



November 2, 2016

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Via Electronic Filing
Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

EX PARTE LETTER RE: WC Docket No. 16-70, WC Dkt No. 05-25, RM-10593

Dear Secretary Dortch:

On October 31, 2016, representatives of BT Americas Inc. ("BT") met with Stephanie Weiner and Lisa Hone, legal advisors to Chairman Wheeler. Sheba Chacko, Head of Americas Regulation, BT, Jennifer Hodges, Vice President Government Affairs USA, BT, and Bridget Connolly, Senior Commercial Counsel, BT, participated in person in this meeting.

With respect to Verizon's acquisition of XO, BT asked that the Commission require Verizon to agree to maintain XO's EoC platform for a period of five years after the close of the transaction, at existing rates, terms, conditions, speeds and coverage, so that XO customers will continue to have the right to use and order the EoC service currently offered by XO. Alternatively, BT asked that Verizon agree to provide an equivalent service at comparable rates, terms, conditions, speeds and coverage (i.e. like-for-like service). Failure to maintain XO's EoC platform for a reasonable length of time would cause BT's customers, and other consumers of EoC services, rate shock and turmoil.

XO offers a valuable and innovative Ethernet BDS service in the 10Mbps and under BDS market which a surprising number of BT's customers use. XO has the lowest average Ethernet prices for the coverage provided in this low bandwidth Ethernet services market. While other providers may offer wider coverage for the same or equivalent services, their average prices are higher. Alternatively, if the odd provider has lower average Ethernet rates in this product market, it has limited coverage. Meanwhile, Earthlink, one of the competitors mentioned by Verizon as having identified EoC as one of its "Core Products," actually resells XO's EoC. BT's expectation is that the cost of serving most of its customers currently served via XO's EoC service would increase significantly if Verizon withdraws XO's EoC services on an accelerated basis.

Another reason for requiring that XO's EoC platform be maintained for five years is to avoid a forced and sudden migration to alternate services that could cause consumers disarray and turmoil. Migrations for large enterprise customers can take upwards of sixty days per circuit because migration entails planning, ordering, installation of parallel circuits, testing, and cutover. Much of this activity would have to take place during off peak hours (nights and weekends). So, to migrate off the hundreds of EoC circuits completely would actually take years. However, if the Commission were to require Verizon to keep the XO EoC platform in place for five years, then over this period of time BT expects that customers' bandwidth requirements would increase and customers would naturally and smoothly migrate off XO's EoC platform without major disruption or turmoil.

BT AMERICAS INC.

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With respect to the BDS proceeding, BT asked that the Commission apply the TDM rate cuts over a two-year period and beginning in January 2017. As for Ethernet services, BT stated that the 50 Mbps and under Ethernet services market is non-competitive, that the Commission should find price cap regulation is appropriate for this market and should delegate implementation to the Bureau.

BT also noted that in the UK, its wholesale Ethernet service rates have been cut annually since 2009¹ and yet, as demonstrated by the public regulatory accounts BT has filed, it has earned reasonable margins for these Ethernet services despite serving rural and urban areas of the UK.² BT has not advocated for geographic de-averaging in the UK that would allow BT to charge different rates in rural versus urban areas wherever BT's Ethernet services are subject to rate regulation. US ILECs too should be able to recover ample margins under the Verizon INCOMPAS framework despite the obligation to serve rural areas.

If you have any questions regarding any matters discussed herein please feel free to contact me.

Sincerely,



Sheba Chacko
Head, Americas Regulation and Global Telecoms Policy, BT

cc:
Lisa Hone
Stephanie Weiner

¹ See table below which summarizes information BT has previously submitted in the record.

Years	Ethernet Rate Cuts in the UK Imposed on BT	Speeds of Ethernet Access Services Covered by Price Controls
2009-2012	Retail Price Index-7%	≤ 1Gbit/s
2013-2015	Retail Price Index-11.5%	≤ 1Gbit/s
2016-2018	Further initial price reduction of BT's Ethernet rates of 12% in addition to Retail Price Index-13.5%	≤ 1Gbit/s

² See WIK-Consult Report, Ethernet Leased Lines: An International Benchmark (Feb. 2016), attached at the Appendix to Reply Comments of BT Americas, WC Dkt. No. 05-25, RM 10593 (filed Feb 19, 2016).