Gina Harrison
Director-
Federal Regulatory

SBC Communications Inc.
1401 I Street N.W.
Suite 1100
Washington, D.C. 20005
Phone 202 326-8882
Fax 202 408-4805

ORIGINAL

DOCKET FILE COPY ORIGINAL

RECEIVED

NOV - 6 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 6, 1997

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: IB Docket No. 96-261
SBC Reply to AT&T's Opposition to Petitions for Reconsideration

Dear Mr. Caton:

Enclosed for filing, on behalf of SBC Communications Inc., Southwestern Bell Communications Services, Inc. and Pacific Bell Communications, is an original and eleven copies of the SBC Reply to AT&T's Opposition to Petitions for Reconsideration of the Commission's *Benchmark Order* in the above-referenced proceeding. Please date-stamp and return the enclosed duplicate copy.

Should there be any questions about this matter, please contact the undersigned.

Sincerely,

Gina Harrison

Gina Harrison

Enclosure

No. of Copies rec'd 0+11
List ABCDE

DOCKET FILE COPY ORIGINAL

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

RECEIVED
NOV - 6 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
International Settlement Rates	)	IB Docket No. 96-261
	)	

SBC REPLY TO AT&T's OPPOSITION
TO PETITIONS FOR RECONSIDERATION

SBC Communications Inc. ("SBC"), by its attorneys and on behalf of its subsidiaries Southwestern Bell Communications Services, Inc. and Pacific Bell Communications (together, "SBCS"), hereby opposes, in one respect, AT&T's Opposition to Petitions For Reconsideration[1] of the Commission's Report and Order ("*Benchmark Order*")[2] in the above-referenced proceeding. SBCS is a certificated international carrier and is a forthcoming entrant in the long distance market. SBCS will compete vigorously with established carriers, especially in the U.S. international telecommunications market where prices, and carrier margins, remain high.

As an impending competitor, SBC disagrees with AT&T's request that the Commission deny MCI's Petition for Clarification or Reconsideration.[3] MCI proposed a modification to the benchmark condition associated with Section 214 grants applicable to facilities-based carriers. Conversely, SBC supports adoption of MCI's alternative standard to require existing Section 214

---

[1] AT&T Corp., *Opposition to Petitions For Reconsideration*, IB Docket No. 96-261 (filed Oct. 24, 1997) ("*AT&T Opposition*").

[2] International Settlement Rates, IB Docket No. 96-261, *Report and Order*, FCC 97-280 (Aug. 18, 1997) ("*Benchmark Order*").

[3] MCI Telecommunications Corp., *Petition For Clarification or Reconsideration*, IB Docket No. 96-261 (filed Sept. 29, 1997) ("*MCI Petition*").

holders with foreign affiliates to negotiate and have in effect settlement rates at or below the relevant benchmark only where the Section 214 carrier and its foreign affiliate provide greater than 25 percent of the total inbound or outbound traffic on the route or where the foreign affiliate is dominant.[4]

Such standard is appropriate in the international market for facilities-based services because the Commission has no reason to be concerned with above-cost settlement rates for foreign affiliate transactions in WTO-member markets in which a foreign affiliate is non-dominant or the traffic with its U.S. affiliate amounts to less than 25% of the total traffic on the route.[5] In such circumstances, open entry and competitive alternatives to the foreign affiliate's facilities-based service exist. A foreign carrier would be unable to sustain above-cost settlement rates with its U.S. affiliate because it would undoubtedly suffer reduced inbound receipts as U.S. carriers entered into agreements with, and consumers selected service from, alternate facilities-based service providers.[6]

Not only is AT&T mistaken in stating that "MCI has failed to justify the exemption" for non-dominant carriers with less than a 25% market share,[7] but MCI's proposal also should apply to Section 214 authorizations to provide switched services over resold international private lines ("international simple resale" or "ISR"). Without such modification, the existing benchmark

---

4 *MCI Petition* at 3.

5 SBC also questions the inclusion of non-interconnected private line authorizations as subject to the same condition, *see Benchmark Order*, ¶¶ 209 and 231, because such services do not involve settlements and have nothing to do with above-cost accounting rates.

6 Of course, the "No Special Concessions" aspect of the Commission's International Settlements Policy already ensures that a foreign affiliate could not offer preferential rates to its U.S. affiliate.

7 *AT&T Opposition* at 9.

condition requiring half the traffic on a *route* to be settled at or below the settlement rate prior to the authorized provision of ISR could hold new carrier entry hostage to a foreign dominant carrier, thus undermining the Commission's pro-competitive goals.

ISR promotes market entry, stimulates competition and pressures foreign carriers to lower accounting rates. However, the benchmark condition adopted by the Commission would authorize ISR only *after* a foreign dominant carrier lowers settlement rates for at least half the traffic on the route. Thus, the prime advantage of ISR – opening foreign markets to competition – becomes dependent on a foreign carrier's decision to reduce settlement rates. Even if the foreign market nominally is open to new entrants, particular foreign carriers may dominate international traffic on that route for some time to come. Such carriers already have little incentive to reduce settlement rates, especially prior to the benchmark transition period. Exposing such carriers to entry by other entities offering ISR under MCI's alternate standard would eliminate a dominant foreign carrier's ability to restrict competition, thereby promoting price competition that would pressure dominant foreign carriers to reduce accounting rates.

For the reasons stated, SBC respectfully requests that the Commission reject AT&T's opposition and grant MCI's Petition for Clarification or Reconsideration with respect to both facilities-based service to an affiliated market and international simple resale.

Respectfully submitted,

SBC COMMUNICATIONS INC.

By: Stanley J. Moore

James D. Ellis
Robert M. Lynch
175 E. Houston, Room 1254
San Antonio, TX 78205

Stanley J. Moore
5850 W. Las Positas Blvd
Pleasanton, CA 94588
(510) 468-5259

November 6, 1997

ITS ATTORNEYS

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of November, 1997, I caused copies of the foregoing "SBC Reply to AT&T's Opposition To Petitions For Reconsideration" to be mailed via first-class postage prepaid mail to the following:

Mark C. Rosenblum
Lawrence J. Lafaro
James J.R. Talbot
AT&T
295 N. Maple Ave.
Rm. 3252H3
Basking Ridge, NJ 07920

John M. Scorce
Kenneth A. Schagrin
Larry Blosser
MCI Telecommunications Corporation
1801 Pennsylvania Ave., NW
Washington, DC 20006

Antonio M. Meer
Meer, Meer & Meer
9th Floor, PLDT Bldg.
Lesgapi St.
Makati, Metro Manila
Philippines

Albert Halprin
J. Randall Cook
Halprin, Temple, Goodman & Sugrue
1100 New York Ave., N.W.
Suite 650 East
Washington, D.C. 20005

Gene C. Schaerr
Daniel Meron
1722 Eye St., NW
Washington, DC 20006

Leon M. Kestenbaum
Michael B. Fingerhut
Sprint Communications Company L.P.
1850 M St., NW, 11th Fl.
Washington, DC 20036

Luis Lopez-van Dam
General Secretary
Telefonica Internacional de Espana, S.A.
Jorge Manrique, 12
Madrid 28006 SPAIN

Alfred M. Mamlet
Colleen A. Sechrest
Steptoe & Johnson LLP
1330 Connecticut Ave., NW
Washington, DC 20036

Ward W. Wueste
GTE Service Corporation
One Stamford Forum
Stamford, CT 06904

Gail L. Polivy
GTE Service Corporation
1850 M St., NW, Ste. 1200
Washington, DC 20036