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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
CompTel Petition for Rulemaking Re: Presubscribed Interexchange Carrier Charges	)))	RM No. 10131 / CCB/CPD 01-12

REPLY COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc. (SBC) hereby submits its Reply Comments opposing the Petition for Rulemaking filed by the Competitive Telecommunications Association (CompTel) that asks the Commission to initiate a rulemaking proceeding to change its rules governing federally tariffed charges associated with presubscribed interexchange carrier (PIC) changes. Commenters have not shown any reason why the Commission should initiate a needless and burdensome proceeding to reexamine the current \$5.00 safe harbor for interstate PIC-change charges.

Several commenters attempt to justify their demands for a reduction in the PIC-change charge by citing the fact that Southern New England Telephone (SNET) reduced its PIC-change charge from \$6.30 to \$2.60 in January 1996, prior to its merger with SBC.[1] The mere reduction of SNET's PIC-change charge more than five years ago is hardly evidence to support a general reduction in the \$5.00 safe harbor – if anything, SNET's PIC-change charge is understated and could be increased. First, it appears SNET failed to include significant costs in its PIC-change charge. For example, SNET's cost support for its PIC-change charge reduction apparently did

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[1] WorldCom Comments at 4-5; Excel Comments at 4.

not include Service Order Computer Processing Costs associated with service orders that contain PIC-change requests. In addition, the cost study failed to include any costs associated with CARE Tape Processing and updating the MARCH switching database. All of these functions are critical to the PIC-change process. Moreover, SNET apparently did not include any overhead loading costs to cover joint and common costs, which generally are factored into cost studies. It also should be noted that the customer service representative costs included in SNET's cost study are probably higher today than they were in 1996, because of increases in the labor rate and the amount of time spent with customers on PIC-change issues.

Second, SNET reduced its PIC-change charge at a time when the trend was toward a higher percentage of mechanized PIC changes. That trend proved to be temporary, and SNET now has a significantly higher percentage of manual PIC changes than it did in 1996. Specifically, in its 1996 cost study, SNET estimated that only about 30% of its PIC-change requests were processed manually. In comparison, data from May 2001 shows that the percentage of SNET's manual PIC changes has now risen to more approximately 57%. As SBC explained in its initial comments, one reason for the higher percentage of manual PIC changes is the widespread use of PIC freezes by consumers to combat unauthorized PIC changes (any PIC change involving a customer that has requested a PIC freeze must be processed manually).[2] The end result is that SNET's higher percentage of manual PIC changes produces a higher average PIC-change cost.

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[2] AT&T claims that Pacific Bell improperly assessed intraLATA PIC-change charges in cases where the customer was not actually slammed. AT&T Comments at 7. AT&T's claim clearly is irrelevant to this proceeding because it involves the intraLATA PIC in California. Further, AT&T's allegation is not true, and Pacific Bell filed a complaint against AT&T in connection with AT&T's slamming activity in this case.

Not surprisingly, ASCENT (representing IXC resellers) supports CompTel's self-serving attempt to artificially reduce the PIC-change charge by excluding all customer service representative costs. ASCENT claims that customer service expenses are not one-time expenses associated with the PIC change and are not incurred in the case of an automatic PIC change.[3] However, SBC's customer service representatives *do* spend time with customers facilitating manual PIC changes, and therefore customer service expenses *are* directly related to the PIC change. The fact that some PIC changes are automated may affect the amount of customer-service expenses, but it does not provide a basis for categorically excluding all customer-service expenses.

A number of commenters also parrot CompTel's wholly unsupported claim that the current safe harbor for PIC-change charges permits incumbent local exchange carriers (ILECs) and their interexchange carrier (IXC) affiliates to engage in an anti-competitive price squeeze.[4] Verizon effectively refutes this claim in its comments, demonstrating that the Commission has uniformly rejected similar price squeeze arguments and that the separate affiliate requirements preclude such a strategy.[5] In addition, Verizon notes that the incentives routinely sent to end users by IXCs (including checks of $100 or more) far exceed the PIC-change charge. Even if it could, there is no way ILECs could use the amount of revenue involved in the PIC-change charge to reduce long distance rates and drive the large incumbent IXCs out of business.[6]

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[3] ACENT at 6 n.11.

[4] Excel Comments at 5; WorldCom Comments at 6.

[5] Verizon Comments at 2-3.

[6] *Id.* at 2.

Moreover, the notion that ILECs would seek to engage in a price squeeze of incumbent IXCs using the PIC-change charge is absurd. Because the PIC-change charge is effectively a cost of entering the long distance market, there is no reason why an ILEC would raise its own cost of entry into the long distance market by maintaining artificially high PIC-change charges. The reality is that SBC has entered the long distance market and is successfully competing with incumbent IXCs under the Commission's current PIC-change charge rules, and there is no evidence that PIC-change charges are somehow impeding competition in the long distance market.

Ultimately, SBC concurs with USTA and other commenters that circumstances in the long distance market have not changed such that the Commission should reexamine the current safe harbor for PIC-change charges.[7] Nor is there evidence that the $5.00 safe harbor is no longer reasonable. In fact, there is a good chance PIC-change charges would actually increase if all of the ILECs' costs were calculated and included in the charges. Thus, there is no public interest benefit in initiating a complex rulemaking proceeding to reexamine the PIC-change charge.

For the foregoing reasons, the Commission should not initiate a rulemaking proceeding to change its rules governing federally tariffed charges associated with PIC changes.

[7] USTA Comments at 3-4; Cincinnati Bell Comments at 7-8.

Respectfully Submitted,

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July 2, 2001

CERTIFICATE OF SERVICE

I, Lacretia Hill, do hereby certify that on this 2nd day of July, a copy of the foregoing "Reply Comments" was served by First Class mail, postage paid to the parties listed on the attached sheets.

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