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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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Federal Communications Commission

In the Matter of)	
)	
The Merger of MCI Communications Corporation and British Telecommunications plc)	Docket No. GN-96-245
)	

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REPLY COMMENTS OF AT&T

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Merger of MCI Communications)
Corporation and British)
Telecommunications plc)

REPLY

AT&T Corp. ("AT&T") submits this Reply, in accordance with Public Notice, GN Docket No. 96-245 released December 10, 1996, to the Opposition and Reply of BT and MCI filed on February 24, 1997. AT&T demonstrated in its Comments that the acquisition of MCI by BT would provide increased incentives for BT to leverage its market power in the U.S., and that its opportunity to do so would exist unless the Commission imposes competitive safeguards as a condition of approval of the merger. While BT has made some important commitments to resolve some of the issues raised by AT&T and others, and Oftel and DTI ("UK Government") have provided important clarification with regard to the scope of BT's obligations in the United Kingdom¹, BT nonetheless has

¹ The UK Government's comments (¶39), for example, make clear that BT's obligation to implement non-geographic number portability extends to carrier access codes used for correspondent services. This important clarification means that AT&T's concerns with respect to the portability of the USADirect access code would be satisfied once BT commits to do so in a commercial contract.

failed to adequately respond to the two significant issues affecting U.S. competition: BT's above-cost accounting rates and its denial of equal access in the UK. As shown in AT&T's Comments, and as further explained herein, approval of the merger should be predicated on resolution of these issues. To do so, is not as BT suggests, an attempt to re-write UK law, but rather a focused response to the particular potential for anticompetitive effect in the U.S. market presented by BT's proposed acquisition of MCI.²

SUMMARY

BT's Comments acknowledge the need for it to broker and/or swap transatlantic capacity, to provide cable station access (including co-location on a non-discriminatory basis) and backhaul arrangements, and to implement non-geographic number portability at reasonable prices.³ BT's commitments to resolve these issues in the near term are welcome, and AT&T is pursuing a commercial

² See, e.g., U.S. v. AT&T Corp. and McCaw Cellular Communications, Inc., 59 FR 44158 (1994), wherein, pursuant to the terms of the AT&T/McCaw Consent Decree, the parties agreed to offer equal access capability to interexchange competitors of AT&T when equal access was not then provided by most McCaw systems or other cellular providers, to increase competition in the provision of interexchange services to cellular companies.

³ It is unclear that BT's commitment to act as a broker for cable capacity extends to cables between the UK and third countries, as it should. Without UK-third country capacity, there is no conceivable opportunity for UK entrants to engage in third country hubbing through the UK to the U.S., an opportunity suggested by the UK Government to enable new entrants to match the otherwise unrivaled cost efficiencies BT/MCI would enjoy from the significantly greater volumes transported over their UK-U.S. facility arrangements. See AT&T Comments, pp. 2-3.

contract with BT that will seek reasonable terms to implement them. BT, however, fails to respond adequately to two significant issues that, absent appropriate conditions, would cause unaffiliated U.S. carriers' costs to rise as a result of the merger. The effect of increased costs for unaffiliated carriers would be a lessened ability to compete with BT/MCI in the provision of U.S.-UK services and ultimately higher prices for U.S. customers.

Specifically, AT&T showed in its Comments (pp. 14-19) that, as a combined entity, BT/MCI would gain unrivaled cost advantages on the U.S.-UK route as a result of BT's market power. These cost advantages are a function of (i) BT's ability to maintain above-cost accounting rates for so long as broad-based bypass of BT's network is unavailable to U.S. carriers; (ii) BT's ability to raise its rivals' costs in the U.S. by disproportionately returning traffic to MCI while it maintained above-cost accounting rates for other U.S. carriers⁴; and (iii) BT's ability to impose cost inefficiencies on its U.S. rivals by its denial of equal access presubscription and dialing parity in the United Kingdom. Until such time as U.S. carriers can terminate the vast preponderance of U.S. calls without the use of BT's international network, U.S. carriers will be

⁴ As AT&T explained in its Comments (pp. 14-15) after the merger, any transfer of funds between MCI and BT would be internal transfers.

unable to avoid the potential anticompetitive effect of BT's above-cost accounting rates and disproportionate return of traffic. And, even with a cost-based termination rates from BT and opportunities for self-correspondency by U.S. carriers, BT/MCI will enjoy unrivaled cost advantages providing the dominant share of two-way traffic on the U.S.-UK route for so long as BT denies equal access to its competitors in the UK. As AT&T explained in its Comments, irrespective of regulatory policies to "de-couple" outbound and inbound traffic, the opportunity for BT/MCI to spread the costs of U.S.-UK transatlantic facilities over a broader base of two-way minutes -- while their competitors are limited by market barriers in the UK to compete effectively for two-way minutes, will provide BT/MCI unrivaled cost advantages on the U.S.-UK route and will diminish competition in the provision of U.S.-UK services to U.S. customers.

Rather than provide appropriate redress for these concerns, BT and the UK Government suggest that the FCC should overlook these consequences to U.S. customers and carriers. These claims are based on the notion that the Commission is powerless to remedy the potential for anticompetitive effect in the U.S. caused by above-cost accounting rates, disproportionate return and unequal access because the source of the problem exists in the UK. If this

were so, the only sustainable decision would be denial of the proposed merger. AT&T does not believe, however, that that result must occur, because the Commission has ample authority to redress anticompetitive effects in the U.S. Moreover, it has exercised that authority in analogous cases, imposing conditions on the conduct of foreign carriers in their home markets to promote and protect competition in the U.S. The Commission can and should take similar action here, tailoring the conditions of approval of the proposed merger such that they apply only to BT and only to protect against specific potential anticompetitive effects in the U.S. With this approach, the Commission can balance the statutory authority it is duty-bound to discharge with issues of international comity.

I. FOR SO LONG AS BROAD-BASED BYPASS OF BT BY U.S. CARRIERS IS UNAVAILABLE, BT/MCI WILL ENJOY UNRIVALED COST AND PRICING ADVANTAGES IN THE U.S. THAT CAN BE MINIMIZED ONLY BY BT'S ESTABLISHMENT OF COST-BASED ACCOUNTING RATES WITH UNAFFILIATED CARRIERS

BT does not refute the fact that its accounting rate is above long run incremental cost levels.⁵ Nor does

⁵ See BT Comments, p 28. The UK Government's comments indicated some confusion about the settlement costs AT&T described in its Comments. Because the settlements process involves netting, U.S. carriers and BT essentially complete balanced minutes without any settlements costs paid to one another; instead, in return for a minute delivered, each carrier terminates a minute of the other. On balanced minutes, therefore, each party gains the benefits of its efficiencies, incurring only the network costs they incur to terminate the other's minute. For imbalanced minutes, BT collects an above-cost accounting rate on each and every minute.

BT or the UK government dispute AT&T's arguments that the combination of BT's above-cost accounting rates and disproportionate return by BT -- in the absence of U.S. carriers' ability to bypass BT -- would have an anticompetitive effect on competition in the U.S. in the provision of services between the U.S. and UK. Indeed, BT/MCI would be hard-pressed to make such a case given the long-standing proportionate return principles of the Commission's International Settlements Policy and MCI's insistence on unequivocal and absolute parity in accounting rate levels among U.S. carriers on other routes.

The issues in this case, therefore, are twofold: (1) whether opportunities exist in the UK sufficient for unaffiliated U.S. carriers to engage in broad-based bypass of BT's network to complete U.S. calls; and (2) whether, despite these opportunities, BT/MCI will nevertheless enjoy

The "effective settlement rate" is a per unit measure of settlements cost based on all minutes delivered. To derive that per unit cost, the settlements paid to BT for AT&T's imbalanced minutes, for example, is spread over all of AT&T's U.S.-UK minutes delivered. This per unit cost directly affects U.S. carrier pricing decisions because U.S. carriers seek to recoup from customers (whether a customer's minute is a "balanced" or "imbalanced" minute) the per unit settlement cost incurred.

Under the present bilateral arrangement, AT&T (and other U.S. carriers) have an effective settlement rate of approximately \$0.036. If BT were to divert its traffic to MCI, the effective settlement rate that AT&T (and other U.S. carriers) would pay to BT would rise more than three times to \$0.11 per minute. That result would lessen the ability of unaffiliated U.S. carriers to compete with BT/MCI (whose tariff rate for calls on the U.S.-UK route is \$0.12 per minute), and ultimately cause U.S. customer prices to rise as a result of the merger.

unrivaled cost advantages as a result of BT's continued market power in the UK. Only broad-based bypass will enable U.S. carriers to avoid the potential anticompetitive effect of BT's above-cost accounting rates and disproportionate return of traffic.⁶ However, as shown in AT&T's comments, that alone would not remove the unrivaled cost efficiencies that BT/MCI alone will enjoy in the provision of U.S.-UK service to U.S. customers for so long as BT is not required to offer equal access presubscription and dialing parity to its competitors.

Despite BT's unsupported assertion that it believes AT&T may have the ability to engage in broad-based bypass, AT&T demonstrated in its Comments that this is not the case now and that substantial time and investment by AT&T, and cooperation by BT, would be required for it to self-correspond to complete its traffic volumes with AT&T-UK or any other carrier in the UK. In brief, AT&T lacks sufficient transatlantic capacity to terminate its calls without using BT as a correspondent⁷; requires substantial

⁶ As explained in its Comments, without equal access, unaffiliated carriers will be relegated to competing for a small segment of the UK customer base -- those willing to suffer the inconvenience of different dialing protocols and dialing additional digits to switch from BT. As a result, unaffiliated U.S. carriers will have no meaningful opportunity to gain volumes on their two-way facilities comparable to those BT/MCI will control for as long as they enjoy the advantages of superior local access in the UK. The net effect will be increased costs for unaffiliated U.S. carriers, as their settlements to BT remain high and their inbound traffic stream is diminished.

⁷ BT (p. 7) asserts its belief that AT&T has inactivated circuits that could be used to terminate its traffic with AT&T-UK. Not

additional switching and transport facilities to augment AT&T-UK's network before it could terminate AT&T's volumes⁸; and is dependent on BT's construction of additional trunks between AT&T-UK's switching locations and BT's network to move any substantial portion of its volumes. Further, for any foreseeable term, AT&T and other competitors will remain dependent on BT's ubiquitous local network for the completion of calls to UK customers.

Although the UK Government appropriately points out that local competition is emerging in some segments, they also make clear that the opportunity for broad-based bypass of BT's network is not now available, and will evolve only after a undefined transition period. The UK Government explains that infrastructure networks replicating BT's network throughout the UK have not yet been built, as competitive alternatives now exist only in areas of urban

only has BT overstated the amount of AT&T's unactivated capacity, the fact is that AT&T purchased its cable capacity based on forecasts that assumed continued correspondency with BT for existing and projected U.S.-UK traffic. To the extent AT&T were to change the intended purpose of the purchased capacity to move existing volumes to AT&T-UK, it would be done at the expense of other business plans of AT&T -- a cost that should not be imposed on competitors as a result of the merger.

⁸ As AT&T explained in its Comments (p 18), AT&T-UK's network would require additional switching and transport facilities within the UK to terminate AT&T's volumes. In addition, to obtain access to cable capacity, substantially more trunks between BT's network and AT&T's network would be required. These trunks would require construction or reconfiguration by BT -- which would have a direct impact on the time required to complete the project. In its Reply, Frontier Corporation notes that "BT does not currently quote a service interval for interconnecting a switch to its domestic network of less than six months." Comments of Frontier Corp., p. 3.

centers. During the transition to full infrastructure local competition, the UK government also acknowledges that the "incumbent will be able to benefit from its market power to act as 'prime mover' by dictating the pace of change."⁹

Thus, for the foreseeable future, U.S. carriers will be able to terminate no more than a small segment of their traffic using local providers other than BT. Unfortunately, there is no basis yet to conclude that that limited opportunity will be expanded by any significant measure any time soon. AT&T is unaware of plans by any entrant to replicate BT's ubiquitous network throughout the UK, nor is there any combination of individual competitive networks in progress or planned that would lead to this result.

Continued dependence on BT's international network by U.S. carriers for the completion of the vast preponderance of U.S. calls will also continue for at least an interim period. BT's commitments to address the barriers presented by the lack of cable access, transatlantic capacity, and competitive backhaul transport in the UK should facilitate the transition, provided its terms are reasonable. Similarly, BT's commitments to sell its capacity and the UK Government's clarification that non-geographic number portability includes carrier access codes

⁹ UK government Comments at ¶ 21.

for correspondent services are welcome, and AT&T is seeking commercial arrangements with BT to memorialize the terms and conditions of those commitments. Once all of these issues are resolved in commercial contracts, however, AT&T and other U.S. carriers will be dependent on BT's cooperation to reconfigure its transatlantic cable facilities and provide the connections to new entrants' networks.¹⁰ AT&T believes that these transitional requirements will entail at least a 12-18 month process.

As AT&T's Comments showed, until self-correspondency by U.S. carriers and broad-based bypass of BT's network for the completion of U.S. calls is available, or until BT agrees to move its accounting rate to cost¹¹, BT/MCI will retain an unrivaled cost and pricing advantage in the U.S. Because BT's accounting rate is above cost, and payments between BT and MCI will be merely internal transfers, BT/MCI will be able to price services to U.S. customers based on their LRIC costs to terminate calls on an end-to-end basis. Their U.S. rivals, however, will be

¹⁰ See Comments of Frontier, p. 3, wherein Frontier notes that BT's standard interval for connecting a competitor's switch to its network is six months.

¹¹ The Commission correctly recognized that BT's ability to engage in private line resale would deter BT from lowering its accounting rates for its competitors on the U.S.-UK route. Based on that concern, the Commission ordered BT to file a plan to move its accounting rate toward cost within a two year period from the grant of its ISR license. That period expired two months ago, and BT does not deny that its accounting rate remains above cost.

required to recoup the cost imposed by BT's settlement rates for the traffic U.S. carriers must continue to terminate on BT's international network. This competitive disadvantage would be heightened by any disproportionate return of BT's traffic to unaffiliated carriers. To dismiss this potential for price distortion and the opportunity for even larger disparities in settlement costs for U.S. carriers on the U.S.-UK route for even a temporal period is contrary to sound policy and well-established Commission precedent.¹²

Thus, until U.S. carriers can complete all or most of their traffic without using BT's network, the Commission should protect against price distortion and discrimination in the U.S. market by conditioning approval of BT's merger on establishment of cost-based accounting rates with U.S. carriers.¹³

II. BT/MCI WILL ENJOY UNRIVALED COST EFFICIENCIES ON THE US-UK ROUTE FOR SO LONG AS EQUAL ACCESS TO BT'S NETWORK IS UNAVAILABLE

Even with cost-based accounting rates from BT and notwithstanding opportunities for U.S. carriers to correspond with others in the UK, BT/MCI will continue to

¹² See AT&T Comments, Sec. I.B.

¹³ That BT could engage in ISR with MCI outside of the settlements process does not change the need for the Commission to condition approval of the merger on BT's establishing a cost-based accounting rate with unaffiliated U.S. carriers. BT's incentive to send all of its traffic to MCI, once it owns 100% of MCI will be increased accordingly.

enjoy unrivaled cost efficiencies on the U.S.-UK route for so long as equal access to BT's network is unavailable. As shown in AT&T's Comments, without equal access, BT will continue to control the dominant share of UK-U.S. outbound traffic.¹⁴ This outcome, however, is not, as BT suggests, a matter simply for UK resolution. The lack of equal access in the UK has a direct consequence for competitors of BT/MCI

¹⁴ AT&T's recent settlements data with BT and MCL illustrates the constraint unequal access has had on the ability of BT's competitors to capture UK outbound traffic share. In 1992, approximately seven years after the introduction of the international services duopoly in the UK, MCL had captured about 28% of the UK-U.S. route from BT. Thereafter, between 1992 and 1995, MCL's market share grew, while BT's market share declined. During 1996, however, the gains made by MCL on the UK-U.S. route had been lost: by year end 1996, MCL's share was lower than it share in 1992. Importantly, by 1996, BT regained the same share it held on the UK-U.S. route as of 1992. Thus, as competition on the UK-U.S. route expanded with new entrants in the UK, it was MCL, and not BT, that lost share to new entrants.

A reasonable interpretation of this data is that the lack of equal access presubscription and dialing parity in the UK acts as a market cap on the number of customer minutes available to new competitors in the UK. As AT&T explained in its comments, consistent with the U.S. pre- and post-divestiture experience, apparently only a limited customer segment in the UK is willing to suffer the inconvenience of different dialing protocols and the need to dial additional digits on each and every call to switch their traffic from the incumbent carrier. Those customers willing to switch from BT, despite these inconveniences, are also more likely to switch their business from one new entrant to another. New entrants thus vie with one another to win the business of a relatively small segment of the market. But, that limited customer segment is unlikely to be sufficient to enable new entrants to grow into effective, viable competitors. At the same time, the lack of equal access will continue to prevent new competitors from gaining anything but *de minimus* volumes of the outbound traffic volumes of the broader customer market.

See also Comments of ACC, pp. 4-7, wherein ACC described how unequal access in the UK is a considerable hurdle for new entrants, preventing them from gaining more than a minor share; Comments of Energis at ¶4.1.5.

in the U.S. and the prices U.S. customers will pay to U.S. carriers for U.S.-UK calls.

Simply put, AT&T and other unaffiliated U.S. carriers have international facility networks for service to the UK and the cost of operating those networks declines, on a per unit basis, with volumes. Market barriers -- here or there -- that limit the opportunities of some end-to-end competitors, but not all, in the two-way service market will skew the relative cost positions of competing carriers -- here and there. Inevitably, carriers denied equal access in the UK will experience higher unit costs of providing end-to-end, U.S./UK two-way services, and their pricing in the U.S. as well as the UK will reflect this fact.

BT does not dispute the advantage it will retain from the denial of nondiscriminatory carrier selection in the UK. Nor does it hold out any hope that it will ever implement equal access in the UK (notwithstanding the European Commission's Green Paper proposal supporting equal access presubscription and dialing parity). BT, instead, suggests that the Commission should overlook any effect on competition in the U.S. posed by unequal access in the UK. As explained below, however, this approach is unsustainable and must be rejected.

III. THE COMMISSION HAS THE AUTHORITY AND OBLIGATION TO PROTECT AGAINST THE RISK OF ANTICOMPETITIVE EFFECTS IN THE U.S. EVEN THOUGH THE SOURCE OF THE PROBLEM LIES IN THE UNITED KINGDOM

Contrary to BT's suggestions, the Commission is not powerless to impose remedies to protect against anticompetitive effect in the U.S. even though the source of the problem lies in the UK. Indeed, if that were the case, the Commission would be duty-bound to deny the proposed merger. That result is not necessary, however, because the Commission has ample authority to provide an adequate remedy here, and it has recent Commission precedent to impose the conditions required.

There can be no serious dispute that the Commission has the authority to enforce its ISP principle of proportionate return for so long as BT maintains the ability to increase rivals' costs through manipulation of return traffic, but that alone will not remove the opportunity for price distortion in the U.S. Nor is there any doubt that the Commission can condition its approval on BT's decision to establish cost-based rates.¹⁵ That the latter action is warranted is supported by the events following the BTNA Order. In that case, the Commission directed BT to file a

¹⁵ The Commission specifically required "as a condition of this authorization that BTNA file (within sixty days of release of this order) a plan setting forth further significant reductions by BT towards cost-based accounting rates with U.S. carriers over the next two years." In the Matter of BT North America for Authority under Section 214 to Provide International Resale Services, 10 FCC Rcd 3204 (1995) at ¶10.

plan to move its rates to cost within two years of the Order. Ironically, that two year period expired in January 1997, and BT's accounting rates remain above-cost. This result not only validates the concern expressed by the Commission that BT would not be motivated to establish cost-based rates for its competitors after it gained U.S. entry, it reveals that more direct Commission action is required to achieve the result.

Similarly, the Commission has the authority to evaluate the circumstances of a foreign market to determine the effects on competition in the U.S. by a foreign carrier's entry into the U.S. The Market Entry Order determined that that analysis is an important component of the Commission's public interest determination for foreign carrier entry.

Further, whether included as one of the market entry ECO criteria, any factor in the foreign market that would provide the foreign carrier the opportunity to skew competition in the U.S. through discrimination or other means may be considered by the Commission.¹⁶ Indeed, there would be no reasonable basis, notwithstanding the ECO criteria, to conclude that only some, but not all, foreign

¹⁶ The Market Entry Order explained the folly of conducting only a de jure analysis of the ECO criteria, and the comments of Sprint, France Telecom and Deutsche Telekom asking the Commission to adopt such an approach in this proceeding should be rejected. See Market Entry and Regulation of Foreign-Affiliated Entities, 11 FCC Rcd. at ¶43.

market conditions are subject to Commission evaluation: for example, having determined that non-discriminatory interconnection in the foreign market is necessary to avoid adverse effects to U.S. competition, it is equally supportable for the Commission to conclude that non-discriminatory carrier selection in the foreign market is also necessary to promote and protect competition in the U.S.

Finally, the Commission has exercised its authority to promote competition in the U.S. by imposing conditions on entry that extend to the foreign carrier's conduct in its home market. Most recently, the Commission took this approach with respect to Telecom New Zealand, when it granted authority to Telecom New Zealand Limited ("TNZL") to provide international services between the U.S. and New Zealand.¹⁷ There, the Commission found that "the protracted interconnection dispute between TCNZ and Clear for the provision of local service raises the serious concern that other competing carriers could encounter similar difficulties in negotiating toll interconnection arrangements".¹⁸ Unwilling to rely on the New Zealand regime to remedy this concern, the Commission made the

¹⁷ In the Matter of Telecom New Zealand Limited Application for Authority under Section 214 to Acquire and Operate Facilities to Provide International Services between the U.S. and New Zealand, 1996 FCC Lexis 7207 (released Dec. 17, 1996).

¹⁸ Id. at para. 20.

"prompt provision of reasonable and nondiscriminatory interconnection for international carriers -- including nondiscriminatory access to volume discounts -- specific conditions of [its] grant of TNZL's application."¹⁹

Similarly, in the Sprint/FT/DT case, the Commission went further.²⁰ Rather than limiting its conditions to the applicants' conduct, the Commission required broad changes in the regulatory rules in France and Germany. Specifically, as a condition of Sprint's operating additional facilities on the route, two milestones in the foreign market were established: (1) the development of alternative infrastructure competition; and (2) the availability of basic switched service resale.

Here, the Commission should take the more limited approach it employed in the TNZI case. Specifically, BT-specific obligations tailored to remedy the specific anticompetitive risks presented by the merger should be adopted as conditions for approval. To prevent BT/MCI from engaging in price distortions and raising their rivals' costs through the maintenance of above-cost accounting rates and the manipulation of return traffic, BT should be obligated to establish settlement rates based on long run incremental costs. In addition, because even with a cost-

¹⁹ Id. at para. 21.

²⁰ See Sprint Corporation, 11 FCC Rcd 1850 (1996).

based accounting rate and/or self-correspondency by other U.S. carriers, BT/MCI will experience unrivaled cost efficiencies for so long as equal access is unavailable in the UK, BT should be obligated to offer equal access presubscription and dialing parity to its competitors in the U.K.

Imposing these conditions, tailored to apply only to BT and targeted to the specific potential anticompetitive effects posed by the increased incentive and opportunity for BT to use its market power in the UK to favor its merged entity with MCI on the U.S.-UK route, would not, as BT contends, "rewrite the ground rules for competition and interconnection in the UK" (BT/MCI Comments p. 3) in the UK. Other UK correspondents would not be required to establish cost-based rates as a result of BT's merger with MCI. Nor would infrastructure owners, including cable system operators and other new entrants, be affected by a BT-specific equal access obligation.²¹ Only a single competitor, BT, would be affected, and only then to ensure that its opportunity to use its market power on the U.S.-UK route is minimized.²² With this approach, the Commission

²¹ See also Comments of ACC Global, pp. 6-7, wherein ACC explained that BT is now the only carrier in the UK required to provide indirect access; cable companies are not similarly obligated.

²² For example, in the AT&T/McCaw merger, McCaw was required as part of the Consent Decree to "provide equal access to interexchange competitors of AT&T, which is not now provided in most McCaw systems, thereby increasing competition in the provision of interexchange services to cellular customers." United States of

can balance the statutory authority it is duty-bound to discharge and issues of international comity.²³

America v. AT&T Corp. and McCaw Cellular Communications, Inc., 59 FR 44158 (1994) at 44158.

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It also should be noted that requiring BT to establish nondiscriminatory carrier selection and dialing arrangements in the UK would be consistent with the proposal of the European Commission ("EC"). In its Green Paper on Numbering Policy for Telecommunications Services in Europe, COM (96)590, released Nov. 20, 1996, the EC determined that equal access is critically important for new entrants to compete in liberalized markets, finding that:

[T]he introduction of carrier selection is likely to bring large direct and indirect benefits to the European society and economy. It is an essential element to bring increased competition on long-distance and international traffic... Id. at i.

[T]he introduction of carrier selection would assist in the migration of users from one operator to the other. It would make customers more aware of competitive alternatives, customers would not have to invest so much time and money (including necessary CPE alterations) in changing to a new operator, customer could try out new operators on a call-by-call basis with no long term commitment, and customers would avoid having to dial additional digits in order to access another operator's network. Id. at 30.

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CONCLUSION

For the reasons described herein and in AT&T's Comments, the Commission should approve the proposed merger of MCI by BT subject to competitive safeguards, including the establishment of cost-based termination rates for the completion of U.S. calls on BT's network and the availability of equal access presubscription and dialing parity in the UK.

Respectfully submitted,
AT&T Corp.

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Dated: March 17, 1997

CERTIFICATE OF SERVICE

I, May Morrison, do hereby certify that a copy of Reply Comments of AT&T, dated March 17, 1997, has been sent by United States mail, postage prepaid, to the parties listed on the attached service list.


May Morrison

Dated: March 17, 1997

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