

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Commission Review of Toll Carrier)
Obligations) Docket No. UT-991573

COMMENTS OF AT&T

AT&T Communications of the Pacific Northwest, Inc. (“AT&T”) submits these comments pursuant to the Notice of Opportunity to Submit Written Comments and Notice of Proposed Rule Adoption Hearing dated December 29, 1999.

The proposed rule would establish requirements for providers of all toll services in a marketplace that the Commission has already found to be effectively competitive. The CR-102 states that the rule is necessary because “there may be circumstances where effective competition alone does not protect consumers.” However, no instances of market failure are cited to demonstrate that regulation is in the best interests of consumers.

To the contrary, the market shows that consumers already are able to obtain the benefits apparently sought to be produced by regulation. The first section of the rule would require companies offering toll services from any exchange in the state to provide universal terminating ability throughout the state. In other words, consumers should be able to call anywhere. From the early days of competition in the long distance market, then-new entrants MCI and Sprint raced to build out their networks so that they would not have to resell AT&T’s services—nationally and internationally. They quickly succeeded and consumers have long expected that, whichever long distance company they selected, they would be able to call wherever they wanted, whenever they wanted.

There is no evidence that any provider is moving to disappoint this long-held customer expectation. If a company sought to introduce this “Coke Classic®” it might find a market niche or be met with the same market response as was Coca Cola. Consumers, as did the early customers of MCI and Sprint, might be willing to trade some perceived inconvenience for some other benefits that the company offered. The choice would—and should—be the consumer’s.

The second part of the rule embodies the Commission’s current statutory authorization to require state-wide average rates. The market already offers consumers a wide range of flat-rated calling options. For example, AT&T’s One Rate® enables consumers to call anywhere in the country for 7 cents a minute. Because of the level of access charges in states such as Washington, the rate for calling in the state is higher but nonetheless the same throughout the state. Other companies are offering even lower per minute prices or even free calling certain days of the week. The direction is being driven—as it should—by the competitive market as providers seek to win customers.

The rule incorporates an exception to the principles of cost causation this Commission has supported and upon which it has justifiably relied in moving from a regulated to a competitive market. The rule would permit rates to reflect cost differences caused by distances. However, as the current market pricing shows, distance is no longer a cost driver. Ever since access charges were introduced after the AT&T divestiture of the Regional Bell Operating Companies in 1984, those charges have comprised the single-largest expense of long distance companies. Access charges of every incumbent local exchange company in the state exceed economic cost. And, by maintaining this uneconomic margin, the Commission creates a pricing umbrella for the new entrants.

Thus, access charges established by the CLECs can also be substantially above economic cost.

This Commission has always demonstrated leadership in the transition from a regulated to a competitive telecommunications market. Our society is founded upon the premise that consumers will be best-served by allowing a market to function. Here, it is the pricing of access charges—a monopoly service--above economic cost that would drive pricing actions by long distance companies. It is upon fixing this vestige of monopoly that attention should be focused, not upon regulating competitive services.

Respectfully submitted on January 26, 2000.

AT&T COMMUNICATIONS
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