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FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Price Cap Performance Review )  
for AT&T )  
\_\_\_\_\_ )

CC Docket No. 92-134

REPLY COMMENTS

Sprint Communications Company LP hereby respectfully submits its Reply to comments filed in the above-captioned proceeding.

With the exception of AT&T, there is general agreement among commenting parties that AT&T retains market power in the provision of interexchange services.<sup>1</sup> As these parties point out, a number of imbalances in the interexchange market remain. In the 800 services market, AT&T retains its monopoly over the provision of 800 directory assistance. Moreover, because AT&T serves as the resp org for the majority of interexchange 800 accounts, AT&T will receive advance notification that its customers intend to switch to a new carrier. In order to change this obviously anticompetitive situation, Sprint has proposed that the NASC Administrator be authorized to make 800 traffic routing and resp org changes to SMS

<sup>1</sup>See Sprint, pp. 4-14 (discussing Basket 1 and 2 services); Arinc, pp. 2-4 (private analog service); IRA/TMA, p. 2 (SDN); and MCI, p. 3 ("...the interexchange market, while becoming increasingly competitive, is still dominated by AT&T").

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records if such changes involve a carrier other than the one which presently serves as the resp org.<sup>2</sup> In the IMTS market, AT&T's dominant position and long-time relationships with foreign administration have apparently enabled AT&T to negotiate lower accounting rates than are available to other IXCs, or to obtain such lower rates earlier than other IXCs. In the operator services market, AT&T's first-in position and size, and its shift to an AT&T-proprietary calling card, make it difficult for customers of other IXCs to make a call from a payphone presubscribed to AT&T. Finally, as Arinc and IRA/TMA point out, AT&T has evidenced its market power by substantially increasing the rates of its private analog and SDN services. Until these market imbalances have been corrected, deregulation of AT&T's services is premature and unwarranted. At a minimum, the Commission must ensure that:

- 800 number portability is a reality and procedures are adopted which enable 800 service subscribers to easily and confidently select new or multiple 800 service providers;
- a system of billed party preference is implemented; and
- a non-discriminatory system for ensuring equal international accounting rates is firmly in place.

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<sup>2</sup>See Sprint's Petition for Declaratory Ruling and Request for Further Proceedings, filed July 10, 1992. The pleading cycle on this petition is now closed, and Sprint is hopeful that, with a favorable Commission decision, the bias in the current resp org rules can be corrected prior to the scheduled March 1993 database implementation date.

Only AT&T argues that price cap regulation of all of its services should be lifted. In support thereof, AT&T asserts that Sprint and MCI have sufficient capacity to absorb most or all of AT&T's traffic should AT&T price its services anticompetitively (p. 8); that the "success and financial strength of MCI and Sprint assure their continuing presence in the market as aggressive competitors, offering a full range of services" (p. 11); and that the market for Basket 1 services is characterized by high demand elasticities (p. 12). AT&T also cites the number of carriers offering interexchange services, and its decline in market share, as further evidence of the "intensely competitive" nature of the interexchange market.

These arguments are simply reiterations of claims raised by AT&T in CC Docket No. 90-132<sup>3</sup> and shown to be without merit.<sup>4</sup> After careful consideration of the record--including AT&T's capacity, market share and competitive analyses--the Commission correctly concluded that lifting price cap regulation for all of AT&T's services was unwarranted. However, the Commission did, as Sprint pointed out (Comments, pp. 3-4), grant AT&T substantial regulatory flexibility in CC Docket 90-132.

Even the updated information supplied by AT&T does not support its view that the interexchange market is fully

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<sup>3</sup>Competition in the Interstate Interexchange Marketplace, 6 FCC Rcd 5880 (1991), recon. 7 FCC Rcd 2677 (1992).

<sup>4</sup>See, e.g., Sprint's Reply Comments in CC 90-132, filed Sept. 18, 1990, pp. 9-90.

competitive. For example, AT&T alleges that its share of residential international long distance service fell from 85% in 1989 to 77% in 1992 (p. 23), and that its share of interLATA operator service minutes fell from 84% in 1987 to 68% in 1992 (p. 25). Even assuming that AT&T's estimates are correct (no source is cited and the underlying data is not provided), these market shares are hardly trivial, and simply highlight AT&T's market dominance. AT&T's market share figures translate into Herfindahl-Hirschman Index ("HHI") values well in excess of that considered by the Department of Justice to define a "highly concentrated" market.<sup>5</sup>

Sprint certainly does not deny that competitive advances have been made in the interexchange industry. However, given the remaining competitive imbalances in the provision of Basket 1 and 2 services as well as AT&T's substantial existing regulatory flexibility, it seems clear that continuing the minimal regulatory oversight represented by price caps is in the public interest. Nonetheless, in light of the competitive gains which have been achieved, certain concessions to AT&T can reasonably be made. Sprint therefore does not oppose AT&T's suggestions that an increase in the productivity factor or a "one-time" decrease in the price cap index should be

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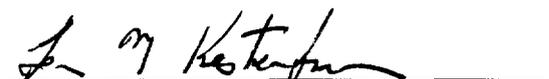
<sup>5</sup>The HHI is a measure of industry concentration. The market share figures cited by AT&T are for AT&T alone--the remainder of the market is split between many different carriers.

avoided,<sup>6</sup> and that AT&T's rate of return reporting requirements be eliminated. Until the remaining market imbalances have been corrected, no further relaxation of regulatory oversight is warranted.

Respectfully submitted,

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October 5, 1992

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<sup>6</sup>As AT&T points out, such adjustments recreate the disincentives of rate of return regulation and penalize AT&T for efficiency gains achieved over the past three years.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Reply Comments" of Sprint Communications Company L.P. were sent via first-class mail, postage prepaid, on this the 5th day of October, 1992, to the below-listed parties:

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