILEC complaints about having to haul traffic long distances to CLEC POIs is misleading, at least in AT&T's case. Look at the proportion of traffic handed to AT&T at the originating end office.

AT&T POIs IN TEXAS

LATA	LATA Name	AT&T FACILITY- BASED POIs	AT&T LEASED FACILITY POIs	TOTAL AT&T POIs
540	El Paso	1	0	1
542	Midland	1	0	1
544	Lubbock	1	0	1
546	Amarillo	1	0	1
548	Wichita Falls	1	0	1
550	Abilene	1	0	1
552	Dallas	18	42	60
554	Longview	1	0	1
556	Waco	1	3	4
558	Austin	2	0	2
560	Houston	15	30	45
562	Beaumont	1	0	1
564	Corpus Christi	1	0	1
566	San Antonio	6	11	17
568	Brownsville	1	0	1
570	Heame	0	0	0
961	San Angelo	0	0	0
	TOTAL	52	86	138