

August 15, 2017

The Honorable Xavier Becerra
Attorney General
State of California Department of Justice
1300 "I" Street
Sacramento, CA 95814-2919

Dear Mr. Attorney General:

INCOMPAS¹ and the Computer and Communications Industry Association ("CCIA")² submit this letter for the purpose of addressing AT&T conduct that, if allowed to continue, will severely harm the market for multi-location business voice services in California.

INCOMPAS has members that specialize in providing telephone service, as well as other services, to multi-location business customers. Several CCIA members are businesses operating in California that demand the type of multi-location voice services that the INCOMPAS members provide. Such businesses typically demand telephone service in numerous locations (often dozens within a state and hundreds across the country), demand several telephone lines at each location, and enter into long-term fixed contracts lasting several years. INCOMPAS has members that meet these demands with efficient services that include the provision of service to all of a customer's locations by a single service provider and simplified, integrated billing for all of a customer's locations. Many of the customers served by an INCOMPAS member have numerous locations in California. Those customers participate in a wide range of industries in which CCIA members are active, including computer hardware and software, IT services, Internet software and services, telecommunication services and video distribution.³ These industries are central to California's vibrant economy.

In order to serve multi-location customers, INCOMPAS members lease telephone service connections from AT&T. This is because AT&T owns the only connection to many of the buildings at which multi-location business customers demand telephone service. Nor is it economically feasible for

¹ INCOMPAS, the internet and competitive networks association (formerly COMPTTEL), is the leading trade association advocating for competition policy across all networks. INCOMPAS represents internet, streaming, communications and technology companies both large and small, advocating for laws and policies that promote competition, innovation and economic development. A list of INCOMPAS members is available online at <http://www.incompas.org/memberlist.asp?contentid=2109>.

² CCIA represents large, medium, and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications, and Internet products and services. Our members employ more than 750,000 workers and generate annual revenues in excess of \$540 billion. A list of CCIA's members is available online at <http://www.ccianet.org/members>.

³ Federal telecommunications privacy laws prevent INCOMPAS's member companies sharing with INCOMPAS, or listing here, the names of the customers purchasing multi-location telephone services without obtaining the customers' prior consent. *See* 47 U.S.C. § 222.

competitors to deploy new end user connections to most of these locations because the costs of doing so exceed the revenues that can be earned.

In addition to controlling essential inputs of production, AT&T also competes in the provision of retail telephone services to multi-location customers. Given AT&T's ubiquitous network, established customer relationships, and brand recognition, it has many advantages in serving this market. This means that INCOMPAS members' most important wholesale provider is also their most formidable competitor for downstream retail services.

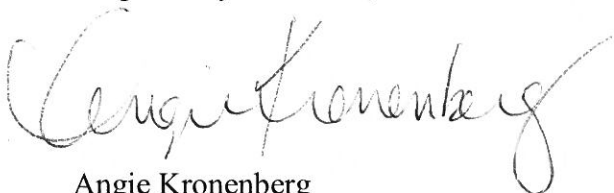
We believe that AT&T is exploiting its control over the wholesale market for end user connections as a means of harming or even eliminating competition in the provision of retail telephone services to multi-location customers in California. We believe it is doing so by charging unreasonably high wholesale prices while at the same time selectively reducing retail prices for customers that INCOMPAS's members serve or seek to serve to levels far below the wholesale prices that AT&T charges. The result is a price squeeze that increasingly prevents competitors from competing effectively for multi-location customers in industries essential to California's economy, like CCIA members.

If AT&T is permitted to continue to engage in this conduct, multi-location business customers in California will be deprived of the benefits of competition. Competitive providers of voice services will either exit the market or dramatically scale back their service offerings. This will enable AT&T to increase prices without significant concern that it will lose market share. The absence of competition will also reduce the level of innovation in the provision of telephone services. As a result, multi-location businesses in California will pay higher prices for lower-quality telephone services.

In addition to harming businesses, AT&T's anti-competitive scheme injures consumers in California. This is because many California businesses will likely pass on to their customers the increased cost of telephone service in the form of higher consumer prices for the goods and services sold. In addition, lower quality telephone services (e.g., with less efficient billing platforms than those offered by INCOMPAS members) will further increase the true, quality-adjusted cost of telephone service, which again will be passed onto California consumers in the form of higher prices.

Because AT&T's actions pose such grave dangers to businesses and consumers in California, we urge the Department to investigate this matter and take whatever action is warranted, based on the evidence uncovered in your investigation. This request is all of the more important given that the federal agencies charged with antitrust enforcement and regulation of telecommunications services seem unlikely to address AT&T's anticompetitive conduct. Indeed, state attorneys general, along with state regulatory commissions, are the last line of defense against anticompetitive conduct by dominant firms like AT&T. We therefore request that your office investigate and address the AT&T conduct described herein.

Respectfully submitted,



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Chief Advocate & General Counsel
INCOMPAS



Matt Schruers
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CCIA