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April 8, 2016

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. 05-25, RM-10593***

Dear Secretary Dortch:

BT Americas Inc. ("BT") submits this letter in response to the ex parte letter filed by AT&T on March 29, 2016 in the above-referenced docket.¹ In its letter, AT&T decries an international study on Ethernet services² (hereinafter referred to as the "WIK study") that BT commissioned and filed with the FCC. AT&T claims that, contrary to BT's assertion that the lack of regulation of Ethernet services has led to prices in the US that are higher than in the countries examined in the WIK study, Ethernet prices in US are somehow lower overall.³ AT&T suggests it reached this conclusion by analyzing 2015 updates to OVUM data on which the WIK study relied. But here are the facts about the new numbers based on OVUM's 2015 update.⁴

- 10 Mbit/s metro Ethernet service is more expensive in the US in 2015 than in the other countries analyzed even though in 2013, US prices for this metro service were lower than in France, Germany and the Netherlands.⁵ See Figure 1.

¹ Letter from Keith M. Krom, AT&T, to Marlene H. Dortch, FCC, WC Dkt. No. 5-25, RM 10593 (filed Mar. 29, 2016).

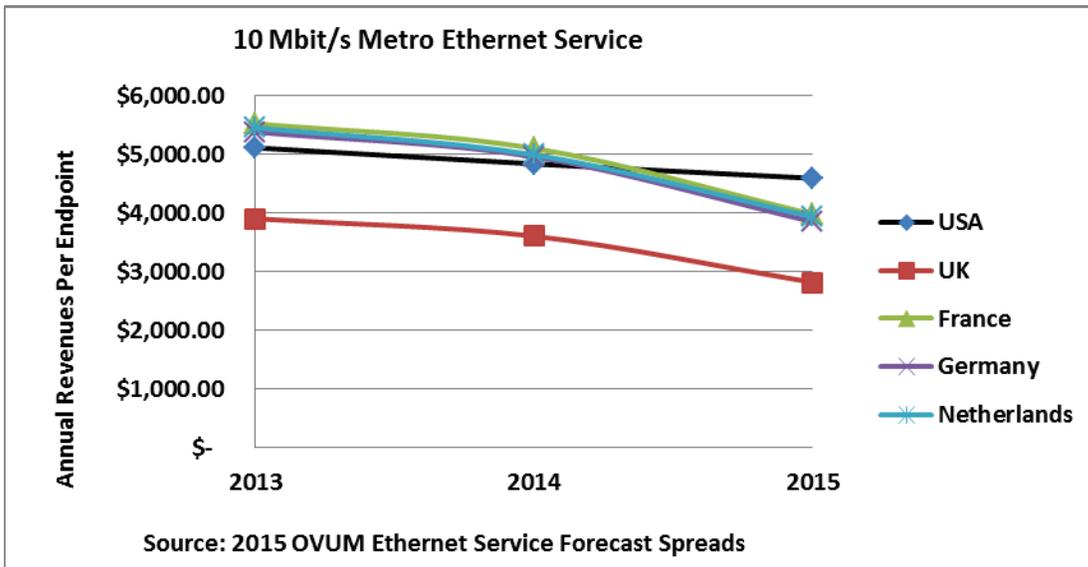
² WIK-Consult Report, Ethernet Leased Lines: An International Benchmark (Feb. 2016), attached at the Appendix to Reply Comments of BT Americas, WC Dkt. No. 05-25, RM 10593 (filed Feb 19, 2016).

³ Cite to ex parte filed by AT&T with the FCC

⁴ See Ovum, Ethernet Services Forecast Spreadsheet 2015-20 (2015).

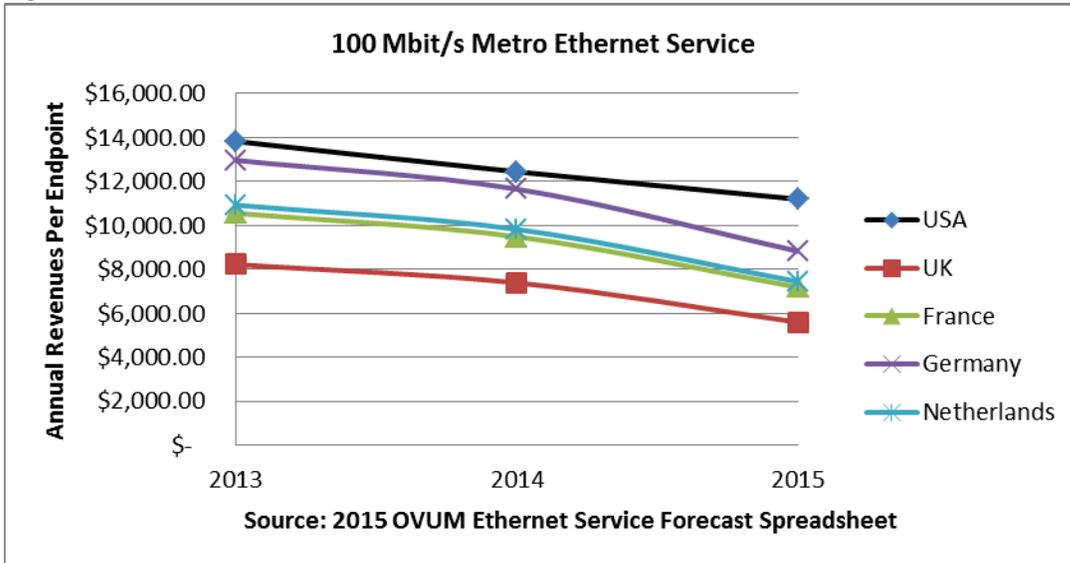
⁵ The revenues per endpoint are a proxy for prices paid per endpoint connection.

Figure 1



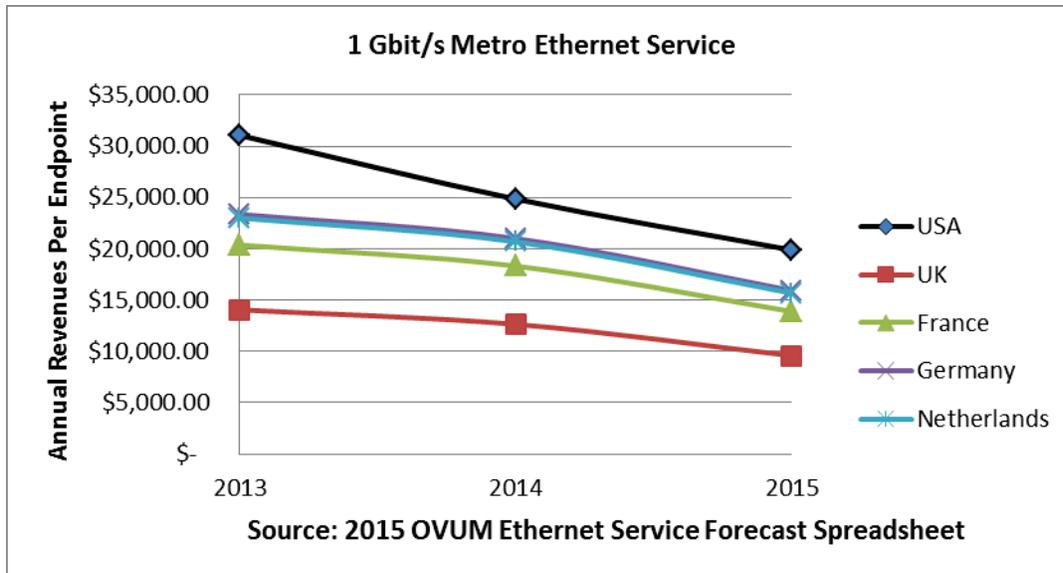
- 100 Mbit/s metro Ethernet service is also more expensive in the US. Indeed the gap appears to have widened between 2013 and 2015. See Figure 2.

Figure 2



- 1Gbit/s Ethernet service also costs more in America. See Figure 3.

Figure 3



These 10Mbit/s, 100Mbit/s, and 1 Gbit/s metro services accounted for 94% of the metro endpoints counted by OVUM in the US in 2015. Yet, despite the fact that US prices were clearly higher in these 94% of cases, AT&T arrives at the demonstrably false conclusion that Ethernet prices in the US are in fact “overall lower” and that the correlation between responsible regulation of economic bottlenecks and better outcomes for consumers has magically disappeared.

AT&T does this by conveniently ignoring the facts. It vaguely alludes to “major changes” in the Ethernet services market since 2013 that have caused US 1Gbit/s and 10 Gbit/s prices to decrease, which by fuzzy AT&T logic proves that the entire US Ethernet services market is competitive. In reality, of course prices declined: it would have been surprising had prices not declined in the US, as they did elsewhere, given that the costs of electronics declined and economies of scale and scope were achieved with increasing volumes of Ethernet services purchased.⁶ Every other country studied experienced declining Ethernet services prices, as clearly shown in the charts above. Nevertheless, providers were found to be dominant in the majority of geographies and for the majority of bandwidths sold.

AT&T also highlights price decreases for 10Gbit/s metro Ethernet services – which accounted for just 5.5% of US metro endpoints in 2015 – that have come down such that US prices are lower than in Germany and the Netherlands, but are still higher than in France and the UK. Perhaps the US price decreases at 10Gbit/s indicate the emergence of competition in very high-capacity services, or maybe the price decreases stem from other factors. In any case, the fact that US prices for high capacity services are the only ones coming down in line with prices in France

⁶ See Section 3 of the WIK study which discusses some of the reasons costs to provide Ethernet services declined over time.

and the UK whereas US prices for metro 10Mbit/s, 100Mbit/s, and 1 Gbit/s services have not experienced similar price declines indicates that US prices for these lower bandwidth services are not competitive and need price regulation. Cf. Figure 4 to Figures 1-3.

AT&T further complains that the comparison in the WIK study of its rack rates to the rack rates of European incumbents is unfair because its rates are discounted whereas European incumbents' rates are not discounted. AT&T's discounts off its rack rates would have to be greater than 50% and widely available without term and volume commitments and other onerous conditions to compare with the rack rates routinely offered to one and all in countries like France, Germany, the Netherlands, and the UK. This is obvious from an examination of the rate comparisons in Figure 5. If AT&T's claim is that it routinely offers 50% discounts of its 10Mbit/s, 100Mbit/s, and 1Gbit/s rack rates without any term and volume commitments, it would be wise to make a public announcement as such, as no doubt a long line of buyers would be interested in signing up.

Figure 4

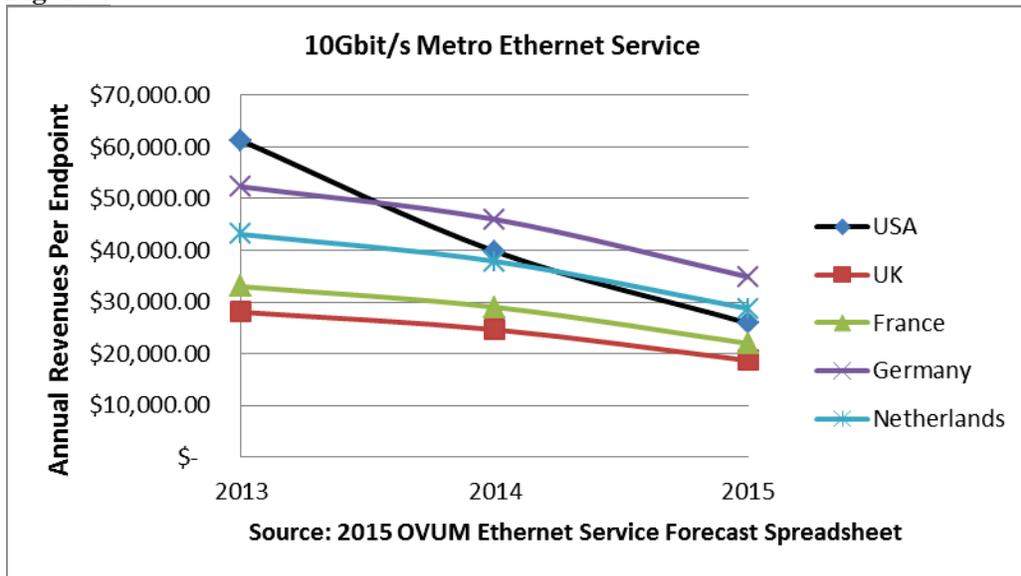
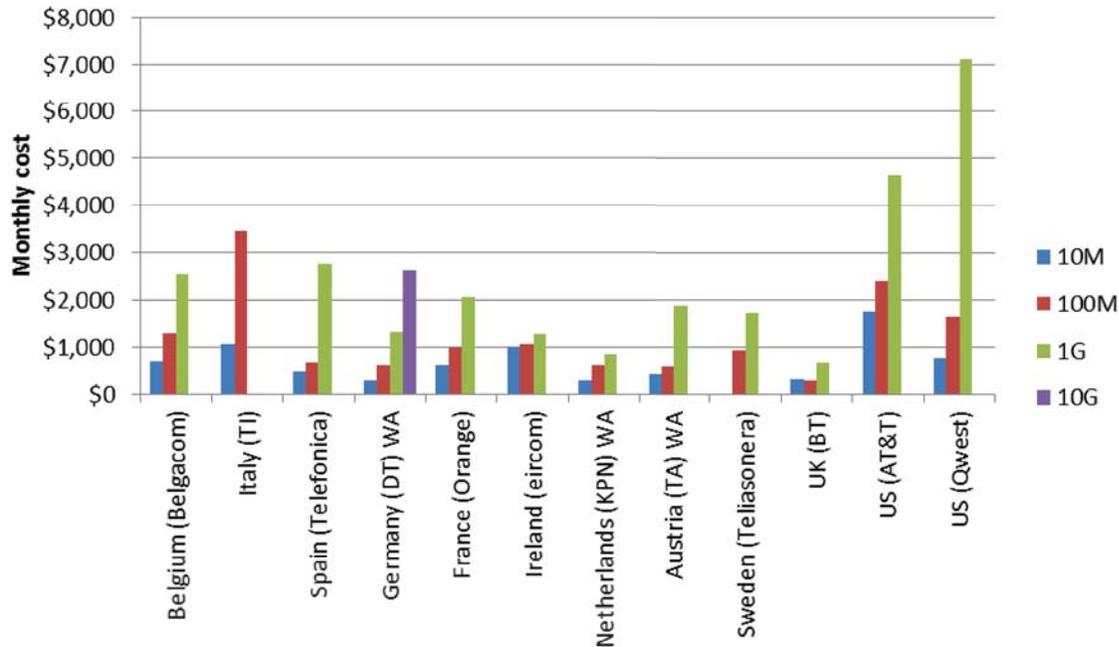


Figure 5 -- Incumbent rack rate metro Ethernet leased line charges 2014/15



Source: WIK (2014) Ethernet Leased Lines: a European benchmark for EU rates - European charges as of October 2014. Published rack rates for AT&T, Qwest downloaded November 2015. \$1=€0.9. WA = 'Weighted Average.' Pricing based on a term of 24 months.

The reality is that when AT&T does offer discounts on its rack rates, it frequently does so on the condition that the buyer meet a large volume commitment which has the effect of locking up the market and preventing competition from developing.

If you have any questions regarding any matters discussed herein please contact the undersigned.

Sincerely,

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

cc: Eric Ralph
 Deena Shetler
 William Layton