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November 6, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W. , Room 222
Washington, D.C. 20554

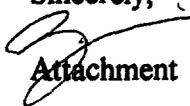
Dear Mr. Caton:

Re: IB Docket No. 96-261, International Benchmarks; IB Docket No. 97-142/Foreign
Participation

On Wednesday, November 5, we sent a copy of the attached material to Karen Gulick of Commissioner Tristani's office, and to Ari Fitzgerald, of Chairman Kennard's office. We are submitting two copies of this notice in accordance with the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions.

Sincerely,


Attachment

cc: K. Gulick
A. Fitzgerald

Switched Resale

SBC Communications, Inc.

IB Dockets Nos. 96-261, 97-142

November 1997

SBC Background

- Certificated U.S. international carrier (out-of-region)
- U.S. carrier with some foreign “affiliations”
- Forthcoming entrant in long distance business
- Intends to compete vigorously with established carriers

SBC Position

- AT&T proposal would chill U.S. competition
- AT&T proposal would chill foreign competition
- No practical basis for AT&T concerns

Procedural Flaws

- Should be addressed in reconsideration of *Benchmark* order rather than the *Foreign Participation* proceeding
- Insufficient notice: FCC signal released only after comments and replies filed.

Proposal Sweeps too Broadly

- Conduct at issue would be predatory, which is already illegal - no additional FCC policy necessary
- Reseller pricing below cost easily detectable
- Existing reporting requirements adequate

Price Squeeze Unrealistic

- No evidence it has ever occurred
- No reseller has or could obtain 10 percent market share
- Customers price for a “basket” of routes
 - Global coverage required - impractical to carve-out markets
 - Customers will not leave existing carrier for price reductions in just a few markets

Price Squeeze Unrealistic

- Reseller contracts permit short-term price increases
- Facilities-based carriers have lower cost structures - resellers cannot undercut
- “Affiliate” rule covers non-controlling investments
- Potential to lose all leverage over foreign carriers

AT&T Proposal Anticompetitive

- Existing market oligopolistic
- Resellers dropping price is evidence of competitive market starting to work
- Resale traditional path for new carrier entry

Public Policy Problems

- Handicaps U.S. overseas investment
- Possibly inconsistent with WTO/GBT (not least burdensome safeguard)
- In any event, *Benchmark* Section 214 conditions should not apply to non-dominant foreign carriers

Recommendation

- Critically examine AT&T's underlying economic assumptions
- Help, not hinder, international competition
- Reject AT&T request