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

In the Matter of	)	
SBC Communications Inc. and AT&T Corp.	)	WC Docket No. 05-65
Application for Consent to Transfer Control	)	

REPLY COMMENTS OF THE

TELECOMMUNICATIONS CONSULTANTS COALITION

Center for Communications Management Information, Econobill Corporation and Online Marketing Inc. (together, the "Telecommunications Consultants Coalition" or the "Coalition") submit these reply comments ("Reply Comments") in response to the Commission's March 11, 2005 Public Notice seeking comment on the proposed merger of SBC Communications Inc. ("SBC") and AT&T Corp. ("AT&T") (together, the "Applicants").[1]

In its initial comments in this proceeding,[2] the Coalition requested that the Commission impose a condition on any approval of the application to transfer control of AT&T to SBC to ensure the merged entity's compliance with the Commission's requirements regarding the public disclosure of service rates, terms and conditions.[3]

[1] FCC Public Notice, *Commission Seeks Comment on Application for Consent to Transfer of Control Filed by SBC Communications Inc. and AT&T Corp.*, WC Dkt. No. 05-65, DA No. 05-656 (rel. Mar. 11, 2005).

[2] Comments of the Telecommunications Consultants Coalition, WC Dkt. No. 05-65 (filed Apr. 25, 2005) ("Initial Comments").

[3] 47 C.F.R. § 42.10. Although the Initial Comments and these Reply Comments seek only the imposition of a condition on the proposed merger, they raise issues closely connected to

(Footnote continues on next page.)

Since the filing of the Initial Comments, additional data has become available that underscores the importance of this requested condition. Specifically, the Wall Street Journal published an article entitled "Phone Consolidation May Cost Corporate Clients Clout" that warns that the combination of the SBC/AT&T merger and the Verizon/MCI merger could have a dramatic effect on business customers in particular, because the two combined companies would "control an overwhelming portion of the massive business market . . . leaving [business customers] with less leverage to secure discounts."[4] The article cites a recent study finding that businesses now receive approximately 50 percent of their voice, data and wireless telecommunications services from their various "top-two" providers, but that following the two mergers (if approved) those same business will receive approximately 87 percent of their services from their "top-two" providers.[5]

(Footnote continued from previous page.)

a pending complaint proceeding. Center for Communications Management Information, Econobill Corporation, and On Line Marketing Inc. v. AT&T Corp., Formal Complaint, File No. EB-04-MD-008 (filed May 26, 2004). Accordingly, to ensure that all parties to the complaint proceeding are aware of this filing, copies are being served upon the relevant Enforcement Bureau staff and in-house and outside counsel for AT&T in the complaint proceeding, as set forth on the attached service list. *See* 47 C.F.R. §§ 1.1202, 1.1206.

Further, pursuant to Sections 1.720(g) and 1.721(a)(9) of the Commission's rules, 47 C.F.R. §§ 1.720(g), 1.721(a)(9), the Coalition asks that the Enforcement Bureau treat this filing as an update to information submitted in the complaint record, informing the Enforcement Bureau that a portion of the relief requested in the complaint proceeding is now being sought in this merger proceeding by the same complainants based upon the same set of facts.

[4] Jesse Drucker and Christopher Rhoads, *Phone Consolidation May Cost Corporate Clients Clout*, Wall St. J., May 4, 2005, at B1 (attached as Exhibit A).

[5] *Id.*; *see also* Press Release, *Verizon-MCI Merger – Competitive Impact Assessed, Control Point Solutions Quantifies Potential Future Vendor Mix* (May 4, 2005) (attached as Exhibit B).

If the Commission approves this extreme level of consolidation in the enterprise market, it must ensure that these consumers, at the very least, can obtain the information they need in order to compare the services offered by the remaining carriers – information that the Commission expressly has required be made available through public disclosure.

Accordingly, the Coalition reiterates its request that the Commission condition any approval of the pending merger upon Applicants' compliance with the Section 42.10 public disclosure requirements for the enterprise market.[6] The condition expressly should require the disclosure of precise rates and other material terms and conditions because disclosures that omit material terms and conditions or provide only broad ranges of rates are not sufficient to permit enterprise customers to make comparisons among the various services offered by a carrier and those of other carriers in order to make informed choices regarding their individual telecommunications service needs.

Respectfully submitted,

/s/ Cheryl A. Tritt
Cheryl A. Tritt
Joan E. Neal
Jennifer L. Kostyu
MORRISON & FOERSTER LLP
2000 Pennsylvania Ave., NW
Washington, D.C. 20006-1888
202.887.1500

Attorneys for the Telecommunications Consultants Coalition

Date: May 10, 2005

[6] 47 C.F.R. § 42.10.

CERTIFICATE OF SERVICE

I, Theresa Rollins, certify that the foregoing **REPLY COMMENTS** were served on this 10th day of May, 2005, by electronic mail on all of the following, and also served on those indicated by an asterisk (*) by hand delivery (those located in Washington, D.C.) or by overnight delivery (those located outside of Washington, D.C.):

Alexander P. Starr*
Chief
Market Disputes Resolution Division
Enforcement Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
Email: Astarr@fcc.gov

Radhika Karmarkar*
Deputy Chief
Market Disputes Resolution Division
Enforcement Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
Email: Radhika.Karmarkar@fcc.gov

Lisa Griffin*
Deputy Chief
Market Disputes Resolution Division
Enforcement Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
Email: Lisa.Griffin@fcc.gov

Rhonda Lien*
Market Disputes Resolution Division
Enforcement Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
Email: Rhonda.Lien@fcc.gov

Gary Remondino
Competition Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W., Room 5-C143
Washington, D.C. 20554
E-mail: Gary.Remondino@fcc.gov

Marcus Maher
Competition Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W., Room 5-C360
Washington, D.C. 20554
E-mail: Marcus.Maher@fcc.gov

Bill Dever
Competition Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W., Room 5-C266
Washington, D.C. 20554
E-mail: William.Dever@fcc.gov

Mary Shultz
Wireless Telecommunications Bureau
Federal Communications Commission
1270 Fairfield Road
Gettysburg, PA 17325
E-mail: Mary.Shultz@fcc.gov

Jeff Tobias
Wireless Telecommunications Bureau
Federal Communications Commission
445 12th Street, S.W., Room 3-A432
Washington, D.C. 20554
E-mail: Jeff.Tobias@fcc.gov

David Krech
Policy Division
International Bureau
Federal Communications Commission
445 12th Street, S.W., Room 7-A664
Washington, D.C. 20554
E-mail: David.Krech@fcc.gov

JoAnn Lucanik
International Bureau
Federal Communications Commission
445 12th Street, S.W., Room 6-A660
Washington, D.C. 20554
E-mail: JoAnn.Lucanik@fcc.gov

Charles Iseman
Office of Engineering and Technology
Federal Communications Commission
445 12th Street, S.W., Room 7-A363
Washington, D.C. 20554
E-mail: Charles.Iseman@fcc.gov

James Bird
Office of General Counsel
Federal Communications Commission
445 12th Street, S.W., Room 8-C824
Washington, D.C. 20554
E-mail: James.Bird@fcc.gov

Jonathan Levy
Office of Strategic Planning and Policy Analysis
Federal Communications Commission
445 12th Street, S.W., Room 7-C362
Washington, D.C. 20554
E-mail: Jonathan.Levy@fcc.gov

Michael J. Hunseder*
Valerie L. Leatherwood*
Sidley Austin Brown & Wood LLP
1501 K Street, N.W.
Washington, D.C. 20005
Email: mhunseder@sidley.com
vleatherwood@sidley.com

Counsel to AT&T Corp.

Lawrence J. Lafaro*
Peter H. Jacoby*
Dermot Bree*
AT&T Corp.
One AT&T Way
Bedminster, NJ 07921
Email: llafaro@att.com
jacoby@att.com
dbree@att.com

Best Copy and Printing, Inc.
Portals II
445 12th Street, SW, Room CY-B402
Washington, DC 20554
E-mail: www.bcpiweb.com

/s/ Theresa Rollins
Theresa Rollins

Exhibit A

(May 4, 2005 Wall Street Journal Article)

1 of 1 DOCUMENT

The Wall Street Journal

May 4, 2005 Wednesday

SECTION: Pg. B1

LENGTH: 1542 words

HEADLINE: Phone Consolidation May Cost Corporate Clients Clout

BYLINE: By Jesse Drucker and Christopher Rhoads

BODY:

THE PAST 15 MONTHS have rearranged the nation's telecom landscape. Now, the real change begins.

The recent blur of consolidation across the industry reflects the technological and regulatory forces that are transforming the ways people communicate, executives and industry experts say.

After a total of more than $100 billion in deal making, Verizon Communications Inc. and SBC Communications Inc. have emerged as two giants set to dominate the industry. The companies will control everything from the nation's two largest cellphone providers to the copper lines connecting every home and business in their vast service territories.

Now that Verizon has won its fight to acquire MCI Inc. on the heels of SBC's pending purchase of AT&T Corp., the two giants will be able to control a phone call from the time it is placed in Chicago to the time it is completed in Los Angeles or Tokyo. Together, they will control an overwhelming portion of the massive business market for data and phone services, leaving behind competitors such as Qwest Communications International Inc. and BellSouth Corp., which failed to join the merger frenzy.

Every American consumer could be affected by the mergers. But analysts say that business customers could face the most change, with fewer providers leaving them with less leverage to secure discounts.

"I think the pricing for the consumer is going to continue to be very competitive," says Richard Notebaert, chief executive of Qwest, which on Monday gave up its fight to acquire MCI. "The situation where there ought to be some concern is in the business and government market. There, you just don't have a whole bunch of us, and you're going down to a creation of concentration between SBC and Verizon."

Before the acquisition deals for AT&T and MCI, businesses collectively received about 50% of their telecom services from their various top-two providers, according to a recent study by Control Point Solutions, a Rutherford, N.J., firm that advises companies on telecom spending. In the wake of the two acquisitions, businesses will receive 87% of their services from their top-two providers, the Control Point study says.

That additional concentration could mean a significant bump in costs for businesses, the report concludes. In the past decades, businesses have grown accustomed to negotiating discounts of 25% to 40% on their long-distance services, according to the report. The local telephone market, controlled by the regional phones companies, has been far less competitive, offering much smaller discounts to businesses.

"The big corporate customer has become used to an annual decrease in rates," says Nick Wray, a Control Point Solutions vice president. "They should not expect this anymore." Mr. Wray suggests the impact on rates will vary by industry and location. Oil companies in parts of Texas, where Cingular Wireless, SBC and AT&T are the dominant companies — and are now about to be joined under one roof — could be adversely affected.

In the business market, cable doesn't exist as a real competitor for many phone providers because the nation's cable service was built to offer television service to homes. A number of cable companies are trying to make a push to sell phone services to small and midsize businesses, but the cable industry isn't expected to be a major force in the business market anytime soon.

Cox Communications Inc. has been most aggressive in telecom-service sales to businesses, collecting close to $400 million in revenue from corporate clients last year. But even Cox is limited because its cable systems don't reach all of the commercial areas in its franchises — and the company is reluctant to spend capital to reach certain areas without any guarantee that it will find customers.

For consumers, meanwhile, a single local phone company will still dominate most areas. Cable companies are rapidly entering the telephone business, but they currently offer telephone service to only about 25% of the country's households, says Jason Bazinet, a cable analyst at Citigroup Smith Barney. However, he projects that number will rise to 40% by the end of the year.

Local phone companies are also likely to face increasing competition from the explosion in wireless calling. In December, Sprint Corp. and Nextel Communications Inc. announced a $35 billion deal to create a mostly wireless giant. The new company is likely to explore low-cost wireless technologies like Wi-Fi connections to compete directly against traditional phone lines.

Verizon, for its part, has said higher prices are unlikely in an environment where local phone business is eroding as a result of competition and a slew of new technologies like Internet calling. "The battle didn't go away because we're buying" the long-distance companies, says Verizon spokesman Peter Thonis. "The battle went away because technology made stand-alone long-distance business much less relevant."

Both Verizon and SBC bought their long-distance rivals for similar reasons: access to corporate customers to whom they can sell discounted packages of telecom services. AT&T and MCI's business has long been eroding as consumers use more cellphones and email.

A decision last year by the Federal Communications Commission to effectively roll back rules that required local companies to offer their networks to competitors at regulated rates made it difficult for MCI and AT&T to offer competititve local phone service, making their eventual sale all but inevitable.

SBC and Verizon had the ability to buy the networks and high-paying customers for relatively cheap prices. Cutting costs through layoffs means the two companies will get big — albeit rapidly declining — revenue streams for comparatively little additional cost.

Some are concerned about the impact of the disappearance of AT&T, which for decades battled the Bells at every twist and turn, serving as a check to their market power. The Bells were originally created as local phone companies during the breakup of the former Ma Bell monopoly in 1984.

"What's particularly significant about these last two mergers is that they take by far the biggest players opposing the Bell companies off of the table in Washington," says Kevin Werbach, a professor of legal studies at the University of Pennsylvania's Wharton School. He worries that incumbent phone and cable companies could make it difficult for others to offer Internet calling over their networks.

Meanwhile, on the state level, phone and cable companies are lobbying for new laws to stop the spread of the increasingly popular technology known as Wi-Fi, as cities use wireless equipment to offer broadband connections.

Verizon's Mr. Thonis says that phone companies will be lobbying to loosen longstanding regulations on many aspects of their business. For example, many industry lobbyists want to seek a change in laws requiring approval from state regulators to raise rates. Cable companies, by comparison, face looser regulations on many parts of their business. "The new battle has to do with a level playing field with every other competitive technology," says Mr. Thonis.

Yet, changes in technology mean that there will likely be many more companies competing against the Bells than just cable operators. The integration of voice and data on digital networks and the arrival of Internet calling has attracted a slew of new players to the phone industry, such as Microsoft Corp., Sony Corp., Time Warner Inc.'s America Online and EarthLink Inc. Their arrival hints at the profound changes that lie ahead, executives say.

After the recent cycle of boom, then bust, and now consolidation, the industry has become more viable and suddenly interesting for a wide array of companies, says Raul Katz, CEO of Adventis, a Boston telecom consulting firm. "We are seeing companies from media, entertainment, hardware and software now attracted to telecom," he says. The next phase "will be new-entrant activity."

These technological changes could help spur even more consolidation. "When technology allows you to compete where you couldn't before, and offer a product at 50% less, that moves markets and consumers," says Scott Cleland, chief executive of Precursor, a Washington investment research firm, "that changes the marketplace."

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Peter Grant contributed to this article.

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Giants' Game

Current share of business, consumer and wireless markets:

Business services*

Qwest	7%
Sprint	6%
SBC/AT&T	26%
Other	34%
Verizon/MCI	28%

Consumer local and long distance**

MCI	4%
SBC	19%
AT&T	8%
BellSouth	11%
Other	35%
Verizon	23%

Wireless***

T-Mobile USA	9%
Cingular	28%
Verizon Wireless	24%
Sprint Nextel	21%
Other	18%

* Based on revenue; includes retail and wholesale, local, long distance, IP & data; doesn't add up to 100% due to rounding.

** Based on revenue; as of Q4 2004; 'Other' includes Qwest and Sprint

*** Based on subscribers; Cingular is owned by SBC and BellSouth

Sources: Yankee Group; TNS Telecoms

NOTES:
PUBLISHER: Dow Jones & Company Inc.

LOAD-DATE: May 4, 2005

Exhibit B

(May 4, 2005 Control Point Press Release)

Financial News

Press Release

Source: Control Point Solutions

Verizon-MCI Merger - Competitive Impact Assessed

Wednesday May 4, 10:49 am ET

Control Point Solutions Quantifies Potential Future Vendor Mix

RUTHERFORD, N.J., May 4 /PRNewswire/ -- Control Point Solutions, the leading telecom expense management firm, today announced an assessment of the market impact of the recent acquisitions by local phone companies of long-distance providers. Analysis of 51 of Control Point Solutions clients, mainly top 100 global enterprises with a total annual telecom spend of $2.8 billion, shows the combined SBC/AT&T and Verizon/MCI acquisitions will result in a disproportionate amount of clients' voice, data, and wireless spend being consolidated with two vendors. Pricing negotiated by large enterprises such as the sample studied here has a strong influence on overall pricing levels for mid-sized business and consumers.

"Prior to these buy-outs, the top two vendors represented approximately 50 percent of their telecom spend," stated Greg Carr, CEO and President of Control Point Solutions. "After the SBC acquisition of AT&T, 76 percent of the spend will be consolidated with two vendors. With the Verizon buy-out of MCI the consolidation increases to 87 percent with two vendors."

"Companies need to immediately start preparing for a new environment in the US telecom marketplace," says Carr. "We are telling our clients to shift attention to focusing on the local phone companies and developing new procurement strategies as they prepare for new service bundles. We anticipate fall-out and errors as billing systems are merged together. Companies will need to monitor their telecom invoices more closely than ever."

Nick Wray, Vice President, Strategic Sourcing for Control Point Solutions added that the numbers seen by Control Point Solutions' analysis might be even larger for smaller corporations with more tightly defined geographies. "The enterprises we analyzed tend to be very large, multi-state operations which diversified their vendor operation partly as a result of available services in their different locations," explained Wray. "Smaller, more centralized enterprises may tend to be starting with a less diversified vendor base."

Wray says that for large enterprises, the worlds of long distance and local carriers are very different. "Over the past decade, long distance has been a highly competitive market place where annual decreases in rates of 25 percent -- 40 percent have been common," says Wray. "Most enterprises have resources dedicated to negotiating better rates each year. The local services market has been far less competitive with 10-15 percent reductions in rates. For many large enterprises, these services are decentralized."

Preparing For a New World

Control Point Solutions is advising its large enterprise clients as follows:

1. Don't panic. The impact of these mergers on pricing and service will take some time to play out. It will be twelve months or longer before this impact is seen. Enterprises need to use this time to do the following things:

2. Determine what these mergers mean in terms of your current relationships and contracts. What are the total expense breakdowns for these services? Which services can be bid to competitors? What are

the expiration dates for contracts? What are the terms and conditions for each of the respective contracts? Who are the contacts for these consolidated companies?

3. Collectively assess your competitive situation and points of leverage. Which services should be broken out and competitively bid? In order to be able to negotiate in a world with fewer options, companies need to do their homework now.

4. Develop a baseline inventory of network traffic volume for voice, frame relay, ATM and MPLS/VoIP. Prepare today for procurement of new service bundles that result from these mergers and new technology.

5. Watch your telecom invoices more closely then ever and prepare for fall-out as carrier billing systems are merged.

"For reasons of competitive bidding and network redundancy, many large enterprises have actively sought to diversify their telecommunications vendor base over the past few years," explained Carr. "For the companies that are seeking network redundancy and disaster contingency planning, there will be a lot of work ahead following the merger."

About Control Point Solutions (http://www.controlpointsolutions.com)

Formed by the merger of Broadmargin and Teldata Control in August 2004, Control Point Solutions is the leading telecom expense management firm, with more than $7 billion in client telecom expenses under management at the time of the merger. The firms have reduced their clients' network expenses by more than $1.5 billion. Headquartered in Rutherford, New Jersey, Control Point Solutions has more than 400 employees and operations in seven states and overseas.

Source: Control Point Solutions