



June 23, 2005

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Ex Parte Submission

Re: SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control – WC Docket No. 05-65; and Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control – WC Docket No. 05-75.

Dear Ms. Dortch:

On June 22, 2005, Daniel C. Pyzik of FiServ, Inc., John C. Smith of First Data Corporation, and the undersigned on behalf of the Ad Hoc Telecommunications Users Committee (“Ad Hoc”), met with Bill Dever, Jon Minkoff, Gail Cohen, Nick Alexander, Ben Childers, Jon Reel, Michael Jacobs, Marcus Maher, and Nichols Alexander of the Wireline Competition Bureau’s Competition Policy Division; Roger Woock and Paul Zimmerman of the Wireline Competition Bureau’s Industry Analysis and Technology Division; Kate Collins, Marilyn Simon, and Mark Uretsky of the International Bureau; Pam Arluk of the Wireline Competition Bureau’s Pricing Policy Division; and Ann Bushmiller, Joel Rabinovitz, Jim Bird, Karen Onyeije, and C. Anthony Bush of the Office of General Counsel, Transaction Team.

At the meeting, the parties reviewed the issues raised by Ad Hoc in the Reply Comments it filed in the proceedings captioned above, as summarized in the meeting handout attached to this letter. Messrs. Pyzik and Smith also described (1) their companies’ products and telecommunications service needs; (2) their companies’ combined annual telecommunications expenditures (which exceed \$200 million); (3) the approximate number of locations at which their companies receive service from incumbent local exchange carriers (“ILECs”), competitive local exchange carriers (“CLECs”), and/or interexchange carriers (“IXCs”) (over four million); (3) the geographic distribution of those locations in rural and suburban commercial areas rather than core business districts in urban areas; (4) the impact of facility-based local service from MCI and AT&T on the pricing they receive from those carriers where MCI and AT&T are able to provide such services; and (5) ILEC reluctance (and occasionally outright refusal) to negotiate contract tariffs for special access in areas where the ILEC has qualified



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Notice of Ex Parte Meeting
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for pricing flexibility under the Commission's rules. In addition, Messrs. Pyzik and Smith observed that access costs account for a disproportionate share of the total cost associated with a typical inter-city circuit and that wireless, cable, and satellite services do not currently provide viable competitive alternatives to ILEC special access service.

Pursuant to Section 1.1206(b) of the Commission's Rules, 47 C.F.R. § 1.1206(b), copies of this letter and attachments are being filed with the Office of the Secretary.

Sincerely,

A handwritten signature in black ink that reads "Colleen Boothby".

Colleen Boothby
Counsel for
Ad Hoc Telecommunications Users
Committee

Attachment

cc: Bill Dever
Jon Minkoff
Gail Cohen
Nick Alexander
Ben Childers
Jon Reel
Michael Jacobs
Marcus Maher
Nichols Alexander
Roger Woock
Paul Zimmerman
Kate Collins
Marilyn Simon
Mark Uretsky
Pam Arluk
Ann Bushmiller
Joel Rabinovitz
Jim Bird
Karen Onyeije
C. Anthony Bush

The problem

Enterprise customers depend on special access services

Special access is not a competitive service

The mergers will make a bad situation worse

The solution

Merger conditions that keep special access prices and practices just and reasonable

* * *

Special access plays a unique role in the telecom marketplace

Key ingredient for enterprise customer networks

Key input for IXCs and CLECs

Special access services are not competitive

Ad Hoc Committee members have no alternatives to ILEC special access services in the vast majority of their geographic markets

ETI White Paper, updated in Ad Hoc's merger filings, confirms the anecdotal experience of Committee members

Excessive earnings

Steep price increases

Special Access is not regulated

"Pricing flexibility" rules de-regulated monopoly services

Prices are higher in de-regulated areas than in the few remaining "price caps" areas

The mergers will make matters worse

Elimination of pricing pressure from IXC facilities and contract discounts

Price squeeze incentives combined with market power

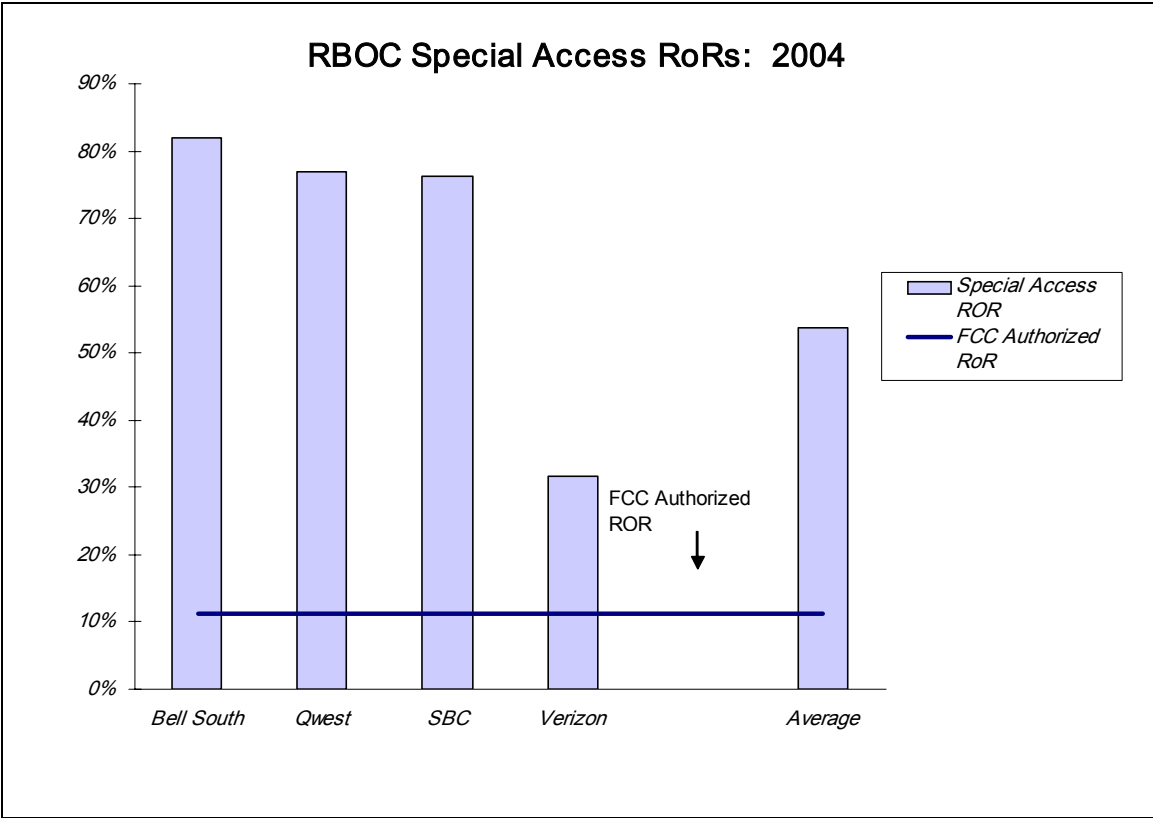
If they're serious about competing, where are their challenges to the out-of-region special access prices they pay?

Ad Hoc's proposed conditions, pending final action in the special access rulemaking:

Re-initialize rates at the authorized 11.25% rate of return

Unlimited *downward* pricing flexibility to respond to competition

Incentive regulation to discipline future rate increases



Bell South	81.9%
Qwest	76.8%
SBC	76.2%
Verizon	31.6%
Average	53.7%

