Market Dynamics

April 25, 1996

Office of the Secretary
Federal Communications Commission
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Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
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Dear Sir or Madam:

Enclosed with this letter are the Comments of Dr. Robert Self dba Market Dynamics relating to the Commission's CC Docket number 96-61 in response to your Notice of Proposed Rulemaking, released March 25, 1996, In the Matter of Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended.

If there are any questions, please contact Dr. Self at the phone number and address below.

Respectfully submitted,

Dr. Robert Self

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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To: The Commission

COMMENTS OF
DR. ROBERT SELF dba MARKET DYNAMICS

Summary

The Commission argues that under the rules of the Telecommunications Act of 1996 it has the obligation to forbear from applying any of its rules under certain conditions, and that it now deems conditions to be right for it to require mandatory detariffing of all non-dominant interexchange domestic carrier services. We strongly disagree with that conclusion, which is based on the Commission's viewpoint as a regulator, and invokes economic theory to make its argument. We argue that in today's more somewhat competitive long distance market the real-world benefits to both carriers

and customers of having tariffs far outweigh the potential economic-theory-based negatives the Commission has used to assert its position. Our 15-year involvement as totally independent consultants and suppliers of detailed long distance information both carriers and their customers causes us to believe that, contrary to the Commission's opinion, tariffs help carriers do their business more efficiently and quickly. Tariffs help carriers establish the uniform rules and regulations they need to supply services fairly. Tariffs also help carriers respond more quickly to competitive pressures by making necessary changes in their rates, promotions, and discounts, but also in developing new products that make them more competitive in this fast-changing market. We also suggest several minor changes in how the Commission's rules and practices, including a recommendation that the Commission require non-dominant carriers to file exactly one day before a tariff effects, rather than allowing filings be any time of one day or more before the scheduled effective date. This change would reduce the opportunity for carriers to signal each other about their pricing intent by filing changes well before their effective date, waiting to see the response, and then changing their mind before the effective date. Our main point throughout these comments is that the Commission should use the concept of "public benefit," one of the tests required by the Telecommunications Act of 1996, to consider all of the costs and benefits provided by tariffs, and not just the type of historical regulatory benefits it has been required to use in the past.

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INTRODUCTION

These comments focus on the Commission's proposal to require mandatory detariffing in the domestic interstate interexchange market. While we think there might be reasonable arguments made against mandatory (or even permissive) detariffing at this time on other grounds, we limit our argument here to point (3) in Section III.A.17 of the

Commission's Notice of Proposed Rulemaking. Specifically, we focus on the point in the 1996 Telecommunications Act which requires the Commission to forbear from applying any regulation to a telecommunications carrier or service if the Commission determines that, along with two other conditions stated in the Notice of Proposed Rulemaking ("NRPM"), such forbearance is "consistent with the public interest."

While economic theory allows (perhaps even encourages) the Commission to argue for some form of detariffing (mandatory or permissive), our experience and observations in the real-world long distance market suggest mandatory detariffing of all non-dominant IXCs in the domestic interexchange market at this time would, when real-world costs and benefits are considered, cause both sellers and customers to incur significant costs and disruptions, but provide little if any benefits. We believe a slow approach to detariffing would save everyone (carriers and customers) time and money—and clearly be in the public interest.

Of the three conditions the Commission has to consider in determining whether to detariff or not, the "public interest" criterion we address here is by definition the overriding factor. We feel strongly that the 1996 Act requires the Commission to consider real-world costs and benefits in addition to economic theory in determining its actions.

This conclusion was not easily reached. The side of my brain fed by my economics PhD, oligopoly theory, and all the other theoretical things the Commission must consider, agrees with the Commission in a lot of ways. But the Commission hasn't been out in the field for 15 years dealing with how the long distance industry (both carriers and customers) work.

The side of my brain with all the practical experience has convinced me "This Product Is Different" from virtually every other product. Rushing to mandatory detariffing (or even permissive for the largest sellers) now will provide little if any benefit, but will, contrary to the Commission's contentions, generate significant costs to both sellers and customers.

We further believe that minor adjustments to the current tariffing process can eliminate many of the Commision's worries that the current tariffing process encourages price signaling and discourages innovative pricing and new products.

We, therefore, are against either mandatory or permissive detariffing for the largest sellers (below) in the IXC market now, but do favor permissive detariffing for all sellers below some size yet to be determined.

The rest of these comments, while not in legalese, explain why we think a go-slow approach to detariffing, along with some modification of filing rules, will benefit everyone. (And yes, that includes people like me who use tariffs to help end users figure out what's going on.)

Who We Are.

For the past 15 years my sole business has been studying, analyzing, and interpreting the US long distance business. Primarily we (myself and my company, Market Dynamics) give businesses the tools and/or data they need to understand their own long distance needs, and to understand and evaluate the myriad of services, features, prices, discounts, term plans, and promotions offered by hundreds of long distance carriers and resellers. We provide much of this information through my *Long Distance For Less* book and *Long Distance For Less Updates*.

We have made great effort, and certainly suffered considerable loss of income, to maintain absolute independence and fairness in our long distance analysis and publications. I have never, nor do I now, own stock in or have allegiance to any specific telecommunications company—local, long distance, foreign or domestic.

This Product Is Different: What the Product Is.

Eight years ago in one of our newsletters I wrote, "The bill is the service." Today's most important bottom-line fact about long distance was clear even then: Long distance calls are a commodity. The only real difference between long distance services (other than a few features, like routing options on 800 service) is how the carrier determines what you owe—i.e., the bill. [The bill also includes special reports and other things that separate carriers and services.]

This simple fact may seem unimportant, but it is not. The billing system is the carrier's most important link to its customers. It must be accurate, flexible, understandable, helpful to customers, and (most importantly here) it must be able to bill a service before that service can be offered.

Most other differences in long distance services—whether quality of the carrier or how much you think you're "saving" over something else—are perceptions nurtured by carrier advertising. At least for most customers.

Much of the FCC's concern about tariffs is that, theoretically, they may discourage fast competitive responses and innovative new services. In the real world, filing tariffs is not the bottleneck to changing prices or introducing new services. The bottleneck is getting the carrier's billing system ready to generate The Bill! It may seem like a simple thing, but often today carriers do not respond to a competitor's new service because they can't bill it. For example, AT&T was not able to duplicate/clone/mimic MCI's original Friends & Family.

Even if a billing system can be made to bill a service, programming it to do so takes time; more time and more expense than writing and filing a tariff. And, depending on how a particular service is set up in a carrier's billing computer, just putting in new rates can slow competitive response. For example, one major carrier today has over 114 separate complete sets of international rates. That's 114 separate rate sets for each of 225+ countries, with up to six separate rates to each country in each set. Their price responses are often slowed by data entry into the billing system.

As with most any industry, on average the bigger the long distance company, the more hassle it is to get a new product approved and out the door. Marketing, finance, product management, corporate management, advertising, internal sales materials and training all must be involved and are potential bottlenecks. Finally, the billing computer people must give their okay that it can be billed.

With all these other things involved, writing and filing a tariff will normally not slow carriers' responses to competitors' changes or the introduction of new products, nor (for the larger carriers) will it be a significant cost.

This Product is Different: How You Buy It.

Yesterday I wanted to buy a Chef's Choice electric knife sharpener. I'd seen one in a store last weekend and picked up a 2-page flyer. I called the manufacturer's number, asked them 5 or 6 questions about what the latest high-end model was, how it was better than the other models, and what the list price was for the two top models. They gave the names of 5 stores who sell their products near my house. Within 10 minutes I had called three of them, found the best price ("$85 less 20% discount"), and left for a store.

You can't do this in long distance, not if you want to get anything resembling a good deal and you have any significant amount of calling. With most any other product or service, you can get a single, simple price, less perhaps some discount. In most all cases you know something about the product and how to evaluate what you're paying for, so you can make simple cost comparisons at several stores or insurance companies and be done with it. You take the product home or to the office and get a reasonably simple warranty. And in cases where you don't totally understand what you're buying (personal computer's, say), you can at least line up all the magazine ads with all the features and compare, and get one single delivered price. Once you've paid the bill, your commitment is over.

Despite 15 years of long distance "competition," and 12 years since the breakup of AT&T, most residential and business people know next to nothing about what they're buying with long distance, much less how to evaluate it. Part of it is the natural complexity—intrastate, interstate, international, intraLATA, Standard/Discount/Economy, etc. The carriers don't make it any easier. What with discounts, promos, term plans. We've documented some calls getting up to four different and distinct discounts—that is, if you bought the service the right way.

And, once you've taken advantage of a promo and signed up for a service, you now become the dreaded (from your viewpoint) "existing" customer. Which is bad for you, because once your promo runs out you're back on regular rates and discounts. Most of the new stuff that comes out (promos, new services, etc.) don't apply to you. In six months or so you've got to take the initiative to start over again. It's no wonder consumers and small businesses are confused, and generally turned off by much of what is thrown at them.

Several years ago I gave a speech to 50 or 60 Commission staffers and managers about the status of tariffs—what was being filed, the goods, the bads, as I saw them. Truthfully, I was nervous about the presentation because this would be a speech to the most knowledgeable group I could ever speak to. About 15 minutes into the speech came the first question. I was sweating bullets; this would surely be the beginning of some techno/legal blitz about arcane legal/economic mumbo jumbo I hadn't thought about since I finished my PhD in economics.

The question was: "Could you tell us which service we should use at home?" Whew.

So, if even the people who make the rules have questions about the real-world side, how do consumers and small/medium businesses figure out what's going on? Tariffs are a major part of where the data comes from. We're not claiming most people do or should read tariffs, but without tariffs, consumer groups, consultants, the media, and information providers like ourselves would find it very difficult to help customers understand what's going on.

Carriers now use non-price competition aimed at many customers, particularly residential and small/medium businesses which have little way of knowing what's going on, other than what they are told by the carriers and what they can gather from information provided by consultants, publishers, and other third parties. The Commission contends that applying tariff requirements in a competitive market is superfluous as a consumer protection device, since competition circumscribes the prices and practices of these companies.

The Commission is certainly right that tariffs in a truly competitive market would serve little consumer protection needs from its perspective as a "regulator." But, we suggest that, even thought the Commission has declared AT&T non-dominant, the long distance market is far from competitive in the economic sense. To begin with, we have the top three IXCs with about 82% (top four with about 85%). Second, while we have perhaps 700 companies selling long distance, most customers could/do only deal with a handful of these. Third, a competitive market requires reasonable knowlege on both sides, buyers and sellers; we don't have that here, but tariffs do help both buyers and sellers know more than they would without tariffs.

What does that leave us? A market where many of the larger players try to distinguish their products by advertising almost anything but true, total cost. (I'm not criticizing them; I'm observing.) In a market where probably 90+% of the customers (not revenue spent) know almost nothing about long distance, and many buy long distance based on TV ads or other information that promises them things like X% savings (off of what?) which they have no way of verify, we think tariffs provide a consumer protection device in that they allow all types of customers (residential or business) to get information either directly from the tariffs or indirectly from consumer groups, consultants, and publishers of data.

What specific uses do tariffs serve the customer? Tariffs allow customers to:

- Directly or indirectly via consumer groups, a business's own telecom department, or telecom consultants and auditors to verify whether they've been billed correctly;
- Directly or indirectly find and evaluate service and options carriers do not tell them about;
- Figure out the total cost of their long distance, rather than being sold on one special rate on one specific call;
- Verify conditions under which they bought their service; we get calls regularly from users who do not know what service they're on, or who need to know the rules governing the contract or term plan they signed, but forget to keep a copy of.

The Commission rightly so acts as if its duty is not to act as a consumer watchdog. But, we suggest that when the question of overall "public interest" is the criterion, the value of tariffs is far greater than under the Commission's historical jurisdiction.

The Commission may not recognize this as part of its definition of consumer protection, but it certainly indicates that having tariffs is a public benefit.

Our Premises.

We believe the Commission, in performing its duty over the years of ensuring that telecom services are just and reasonable and not unjustly or unreasonably discriminatory, has rightly focused only on the economic, legal, and other considerations as a regulator. Perhaps this is inevitable.

That the Commission has this (expected) viewpoint was driven home several years ago in the speech (see above) I gave to 50 or 60 Commission staffers and managers about the status of tariffs. A few minutes after the question about which service should they use at home came a question (above) from one of the Commission's experienced and respected lawyers. Paraphrasing, the question was, "Well just who do you think tariffs are for? Do you think anybody but the FCC looks [or should look; I can't remember for sure] at them?"

Clearly the dedicated professionals at the FCC have focused on their job as it has been defined until now. But, now the 1996 Act requires the Commission to consider the public interest in deciding to forbear from enforcing any rule or regulation—including tariffing. The public interest includes real-world costs and benefits.

This is where we think we come in, and why we're commenting here. We have focused on the other side—the real-world side where management decisions translate costs and benefits into dollars. We've helped tens of thousands of customers, from consumers to Fortune 500 companies, try to make sense out of and evaluate purchases of what has surely become the most complicated general product around. And, we've done it by using the data in tariffs, as have many thousands of consultants, corporate telecom managers, consumer groups, and others. While Congress and the Commission did not intend for tariff filings to become the number one source of service and cost data for the general public, it has happened. Any changes in the tariffing procedure must now consider real-world implications for both sellers and customers.

How Tariffs Help Carriers: Rules and Regulations.

The most obvious way is as a depository of rules and regulations that describe how the carrier will treat the customer and vice versa. Without such a central depository, I imagine we all would be bombarded with booklets (or books) from our carrier/s detailing most of the seemingly arcane (but necessary when the occasion arises) rules detailing payments, liabilities, etc. Since these rules change regularly, carriers would be forced to either forego many of them, or to send each customer their own personally crafted rule book a la the insurance industry, or send all customers a complete new rule book every few months.

Further, without such a central depository where would carriers provide rules for casual callers? For customers who use their network but who are not signed up as customers but bill calls to other carriers' calling cards, collect, third party, or to commercial credit cards?

For these reasons alone, we think carriers should be allowed to file their rates and regulations in tariffs, at least for now, and at least until a reasonable alternative is worked out. But, as we point out everywhere else in this comment, we think the Commission should go beyond just allowing rules and regulation to be permissively tariffed; we think the largest carriers should be required to file complete rates, discounts, etc., for all general services.

How Tariffs Help Carriers: Competitive Pricing and New Services.

The Commission states it wants to encourage competition, and in particular competitive pressure on prices, and that carriers' tariffing of service pricing specifics (prices, features, options, discounts, promotions) would discourage competition. Despite economic theory, we think the Commission has it backwards in today's interstate market. We think tariffs give carriers the ammunition they need to quickly respond to price changes and devise new services.

It appears the Commission thinks the sole benefit or use of tariffs is to allow the Commission to evaluate whether carrier pricing (et al) is just and lawful. This may have been the major benefit of tariffs before AT&T had any competitors. But, in today's long distance market tariffs also serve the general public—both buyers and sellers—greatly. In fact, we suggest the true benefit of tariffs directly to customers and long distance carriers is far greater than the benefit to the Commission. Indeed, the Commission has itself made almost no use of tariffs filed by anyone other than AT&T for years; and with AT&T now classified as non-dominant domestically, the Commission's scrutiny of AT&T tariffs is likely to fall greatly.

On the other hand, for sellers to compete (one of the Commission's major goals) they must know what their competitors are doing. Surely, no seller is going to blindly and randomly set prices (including discounts, promos, etc) and/or come out with new services without knowing precisely (or at least trying very hard to know) what its competitors are doing.

As far as I can see, there are only a few ways for carriers to find out what competitors are doing. These include: 1) Gathering information from potential customers; 2) For some products, studing the print and broadcast advertising; 3) Signing up for competitors' services; 4) Tracking what competitors are doing via tariffs (or, if it existed, and it doesn't now, thru some centralized database).

Clearly, tracking tariffs is cheaper, more accurate, and faster than any other method available. Clearly, tracking tariffs gives competitors a leg up on what they must do to compete—what prices, discount, promos, etc., they must meet or beat. It allows them to figure out how to design and postion new services (i.e., new ways of manupulating the bill and how the amount at the bottom is reached). And, the better job of conceiving new services, discounts, or promotions to match their strengths and target competitors' weaknesses (rather than just manipulating price levels), the longer their new products can enjoy a competitive advantage. For example, MCI's original Friends & Family.

Customers also benefit from being able to figure out what's going on by studying tariffs. Clearly I'm not implying that residential and small business customers study tariffs. But, big businesses do. Consumer groups do. Consultants helping businesses evaluate services do. Magazines, newspapers, TV reporters and news shows do indirectly when we and others help them with pieces that will educate the public about what's really going on. We use tariffs to research the simplified and compact service and rate descriptions we publish in our Long Distance For Less Updates, which are used by thousands of businesses to understand and evaluate services. And, the bigger a business is, the more likely it is to use tariffs directly to help if figure out how to choose or negotiate for the best deal.

The Issue of Price Signaling via Tariffs.

Clearly the Commission is right to worry that tariffs might be harmful to competition, either as a way for carriers to signal rate changes or as a damper on new service introductions and/or competitive responses. Let's look at these separately.

First, let's consider tariff filings and rate changes. Clearly carriers have signaled potential rate changes in recent years. From Divestiture thru 1989, virtually every interstate rate change was downward, led by AT&T, and forced by reductions in access charges. Other carriers followed in one to three months, but generally didn't cut rates as much as AT&T. In 1990 AT&T filed the first across-the-board rate increase in business services since Divestiture, and has followed with numerous roughly across-the-board increases many times since. AT&T increased residential rates for the first time in 1992, and several times since. In virtually every case where AT&T has initiated a rate or charge change other carriers have followed AT&T as quickly as possible.

In a few cases in recent years one or another carrier other than AT&T has filed for rate increases on some services, sometimes with about 45 days' notice. In some cases AT&T followed this lead; in other cases it did not follow and the other carrier modified its filing or reinstated its original rates before they took effect.

The question is, do tariffs provide a way of signaling that can't be accomplished any other way? Further, is there a way to reduce signaling via tariffs?

A Rule Change to Reduce Price Signaling via Tariffs.

The Commission has suggested published rates may allow carriers to signal each other about their rate intentions and/or to set umbrella prices. We agree price signaling has gone on and now suggest a way to eliminate or greatly reduce it: Change filing regulations for non-dominant carriers to not only allow filing on one day's notice, but to require it. Do not let carriers file with long lead times that allow competitors to signal whether they will follow a competitor's proposed change. With a required one-day-only notice, carriers would be much more likely to file rates they actually want to put into effect.

Clearly we have much umbrella pricing today, and always will. All industries do; as long as there are some very large carriers they will likely price many services similarly. The real question, however, is whether tariffs change this or make it somehow worse. We do not think so. Carriers can and will find out what each other is charging and what features they offer. Furthermore, we want them to know, because only if they know will they have reason and incentive to find ways to innovate and be more competive (i.e., rewrite their how they bill people). Tariffs give carriers the cheapest and most efficient way to figure out what they have to do, and give them the fastest way to get the information they need to design competitive products at the lowest cost.

Do Tariffs per se Discourage Competition?

We do not think the mere existence of tariffs bearing rate and service descriptions in any way discourages competition—at least not in today's market. Regardless of whether rates and service descriptions are tariffed, carriers will be able to find out what competitors are doing. How? By getting data from potential customers who will tell one carrier what another is offering, often including copies of another carrier's material, to play carriers against another. Second, by pretending to be a potential customer of the other carrier. Third, by buying services from the other carrier. Fourth, by getting material from employees who move from one company to another, or from consultants, or from employees of the other carrier who are friends. None of these ways are as cheap or efficient as studying tariffs, but they do work. Since they are slower and more costly than studying tariffs, they likely will slow down carriers' competitve responses, and increase carriers' costs.

The bottom line is the mere existence of tariffs may make it a little easier and cheaper for carriers to find out what each other are doing. But, without tariffs they will find out, and they will respond basically the same way they would if the information would come from tariffs. It will just take them a little longer, and cost more.

Therefore, since tariffs make it cheaper and easier for carriers to respond to competitors' prices and services, and since they give customers either directly or indirectly more information about how to cut thru all the advertising and hype to evaluate services, we feel that in today's market (particularly with the Bell operating companies about to enter the interexchange market) and for at least the near term, tariffs with both regulations and pricing/feature information provide a great benefit both to the industry and to customers. We feel this benefit far outweighs any negatives suggested by the Commission.

We also feel that having to file tariffs and keep them up to date both forces and helps carriers (along with the public prodding tariffs allow) to keep their ducks in a row as far as maintaining consistency between what product management planned, what they actually put into their billing system, what they tell their sales people, and what they advertise to the public.

The Commission has concluded that, if it adopts a mandatory or permissive detariffing policy, it would require carriers to maintain at their premises price and service information covering all of their interstate, interexchange services. While the proper maintenance of such information would be cheaper than maintaining formal tariffs, it would not be zero. Any cost gain by not having to file tariffs would be more than offset by the gains in information availability tariffs provide to both other carriers and customers.

Contract Tariff Concerns.

The Commission has tried to address concerns of contract tariff customers and other long-term customers that their rates may vary over the term of the contract, if rates in the contract are specified as links to normal tariffed rates. Maybe we're missing the boat, but it seems that what we have is customers who have not been able or did not try to negotiate fixed rates in their contracts. We suggest the simple solution would be for these customers, who are by definition generally large and supposedly sophisticated, either negotiate for fixed rates, and if they don't get them, move on to another carrier that will give them. Of course, the knife cuts both ways. If we were to have a decrease in tariffed rates in the near term, customers with fixed rates would be looking for ways to get out of their deals.

Summary: Our View, and How We Interpret the Commission's View.

We argue here that long distance providers above a certain size, whether that be annual revenues of $100 million, $500 million, $1 billion, or some other figure, should be required to file FCC tariffs covering both regulations and interstate and international rates, features, options, discounts, promotions, et al. While we do not contend this is an optimal long-run situation, we believe that for now and at least into the near-term future the benefits from at least the largest carriers filing tariffs under rules similar to those now in effect far outweigh the costs.

We think the Commission has, in suggesting it should require mandatory interstate detariffing, misjudged the following points:

On the benefits side, we think the Commission has:

- Considered only whether or not carrier tariffs are necessary for it (the Commission) to determine if filed regulations/rates/etc are reasonable and just;
- Ignored the fact tariffs serve as a significant aid to carriers' (at least larger carriers') doing business, by providing a common, easily managed depository for most of their rules and regulations that is also easily accessed by customers.
- Ignored the positive effects (public benefits) that tariffs now provide by giving carriers quickly/efficient/cheaply the data they need to quickly respond to competitors, both to change prices/discounts/features/options/promotions and to introduce new services.

- Ignored public benefits accruing from the availability and accessability of tariffs to customers, whether directly or indirectly, which we contend now far outweigh the benefits to the Commission itself.

And, while tariff needs at the Commission may be dimished today now that all IXCs are non-dominant domestically, upcoming near-term changes in the industry (RBOC entry in long distance, for example), suggest that having tariffs (at least from the largest existing IXCs and RBOCs) may well make the Commission's job much easier and more efficent in the future.

On the cost side the Commission suggests required tariff filings could have the following adverse affects: 1) Take away carriers' ability to make rapid, efficient responses to changes in demand and cost; 2) Impede and remove incentives for competitive price discounting; 3) Impose costs on carriers that attempt to make new offerings.

On the cost side we think the Commission has:

- Given too much weight to the potential for tariffs to stifle price competition and and service innovation. We contend that, to the contrary, in today's market where carriers need accurate information quickly, for lack of a better resource tariffs provide quick, cheap information that greases the wheels of competition.

- Overestimated the potential slowdown (if any) filing tariffs might have on on how quickly larger carriers can change rates and services. We suggest the Commission has ignored the real determinants of how fast a carrier can and does respond to competitive and market conditions—its own real-world internal management decisions, procedures, and billing requirements.

- Imputed too much time and dollar cost to the filing of tariffs by the major carriers. We suggest that in reality the physical cost of filing tariffs is all but irrelevant when compared other costs and to the benefits of tariffs. Preparing tariffs is but a slight extension (and serves as a check in their system), since carriers must maintain internal descriptions of their products to ensure accurate billing and synchronization between their finance, marketing, product management, product development, corporate management, sales, advertising, billing, and other functions. Since the Commission has proposed that in the absence of mandatory tariffs carriers will have to maintain a complete (presumably up to date) product/pricing description for its possible inspection, the cost of tariffs is only marginally more than the Commission's alternative. In addition, absent tariffs with rates/pricing carriers will have to prepare much more detailed product/price descriptions for customers, consultants, and others.

- Given too much weight to potential harmful effects arising from the use of tariffs to do price signaling or umbrella pricing, practices which can certainly be accomplished with or without tariffs. We further propose below a slight rule change to virtually eliminate price signaling via tariffs.

Reducing the Commission's Staffing Requirements for Tariffs.

We are aware of the budget and personnel constraints the Commission faces. We would hope this would not be a factor in the Commission's decision or any other on tariff forbearance. Therefore, we suggest that, in light of the Commission's now-limited role in tariff scrutinization, that the Commission could consider outsourcing the function of tariff maintenance to an outside contractor in the Washington, DC area (for convenience, since most filers have offices in the DC area). The contractor (an independent party with no vested interest in the intrinsic use of tariffs themselves; no carriers, consultants, tariff sellers, etc.) would receive, log, copy, and maintain all filings, histories, and complete tariffs. Certainly this could be done for less than the $500-$600 now charged per filing. The Commission could obtain filings as needed from the contractor for a fee. Interested other parties could also obtain filings or tariff subscriptions.

Our Recommendations.

Above all else, we urge the Commission to take deliberate steps to base this decision of tariff forbearance, and all decisions made under the same guidelines from the 1996 Act, in a way to maximize the overall public interest—including the real-world net costs and benefits to sellers and customers.

Our specific recommendations for the present and near-term include:

1) All carriers with annual total revenues above a certain level ($100 million, $500 million, or $1 Billion, say) should file tariffs as they do now (complete service descriptions, pricing) for general services;
2) All carriers may choose whether or not to file their contract tariffs, to allow for the fact the largest customers are knowledgeable and may not need the benefits from tariffs as much as others;
3) Filings must be made exactly 1 day before changes take effect. Today carrier's can file on 1 day's notice, but do not have to; some filings are now done on as much as 45 days' notice, which could act as a form of price signaling. Most (if not all) of any signaling effect could be eliminated by requiring all filings take effect on exactly one day's notice. [To further reduce the ability of carriers to use tariffs as a signaling tool, except for corrections, changes might be required to stay in effect for 30 days.]
4) All other carriers may file permissively, either rates and regulations or only regulations.
5) If the Commission decides to allow permissive tariffing and not force any carriers to tariff in any form, we think it makes sense for the Commission to require all carriers above a certain size who file tariffs at all to file complete rate, discount, features, options, and promotions.
6) If the Commission decides to maintain tariffs in any form (which we urge), it could consider hiring a private contractor to receive, log, copy, and maintain all filings, histories, and complete tariffs, in order to relieve the Commission of some paperwork and staffing needs.

Conclusion.

We believe tariffs serve a far broader range of functions today than just a vehicle to help the Commission enforce its historical duties of ensuring just and non-discrimatory long distance services. In fact, we believe the most important benefits of tariffs in today's market are to carriers, both as procedural and marketing aids, and to customers, who use tariffs either directly or indirectly to understand and evaluate long distance services. We urge the Commission to continue to require complete tariffs (regulations and pricing) from the largest carriers, while allowing smaller carriers to file regulations and pricing data permissively.

Respectfully Submitted,

DR.ROBERT SELF
dba MARKET DYNAMICS

Dr. Robert Self

April 25, 1996