The proposed MCIWorldCom/Sprint merger is not in the public interest. U.S. consumers in both the mass market as well as the larger business market will suffer reduced levels of consumers' surplus as a result of price increases caused by the merger. Price increases for mass-market consumers are estimated to be approximately seven percent if carriers price non-cooperatively and approximately fifteen percent if they price with the same degree of tacit collusion as today, with large business customers facing similar percentage price increases. These price increases would cause mass market subscribers to incur reductions in consumers' surplus of approximately \$1.8 billion to \$3.9 billion annually, or \$12.3 billion to \$25.9 billion in present value, while larger business subscribers will face reductions of approximately \$0.3 billion to \$2.2 billion annually, or \$2.0 billion to \$14.4 billion in present value. The total likely consumer losses will thus be \$2.1 billion to \$6.1 billion annually, or \$14.3 billion to \$40.3 billion in present value. Such reductions in consumer welfare certainly would not be in "the public interest."

May 10, 2000

* * *

I hereby swear and affirm, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.

Paul W. MacAvoy

Paul W. MacAvoy

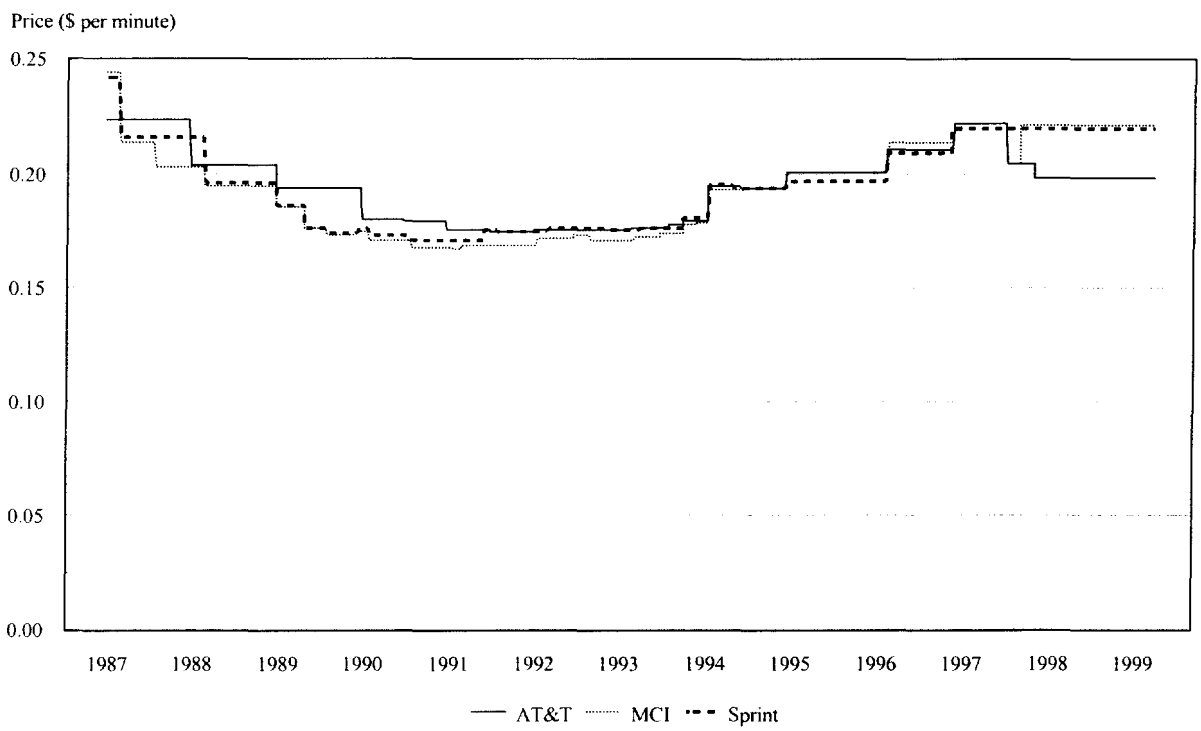
A

US OFFICE PRODUCTS

APPENDIX: EMPIRICAL EVIDENCE ON PRICE-COST MARGINS

1. ***Estimation of Prices.*** Over the period between 1987 and 1996, a characteristic pattern emerged whereby standard service prices fell, stabilized, and then increased. Appendix Figure One illustrates this pattern of interstate standard plan MTS prices to subscribers of long distance. As prices increased, from 1994 to 1997, they became more identical. After they peaked in 1997, AT&T prices departed from those of the others, to return to the twenty cent per minute level.

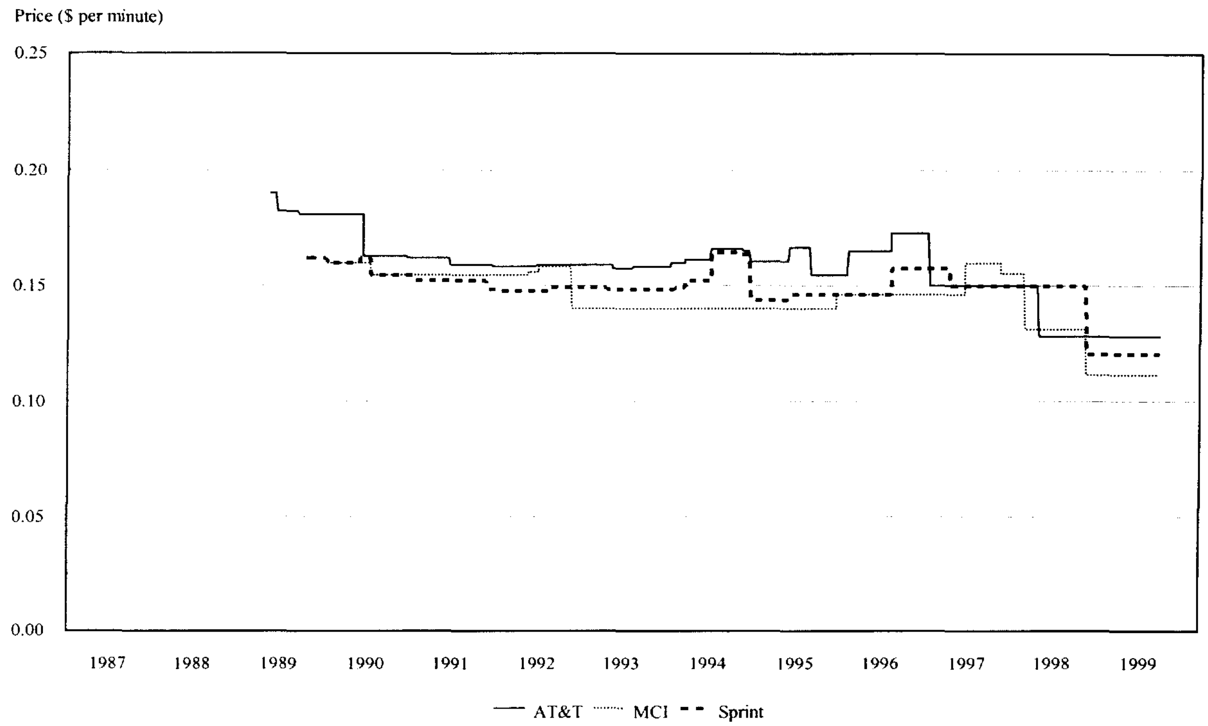
APPENDIX FIGURE ONE
REPRESENTATIVE INTERSTATE STANDARD MTS PRICES



2. Discount plan prices have differed. An exception to the pattern for standard plan prices discussed above is the price series for incumbent long distance

carriers derived from their "best" available discount MTS plans. (See Appendix Figure Two.) Following an initial decline prior to 1990, the best available discount MTS price remained the same, hovering for many years around $0.15 per minute before falling in 1997 or 1998. (The best available discount MTS prices offered by each carrier are weighted average discount prices, where discounts depend on monthly expenditures, based on sample customers' monthly long-distance usage rates. The prices per minute shown in Appendix Figure One include applicable fixed, per-line charges, where those fixed charges affect the per minute charge depending on customers' monthly usage rates.) Discount plan pricing was stable over most of ten years, with a price decline of twenty percent or more at the end of the period.

APPENDIX FIGURE TWO
INTERSTATE DISCOUNT MTS PRICES



Note: AT&T discount plans are Reach Out America Block of Time - One-Hour Plan with Day and Evening Option (12/1/88 to 1/15/94), True Reach Savings (1/16/94 to 7/31/96), Simplified Calling Promotion "One Rate" (8/1/96 to 11/10/97), and One Rate Plus (11/11/97 to 4/1/99). MCI discount plans are Prime Time (8/1/89 to 5/31/92), AnyTime (6/1/92 to 12/31/96), Basic Calling Plan - Option 1 (1/1/97 to 5/31/97), MCI One (6/1/97 to 5/30/98), and Basic Calling Plan - Option 6 (6/1/98 to4/1/99). Sprint discount plans are Sprint Plus Usage Discounts (5/1/89 to 6/30/94), The Most II (7/1/94 to 10/25/96), Sprint Sense Day (10/26/96 to 5/30/98), and Sprint Sense AnyTime (6/1/98 to 4/1/99).

3. ***Estimation of Marginal Costs.*** The marginal costs of providing interLATA service have come primarily from two sources: access charges for obtaining calls as levied by local exchange carriers and long-distance system operating expenses. Access charges are set by the federal and state regulatory agencies. Marginal, or appropriately, incremental operating expenses are charges associated with different service levels, arising from the use of the interLATA network to transport and switch

messages.[1] In order to calculate price-cost margins for interLATA services, we estimate these marginal costs for both standard rate and discount plans.

4. Access charges for interstate calls are traffic-sensitive (billed on a per-minute basis) and are assessed by local carriers according to tariff requirements of the relevant regulatory agency.[2] Network operating costs per minute for a long-distance call reported by AT&T for outbound and inbound WATS services are as shown in Appendix Table One.[3] Wharton Econometric Forecasting Associates ("WEFA") has developed an alternative measure, equal to $0.01 per minute, not inconsistent with AT&T's estimates.[4] Here AT&T's cost estimates are used for WATS and Combined Services, and WEFA's estimate is used for the marginal cost of standard and discount MTS services. A 1996 study by Strategic Policy Research has affirmed these estimates,[5] concluding that AT&T's incremental network costs range from $0.0043 per minute to $0.0129 per minute.

[1] As discussed elsewhere in this Declaration, the current AT&T, MCI, and Sprint systems have sufficiently large capacities that marginal changes in total output do not necessitate expansions of fiber capacity, so that these expenses are limited to direct and variable outlays only.

[2] In creating my estimates of access costs over time, I have adjusted the figures for inbound and outbound dedicated access services to reflect the reduced access charges. *See also* Paul W. MacAvoy (1996), THE FAILURE OF ANTITRUST AND REGULATION TO ESTABLISH COMPETITION IN LONG-DISTANCE TELEPHONE SERVICE, Cambridge, MA., The MIT Press, p. 106 n.2.

[3] Direct Testimony of John Sumpter on Behalf of AT&T Communications of California, Inc., APPLICATION OF AT&T COMMUNICATIONS OF CALIFORNIA, INC. (U 5002 C) FOR AUTHORITY TO PROVIDE INTRASTATE AT&T 800 READYLINE SERVICE (June 18, 1990).

[4] Wharton Econometric Forecasting Associates, ECONOMIC IMPACT OF ELIMINATING THE LINE-OF-BUSINESS RESTRICTIONS ON THE BELL COMPANIES, pp. 20-21 (July 1993) (citing Bellcore data).

[5] Strategic Policy Research (Sept. 23, 1996), A BOTTOM-UP ESTIMATE OF THE TSLRIC OF LONG-DISTANCE CALLING. (Additional confirmation comes from AT&T contracts at wholesale that range from $0.01 per minute to $0.02 per minute; on the assumption that

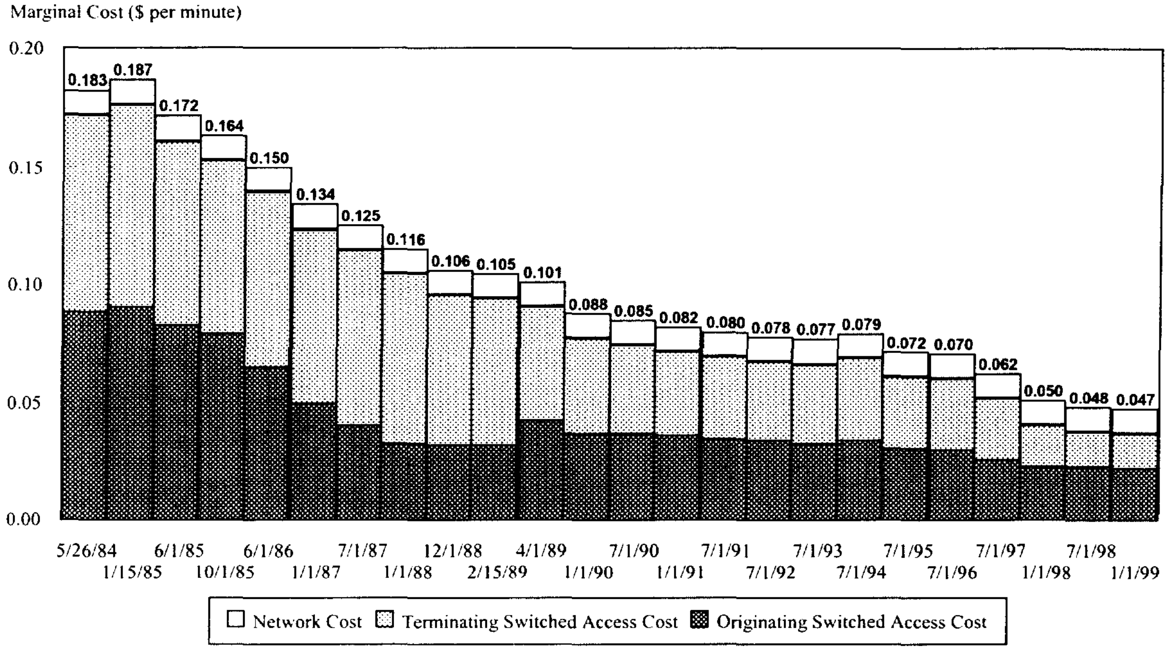
APPENDIX TABLE ONE
AT&T ESTIMATES OF LONG-RUN NETWORK COSTS FOR LONG-DISTANCE CALLS
(DOLLARS PER MINUTE)

Switched Outbound WATS	Dedicated Outbound WATS	Switched Inbound WATS	Dedicated Inbound WATS
Pro WATS $0.0101	Megacom WATS $0.0130	Ready Line 800 $0.0108	Megacom 800 $0.0129
Source: Testimony of John Sumpter on Behalf of AT&T Communications of California, Inc., Application of AT&T Communications of California, Inc. (U 5002 C) for Authority to Provide Intrastate AT&T 800 READYLINE Service (June 18, 1990).			

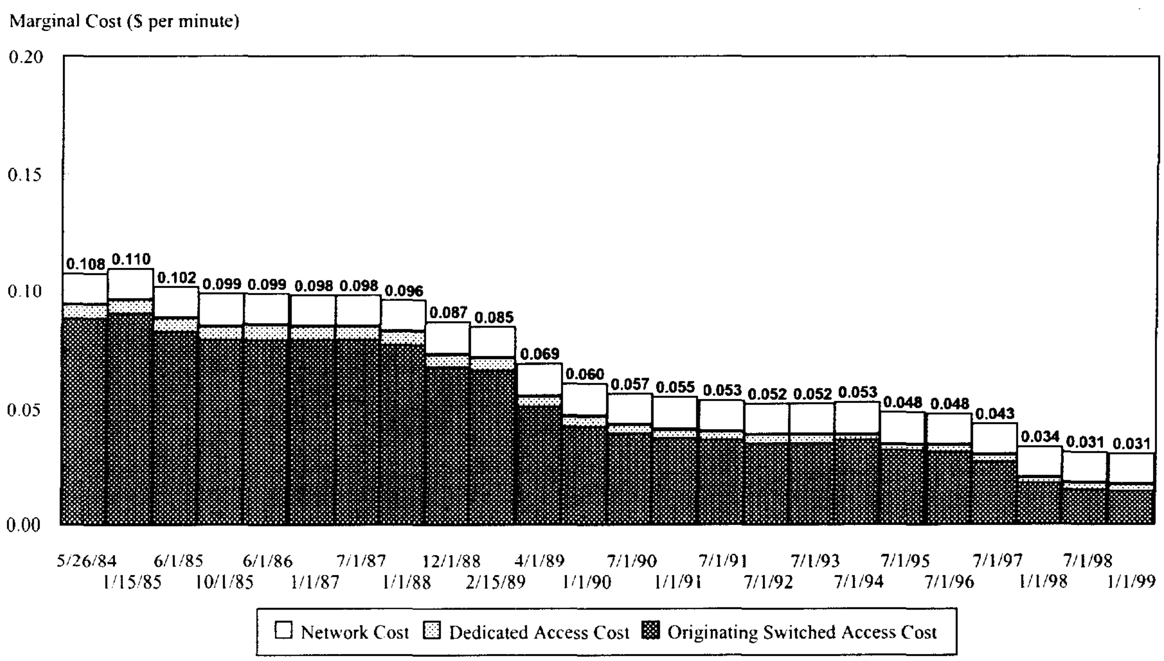
5. Adding access charges to interLATA network operating costs per minute results in estimates of marginal cost, for the period from the breakup of the Bell System to the present day, as shown in Appendix Figures Three through Six. For each service, reductions in marginal cost have been fifty percent or more. This has resulted from reductions in access charges in state and federal regulatory decisions by more than ten cents per minute for switched access services and five cents per minute for dedicated access services.

AT&T does not give away service, at prices below marginal costs, then its marginal operating costs must be less than one cent per minute.)

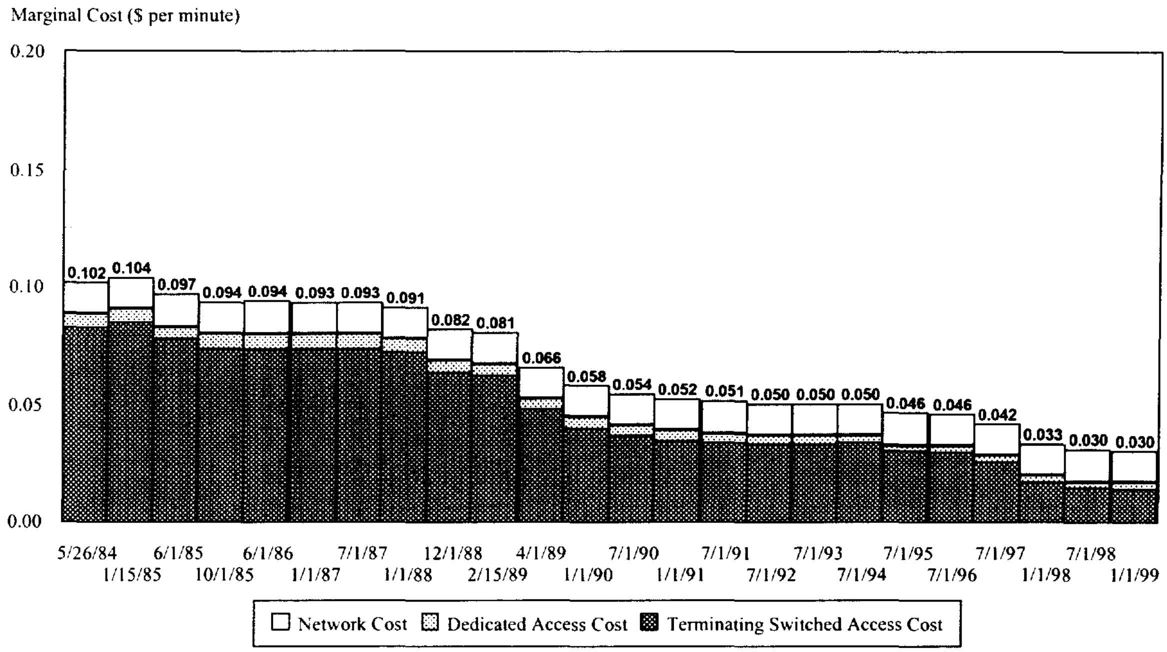
APPENDIX FIGURE THREE
LONG DISTANCE CARRIERS' MARGINAL COST OF INTERSTATE SWITCHED SERVICE



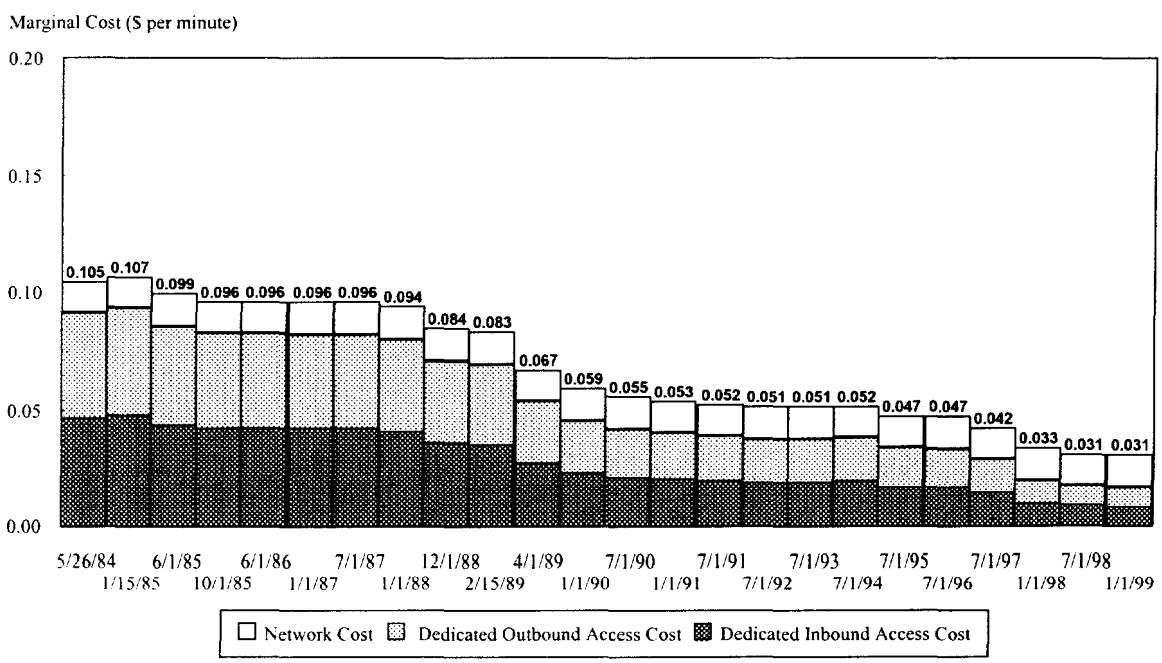
APPENDIX FIGURE FOUR
LONG DISTANCE CARRIERS' MARGINAL COST OF INTERSTATE DEDICATED INBOUND SERVICE



APPENDIX FIGURE FIVE
LONG DISTANCE CARRIERS' MARGINAL COST OF INTERSTATE DEDICATED OUTBOUND SERVICE



APPENDIX FIGURE SIX
LONG DISTANCE CARRIERS' MARGINAL COST OF INTERSTATE DEDICATED COMBINED SERVICE



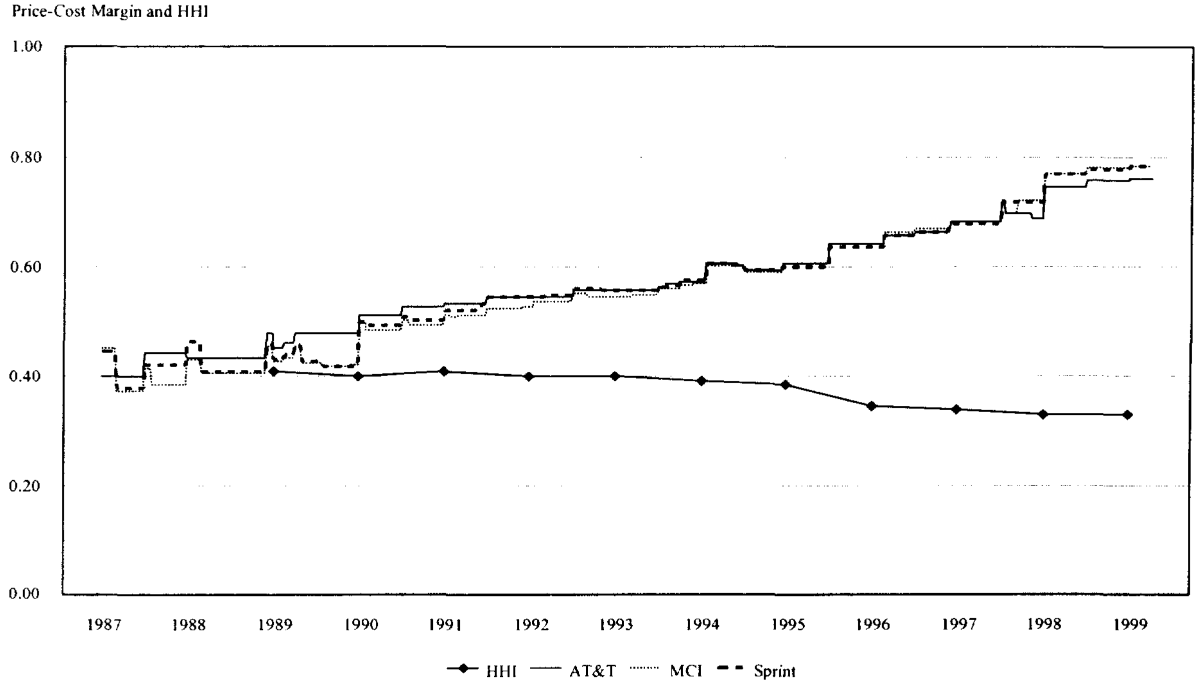
These cost estimates, together with the price series, comprise the basic information required to calculate price-cost margin trends for the selected services of AT&T, MCIWorldCom, and Sprint.

6. ***Price-Cost Margins.*** Price-cost margins for the major categories of service, including both standard rate schedule and discount MTS are shown in Appendix Figures Seven through Nine. Margins for switched and dedicated inbound WATS, switched and dedicated outbound WATS, and switched and dedicated Combined Services also have been estimated.

7. ***Interstate MTS Price-Cost Margins for Standard Plan MTS Service Offerings***. The price-cost margins of AT&T, MCIWorldCom, and Sprint for providing standard interstate MTS services were increasing in the latter part of the 1980s, albeit at different rates. (See Appendix Figure Seven.) Beginning in 1990, however, margins for the three firms became more similar, and also began to increase. By 1993 or 1994, price-cost margins for the three incumbent major carriers were moving in such close concert as to be nearly indistinguishable. In 1995 to 1999, they were again virtually identical and were at levels approximately twice that in the late 1980s.

8. This widening of the price-cost margin has taken place despite the fact that seller concentration in the market has *fallen.* That margins increased as concentration declined stands in contrast to the competitive process and is possible only if tacit cooperation in price setting among the market participants has become more disciplined. (*I.e.*, tacit collusion on prices as measured by "v" has increased to eclipse declining market shares in HHI so that, in $(p - mc) / p = [\text{HHI } (1 + v)] / e$, the product of HHI and $(1 + v)$ is larger.)

APPENDIX FIGURE SEVEN
PRICE-COST MARGINS AND MARKET CONCENTRATION
FOR STANDARD MTS

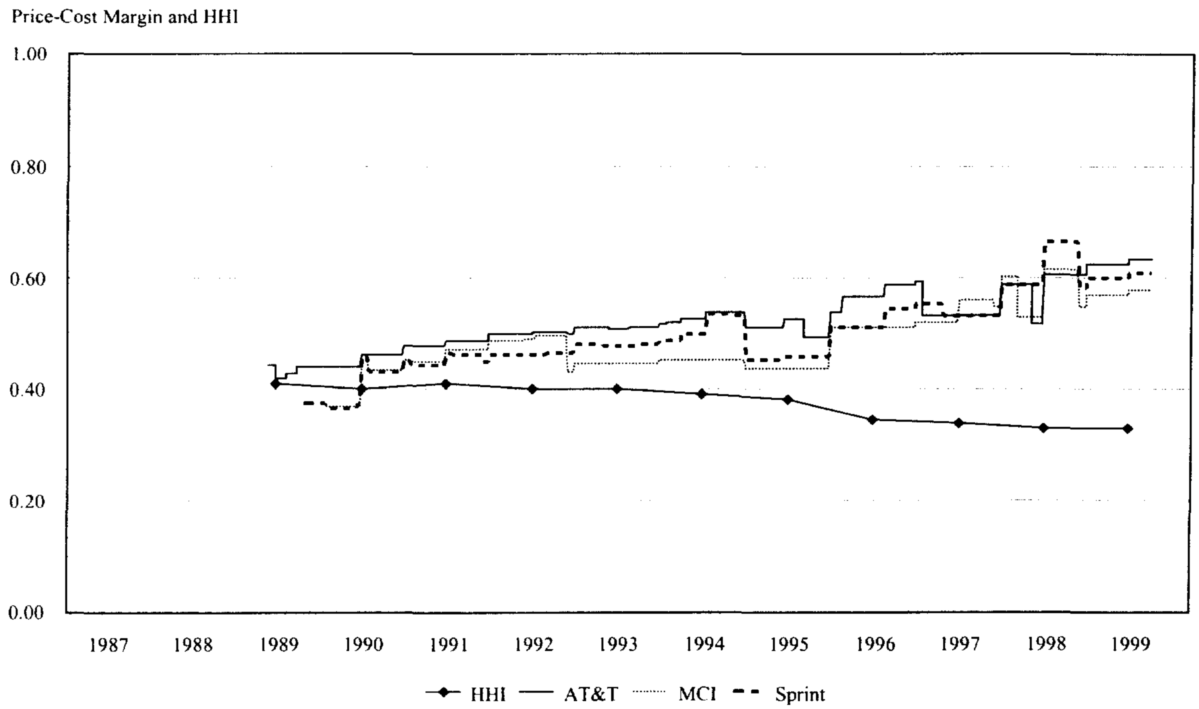


Sources: Marginal costs from FCC and rates from HTL Telemanagement, Ltd.

9. ***Discount Plan Price-Cost Margins.*** That AT&T, MCIWorldCom, and Sprint offer various discount plans for MTS service to their customers does not negate this inference that tacitly collusive pricing strategies have become more widespread. Price-cost margins using the lowest-price discount plan from each carrier at any given time show a similar relationship to HHI as for those on standard plans. (See Appendix Figure Eight.) There has been more variability in margins among the three carriers than in standard rate MTS, but all three have steadily increased over the last decade. These increases, moreover, have continued while market concentration has fallen

(with the exception of the period associated with the increase in concentration from the acquisition of MCI by WorldCom).

APPENDIX FIGURE EIGHT
PRICE-COST MARGINS AND MARKET CONCENTRATION
FOR DISCOUNT MTS



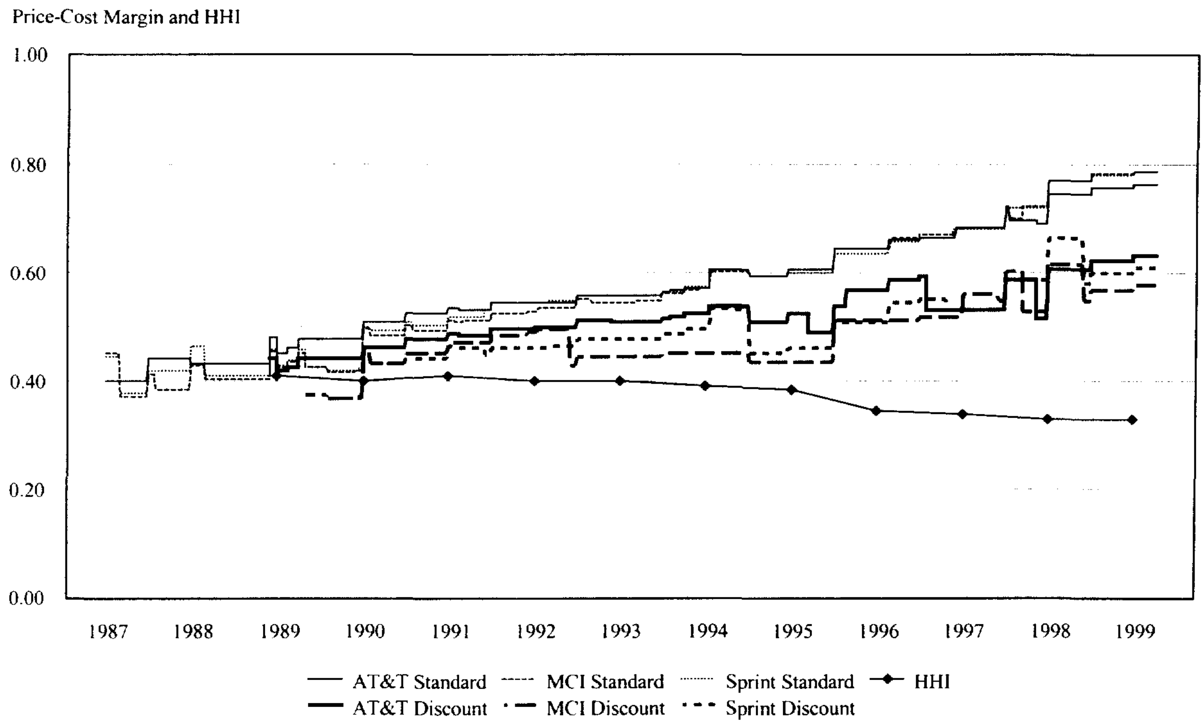
Notes: AT&T discount plans are Reach Out America Block of Time - One-Hour Plan with Day and Evening Option (12/1/88 to 1/15/94), True Reach Savings (1/16/94 to 7/31/96), Simplified Calling Promotion "One Rate" (8/1/96 to 11/10/97), and One Rate Plus (11/11/97 to4/1/99). MCI discount plans are Prime Time (8/1/89 to 5/31/92), AnyTime (6/1/92 to 12/31/96), Basic Calling Plan - Option 1 (1/1/97 to 5/31/97), MCI One (6/1/97 to 5/30/98), and Basic Calling Plan - Option 6 (6/1/98 to 4/1/99). Sprint discount plans are Sprint Plus Usage Discounts (5/1/89 to 6/30/94), The Most II (7/1/94 to 10/25/96), Sprint Sense Day (10/26/96 to 5/30/98), and Sprint Sense AnyTime (6/1/98 to 4/1/99).

Sources: Marginal costs from FCC and rates from HTL Telemanagement, Ltd.

10. The discount plan margins are lower than margins on standard MTS service, but the trends of both have been highly positive. Appendix Figure Nine shows the price-cost margin and HHI for both sets of services. AT&T, MCIWorldCom, and Sprint exhibit patterns of rising margins and falling concentration. These reversals can only obtain if carrier responses to the pricing strategies of another have become more

tacitly collusive than they had been at the time of the AT&T divestiture or soon thereafter.

APPENDIX FIGURE NINE
PRICE-COST MARGINS AND MARKET CONCENTRATION
FOR STANDARD AND DISCOUNT MTS



Notes: AT&T discount plans are Reach Out America Block of Time - One-Hour Plan with Day and Evening Option (12/1/88 to 1/15/94), True Reach Savings (1/16/94 to 7/31/96), Simplified Calling Promotion "One Rate" (8/1/96 to 11/10/97), and One Rate Plus (11/11/97 to 4/1/99). MCI discount plans are Prime Time (8/1/89 to 5/31/92), AnyTime (6/1/92 to 12/31/96), Basic Calling Plan - Option 1 (1/1/97 to 5/31/97), MCI One (6/1/97 to 5/30/98), and Basic Calling Plan - Option 6 (6/1/98 to 4/1/99). Sprint discount plans are Sprint Plus Usage Discounts (5/1/89 to 6/30/94), The Most II (7/1/94 to 10/25/96), Sprint Sense Day (10/26/96 to 5/30/98), and Sprint Sense AnyTime (6/1/98 to 4/1/99).

Sources: Marginal costs from FCC and rates from HTL Telemanagement, Ltd.

11. The increases in MTS price-cost margins, as shown in Figures Seven through Nine, have been made possible by the responses of the major carriers to the access charge reductions imposed by the FCC. Since June 1997, there have been five reductions in interstate access charges (and one slight increase) as reported by the Commission. The net result of these changes to access charges has been an overall

reduction in long distance carrier costs of 3.19 cents per conversation minute over the last three years.[6] (See Appendix Table Two.)

APPENDIX TABLE TWO
REDUCTIONS IN INTERSTATE ACCESS CHARGES SINCE JANUARY 1997

Date of Access Charge Reduction	Reduction in Access Charge per Conversation Minute
July 1, 1997	0.86 cents
January 1, 1998	1.14 cents
July 1, 1998	0.22 cents
January 1, 1999	0.11 cents
July 1, 1999	0.89 cents
January 1, 2000	(0.03 cents)

12. The specific rate changes associated with these cost reductions have been extremely limited. AT&T did not reduce its standard MTS or its most popular discount MTS price in 1998 or 1999. AT&T reduced its standard MTS rates twice, and its most popular discount MTS rate once, since June 30, 1997, with the net effect of leaving its price-cost margins at approximately the same levels on December 31, 1997 as they were on June 30, 1997. (See Appendix Table Three.) The effect of the four access

[6] Industry Analysis Division, Federal Communications Commission, *Trends in Telephone Service* at Table 1.2 (Mar. 2000). On January 1, 2000, the total interstate access charge per conversation minute rose from 2.82 cents to 2.85 cents, as a result of a 0.03 cent per minute increase in the switched, non-traffic sensitive portion. However, this modest increase took place despite falling charges for the carrier common line access element, and it represents only about a one-percent change in the overall access charge reduction from January 1997 through the present. *Ibid.*

charge reductions and these "responsive" price reductions, since January 1, 1998 has been to increase price-cost margins.

APPENDIX TABLE THREE
CHANGES IN AT&T'S PRICES AND MARGINS FOR
STANDARD AND DISCOUNT MTS SINCE JANUARY 1997

Date of Rate Change	Change in Price per Minute For MTS Service		Price-Cost Margins	
	Standard	Discount	Standard	Discount
June 30, 1997			0.68	0.53
July 1, 1997			0.72	0.59
July 16, 1997	-1.74 cents		0.70	0.59
November 11, 1997	-0.59 cents	-2.20 cents	0.69	0.52
January 1, 1998			0.75	0.61
July 1, 1998			0.76	0.62
January 1, 1999			0.76	0.63

13. MCIWorldCom has made two rate changes each for standard and discount MTS since June 30, 1997. (See Appendix Table Four.)

APPENDIX TABLE FOUR
CHANGES IN MCIWORLDCOM'S PRICES AND MARGINS FOR
STANDARD AND DISCOUNT MTS SINCE JANUARY 1997

Date of Rate Change	Change in Price per Minute for MTS Service		Price-Cost Margins	
	Standard	Discount	Standard	Discount
June 30, 1997			0.68	0.55
July 1, 1997			0.72	0.60
July 16, 1997	-1.75 cents		0.70	0.60
September 11, 1997	+1.67 cents	-2.46 cents	0.72	0.53
January 1, 1998			0.77	0.62
June 1, 1998		-1.95 cents	0.77	0.55
July 1, 1998			0.78	0.57
January 1, 1999			0.79	0.58

MCIWorldCom dropped its standard MTS rate in July 1997, but then increased it by a like amount in September 1997. The net effect of these changes has been to increase its price-cost margin for standard MTS since June 30, 1997. MCIWorldCom decreased the price of its most popular discount MTS service twice since June 30, 1997, with the net effect that its price-cost margin is now slightly higher than on that date.

14. Finally, Sprint has not changed the price of its standard MTS service since June 30, 1997, and it has made one price reduction on its most popular discount MTS plan. (See Appendix Table Five.) As a result, its margin on standard MTS service increased on the dates of each of the three access charge reductions, while the margin on its most popular discount MTS plan now exceeds that on June 30, 1997 by seven percent over 54 percent.

APPENDIX TABLE FIVE
CHANGES IN SPRINT'S PRICES AND MARGINS FOR
STANDARD AND DISCOUNT MTS SINCE JANUARY 1997

Date of Rate Change	Change in Price per Minute for MTS Service		Price-Cost Margins	
	Standard	Discount	Standard	Discount
June 30, 1997			0.68	0.54
July 1, 1997			0.72	0.60
January 1, 1998			0.77	0.67
June 1, 1998		-3.42 cents	0.77	0.58
July 1, 1998			0.78	0.60
January 1, 1999			0.79	0.61

15. Thus, the FCC access charge reductions since June 1997 were followed by long-distance carrier price reductions that were so limited that their price-cost margins on both standard and best discount MTS plans increased. Margins on AT&T, MCIWorldCom, and Sprint standard and discount MTS plans now exceed those in June 1997 prior to the round of access charge reductions.

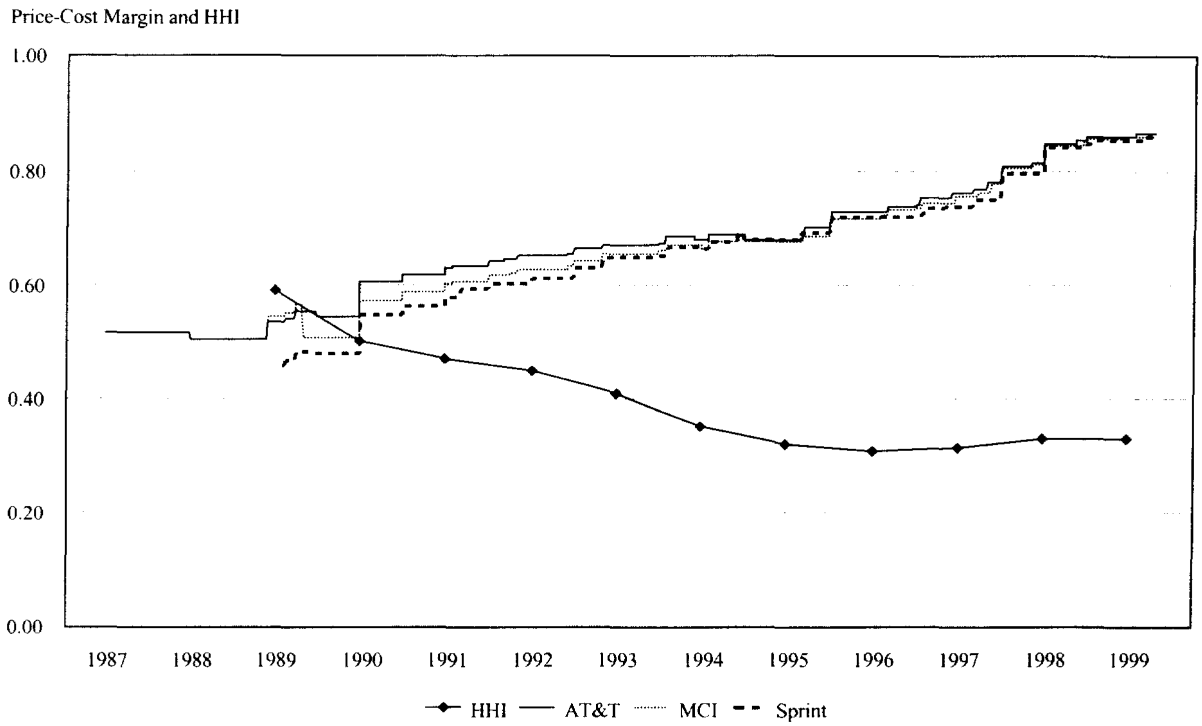
16. ***Inbound WATS Price-Cost Margins: Switched Service.*** Prior to 1989, AT&T first had single-provider and then original-provider advantages in the market for inbound WATS (800-type services). Its price-cost margins were higher than those of MCIWorldCom and Sprint. It was not until the introduction of full 800 number portability in 1993 that the second- and third-place carriers offered fully substitutable services. As the three carriers established their inbound WATS offerings, with access charges that became more similar over time, price-cost margins became more similar; and by the end of 1993, the carriers' margins were virtually identical. (See Appendix Figure

Ten.) These margins increased rapidly, from approximately 0.51 in 1989 to 0.86 in 1999, a level that exceeded those for MTS.[7]

17. While margins increased, seller revenue concentration fell sharply. AT&T's monopoly of inbound WATS service offerings at the time of divestiture had HHI at 10,000 in 1984; it since decreased to 3,360 in 1998. Given rising margins and falling concentration, the inverse relationship between price-cost margins and concentration is even more extended in this case than with MTS services. After an initial period of shakedown, as shares became established, pricing among the three long-distance carriers became more tacitly collusive, causing large margin increases in a decade when concentration in shares of service was declining.

[7] Another possible explanation is that higher margins for WATS users could be an artifact of how representative prices have been constructed. The longer the distance the higher the price, and the assumed distribution of mileage for WATS is skewed toward medium-range distances relative to the uniform distribution for MTS. This potential bias in measurement can be tested.

APPENDIX FIGURE TEN
PRICE-COST MARGINS AND MARKET CONCENTRATION
FOR SWITCHED INBOUND WATS
(100 HOURS PER MONTH)

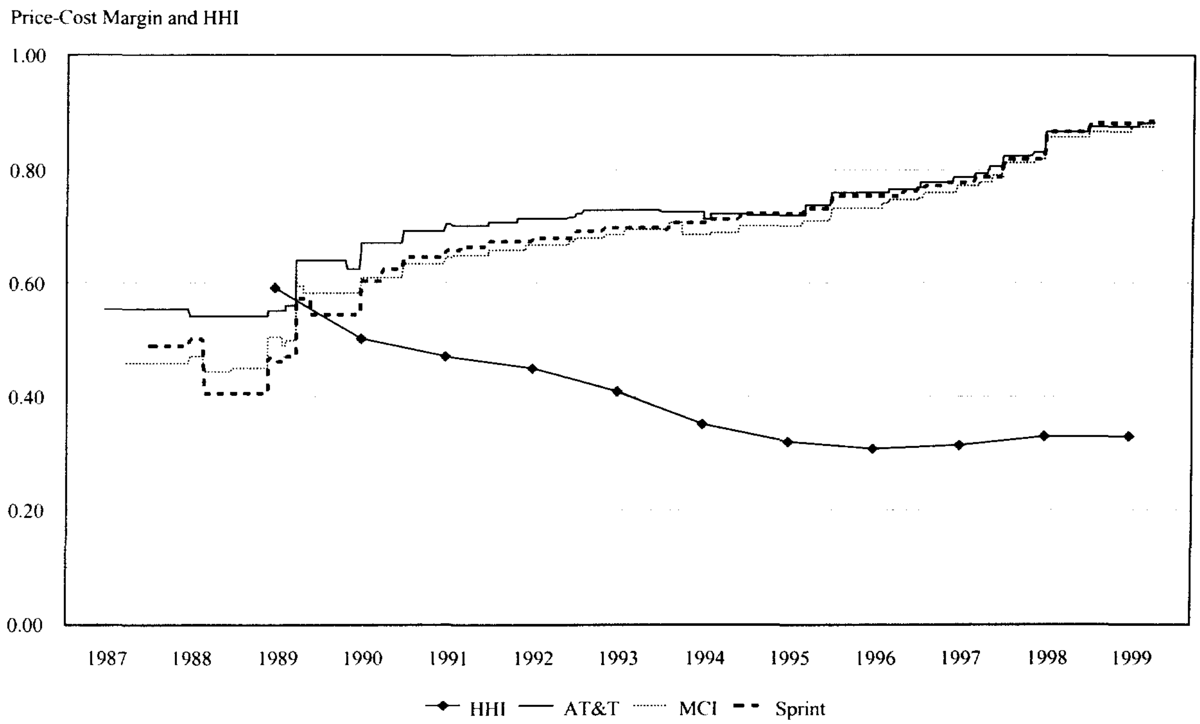


Sources: Marginal costs from FCC; and rates from HTL Telemanagement, Ltd.

18. ***Inbound WATS Price-Cost Margins: Dedicated Service.*** Price-cost margins for inbound WATS services provided via dedicated access facilities differed substantially among the three large service providers in the 1980s. (See Appendix Figure Eleven.) Throughout the 1990s, however, MCIWorldCom and Sprint increased margins to levels placing them in close proximity to that of AT&T. AT&T's margin was still higher than those of the two other large service providers until 1994, but this gap has been closed since then. Margins for the three firms that were between 0.45 and 0.60 are now the same, and are well in excess of 0.80 (80 percent of price); they have surpassed those

on standard MTS service, and have continued to increase at a more rapid rate. Given that these changes in price-cost margins coincided with declines in share concentration for dedicated inbound WATS, the pattern of market behavior has not been consistent with competitive price formation and indeed is most similar to that of markets in which tacit collusion has been increasing.

APPENDIX FIGURE ELEVEN
PRICE-COST MARGINS AND MARKET CONCENTRATION
FOR DEDICATED INBOUND WATS
(1,000 HOURS PER MONTH)



Sources: Marginal costs from FCC and Pacific Bell and rates from HTL Telemanagement, Ltd.

19. ***Price-Cost Margins on Outbound WATS and Combined Services.*** Outbound WATS consists of services for large volume subscribers that place long-distance voice or data calls over switched or dedicated access facilities with billing done

on a bulk (rather than individual-call) basis. Where inbound WATS charges are to the subscriber receiving calls, outbound WATS charges for outgoing calls placed by the subscriber. Combined Service plans, as the name implies, offer bundled combinations of inbound and outbound WATS over either switched or dedicated facilities. These services cater primarily to large business users located at multiple sites; pricing centers on discounts based on the volume of all inbound and outbound traffic at all customer locations. An evolutionary process in the market for interLATA services has resulted in outbound WATS largely being replaced by Combined Services, which offer a wider range of service options. Rather than examining price-cost margins for an increasingly obsolete service, outbound WATS and Combined Services have been consolidated into one series, with outbound WATS before 1992 and Combined Services prices thereafter.[8] (See Appendix Figures Twelve and Thirteen.) The result is a conservative estimate of price-cost margins for outbound business services, as Combined Services have been priced by discounting WATS rates.

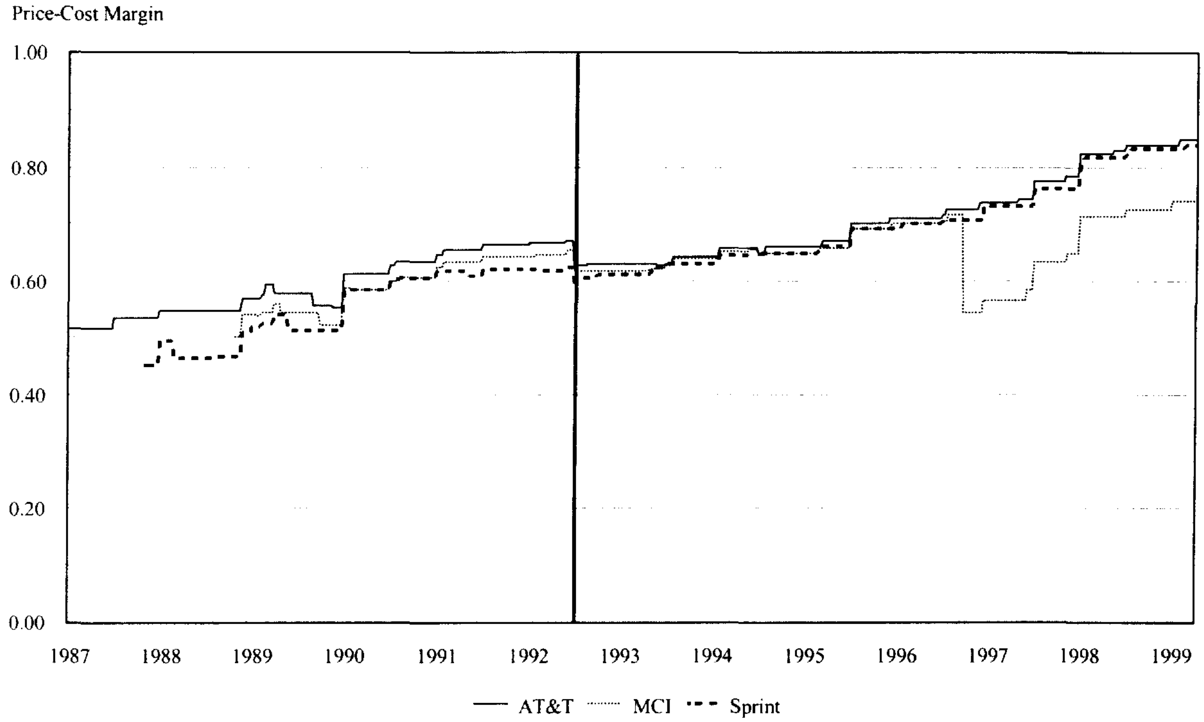
20. AT&T, MCIWorldCom, and Sprint price-cost margins for switched outbound WATS were not the same in the late 1980s, but beginning in 1990 their margins converged to a level making them closer to identical.[9] (See Appendix Figure Twelve.) Prior to the introduction of Combined Services, Sprint maintained price-cost margins for outbound WATS below those of MCIWorldCom, which in turn had margins

[8] It should be noted, however, that observing outbound WATS in isolation would still continue to exhibit the pattern of increasing price-cost margins during periods of decreased concentration.

[9] I assume for the purposes of these calculations a switched traffic volume of one hundred hours per month.

less than those of AT&T. The WATS margins of each carrier increased in the early 1990s from a level at or below 0.50 to a level in excess of 0.60 (shown in Appendix Figure Twelve to the left of the vertical line). Margins on switched Combined Services in mid-1992 (shown in Appendix Figure Twelve to the right of the vertical line) were similar across carriers at levels close to those for Sprint's outbound WATS service. Margins for the three carriers rose steadily, in concert with one another, until the latter part of 1996. At that time, MCIWorldCom's margin decreased substantially, falling from 0.72 to 0.55, its lowest level in six years, in connection with MCI's introduction of its flat-rate "MCI Network One" plan (replacing "MCI Vision") in September of 1996. But following that introduction, MCI recovered its previous margin loss with twenty percent price increases that by late 1998 resulted in margins exceeding pre-introduction levels.

APPENDIX FIGURE TWELVE
PRICE-COST MARGINS FOR
SWITCHED OUTBOUND WATS AND SWITCHED COMBINED SERVICE



Sources: Marginal costs from FCCand rates from HTL Telemanagement, Ltd.

21. In an effectively competitive market, AT&T and Sprint would have responded to MCI's reduced margins. This has not been the case. Instead, beginning in 1997, margin increases for AT&T and Sprint *accelerated*, to levels greater than eighty percent. This pattern of steep increases is inconsistent with firms competing for revenue shares; as MCI returned to previous levels, the three large carriers moved to higher price-cost margins.

22. As with switched services, the three largest long distance carriers offering dedicated outbound business services had different price-cost margins in the late

1980s.[10] And, again as with switched service, these differences all but disappeared after 1990. (See Appendix Figure Thirteen.) However, dedicated outbound WATS margins increased even more rapidly than switched service margins, from approximately 0.54 in 1987 to approximately 0.73 by mid-1992. By 1989, dedicated outbound WATS service margins exceeded those of both switched outbound WATS and MTS services.

23. After mid-1992, price-cost margins for dedicated Combined Services were similar to those of switched Combined Services, at levels above 0.60. AT&T's margins remained slightly higher than those of the other carriers in the later 1990s, and margins for all three carriers increased until the latter part of 1996. At that time, MCI's margin fell sharply as a result of the introduction of its "MCI Network One" offering, dropping from 0.69 to 0.50, as in the case of switched services. But, MCI again recovered most of its loss in margin by late 1998 with a 34 percent increase that resulted in margin levels that now are the highest for that carrier since 1992. AT&T and Sprint responded to this decrease in MCI's dedicated Combined Services margins with increases in their own margins. From 1992 to 1999, their price-cost margins rose by more than twenty percentage points. Thus, despite MCI's 1996 price reduction, there is no indication that markets for these services became more competitive over the 1990s.

[10] I assume for the purposes of these calculations a dedicated access traffic volume of one thousand hours per month.