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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY HAND

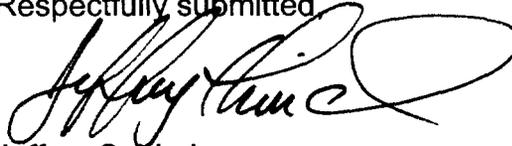
Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Communications in CC Docket No. 96-149

Dear Ms. Salas:

This is to inform you that Linda Yohe and Lori Fink, of SBC, and the undersigned met today with Michael Jacobs and Anne Stevens of the Policy Division of the Common Carrier Bureau. We discussed SBC's position regarding the CIX/ITAA petition filed in the above-captioned docket, as reflected in SBC's comments and reply comments. We also handed out a paper (two copies of which are attached) which summarizes SBC's arguments in opposition to the CIX/ITAA petition.

Respectfully submitted



Jeffrey S. Linder

cc: Michael Jacobs (w/o encl.)
Anne Stevens (w/o encl.)

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SECTION 272 SHOULD SUNSET FOR INTERLATA INFORMATION SERVICES ON FEBRUARY 8, 2000, AS CONGRESS INTENDED

- Introduction
 - The ITAA/CIX petition focuses on *in-region*, interLATA information services, and no commenter sought extension of section 272 for out-of-region services.
 - No matter what the Commission does on the petition, therefore, it must permit section 272 to sunset for out-of-region interLATA information services on schedule.
- The burden of showing a need to extend the sunset lies with the petitioners
 - Sunset is the default situation intended by Congress
 - Given the Act's deregulatory purpose, sunset should occur absent a compelling showing that competition would be injured by the integrated provision of local exchange and interLATA information services
- The petitioners' arguments are groundless
 - Congress did not tie expiration of the 272 requirements for interLATA information services to the date of RBOC entry
 - Extension of the 272 requirements is not needed to safeguard competition in any market
 - BOC provision of advanced services is subject to a multitude of regulations that assure against discrimination and cross-subsidization. Moreover, there is no nexus between provision of interLATA information services and the ability to discriminate in the provision of advanced services.
 - BOCs have provided intraLATA information services for 15 years under non-structural safeguards with no evidence of harm to competition. The provision of interLATA information services creates no additional incentive or ability to impede competition – unlike interLATA telecom services, the interLATA component of interLATA information services is incidental. The value to the customer lies in the content, which the BOCs already may provide.
 - BOCs are new entrants in the interLATA information services market, competing against well-established companies like AT&T (which

controls the most popular form of broadband access), MCI WorldCom (the leading Internet backbone provider), and other ITAA/CIX members.

- Finally, BOCs will not be able to provide the vast majority of in-region, interLATA information services until they have persuaded the FCC that they have irreversibly and fully opened their local markets to competition. And even then, entry will occur on a state-by-state basis, disabling the BOCs from countering the major IXCs' market power in the Internet backbone and bundled services markets.
- Timely sunset of the 272 requirements for interLATA information services will promote competition and benefit consumers by enabling SBC to provide service more efficiently and responsively.
 - The Commission has held throughout the Computer III proceeding – most recently in its March 1999 order in the remand proceeding – that structural separation imposes significant, unwarranted inefficiencies on the provision of information services.
 - The separation requirements distort competition by imposing discriminatory and highly burdensome regulatory requirements on one segment of a competitive industry.
 - SBC would be impaired in providing a wide range of interLATA information services if the sunset were delayed, directly harming potential customers and diminishing competition.