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November 14, 2000

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

In re: *Comments of SBC Telecom, Inc.; Rulemaking Proceeding-Regulations for the Provisioning of Tariff Term Plans and Special Contracts; Docket No. 00-00702*

Dear Mr. Waddell:

Enclosed please find an original and thirteen (13) copies of Comments of SBC Telecom, Inc., Docket No. 00-00702.

Should you have any questions, please do not hesitate to contact me at (210) 641-3575.

Sincerely,

Mark R. Ortlieb
Senior Counsel

DOCKETED 11-15-00

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

Rulemaking Proceeding – Regulations For the Provisioning of Tariff Term Plans and Special Contracts	)))	Docket No. 00-00702

COMMENTS OF SBC TELECOM, INC.

SBC Telecom, Inc. (SBCT) appreciates the opportunity to comment on the proposed rules in Docket No. 00-00702. After carefully considering the impact of these proposed rules, SBCT believes that they would make it more difficult for a competitive local exchange company (CLEC) such as SBCT to compete for customers in Tennessee. Accordingly, SBCT requests the Tennessee Regulatory Authority (TRA) to exempt CLECs from the application of these rules or, in the alternative, not to adopt the rules at all.

SBCT is a wholly-owned subsidiary of SBC Communications Inc. (SBC). SBCT's business plan is to become a facility-based local service provider in thirty (30) cities across the nation. SBCT's service areas are located outside of the traditional areas of the local telephone operations of SBC (e.g., outside of the Midwest, Southwest and California). SBCT is rapidly deploying facilities and services in these markets on a phased-in basis and is now operational in Miami, Boston and Seattle. The TRA granted SBCT a certificate of convenience and necessity to provide service earlier this year and

SBCT plans to provide service in Tennessee throughout the Memphis and Nashville metropolitan areas beginning in 2001.

SBCT will begin its business in Tennessee with no customers, no revenue, and no market power. Every customer SBCT calls on to sell its services has competitive choices and is not in any way obligated to buy services from SBCT. Every customer SBCT wins will either already have telephone service from another company or will know there is at least one other company that it can select as its phone company. As a new entrant, SBCT knows that its prices, and the non-price terms of its offering (e.g., termination liabilities), must be competitive if SBCT is going to win business in the marketplace.

The proposed rules needlessly limit SBCT's ability to compete for customers by restricting its ability to price its services as low as it might. The proposed rules limit SBCT's ability to price competitively by increasing SBCT's risk, and ultimately the cost of unrecovered sunk costs, in every long-term contract it enters into with its customers. SBCT would be unable to provide lower prices on long term customer contracts if the customer is not obligated to reimburse the company for any but the smallest amount of a termination charge when the customer does not keep its commitment for the term of the contract. Long term contracts in other industries, and in the telecommunications business in other jurisdictions, are typically priced lower than short term agreements because the term commitment allows the company to spread its fixed costs over a longer period of time. SBCT is therefore able to accept lower margins because the term commitment reduces the risk of unrecovered costs when compared to a monthly service agreement.

The proposed rules obligate the customer to pay a termination charge no greater than one year's price discount, not to exceed six percent of the total term plan, or if a contract of longer than four years, no more than twenty-four percent of one year's contract charges. Such restrictions will require SBCT to limit the discount it is willing to offer customers that are willing to commit to long term agreements because the company cannot afford to take on the risk that the customer will disconnect early and leave the company with unrecovered costs. In this perverse way, the proposed rules would actually create incentives for companies to charge higher prices for long term contracts.

SBCT acknowledges that the proposed rules would allow it to petition the TRA to grant an exception to these restrictions, on a case by case basis. This process, however, burdens both SBCT and its customers with additional costs and uncertainty that are not necessary in a competitive market. Additional delay and uncertainty would be created by the requirement that contracts be filed thirty (30) days before the effective date of the contract, since this could prevent a carrier from meeting requirements of a customer to provide service quickly. Another danger of the thirty (30) day approval period is that it will provide competitors advance notice of a contract and could provide the existing provider with an opportunity to re-double its marketing efforts to retain that customer.

Customers that are sold services on special contracts tend to be sophisticated and knowledgeable consumers. They compare the services, terms and prices of the available suppliers and they bargain aggressively for acceptable terms and conditions. Competition will insure that contract customers are protected. Instead of furthering competition, the proposed rules would add cost, uncertainty and delay, and would restrain carriers from offering the lowest possible prices that could be justified by long term contracts. Long term contracts would be priced at higher prices, closer to the month-by-month offerings. Reducing the intensity of price competition is not in the interests of Tennessee businesses. By the same token, restricting SBCT's ability to price aggressively is not in SBCT's interests.

SBCT requests the TRA to permit SBCT to offer contracts to customers without the restrictions that would be imposed by the proposed rules. Individual case basis contracts should be permitted to be competitively priced and should be permitted to include negotiated termination liability provisions. Contracts need not be subject to prior approval. In short, SBCT recommends that the TRA either exempt CLECs from the proposed rules or, in the alternative, not adopt the rules at all.

Respectfully Submitted,

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