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**TRANSMITTED VIA FAX & OVERNIGHT MAIL**

July 19, 1996

Mr. Donald W. McLeod  
Vice President  
Regulatory and Government Affairs - East  
Local Competition/Interconnection Program Office  
HQE01E63  
600 Hidden Ridge  
Irving, TX 75015-2092

Dear Don:

I believe that the negotiating sessions conducted by our respective teams over the past three days were constructive and worthwhile. Bonnie Watson and Connie Nicholas will pick up on Monday where we left off today in their efforts to reduce to contract language the items on which we achieved agreement during these sessions. Our respective SME, Core and Executive teams will likewise continue on Monday their efforts to maintain the momentum established over the past three days. You should have no doubt of AT&T's continuing desire to conclude a comprehensive national interconnection agreement with GTE. That has been our objective from the outset. And that is why I look forward with great anticipation and interest to the Pricing proposal (for LSR, Unbundled Network Elements, Interconnect, and Access) you indicated that you will furnish for our review next week.

As I have said all along, AT&T would much rather negotiate to agreement than litigate. Obviously, however, because our needs are as real as we have explained in all of our many sessions with you and your team, we will simply --in the absence of the desired negotiated agreement-- have to pursue those needs further through the legal processes available to us. I don't think this should surprise anybody. At the same time, I can assure you that AT&T will not allow any arbitration planning efforts to impact our on-going negotiations. We simply have to do both.

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In this connection, Don, I am concerned by a point you raised with me in conversation today. Specifically, when you asked me whether AT&T intended to initiate arbitration proceedings under the 1996 Act and, if so, when, I asked you why you were raising the question. In response, you essentially stated that if AT&T planned to initiate arbitration proceedings, you would be required to redeploy your GTE team resources away from negotiations with AT&T and commit them to arbitration planning. This is disturbing. Of course GTE has every right to do whatever litigation planning it desires or deems appropriate. But any such planning effort should proceed without any impact on our ongoing negotiations.

In the same conversation today, you asked whether AT&T might consider delaying any arbitration filings until two weeks or so after the issuance by the FCC of its NPRM order, now generally anticipated for release on or about August 8. I have this question or request under serious consideration and will try to have a response for you by the end of next week. I assure and reassure you, however, that my focus has been on agreement, not on arbitration. That must have been evident to you in the constructive and intense tone and atmosphere that the AT&T Team and I tried to set for our just-concluded three day session.

Pricing remains at the heart of most issues that remain unresolved between us. We are far apart on these Pricing issues now. To come to agreement, significant movement off our current positions will be necessary. It is important that GTE's Pricing proposal next week reflect such movement and thus provide a basis for my continued confidence in our ability to negotiate to closure an agreement. I personally recommit to working all open issues in earnest with you. You and I will both need *at least* all the resources we have employed over the past three days for these ongoing efforts. Please don't divert those resources.

I hope you and your team had a safe and comfortable trip home, and that you were able to enjoy at least part of the weekend. I think it's important, Don, that you and I recognize the effort and hard work of our respective teams. but admonish them not to let up in our critical negotiation efforts. Thank you.

Sincerely,



R. R. Harrison III  
Vice President  
Local Infrastructure and Access Management  
Regional Operations

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