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SUBMITTED TO UNITED STATES DEPARTMENT OF JUSTICE

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UNITED STATES OF AMERICA,  
*plaintiff,*

v.

WESTERN ELECTRIC COMPANY and  
AMERICAN TELEPHONE AND  
TELEGRAPH COMPANY, *et al.*,  
*defendants*

No. 82-0192  
(U.S. District Court,  
District of Columbia)

**REPLY OF AMERITECH IN SUPPORT OF  
ITS MOTIONS TO REMOVE THE DECREE'S  
INTEREXCHANGE RESTRICTION**

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April 12, 1994

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**April 28, 1994**

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555 Fourth Street, N.W.  
Washington, D.C. 20001

**Re: Customers First interLATA waiver**

**Dear Mr. Rosen:**

Enclosed is Ameritech's Supplemental Narrative Statement in support of the waiver requests Ameritech submitted to the Department on December 7, 1993.

At the Department's request, Ameritech agrees that interested parties will be allowed twenty-eight days from today to submit further comments on the motions, and they are being so notified by copies of this letter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Alan M. Baker". The signature is fluid and cursive, with the first name "Alan" and last name "Baker" clearly distinguishable.

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No. 82-0192  
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**SUPPLEMENTAL NARRATIVE STATEMENT OF AMERITECH  
IN SUPPORT OF ITS MOTIONS TO REMOVE  
THE DECREE'S INTEREXCHANGE RESTRICTION**

In its original filing of December 7, 1993, Ameritech requested a waiver of the interLATA restriction of Section II(D)(1) of the Decree to permit it to conduct a trial of its Customers First proposals. A trial would demonstrate that Ameritech would not impede interLATA competition and would demonstrate palpably the benefits that Ameritech would bring to that business. It would also provide answers to all questions, issues and protests that will be raised concerning the efficacy of the Customers First Plan.

Ameritech proposes that the trial of interLATA relief begin in Illinois on January 15, 1995. Ameritech expects that the Illinois Commerce Commission will rule on the required elements of its Customers First Plan<sup>1</sup> by this date and will declare this date the effective date of the Company's unbundling and other proposals. Ameritech also expects that the District Court will rule before then and grant it interLATA relief effective January 15.<sup>2</sup>

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<sup>1</sup> Ameritech filed its Customers First proposals with the Illinois Commerce Commission on February 15, 1994.

<sup>2</sup> Ameritech has proposed in both forums that relief be granted at least 90 days before it takes effect and that it should become effective simultaneously. In this manner, Ameritech can begin preparation for entering the interLATA business while other providers begin preparation for entry into the local exchange and exchange access business.

## Changes in the Customers First Plan

Between the date of its original filing and the date of the filing of its Reply to comments, Ameritech made several revisions in its Customers First Plan and its Equal Access Plan in response to various comments it received.

Under Ameritech's original proposal, Ameritech proposed generally to impute to itself the tariff rate for access services it uses except where competitive alternatives exist. Where there were competitive alternatives, Ameritech proposed that its prices for interexchange services would not be less than its long run incremental costs. However, under Ameritech's revised proposal, for the duration of the trial, Ameritech will include the prevailing tariff rates for carrier access services in determining its costs of providing interexchange services regardless of whether there are competitive alternatives for the components of this service. Additionally, Ameritech will use the prevailing tariff rates for unbundled loops and ports in determining the overall costs of relevant products and services.

Ameritech has also revised its usage subscription proposal. The original proposal required an interexchange carrier to handle local traffic, as well as long distance,<sup>3</sup> if it wished to be an end user's subscribed carrier. In response to comments it received, Ameritech modified this proposal to exclude local traffic. Under this revision, an interexchange carrier that becomes an end user's subscribed carrier will receive all "dial 1" traffic — interLATA and intraLATA — but will not automatically receive local traffic.

Finally, Ameritech originally proposed that it would use its end office and tandem office switches as points of presence. As part of this original proposal, Ameritech was not proposing to offer this capability to other interexchange carriers. Under Ameritech's revised proposal, Ameritech proposes that its

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<sup>3</sup> "Long distance" in this context includes both interLATA and intraLATA traffic.

ing the benefits of competition, and our ability as regulators to provide for local exchange competition in a manner which is in the public interest.

**V. Revisions to Ameritech's Equal Access Compliance Plan Will Strengthen Safeguards for InterLATA Competition During the Transition to Full Competition in the Local Exchange.**

- \* A. *Ameritech Has Revised the Imputation Features of Its Equal Access Plan and Agrees to Include the Tariff Rates for Access in Determining the Overall Costs of its Interexchange Services.*

The equal access plan attached to Ameritech's original filing provided that, under Section II(A) of the decree, Ameritech's long distance business services would impute the tariff rate for any of Ameritech's local exchange operations that were used by Ameritech to provide interexchange services.<sup>114</sup> However, the equal access plan sought to establish certain exceptions to this rule in cases where competitive alternatives to Ameritech

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<sup>114</sup> Ameritech Mem. at 55-56. Ameritech also stated (*id.* at 55-56 n.173) that this proposal was limited to access charges for interexchange services, since that was all the decree ever required under *United States v. Western Elec. Co.*, 569 F. Supp. 1057, 1108-1110 (D.D.C.), *aff'd sub nom. California v. United States*, 464 U.S. 1013 (1983), and since the specific, narrow purpose of the equal access plan was to clarify the requirements of the decree as they would apply to Ameritech interexchange service. This statement certainly did not imply that Ameritech would not comply with any imputation requirements imposed in other instances by the FCC or the state regulatory agencies. Unfortunately, some parties misunderstood our proposal, particularly Allnet. Allnet (at 3-6) states that Ameritech has "admitted" that Ameritech failed to comply with the FCC's requirement to impute interstate access charges to interstate intraLATA services. But, as related above, Ameritech's equal access plan did not purport to deal with all FCC issues. As BellSouth points out in its comments, the FCC has required the effective imputation of interstate access charges to interstate corridor and intraLATA services provided by local exchange carriers. See *In re Application of Access Charges to the Origination and Termination of Interstate, IntraLATA Services and Corridor Services*, 57 Rad. Reg. 2d (P & F) 1558 (April 12, 1985). Ameritech is in complete compliance with the Commission's requirement. For 1993, Ameritech had \$77 million in interstate intraLATA revenues; imputed access charges were \$22 million; and non-access expenses were \$19 million, leaving a margin of \$36 million. Moreover, despite Allnet's allegations to the contrary, Ameritech also includes the imputed access demand represented by Ameritech's interstate intraLATA traffic in the access demand figures that are used by the FCC to regulate Ameritech's interstate access rates. Like BellSouth, Ameritech answered the contrary allegations of Allnet in the context of Ameritech's recent local transport restructuring filing with the FCC. And, like BellSouth, Ameritech's transport rates were permitted by the FCC to take effect without suspension or investigation.

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access might be in existence. To accommodate objections that were raised to this proposal, the exceptions have been eliminated and the equal access plan now provides that in all cases Ameritech's retail units will include the tariff rates for originating and terminating access in determining the overall costs of its interexchange services. This is comparable to Ameritech's commitment, described above, to include the tariff rates for loops and switches to determine the overall costs of its local and intraLATA toll services.<sup>115</sup>

*B. Ameritech Will Not Use Its End Office  
and Tandem Switches as Points of Presence.*

In the equal access plan submitted with its original waiver requests, Ameritech retained the option to use its end office and access tandem switches as interexchange points of presence for the trial. There was opposition to this proposal,<sup>116</sup> even though the decree requires Ameritech to allow other interexchange carriers to locate their points of presence wherever they choose. Indeed, interexchange carriers today often use the same points of presence to route both intraLATA and interLATA traffic. However, in response to these concerns, Ameritech is modifying its proposal and agrees that during the trial it will not use its end office and tandem office switches as its interLATA points of presence. Ameritech's interexchange business will use existing tariffed access and interconnection arrangements to interconnect its interexchange facilities to its end offices and access tandems as interexchange carriers do today. Under this revised proposal, Ameritech agrees that its dedicated interLATA network facilities will be separate from its local exchange and exchange access facilities, and that it

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<sup>115</sup> See *supra* p. 50.

<sup>116</sup> AT&T at 54-55; MCI at 33.