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December 8, 2004

EX PARTE

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

Re: *Unbundled Access to Network Elements*, WC Docket No. 04-313;

Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket No. 01-338;

Dear Ms. Dortch:

BellSouth Telecommunications, Inc. (“BellSouth”) submits this response to a recent ex parte from AT&T Corp. (“AT&T”) concerning special access pricing.¹ AT&T devotes six pages to rehashing criticisms of the methodology used by Drs. Taylor and Banerjee in demonstrating that BellSouth’s special access prices have declined based on average special access revenue per voice grade equivalent (“VGE”) – criticisms that previously have been addressed and refuted.²

AT&T also questions the analysis of DS-1 special access revenues conducted by Drs. Taylor and Banerjee, which demonstrated that BellSouth’s special access prices have declined more rapidly now than before BellSouth was granted pricing flexibility. Specially, this analysis established that BellSouth’s DS-1 special access prices declined at an average rate of approximately 5 percent annually before pricing flexibility, while the average rate of decline after pricing flexibility was approximately 14 percent. This analysis was conducted in anticipation of AT&T’s criticisms (albeit unfounded) of the VGE approach.

AT&T has little substantive to say about this DS-1 special access analysis, except to raise speculative concerns that are without merit. First, AT&T insists that the analysis is “obscure”

¹ Ex Parte Letter from C. Frederick Beckner III, Counsel to AT&T, to Marlene Dortch, Secretary, FCC (December 7, 2004) (“*AT&T Ex Parte*”).

² See, e.g., Ex Parte Declaration of Dr. William Taylor and Dr. Aniruddha Banerjee (October 19, 2004).

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because Drs. Taylor and Banerjee did not disclose the source of the data. However, the DS-1 special access analysis utilized year-end booked special access interstate DS-1 revenue as the numerator and special access interstate DS-1 local channel circuits as the denominator, which were taken directly from BellSouth's internal records, since, as AT&T correctly observes, DS-1 revenues and line counts are not reported in ARMIS

Second, AT&T expresses perplexity about the meaning of the term "local channel," insisting that it "is not standard terminology." However, AT&T should consult Section 7.1.2(A) of BellSouth's FCC #1 Tariff (E Tariff), which defines a "local channel" as "the communications path between a customer-designated premises and the serving wire center of that premises" that includes "a standard channel interface arrangement which defines the technical characteristics associated with the type of facilities to which the access service is to be connected at the Point of Termination (POT) and the type of signaling capability, if any." This tariff reference should clear up any confusion on AT&T's part.

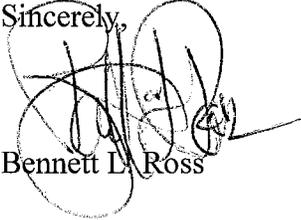
Third, AT&T suggests that the DS-1 revenue data "could include DS-1 circuits sold as UNEs, local private line services or other retail services." AT&T is mistaken, as only DS-1 special access revenues and local channel circuits were considered.

If anything, BellSouth's DS-1 analysis is conservative because approximately three percent of BellSouth's DS-1 special access circuits have DS-1 interoffice mileage with no corresponding DS-1 local channel circuit. BellSouth included the revenue from these DS-1 special access circuits in the numerator but did not include these circuit counts in the denominator. Consequently, the price decreases in DS-1 special access prices that Drs. Taylor and Banerjee have calculated are understated.

While AT&T complains about the methodology used by Drs. Taylor and Banerjee to demonstrate that BellSouth's special access prices have gone and are continuing to go down, AT&T is noticeably silent about the prices it is paying for special access services purchased from BellSouth. AT&T could have avoided such methodological concerns simply by presenting to the Commission data demonstrating the prices it actually paid BellSouth for special access services prior to and after BellSouth was granted pricing flexibility. AT&T certainly would have done so if it supported its contention that the price of special access has been increasing, which may explain why AT&T failed to file such data.

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Please include a copy of this letter in the record in the above-referenced proceedings.
Thank you for your attention to this matter.

Sincerely,

Bennett L. Ross

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#562457

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