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TECHNOLOGY

Rivals Protest AT&T Rate Shift

By RYAN KNUTSON

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AT&T Inc. has moved to effectively raise the price on some of its dedicated data and voice lines for businesses, prompting complaints from groups representing cellphone carriers to ATM owners which say the market is uncompetitive.

The telecom giant notified customers earlier this month that it would no longer offer extended contracts—and the discounts that come with them—to companies using these high-capacity connections, known as "special access lines."

Sprint Corp. and other telecommunications companies that buy the connections claimed the move was anticompetitive, and complained to the Federal Communications Commission. Once the FCC receives official notice of the change from AT&T, the agency will have 15 days to respond or the changes will automatically take effect. The agency can still suspend the changes after they have taken effect.

Rising prices of high capacity connections could impact a broad array of businesses from financial institutions, manufacturers and retailers that use these lines to connect ATMs, gas pumps and warehouse inventories.

Last year, the FCC said it would begin collecting data on prices charged in the special access market, which it estimates to be between \$12 billion to \$18 billion annually, to assess whether there is adequate competition.

AT&T and Verizon Communications Inc. control 80% of the special access market, Sprint and other rivals say.

"The very fact that AT&T can unilaterally impose a substantial price increase on its customer base is a sign of its continuing market power," a group of telecommunication companies, including Sprint and EarthLink Inc., wrote in a letter to the FCC on Friday.

AT&T said that as of Nov. 9, it will stop offering contracts longer than 36 months for older types of connections, known as TDM, because it plans to phase out the technology by 2020. Last year, AT&T said it would invest \$14 billion over three years to expand wireless networks and transition its network from TDM to more efficient Internet protocol-based technology. AT&T still needs FCC approval before it can stop offering TDM systems.

AT&T said this is an effort to wean customers off TDM-based services. AT&T offers deeper discounts for longer term plans, but because this service will be terminated in 2020, longer-contracts aren't available, said spokesman Michael Balmoris.

"These steps are necessary to accomplish a smooth and non-disruptive modernization of our network and services," said Mr. Balmoris in an email.

The company is still selling IP-based special access lines on five-year contracts. But those connections are more expensive than the older, TDM-based connections, which are subject to rate regulation by the FCC.

Colleen Boothby, a lawyer who represents about 20 companies including banks, insurers and auto makers, said the proposed changes could affect prices paid by consumers for a range of services. "The concern is this will raise prices across the market," Ms. Boothby said.

Many businesses have the option to buy special access connections directly from AT&T or from smaller competitors, such as EarthLink or TW Telecom Inc., Ms. Boothby said. But because these rivals often resell AT&T special access lines, it affects those firms' ability to compete. "It's weakening competitors who you're counting on to keep downward pressure across the whole market," Ms. Boothby said. who you're counting on to keep downward pressure across the whole market

Sprint uses the special access lines to connect its cell towers to the broader network, known as "backhaul." All wireless carriers need backhaul to connect their network of cell towers, and Sprint says about 30% of its operating expenses at each cell site go to backhaul. Sprint estimates the changes will increase its backhaul prices in some areas by 24%.

"It puts the rest of the wireless industry at a competitive disadvantage," said John Taylor, Sprint spokesman. Mr. Taylor said the company won't pass along the price increase to its customers.

Verizon Wireless and T-Mobile US, Inc. could also be affected in areas where they have to buy backhaul from AT&T. T-Mobile could feel less pain from the price increase because it has deliberately tried to purchase backhaul from a broad range of providers, according to a person familiar with the carrier's network. Verizon declined to comment.

Verizon also sells special access connections, and in 2012 it faced opposition from the same companies when it proposed increasing rates by 6% for similar services. The company later withdrew the increase.

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