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March 19, 1999

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FEDERAL COMMUNICATIONS COMMISSION  
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Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

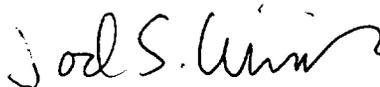
Re: The Global Joint Venture of AT&T Corp. and British  
Telecommunications plc, IB Docket No. 98-212

Dear Ms. Salas:

On behalf of the Applicants, I am submitting for the record in the above-captioned proceeding documents relating to matters discussed during a meeting between representatives of the Applicants and FCC staff on March 9, 1999. Specifically, I am submitting the Affidavit of Philip C. Stubbington, which demonstrates that (i) BT's most recent market share of switched traffic on the UK-US route is no higher than 36.7 percent; and (ii) the share of capacity on UK-USA international submarine cables landed at BT-owned cable stations in the UK accounts for only 30.7 percent of total cable capacity on this route at year-end 1999 and is expected to account for 20.1 percent at year-end 2000. Attached to the affidavit are a matrix and a map with further information regarding submarine cable landing stations in the UK.

If you have any questions about this submission, please contact me.

Respectfully submitted,



Joel S. Winnik

Enclosures  
cc: Service List

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
The Global Joint Venture of AT&T Corp. ) IB Docket No. 98-212  
and British Telecommunications plc )

**Affidavit of Philip C. Stubbington**

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**1. Introduction**

I am Philip C. Stubbington. My title is Manager, International Regulation, in the Regulatory Affairs Department of British Telecommunications plc. I am responsible primarily for those aspects of UK and international regulation which influence BT's international telecommunications services to and from the UK. My business address is Room 306, 5 Cheapside, London EC2V 6AA, UK, and my telephone number is (44) 171-356-8232.

I have worked for BT plc and its predecessor organisations for 24 years, and have a Bachelor of Arts degree from King's College, London University.

This affidavit presents: (i) information on internal BT assessments of BT's market position in the International Direct Dial market between the UK and the USA demonstrating that BT's most recent market share of switched traffic on the UK-US route is no higher than 36.7 percent; ii) information on BT's operation of cable landing stations which terminate UK – USA cable systems demonstrating that cable capacity on this route landed at BT-owned cable stations will account for 30.7 percent of total cable capacity on this route at year-end 1999 and 20.1 percent at year-end 2000.

## 2. BT's Market Share On the UK-US Route

BT believes that its share of UK-originated switched IDD calls to the USA was no higher than 36.7% during the three months of October through December 1998. This is significantly lower than the 48.0% cited on page 50 of the Applicants' Reply Comments in this proceeding, which is based on information published by the UK Office of Telecommunications (OFTEL), and relates to period October through December 1997. BT believes that the OFTEL data portrays an incomplete estimate of BT's share of UK-originated IDD traffic primarily because OFTEL included data from only 17 operators, all facilities-based -- even though more than 60 UK operators had International Facilities Licences as of November 1997 (today the number is above 100), and almost 200 UK operators have registered to provide International Simple Voice Resale under the class licence.<sup>1</sup> Table 1 below summarises the adjustments that BT believes should be made to the total UK to USA market volume published by OFTEL to obtain BT's true market share of 36.7%. The derivation of each of these adjustments is described in more detail below.

**TABLE 1: BT's Estimated Share of IDD Traffic on the UK/US Route After Adjustments (millions of minutes)**

Column	Adjustment for Traffic Not Included in OFTEL Survey						D
	A	B	C1	C2	C3	C4	
	UK to US IDD Oct-Dec 1997	Adjustment for Projected IDD Traffic Growth	Indirect Access Traffic over BT Lines	Other Indirect Access Traffic (e.g., 0800 and Pre-Paid Card Calls)	Traffic Directly Connected From Customers' Premises to Non-BT Switches	Traffic Originating on Mobile Networks	UK to US IDD Oct-Dec 1998 After Adjustments
Adjustment		36.3	35.7	8.1	18.8	10.7	
BT	126.6	137.2					137.2
Non-BT	137.4	163.1	198.8	206.9	225.7	236.4	236.4
Total UK	264.0	300.3	336.0	344.1	362.9	373.6	373.6
BT Share	48.0%	45.7%	40.8%	39.9%	37.8%	36.7%	36.7%

Sources: OFTEL data, BT international traffic records, BT estimates.

<sup>1</sup> All operators are expected to submit traffic data to OFTEL, but OFTEL's publication includes the responses of only 17 facilities-based operators.

Column A of Table 1 above is based upon the most recent market share information on the UK-US route published by OFTEL, which is contained in "International Traffic By Route -- Q3 1997-1998," an Annex to OFTEL's August 1998 Market Information Update, and covering the period November to December 1997 (referred to herein as the "Annex"). This showed that the total volume of UK IDD traffic to the USA (including Hawaii and Alaska) carried by the 17 reporting operators was 264 million minutes in October to December 1997. BT's traffic in the same period, as reported to OFTEL, including both retail and wholesale volumes, was 126.6 million minutes, giving BT a market share of 48.0% of UK IDD traffic to the USA. This is the figure cited on page 50 (at footnote 109) of the Reply Comments filed by the Applicants in this proceeding.

Column B of Table 1 takes account of UK to USA market growth between 1997 and 1998. The most recent guide to this estimation is provided by Table 5 in OFTEL's Market Information Update of November 1998. This shows that international call minutes grew from 1,245 million minutes in the three month period January through March 1997 to 1,416 million minutes in the same period in 1998, an annual growth rate of 13.7%.<sup>2</sup> At this rate of growth, the total UK – USA IDD volume in the period October through December 1998 would have been 300.3 million minutes, shown in Column B of Table 1.<sup>3</sup> BT's actual volume of IDD traffic to the USA, including interconnect traffic from other operators, was 137.2 million minutes during the October through December 1998 time period, also shown in Column B of the table. (If the analysis were to stop here, the result would be a BT share of 45.7% of the UK to USA IDD market.)

Columns C1 – C4 in Table 1 then show the estimated impact of a number of further factors which must be reflected in order to properly estimate the total amount of UK originating IDD traffic on the USA route, and, by extension, BT's market share. Each of these adjustments is discussed below on a step by step basis, to show the individual impact of each type of IDD call identified.

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<sup>2</sup> This figure, the most recent indication of the IDD growth rate from the UK, relates to all routes from the UK.

<sup>3</sup> BT's estimate will understate the overall IDD traffic of carriers other than BT on the UK-USA route to the extent that traffic on the USA route has grown faster than the 13.7% IDD growth rate average on all routes, which is almost certainly the case.

Column C1 of Table 1 shows the estimate of the volume of minutes originating from **carriers which use indirect access on BT lines**.<sup>4</sup> BT estimated the volumes originating from such carriers, primarily resellers such as KDD Swiftcall, First Telecom, One Tel, Telegroup UK Ltd, TNI Telecom Ltd, and Universal Telecommunications UK Ltd, by first identifying all the indirect access volumes originated over BT lines and passed to operators who were not included in OFTEL's survey, and then by making a conservative assumption on the percentage of this volume which would be IDD on the USA route. Adding in these minutes decreases BT's share by approximately 5%.

Secondly, BT added about 4% on the total amount of reported non-BT volumes for **"other" indirect access calls** that do not use a traditional indirect access code (and for this reason are excluded from the first step). These calls include, for example, 0800 "freephone" access services, which feature prominently in the use of conventional and prepaid calling cards. These calls, handled by operators including Telecom (UK) Ltd, On Line, First National, and Interglobe, are not originated exclusively on BT lines, but also on the lines of BT's local competitors. The impact of this adjustment is a further 1% reduction in BT's market share. See Column C2 of Table 1.

Thirdly, BT has further increased the market volume to account for **traffic carried from customers' premises directly to non-BT operators' switches**, either by non-BT exchange line or private circuit, and then sent over a reseller's private line and billed on a per-minute basis. These volumes, shown in Column C3 of Table 1, were explicitly excluded from the OFTEL survey which covered only traditional, correspondent-based calls. This has the impact of reducing BT's share by a further 2%.

Finally, BT has added an estimate of **calls originated on mobile networks** which are carried via resale by operators not included in the OFTEL list. The mobile operators in the UK are Cellnet, Vodafone, One 2 One, and Orange. In volume terms, BT estimates calls from these operators to

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<sup>4</sup> Such "indirect access" (*i.e.*, dial-around using a three- or four-digit prefix) is comparable to dialing 10-10-XXX in the USA.

represent at least 5% of correspondent volumes carried by competitors, equivalent to under 2% of all cellular/PCN operators' total call traffic. This has an impact of about 1% on the estimated BT market share. See Column C4 of Table 1.

As a result of the required adjustments described above, BT estimates that the total IDD minutes on the route carried by operators other than BT would increase by approximately 45%, and the total number of IDD minutes on the route, including BT's minutes, would increase by approximately 24%. (These increases would be in addition to BT's projections of the overall traffic growth from October to December 1997 to October to December 1998.) BT believes these adjustments to be conservative. I therefore estimate that BT's share of IDD minutes on the UK-USA route for the period October to December 1998 was no greater than 36.7%. See Column D of Table 1.

### **3. BT Operation of Transatlantic Cable Landing Stations**

In the period 1984 to 1996, BT and Cable & Wireless were the only UK operators licensed to provide international facilities. This changed with the complete deregulation of the UK international facilities market in December 1996, since when there has been substantial market entry by competitive international facilities operators. Annex 1 to this paper is a map depicting the current and planned transatlantic cable landing stations in the United Kingdom. Annex 2 shows a full list of transatlantic cable systems in operation or planned for operation in the near term, together with the cable landing station used (where known). This information represents BT's understanding of the disposition of existing and planned international cable facilities. Annex 2 shows that 30.7 percent of total US-UK submarine cable capacity will be landed at BT-owned cable stations at year-end 1999 and 20.1 percent at year-end 2000.

**DECLARATION**

**I, Philip C. Stubbington, declare under penalty of perjury that the foregoing is true and correct.**

**Executed on March 9, 1999.**

PS

# Capacity of Cables on the UK/US Route Landing at Cable Stations in the UK

## A. Current Cables

### 1. 1999 YEAR-END CABLE CAPACITY LANDED AT BT CABLE STATIONS

<u>CABLE STATION</u>		<u>CABLE SYSTEM</u>	<b>Capacity on the UK/US Route (MIUS)</b>
Widemouth, UK	BT	TAT-8	252
Goonhilly, UK	BT	TAT-9	504
Winterton, UK	BT	TAT-10 (via UK-Germany 5)	252
Land's End	BT	TAT 12/13 (Includes Upgrade)	12,096
<b>BT TOTAL FOR CURRENT CABLES YEAR-END 1999</b>			<b>13,104</b>

### 2. 1999 YEAR-END CABLE CAPACITY LANDED AT NON-BT CABLE STATIONS

<u>CABLE STATION</u>		<u>CABLE SYSTEM</u>	<b>Capacity on the UK/US Route (MIUS)</b>
Brean, UK	CWC	PTAT	567
Winterton, UK	CWC	TAT-10 (via UK-Germany 5)	252
Oxwich Bay, UK	CWC	TAT-11	504
Oxwich Bay, UK	CWC	GEMINI	6,048
Porthcurno, UK	CWC	GEMINI	6,048
Whitesands, UK	Global Crossing	AC-1	16,128
<b>NON-BT TOTAL FOR CURRENT CABLES YEAR-END 1999</b>			<b>29,547</b>

# Capacity of Cables on the UK/US Route Landing at Cable Stations in the UK

## B. New Cables by Year-End 2000

### 1. 2000 YEAR-END CAPACITY FOR NEW CABLES LANDED AT BT CABLE STATIONS

<u>CABLE STATION</u>		<u>CABLE SYSTEM</u>	<b>Capacity on the UK/US Route (MIUS)</b>
Bude, UK	BT	TAT-14	258,048
<b>BT TOTAL FOR NEW CABLES YEAR-END 2000</b>			<b>258,048</b>

### 2. 2000 YEAR-END CAPACITY FOR NEW CABLES LANDED AT NON-BT CABLE STATIONS

<u>CABLE STATION</u>		<u>CABLE SYSTEM</u>	<b>Capacity on the UK/US Route (MIUS)</b>
Not Known by BT	OXYGEN	OXYGEN	516,096
Porthcorno, UK	CWC	FLAG ATLANTIC	516,096
Whitesands, UK	Global Crossing	AC-1 (Upgrade)	16,128
<b>NON-BT TOTAL FOR NEW CABLES YEAR-END 2000</b>			<b>1,048,320</b>

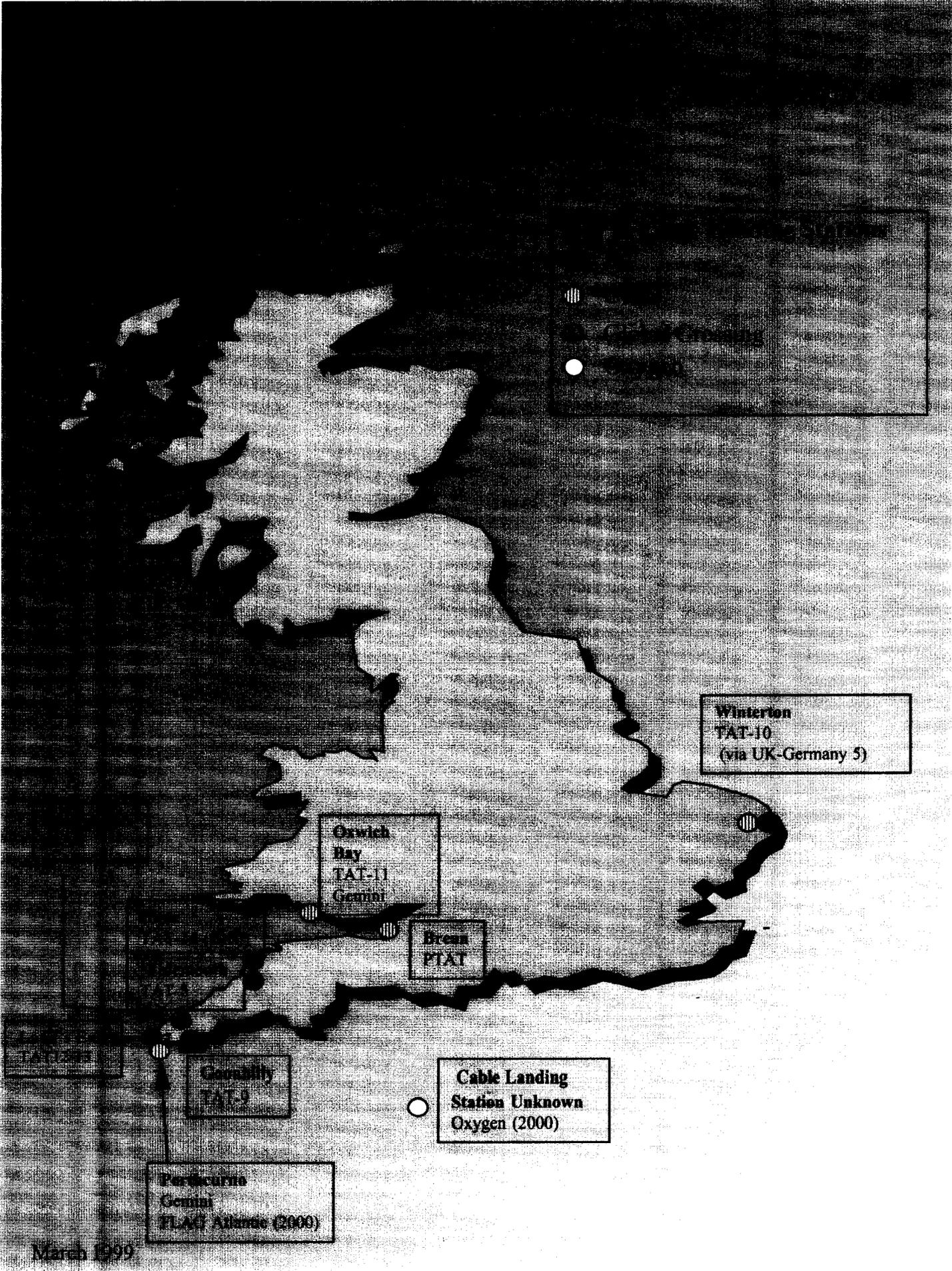
# Capacity of Cables on the UK/US Route Landing at Cable Stations in the UK

## C. Summary: Combined Current Cables and New Cables

	Capacity on the UK/US Route <u>(MIUS)</u>	Share on the UK/US Route of <u>MIUS</u>
1999 Year-end Cable Capacity Landed at BT Landing Stations	13,104	30.7%
1999 Year-end Cable Capacity Landed at Non-BT Landing Stations	29,547	69.3%
1999 Year-end Cable Capacity Landed at BT + Non-BT Landing Stations	42,651	100.0%
2000 Year-end Cable Capacity Landed at BT Landing Stations	271,152	20.1%
2000 Year-end Cable Capacity Landed at Non-BT Landing Stations	1,077,867	79.9%
2000 Year-end Cable Capacity Landed at BT + Non-BT Landing Stations	1,349,019	100.0%

**NOTE:**

1. All cable stations are currently active except the BT cable station for TAT-14 ( active by year-end 2000 at Bude, UK) and the unknown (to BT) cable station for Oxygen (active by year-end 2000).



March 1999

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