July 15, 2005

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

Re: WC Docket No. 05-65

Dear Ms. Dortch:

SBC and AT&T ("Applicants") provide the following responses to requests made by the Commission's Staff at the June 28, 2005 meeting in which Applicants discussed their submissions that demonstrate that the proposed merger will not harm competition in the special access marketplace.

1. CLEC Metro Fiber Data. On June 24, 2005, Applicants submitted downtown and metro area CLEC fiber route maps that confirm that AT&T and other CLECs have deployed local fiber on substantially the same routes, that other CLECs collectively have deployed substantially *more* fiber than AT&T, and that existing CLEC fiber passes very near virtually all of the AT&T "on-net" commercial buildings that CLECs do not already directly serve. Staff inquired whether the GeoTel data that Drs. Carlton and Sider used to display CLEC fiber are sufficiently disaggregated to allow separate identification of individual CLEC networks. Under separate letter, Applicants will provide the Commission maps that separately identify the metro fiber locations of individual CLECs (but that are otherwise identical in format and source data to the maps previously provided). As these maps illustrate, the areas in which AT&T has deployed local fiber are blanketed by the fiber of a number of established carriers with networks of similar scope, as well as by multiple additional fiber-based CLECs that have targeted more discrete portions of the downtown and other densely populated commercial areas.[1]

Staff also asked whether other interexchange carriers such as Global Crossing and Level 3 use their local fiber to provide both local interoffice transport and fiber connections to commercial buildings. Both Global Crossing and Level 3 have made it clear that they directly

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[1] The maps Applicants will provide also confirm that the previously submitted maps understate the scope of fiber deployment. Several of the individual carrier maps show gaps in the networks of those carriers that are implausible in the real world. Moreover, the underlying GeoTel data are incomplete even with respect to the reporting CLECs in other respects as well. As Applicants have previously shown, the GeoTel data significantly understate the scope of CLEC fiber deployment because they do not include data from all of the fiber-based CLECs in an MSA – in Milwaukee, for example, the GeoTel data fail to include the fiber of two of the largest CLECs, MCI and Time Warner Telecom, **[CONFIDENTIAL BEGIN]**

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connect to individual customer locations. In its most recent 10-K, Global Crossing describes its "Metropolitan Network Access Service" as providing connectivity to individual "customer premises" in 25 major markets worldwide.[2] Global Crossing further states that this "premise-to-premise service" service allows customers to "save big on Access fees."[3] Similarly, Level 3 touts the fact that it has "constructed laterals to more than 350 buildings in the U.S."[4] and that because of "our construction competence, Level 3 can also build laterals or loops that may be strategically important to our customers but which are not connected to the Level 3 network."[5]

In any event, these and other carriers that have deployed metro fiber very near the relatively high demand commercial buildings at issue plainly have the ability to extend their networks to connect these buildings. Indeed, Level 3 itself claims "[i]f we don't already have your requested buildings On-Net, our large footprint is likely to put you close enough for a lateral."[6] And, of course, even if a competitive carrier's local network does not directly connect to a particular commercial building, that carrier can obtain building access by collocating in a nearby SBC wire center and leasing facilities from SBC as special access services or through alternative arrangements, such as UNEs or facilities leased from other service providers.[7]

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[2] Global Crossing 2005 10-K at 4.

[3] *See* http://www.globalcrossing.com/xml/carrier/car_access_metro_over.xml.

[4] *See* http://www.level3.com/userimages/DotCom/pdf/offnlateral_USEng_Global_Letter_forscreen.pdf.

[5] *See* http://www.level3.com/userimages/DotCom/pdf/offnlateral_USEng_Global_Letter_forscreen.pdf *See also* http://www.level3.com/userimages/DotCom/pdf/WhyL3forMetro_USEng_Global_Letter_forscreen.pdf ("Level 3 invested to help one of the top U.S. IXCs reduce network expenses by providing an alternative to buying fiber from the ILEC. We provided multiple metro dark fiber rings, covered eight markets, constructed 22 off-net laterals, and integrated over 20 existing on-net carrier hotels and ILEC COs. We're continuing to network to new on-net and off-net facilities."). **[CONFIDENTIAL BEGIN]**

[CONFIDENTIAL END]

[6] *See* http://www.level3.com/userimages/DotCom/pdf/offnlateral_USEng_Global_Letter_forscreen.pdf.

[7] XO, for example, promotes the nationwide availability of its "DS-1 Aggregation" service: "a flexible solution that provides Carriers and Network Service Providers with an alternative to purchasing last mile access from multiple incumbent local exchange carriers. XO collocates with incumbent carriers throughout the United States and, as a result, can cost effectively provide channelized DS-1 services nationally." http://www.xo.com/products/carrier/transport/ds1aggregation/. Similarly, Time Warner Telecom states that "[a]s of December 31, 2004, our fiber networks covered 19,169 route miles, with the equivalent of 917,461 fiber miles, and offered service to 5,074 buildings served entirely by our facilities ("on-net"), and 14,139 buildings served through the use of facilities of other carriers to provide a portion of the link ("off-net"). We continue to expand our footprint within our existing markets by connecting our network into additional buildings." Time Warner Telecom 2005 10-K at 2.

Applicants note, in this regard, that the CLECs that sponsored Dr. Wilkie's special access-based objections to the proposed merger of SBC and AT&T overwhelmingly rely on such alternative arrangements to obtain access to the commercial buildings to which they do not have fiber connections.[8]

2. AT&T's "Share" Of Dedicated Access Services. Staff requested further information regarding "market shares" to respond to allegations by merger opponents that, based on their Herfindahl Hirschman Index ("HHI") calculations, the merger would harm special access competition. One specific question pertained to AT&T's share of non-ILEC wholesale dedicated access sales. We also were asked to address a report prepared for SBC by the Yankee Group.

Our response must begin by addressing the general misperception behind suggestions that AT&T is a significant provider of wholesale dedicated local access to other carriers. The record evidence from the only reliable source – AT&T itself – demonstrates that AT&T's business model focuses on retail sales of enterprise services, that AT&T sells wholesale access to other carriers only secondarily, and that AT&T's network only connects to an extremely small number of commercial buildings in SBC's region (about 1700 across 19 markets).

The revenue data provided by AT&T confirm these facts beyond any dispute: AT&T had only **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** of wholesale private line sales last year in SBC's region.[9] To put this figure in context, AT&T alone purchase **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** wholesale local private line service from other CLECs, and AT&T's sales are less than **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** of SBC's wholesale special access revenues.[10]

As to share estimates, Applicants, of course, have no direct knowledge of competing carriers' sales of dedicated access services. However, in its Telecommunications Industry Revenue Reports, the Commission provides nationwide local private line and special access revenues for reporting CLECs, IXCs, RBOCs, ICOs, and other carriers. These revenues are derived from carriers' Form 499-A filings. For 2003 (the last year for which this information is

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[8] SBC's records indicate that these CLECS (*see* Petition to Deny of Cbeyond Communications, Conversant Communications, Eschelon Telecom, NuVox Communications, TDS Telecom, XO Communications and Xspedius Communications (filed Apr. 25, 2005)) purchase only approximately **[CONFIDENTIAL BEGIN]** **[CONFIDENTIAL END]** DS1 special access channel terminations to connect to the tens of thousands of end user customers they serve in commercial buildings in SBC's region. All of the rest of their DS1 customers are connected through alternative arrangements.

[9] Based on June 2005 data, less than **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** of AT&T's wholesale local private line sales in the SBC region are to traditional CLECs such as those complaining here.

[10] Even if SBC's wholesale sales to affiliates were excluded, AT&T's wholesale local private line revenues would be less than **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** of SBC's wholesale special access revenues.

currently available), the Commission reports wholesale local private line and special access revenues as follows:[11]

RBOC	$10.166 billion
ICO	$1.392 billion
CLEC	$0.954 billion
IXC	$0.192 billion
Others	$0.022 billion
Total	**$12.726 billion**

AT&T's current annual nationwide "wholesale" sales of local private line services are approximately **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]**. However, AT&T's definition of "wholesale" in this context is quite broad and includes "carriers" of all types, including wireless carriers, cable companies, satellite companies, web hosting companies, ISPs, RBOCs, ICOs, systems integrators and aggregators. Indeed, the majority of AT&T's "wholesale" local private line sales are to wireless carriers, RBOCs, cable companies and MCI and Sprint, and many of these local private lines are high capacity services that connect network locations, not commercial buildings. Therefore, AT&T's "wholesale" local private line sales figures overstate its presence as a supplier to carriers that provide special access services to end-user buildings. But even on an aggregate "wholesale" basis, AT&T's share of a $12.7 billion local dedicated access services market would be less than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]**, and AT&T's share of the subset of these services provided by "competitive" carriers would be less than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]**.[12]

Further, retail enterprise customers often purchase special access or local private line services directly from the facilities owner. Such "retail" purchases should be included in any attempt at share analysis. AT&T's current annual retail local private line service sales are about **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** According to the 499-A data, aggregate sales of retail local private line services and special access are as follows:[13]

[11] Telecommunications Industry Revenue, Table 5 (line 305) (March 2005).

[12] This figure was derived by dividing AT&T's sales of **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** by the total sales of CLECs and IXCs ($1.14 B).

[13] Telecommunications Industry Revenue, Table 6 (line 406) (March 2005).

RBOC	$6.155 billion
ICO	$0.691 billion
CLEC	$2.415 billion
IXC	$0.394 billion
Others	$0.035 billion
Total	**$ 9.69 billion**

Thus, AT&T's share of total (wholesale plus retail) dedicated access revenues of over $22 billion would be less than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** and its share of nearly $4 billion in annual competitive carrier sales would be less than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]**.

These numbers make clear that the Yankee Group report prepared for SBC that SBC submitted in response to the Commission's data requests does not provide an accurate measure of AT&T's share of private line sales in the SBC region. That report estimates that AT&T's wholesale local private line sales in the SBC region are more than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** – nearly six times AT&T's actual wholesale sales in the SBC region and, indeed, more than AT&T sells *nationwide* to both wholesale and retail local private line customers. Moreover, the report attributes local private line sales to AT&T in MSAs where AT&T has *no* local fiber facilities and *no* wholesale local private line sales. And the report appears to lump together traditional competitive access provider sales of "last mile" channel terminations and sales to wireless and other carriers of high capacity network-to-network transport.

In addition to dramatically overstating AT&T's importance as a wholesaler of local access, opponents of the proposed merger have also misused HHI calculations. Merger opponents improperly treat HHI calculations as the end of the analysis, but the Commission has stressed that HHI analysis is, even where applicable, only a preliminary step, designed "to eliminate from further analysis markets in which there is no potential for competitive harm."[14] In addition, merger opponents have assigned such a high "share" of dedicated local access services to SBC that *any* non-zero AT&T share can be claimed to cause the proposed merger to flunk their HHI calculations.[15] Applicants have previously demonstrated the serious data flaws in these analyses – HHI calculations that result in the utterly implausible conclusion that SBC,

[14] Memorandum Opinion and Order, *Applications of AT&T Wireless Servs., Inc. & Cingular Wireless Corp.*, 19 FCC Rcd. 21522, ¶ 184 (2004).

[15] To calculate an HHI, one just sums the squares of market shares. Thus, the validity of HHI outputs depend entirely on the quality of the underlying share data.

AT&T and MCI account for *99.9%* of the market for OCn-level circuits in some MSAs cannot be taken seriously.[16]

But the problems with the merger opponents' HHI analyses are far more profound than the obvious flaws in their share assumptions. Analysis of market shares is predicated on the inference that the past is a reasonably accurate predictor of the future competitive significance of the market participants.[17] However, where market shares are not meaningful indicators of forward-looking competitiveness, they cannot be used to predict the competitive significance of a merger.[18] As Applicants have shown, the dynamic forces working in the telecommunications market are causing fundamental shifts in demand, with established services losing business first to competitive access providers and CLECs and more recently to new services such as cable and wireless dedicated access. However, market shares do not change instantaneously as competitiveness increases – in economic terms, historical market shares are "path dependent." Thus, SBC's share, regardless of market definition, still reflects its former monopoly in the provision of local services, even as it faces increasingly robust competition for dedicated services.[19]

The merger opponents themselves supply other reasons why no finding of competitive harm could rest upon their assessments of SBC's and AT&T's "shares" of served buildings or transport routes. For example, they contend that dedicated access competition occurs today in a "bid market." If that is so, then static shares are meaningless. As Areeda, Hovenkamp and Solow explain with respect to the simple case of a single buyer and multiple suppliers: "the firm

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[16] *See* 6/24/05 SBC-AT&T Ex Parte Letter at 5.

[17] *1992 Department of Justice and Federal Trade Commission Horizontal Merger Guidelines,* §§1.41, 1.52 (April 2, 1992, revised April 8, 1997) (hereafter "*Merger Guidelines*").

[18] As the *Merger Guidelines* statement of purpose explains: "because the specific standards set forth in the Guidelines must be applied to a broad range of possible factual circumstances, the mechanical application of those standards *may provide misleading answers* to the economic questions raised under the antitrust laws. Moreover, information is often incomplete and the picture of competitive conditions that develops from historical evidence *may provide an incomplete answer* to the forward-looking inquiry of the Guidelines. Therefore, the Agency will apply the standards of the Guidelines reasonably and flexibly to the particular facts and circumstances of each proposed merger." *Merger Guidelines* § 0 (emphasis added).

[19] It is equally clear that there is no basis for materially increasing AT&T's dedicated access "share" based upon potential competition theories. As Applicants have previously demonstrated, AT&T had conducted pre-merger evaluations of the economic viability of building out its limited local fiber networks to additional buildings where it was then currently providing retail service and had determined that it would be economic to connect only a competitively insignificant fraction of those buildings. *See* SBC-AT&T Joint Opposition, Fea *et. al.* Dec. ¶ 31. **[BEGIN CONFIDENTIAL]**

[END CONFIDENTIAL]

Id.

that won the one contract awarded in a particular year has 100 percent of that year's sales – a most meaningless number when other firms bid and win in other years."[20]

The merger opponents also have been vocal advocates in the Commission's UNE and Special Access dockets for the proposition that the vast majority of SBC-served buildings are not contestable. But if SBC were to continue to be the sole source of access for such locations – because they are too far from CLEC fiber, too small in demand, or both to justify the cost of a CLEC connection – then an HHI concentration analysis that includes those buildings in SBC's share cannot produce meaningful results. By definition, AT&T does not compete for those buildings, so the change in concentration is necessarily *zero*. In contrast, a concentration analysis that looked only at contestable buildings in downtown areas of large cities, for example, would necessarily conclude that the "market" is relatively deconcentrated with multiple competing fiber-based CLECs, that SBC's share is much smaller than merger opponents have suggested, and that, in any event, ease of entry analysis would preclude any finding of competitive harm regardless of the calculated HHI increase.[21]

In all events, however, the Commission need not confront the serious data and theory limitations inherent in any share or HHI-based analysis in order to find that the proposed merger poses no significant risk to special access competition. By *any* measure, AT&T's limited wholesale local private line sales in the SBC region – largely comprised of sales to wireless carriers, cable companies, RBOCs and MCI and Sprint – are far too trivial to raise any competitive issue. As the Carlton/Sider analysis demonstrates, it is clear that SBC and AT&T would "bid" against each other to supply dedicated local connections in only a tiny fraction of buildings. And, it is likewise clear that AT&T has no unique competitive assets that could be used to serve those buildings – many other CLECs have already deployed competing local networks in the same commercial areas, along the same routes and often to the very same buildings. Thus, competition by these other CLECs will ensure the same competitive constraints that existed prior to the merger.[22]

3. Buildings AT&T Serves With Access Purchased From CLECs. As Applicants have previously explained, AT&T provides services to its customers in about **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** buildings in the SBC region. AT&T has direct fiber connections to only about 1700 of those buildings. AT&T purchases access services from CLECs to reach more than **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** buildings in the SBC region.

4. Buildings AT&T Serves Through Type II Arrangements. Staff also requested that Applicants estimate the extent to which AT&T serves its customers on either a "pure" Type II basis (*i.e.*, exclusively by leasing access) or a "partial" Type II basis (*i.e.*, by using a combination of leased facilities and self-provided facilities). AT&T has determined that such a breakdown

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[20] Areeda, Hovencamp and Solow, *Antitrust Law* ¶ 535d (1995).

[21] *See Horizontal Merger Guidelines* ¶ 2.0 ("market share and concentration data provide only a starting point for analyzing the competitive impact of a merger").

[22] *See generally* 6/24/05 SBC-AT&T Ex Parte Letter.

cannot be directly determined from available electronic data and that, at best, it can provide only a rough estimate. To provide that estimate, AT&T first identified all circuits (channel terminations) to buildings where AT&T serves customers using a self-provided facility. With respect to the remaining buildings that AT&T serves using special access (*i.e.*, Type II locations), those that should not require any interoffice transport (*i.e.*, where AT&T's POP and the customers are served out of the same serving wire center) were assumed to be served using entirely leased, or "pure" Type II arrangements. For all other circuits, AT&T assumed that, if the circuit's point of interface to the AT&T network is in an SBC office where AT&T has a facilities-based collocation, the circuit was carried back to the AT&T node over AT&T's own interoffice transport facilities; otherwise, the circuit was assumed to be a "pure" Type II arrangement.[23] This approach (which likely overstates the number of circuits that use AT&T facilities in part) suggests that approximately **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** of the locations that AT&T serves in the SBC region are served by circuits that do not touch AT&T's local network facilities (*i.e.*, are "pure" Type II). These "pure" Type II circuits account for approximately **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** of the total traffic carried on a bandwidth basis.

5. AT&T POPs In Which AT&T Also Serves Commercial Customers. Staff asked if Applicants could quantify the number of buildings in which AT&T has a POP and also serves commercial customers. There are **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]** such locations.

6. SBC's Sales Of Local Private Line And Special Access Services. Staff asked SBC to provide its total intrastate private line revenue for 2004. The billing database which SBC used to respond to FCC Interrogatory 5.a in providing retail special access and retail private line revenues does not distinguish between special access and private line services when those services are billed at retail, as reflected in the narrative response to FCC Interrogatory 5.a as filed on May 9, 2005. Despite the limitations of that billing database, SBC's general ledger data indicate that its local private line revenues for 2004 were approximately **[BEGIN CONFIDENTIAL] [END CONFIDENTIAL]**.

In addition, SBC attaches as Exhibit 2 (Highly Confidential) a supplement to its four-month snapshot revenue numbers for DS1, DS3, and SONET retail revenues (special access and private line combined) that were previously provided at pages 2 through 4 of Exhibit 5(a)(2) to SBC's response to the Commission's Information and Document Request. Exhibit 2 provides these numbers on an aggregated quarterly basis in a manner consistent with the rest of the data provided in Exhibit 5(a)(2).[24] Quarterly retail revenues for DS3 circuits were not available by state and are provided on a region-wide basis.

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[23] Because of data limitations, AT&T was only able to apply this analysis to approximately 78% of its locations. The following statistics are based on this sample set.

[24] In Exhibit 5(a)(2) of its response to the FCC's Information and Document Request, SBC provided a monthly snapshot of DS1, DS3 and SONET revenues; however, the DS1 and DS3 revenue figures provided in Exhibit 5(a)(2) pages 3-4 were described in the narrative (though not

(continued . . .)

7. Telcordia "CLONES" Data. As Applicants have previously explained, the Telcordia CLONES database, which is the source of the GeoResults CLEC building data relied upon by Dr. Wilkie, cannot be used to compare the relative number of commercial buildings served by CLECs.[25] The discussion below responds to Staff's request to provide greater detail as to why the CLONES data overstate AT&T's building locations relative to the buildings served by other CLECs.

With regard to AT&T's buildings, the CLONES database contains a substantial number of entries for AT&T that are either inaccurate or inappropriate to use in assessing AT&T's "size" as a facilities-based CLEC relative to other CLECs. The reasons for this are rooted in the history of the CLONES database and carriers' differing uses of the database. Common language location identification ("CLLI") codes were developed by Bell Laboratories in the early 1960s, and they were administered by Bell Communications Research ("Bellcore") after the 1984 break-up of AT&T. These codes are now administered by Telcordia (Bellcore's successor) using the CLONES database.

Given AT&T's role in creating CLLIs, its internal systems have been developed in a manner that relies heavily upon the use of those codes to track its equipment inventories. Thus, AT&T, unlike other carriers, has historically created CLLIs whenever it installs *any* equipment at a location. The vast majority of AT&T's CLONES records represent buildings where AT&T has no fiber connection at all (including many buildings in markets where AT&T has not deployed any local facilities), but has merely installed testing or other equipment in its retail customers' premises.

Moreover, until 2004, AT&T did not undertake any significant effort to remove codes that were no longer in active use (*e.g.*, records that reflect locations within buildings where AT&T no longer has any customers or customer premises equipment). On January 1, 2004, AT&T had over 650,000 CLLI codes in the Telcordia CLONES database. These codes covered all locations where AT&T had installed network equipment, potentially dating back to the time when the codes were first used, *i.e.*, a span of over 40 years. AT&T then began a process to check these CLLI codes against current data in AT&T's internal provisioning systems in order to identify those that were not in active use and could thus be deleted. According to AT&T's investigation, nearly 260,000 of these codes were no longer active. This represented about *40%* of the total number of AT&T's CLLI codes in the CLONES database and the outdated codes were spread across more than 130,000 building addresses. At AT&T's request, Telcordia recently developed a new software program that enables bulk deletion of out-of-date entries. However, because the process for assuring accurate deletion of CLLI codes is resource intensive, and codes continue to become obsolete over time, only a minority of AT&T's obsolete entries have been removed to date. Specifically, AT&T believes that approximately 170,000 inactive AT&T CLLI entries still remain in CLONES today. Thus, depending on when GeoResults

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(. . . continued)
in the exhibit itself) as quarterly figures. This new exhibit provides DS1, DS3, and SONET revenues all on a quarterly basis.

[25] *See* 6/24/05 SBC-AT&T Ex Parte Letter at 3-5 & n.10.

gathered the CLONES data, merger opponents' analysis could be based on an overstatement of the number of buildings that AT&T serves -- even through Type II arrangements – by as much as 40%. But whatever the vintage of the CLONES data used by merger opponents, it is simply not an accurate measure of buildings where AT&T has fiber connections or serves customers with any of its own facilities.

It is likewise clear that the CLONES data understate the number of buildings served by other CLECs. The creation of an 11-character CLLI in CLONES is optional for records such as customer premises equipment. Although AT&T relies on CLLI codes for its provisioning systems, and thus rigorously registers newly installed equipment and locations in CLONES, other carriers need not register their equipment, and they often do not do so. Applicants do not have access to the data that would be necessary to quantify this understatement fully. AT&T has, however, attempted to compare a sample of lit building locations in the SBC region reported to AT&T by a number of CLECs with those same CLECs' CLONES database entries. Fewer than 70% of the more than 800 sampled CLEC lit buildings showed that the CLEC had registered an 11-character CLLI code for customer premises equipment in CLONES. The analysis also showed that several CLECs systematically did not register customer premises equipment in CLONES. For example, based upon the sample, **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** appear to have populated CLONES with CLLI customer equipment codes for fewer than half of their lit buildings. Accordingly, the CLONES data both dramatically overstate the number of AT&T fiber-lit buildings and dramatically understate the number of CLEC fiber-lit buildings. These data plainly cannot be used to generate meaningful comparisons of the reach of AT&T's local fiber facilities relative to other CLECs' networks.

8. LERG Data. Staff asked whether the LERG ("Local Exchange Routing Guide") database contains non-switch location data that could be used to compare the number of buildings served by AT&T and other CLECs. As the name implies, the LERG is intended to provide information relevant to switched network routing rather than customer premises locations. The April 2005 LERG includes more than 44,000 11 character CLLI codes. According to Applicants' analysis, the vast majority of the CLLI codes in the LERG are associated with switching equipment, and the limited non-switch entries could not provide any basis for meaningful "lit" buildings comparisons. The LERG contains more than 43,000 switching location entries and only approximately 1,300 non-switching locations entries. Most of the switching entries are actual switches, including step-by-step, crossbar, ESS, digital switches, remote modules, packet/ATM switches, tandem switches and wireless/mobile switches. There are also a number of entries that are not classic switches, such as message trunk interfaces, end office NNX codes and a host of miscellaneous items (*e.g.*, VoIP gateways, network switchboards, etc.). The approximately 1,300 non-switching CLLIs in the LERG include items such as remote line terminals, facility and circuit points of interface and miscellaneous entries that include collocations, network channel terminating equipment, channel banks/multiplexers, and high capacity facility terminations. Therefore, the LERG data would not assist Staff in its analysis.

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As Applicants have demonstrated above and in their prior filings, the proposed merger poses no risk to special access competition.

Sincerely,

SBC Communications Inc.

/s/ Christopher M. Heimann

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Exhibit 1

REDACTED

Exhibit 2

REDACTED