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**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

Re: *Business Data Services in an Internet Protocol Environment et al., WC  
Docket Nos. 16-143, 15-247, and 05-25 and RM-10593*

Dear Ms. Dortch:

On November 7, 2016, Craig Brown (via phone), Jeff Lanning and Melissa Newman of CenturyLink and I, representing Frontier Communications, met with the following members of the Wireline Competition Bureau to discuss the proceedings referenced above: Deena Shetler, Thom Parisi, Eric Ralph, Pam Arluk, David Zesiger, William Kehoe, Irina Asoskov, Lynn Engledow, Justin Faulb, and Joseph Price.

CenturyLink and Frontier explained that a substantial majority of the rate reductions in the draft Order, as it has been explained by FCC staff, would fall on transport services. Markets for dedicated transport services have not been considered in this proceeding in any meaningful way. The Commission cannot legally or logically proceed, therefore, with these reductions without issuing a Further Notice of Proposed Rulemaking, receiving and considering comments from interested parties, and conducting an economic analysis of competition in markets for dedicated transport services.

The Commission has long treated dedicated transport differently from end user connections, recognizing a far longer and greater history of competition for dedicated transport services. Transport competition predates the 1996 Act (through the Commission's Expanded Interconnection rules), and for the past decade and a half has been subject to a different set of pricing flexibility triggers.<sup>1</sup> A substantial majority of transport revenue has been covered by Phase II pricing flexibility since the early 2000s.

Unlike access to end user connections, there has been virtually no discussion in this docket over the past decade of transport services. BDS purchasers have not complained of a lack of alternatives; nor has there been any discussion of reducing rates. Indeed, BDS purchasers frequently provide transport themselves, both for their own use and to other providers on a wholesale basis.

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<sup>1</sup> Compare 47 C.F.R. § 69.709 (Dedicated transport and special access services other than channel terminations between LEC end offices and customer premises) with § 69.711 (Channel terminations between LEC end offices and customer premises).

It is not surprising, therefore, that the Commission has not conducted any analysis of transport services in the BDS proceeding. As Dr. Rysman explained, “My approach of aggregating to the level of the circuit rules out separate analysis of the transport market. In this paper, I focus only on the market for circuits provided to customers (sometimes called the channel termination market), although the transport market may also be interesting to study.”<sup>2</sup> Only a small share of ILEC transport revenue ended up being included in that analysis—those situations where an ILEC-provided DS1 or DS3 end-user connections are connected to the same size transport circuits on an end-to-end basis. The Commission cannot logically or legally leverage this incidental inclusion of transport service into regulatory rate reductions.

We believe a data-driven competitive analysis of transport markets will show them to be highly competitive in most places. For example, while CenturyLink purchases a substantial number of end-user DS1 and DS3 connections (i.e., channel terminations) from other incumbent LECs outside of its ILEC region, approximately 50% of those end-user connections are connected to its own transport or transport purchased from a provider other than that ILEC. Similarly, approximately 50% of the DS1 and DS3 end-user connections that CenturyLink sells in region are purchased without any dedicated transport from CenturyLink. Nor will the Commission be able to point to persistent or significant price increases. CenturyLink, for example, has not implemented any Phase II transport rate increases in nearly a decade.

Please contact me with any questions.

Sincerely,

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Mike Saperstein

cc: Meeting Participants

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<sup>2</sup> Prof. Marc Rysman, *Empirics of Business Data Services*, , attached as Appendix B to *Business Data Services in an Internet Protocol Environment; Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans; Special Access for Price Cap Local Exchange Carriers; AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, Tariff Investigation Order and Further Notice of Proposed Rulemaking, FCC 16-54, 31 FCC Rcd. 4723, 4926 (2016).