Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of

AT&T COMMUNICATIONS Transmittal No. 1386

Revisions to Tariff F.C.C. No. 1

ORDER

Adopted: January 13, 1989; Released: January 17, 1989

By the Chief, Common Carrier Bureau:

1. The above-captioned tariff revisions were filed by AT&T Communications (AT&T) on October 20, 1988 and are scheduled to take effect on January 18, 1989. These revisions reduce rates for Hospitality Network Service (HNS)[1] from 18 cents per minute to 16.5 cents per minute. AT&T states that in the months since HNS became effective, AT&T has realized that its current HNS rates are not competitive with rates offered by AT&T's competitors. AT&T claims that this reduction will enable AT&T to increase demand by attracting new customers and retaining customers who would otherwise cease using HNS at the end of their current terms. AT&T Description and Justification (D&J) at 2. AT&T argues that total revenues for the switched services category will be $13.9 million higher and net earnings $1.6 million higher in 1989 than if the rates are not reduced. AT&T states that this filing complies with the *MTS Guidelines Order* [2] because net revenues for the switched services category will increase on a present value basis by $500 thousand for the 12 month period after the effective date, and by $16.1 million within 36 months after the effective date. *Id.* at 3-4.

2. Telesphere International, Inc. (Telesphere) filed a petition to reject or, in the alternative, to suspend and investigate and MCI Telecommunications Corporation (MCI) filed a petition to suspend and investigate. Telesphere argues that the proposal does not meet the net revenue test. It challenges AT&T's demand projections, arguing that although AT&T appears to predict the new offering will be used by only one retained customer and one new customer, AT&T projects a ten-fold increase in its HNS volume. Both Telesphere and MCI contrast AT&T's current projections with those made when HNS was first initiated six months ago, and conclude that neither set of projections is reliable. MCI Petition at 3; Telesphere Petition at 1-2. Telesphere also alleges that the new HNS rate is close to AT&T's rate under the Holiday Rate Plan, which AT&T argued would not be profitable if offered more widely.

3. Telesphere also disputes AT&T's claim that there will be no cross-elastic effects, stating that the proposed rate will cause the current HNS customer to shift to the lower rate. Finally, Telesphere maintains that AT&T should not be allowed to implement this rate reduction while the FCC is investigating AT&T's practices with regard to hotel customers. [3] MCI argues that HNS is actually a single customer offering and should be investigated as such in conjunction with the Holiday Rate Plan investigation. MCI maintains that because neither AT&T's other rates nor its competitors' rates have been reduced since the original HNS offering, AT&T is reducing this rate only to avoid dismay by one customer, Marriott, at the rate AT&T has given to Holiday. MCI Petition at 5-7. MCI alleges that AT&T is needlessly reducing the contribution toward common costs made by the one HNS customer. *Id.* at 5 n.11. Finally, MCI contends that this price concession to Marriott will not solve the problem with Holiday, because Holiday's rate continues to be lower. *Id.* at 7 n.14.

4. AT&T filed a reply stating that by its terms, HNS is not limited to a single customer. Furthermore, AT&T maintains that its 1988 demand projections include usage from a customer other than Marriott. AT&T Reply at 2-3. AT&T defends its demand projections as based both on the same methodology as its earlier HNS filing, and on conservative estimates of additional demand and growth rates. *Id.* at 3, 4. AT&T reiterates that HNS remains fully profitable, and states that the rate here is higher than the Holiday Rate Plan rate. *Id.* at 4. AT&T explains that there are no cross-elastic impacts shown because the reduction in revenue from the repricing is already fully reflected in all of AT&T's HNS revenue projections. *Id.* at 5 n.*. Finally, AT&T maintains that HNS and the Holiday Rate Plan are not "like" services, so the Commission need not investigate them together to eliminate the possibility of discrimination. *Id.* at 5-6.

5. The Common Carrier Bureau has reviewed the tariff transmittal and the pleadings filed by the above-listed petitioners and AT&T. We find that no compelling argument has been presented that the tariff is patently unlawful so as to require rejection and that an investigation of the revisions is not warranted at this time.

6. IT IS THEREFORE ORDERED that the petitions to reject or suspend and investigate AT&T Communications Tariff F.C.C. No. 1, Transmittal No. 1386, filed by the above-listed petitioners ARE DENIED.

FEDERAL COMMUNICATIONS COMMISSION

Gerald Brock
Chief, Common Carrier Bureau

FOOTNOTES

[1] HNS is an offering under which customers who aggregate at least four million minutes per month of 1+ calling pay a fixed rate of 18 cents per minute for calls during all rate periods, provided that less than 50 percent of the calling occurs in the day rate period. HNS is offered for a fixed term of one year.

[2] Guidelines for Dominant Carriers' MTS Rates and Rate Structure Plans, CC Docket No. 84-1235, FCC 85-540, 50 Fed. Reg. 42945 (Oct. 23, 1985).

[3] *Id.* at 3-4, citing Telesphere International, Inc. v. AT&T, File No. E-88-75.