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May 26, 2016

VIA HAND DELIVERY

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Special Access for Price Cap Local Exchange Carriers, WC Docket No. 05-25, RM-10593

Dear Ms. Dortch:

Pursuant to the *Second Protective Order*[1] and *Data Collection Protective Order*[2] adopted in WC Docket No. 05-25, RM-10593, Sprint Corporation ("Sprint") submits a redacted version of the enclosed ex parte, which contains highly confidential information. Highly confidential treatment of the respectively marked portions of the enclosed document is required to protect the following information:

- The factors Sprint considers "when deciding whether to self-deploy channel termination and local transport facilities or lease such facilities from a third party"[3];
- Factors that Sprint "take[s] into account when deciding what types of channel termination and local transport facilities to lease"[4];
- "Pricing, to the extent such information is not publicly available, for . . . all [packet-switched data services]"[5];

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1 *Special Access for Price Cap Local Exchange Carriers*, Second Protective Order, DA 10-2419, 25 FCC Rcd. 17,725 (2010) ("*Second Protective Order*").

2 *Special Access for Price Cap Local Exchange Carriers*, Order and Data Collection Protective Order, DA 14-1424, 29 FCC Rcd. 11,657 (2014) ("*Data Collection Protective Order*").

3 *Second Protective Order*, 25 FCC Rcd. at 17,727.

4 *Second Protective Order*, 25 FCC Rcd. at 17,727; *Data Collection Protective Order* at Appendix B.

5 *Special Access for Price Cap Local Exchange Carriers*, Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, to Donna Epps, Vice President, Federal Regulatory Affairs, Verizon, DA 12-199, 27 FCC Rcd. 1545 (Feb. 15, 2012) (supplementing the *Second Protective Order*) ("*Second Supplement to the Second Protective Order*").

- "[R]ates or charges associated with channel terminations or transport facilities, and information from which, whether alone or in combination with other confidential or non-confidential information, such rates or charges . . . "[6];
- "Information about Requests for Proposals ('RFPs'), including descriptions of RFPs for which a party was selected as the winning bidder, descriptions of RFPs for which a party submitted unsuccessful competitive bids, and the business rules companies take into consideration to determine whether to submit a bid in response to an RFP"[7];
- The "types of customers companies serve and the types of special access-type services demanded by those customers"[8];
- The "nature or type of structure where . . . cell sites are placed" and "the type or capacity of the connections provided to companies' cell sites."[9]

The marked information is not available from public sources, and, "if released to competitors, would allow those competitors to gain a significant advantage in the marketplace."[10]

In accordance with the *Data Collection Protective Order* and *Second Protective Order*, Sprint is filing a redacted version of the enclosed document electronically via ECFS in WC Docket No. 05-25 and RM-10593, and will submit one hardcopy without redaction to the Secretary's Office, two hardcopies without redaction each to Christopher Koves and Marvin Sacks, Pricing Policy Division, Wireline Competition Bureau, and two redacted hardcopies to the Secretary's Office.

Please contact me if you have any questions or require any additional information.

Sincerely,

Jennifer P. Bagg
Counsel to Sprint Corporation

Enclosure

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6 *Special Access for Price Cap Local Exchange Carriers*, Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, to Paul Margie, Esq., 26 FCC Rcd. 6571, DA 11-805 (May 2, 2011) (supplementing the *Second Protective Order*) (*First Supplement to the Second Protective Order*).

7 *Data Collection Protective Order* at Appendix B.

8 *Second Protective Order*, 25 FCC Rcd. at 17,727.

9 *Id.* at 17,728.

10 *Data Collection Protective Order* ¶ 5; *Second Protective Order*, 25 FCC Rcd. at 17,726-28; *First Supplement to Second Protective Order*, 26 FCC Rcd. at 6571-72; *Second Supplement to Second Protective Order*, 27 FCC Rcd. at 1545-49.

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May 26, 2016

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Special Access for Price Cap Local Exchange Carriers, WC Docket No. 05-25, RM-10593

Dear Ms. Dortch:

Sprint Corporation ("Sprint") constructed the attached Ethernet pricing model in the normal course of business in order to allow its internal procurement team to evaluate offers for fiber-based business data services ("BDS"), primarily for use as backhaul to Sprint's cellular sites. Developed with input from Sprint network engineers and outside consulting professionals, the model estimates prices at which an incumbent provider could profitably supply fiber-based BDS at capacities of 50 Mbps to 1 Gbps in dense urban, urban, suburban, and rural areas.

To increase its utility as a business tool, the model was developed to estimate a monthly price that reflects the recurring and non-recurring costs an incumbent carrier would incur to perform the specific services it offered to provide Sprint: building, connecting, repairing, and maintaining a fiber lateral to a particular Sprint location.[1] As a result, the model generates pricing data based on the incremental costs to deploy facilities from an existing network, as opposed to the forward-looking costs associated with greenfield construction of a new fiber network. Relative to a forward-looking model, Sprint's incremental calculation ignores efficiencies that would allow a provider constructing a new fiber network to offer BDS across many building locations at a lower average cost per service. At the same time, the model does not account for the recovery of shared costs associated with a provider's investment in its existing fiber infrastructure (although it does include costs for the equipment on the provider's metropolitan area network utilized by the BDS customer). Because incumbent providers recover these shared costs across a wide variety of services, including best efforts Internet access and residential video services, these amounts are likely to be small relative to the costs directly assignable to providing wholesale BDS to a particular customer location. Thus, on balance, Sprint believes the model's estimates are conservative.

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[1] As summarized in this filing, the pricing data generated by the model assume a fixed distance of 0.25 miles from the customer's location to the nearest splice point. A quarter mile likely overestimates a typical fiber lateral connection. Sprint frequently used the Ethernet pricing model to estimate pricing for builds involving a shorter lateral distance, and the model can easily be adjusted for shorter distances.

The results of the model clearly establish that competition is not adequately disciplining incumbent prices for Ethernet-based BDS at and above 50 Mbps,[2] and illustrate how the broken marketplace for BDS diminishes wireless competition. As shown below, wireless providers affiliated with incumbent BDS providers can self-provision backhaul connections at a fraction of the cost that a competitive wireless provider must pay to purchase these critical inputs.

*****BEGIN HIGHLY CONFIDENTIAL*****

Competitive Rates v. Actual Rates Sprint Pays Price Cap Incumbent Local Exchange Carriers ("ILECs") for Cellular Site Backhaul[3]

	50 Mbps	100 Mbps	200 Mbps	300 Mbps	400 Mbps	500 Mbps	600 Mbps	1 Gbps
Pricing Model	[redacted]							
Average ILEC Prices at Cell Sites								
% Difference (Backhaul)								

*****END HIGHLY CONFIDENTIAL*****

The uneven competitive landscape is not just limited to wireless services. The high prices for cell-site backhaul are indicative of Sprint's experience across the marketplace, and therefore undermine competition for both wireless and wireline broadband services. Indeed, as the enterprise market continues to converge, carriers face increasing pressure to offer competitive rates for both wireline and wireless service offerings in order to compete effectively for enterprise customers in either segment.

*****BEGIN HIGHLY CONFIDENTIAL*****

Competitive Rates v. Actual Rates Sprint Pays Price Cap ILECs for Building Access[4]

	50 Mbps	100 Mbps	200 Mbps	300 Mbps	400 Mbps	500 Mbps	600 Mbps	1 Gbps
Pricing Model	[redacted]							
Average ILEC Prices for Building Access								
% Difference								

*****END HIGHLY CONFIDENTIAL*****

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2 *But cf. Business Data Services in an Internet Protocol Environment*, Tariff Investigation Order and Further Notice of Proposed Rulemaking, FCC 16-54, ¶¶ 162, 165, 271 (rel. May 2, 2016) ("*BDS FNPRM*"); Marc Rysman, *Empirics of Business Data Services*, White Paper, n.33 and surrounding text (Apr. 2016), attached as Appendix B to *BDS FNPRM*.

3 Invoices received by Sprint from each ILEC in a recent month were used to calculate the "Average ILEC Price at Cell Sites."

4 Invoices received by Sprint from each ILEC in a recent month were used to calculate the "Average ILEC Prices for Building Access."

Importantly, the price differentials described above are so large that it is inconceivable that fiber infrastructure shared costs would bridge the wide chasm between existing ILEC rates and competitive pricing levels. The excessive prices that non-incumbents must pay for high-capacity BDS inflict direct harm on consumers, impede innovation, and threaten the country's successful transition to 5G networks. Sprint urges the Commission to consider this evidence of competitive harm in the marketplace for high-capacity services—and the corresponding impact on wireless competition—as it adopts a competitive test in this proceeding.

Please contact the undersigned with any questions.

Respectfully submitted,

Jennifer Bagg
V. Shiva Goel
Counsel to Sprint Corporation

Attachment

ATTACHMENT A

DECLARATION OF JAMES APPLEBY

[REDACTED IN ITS ENTIRETY]

ATTACHMENT B

DECLARATION OF ED CAREY

[REDACTED IN ITS ENTIRETY]