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October 18, 2005

Marlene Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Notice of Ex Parte Presentation –
DA 05-656, WC Docket No. 05-65 and DA 05-762, WC Docket No. 05-75**

Dear Ms. Dortch:

This letter is submitted on behalf of Bridgecom International, Inc., Broadview Networks, Inc., Cbeyond Communications, Conversent Communications, CTC Communications, Inc., Lightship Telecom, Inc., NuVox Communications, SNiP LiNK, LLC, Talk America, Inc., TDS Metrocom, LLC, Xspedius Communications, and XO Communications to explain and support a partial remedy to the substantial harms to competition in wholesale markets that will otherwise result if the two mergers proposed in the two proceedings referenced above are approved.

The applications SBC/AT&T and Verizon/MCI have submitted to the FCC for approval of their respective proposed mergers have generated opposition from numerous interested parties for good reason. These two “megamergers” would significantly increase market concentration and render materially more difficult the conditions in which competitive carriers operate as the nation’s two most important competitive telecommunications carriers are absorbed into the two largest incumbent local exchange carriers. The impact of the mergers will be most significant to the special access wholesale market in the territories of Verizon and SBC. It is well documented in the above-referenced dockets that AT&T and MCI today provide easily the largest sources of competition to the special access services offered by SBC and Verizon and that their prices commonly undercut SBC and Verizon special access rates by as much as 80%. It is clear that post-merger, other competitors would *not* “expand or enter with sufficient strength, likelihood and timeliness to render unprofitable an attempted exercise of market power resulting from the

merger.”¹ Rather, all indications are that AT&T and MCI will probably both be lost as competitors in *each* RBOC’s territory if the proposed mergers are concluded. Due to the serious ramifications for competition, the mergers, as proposed, do not serve the public interest, convenience and necessity. Indeed, such a conclusion has been the Commission’s norm for proposed mergers by RBOCs. Since the 1996 Act, the Commission has found every proposed acquisition by a RBOC of another major carrier to be unlawful due to its likely anti-competitive effects.²

Nonetheless, the undersigned parties recognize that the Commission may decide to approve the transactions but use its authority pursuant to Section 214(c) of the Act to impose terms and conditions on the approval tailored to ameliorate the anti-competitive effects of the proposed mergers. The Commission has taken this course in all prior RBOC mergers. In a separate *ex parte* filed yesterday, a large group of concerned parties, including several of the undersigned and other leading members of the IXC, CLEC, enterprise user, and VoIP communities have responded to the variety of conditions and remedies that have been suggested in the record as a means of minimizing the competitive injury that would result from the two mergers.³ Specifically, in that *ex parte*, the signatories thereto offered a consensus recommendation on what actions the Commission should take with respect to SBC’s and Verizon’s *special access services* to offset the removal from the wholesale market of the competitive pressure applied by the metro fiber assets of AT&T and MCI. The undersigned endorse that approach, and hereby adopt the special access conditions proposed therein in *lieu* of prior recommendations that we have made for special access–related behavioral remedies.

The undersigned parties believe the remedies regarding special access that have been proposed are necessary, although *not sufficient*, to alleviate the competitive harm to the local wholesale market that would be caused by the mergers, as proposed. Despite the importance of special access services, and the competitive offerings of providers such as MCI and AT&T which the mergers promise to substantially reduce, most providers of competitive services order critical wholesale inputs (loops and transport) as UNEs, particularly providers

¹ *Applications of NYNEX Corp. and Bell Atlantic Corp. For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries*, Memorandum Opinion and Order, 12 FCC Rcd 19985, ¶11 (1997) (“*NYNEX/Bell Atlantic Merger Order*”).

² *See generally*, *GTE/BellAtlantic Merger Order*, 15 FCC Rcd 14032 (2000); *SBC/Ameritech Merger Order*, 14 FCC Rcd 14712 (1999); *NYNEX/Bell Atlantic Merger Order*, *supra*. *See also* *Cingular/AT&T Wireless Merger Order*, 19 FCC Rcd 21522 (2004).

³ Letter from Ad Hoc Telecommunications Users, *et al.*, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Dockets No. 05-65 and 05-75, October 17, 2005 (“*Special Access Condition Letter*”).

servicing small and medium sized business customers. Any palliative relief adopted by the Commission as a condition of approval should be equally available to all competitive providers, regardless of the extent to which they use SBC or Verizon special access services, competitive offerings of AT&T or MCI, or UNEs, to ensure competition in the provision of local services equivalent to pre-merger levels of competition. Accordingly, in light of the shocks that would be administered to wholesale markets in the wake of the proposed mergers, UNE access to high capacity loop and transport inputs must be maintained for a sufficient period of time to allow the markets in the SBC and Verizon regions an opportunity to return to a state of competition comparable to that which existed before the mergers. To ensure consistency and equity, this period of UNE-based relief must be commensurate with any relief afforded with respect to special access. In addition, other UNE merger conditions should apply to foster an environment comparable to pre-merger levels of competition.

The conditions proposed in the Attachment are based on the fact that prices for loop and transport UNE inputs have been set after extensive state proceedings, in which AT&T and MCI typically played the leading role in opposition to ILEC proposals. Like competitive wholesale services available prior to the proposed mergers, UNE prices for these inputs are substantially below the special access prices of SBC and Verizon. If the mergers go forward, the discipline previously imposed in the UNE rate setting process by the participation of AT&T and MCI will be lost. *UNE pricing discipline* to offset the competition lost as a result of these mergers should be established through a cap on UNE rates without putting CLECs in the position of relitigating UNE rates, and the establishment of rate caps on unbundled DS1 and DS3 loops and transport that SBC and Verizon must make available under Section 271 of the Act.

Further, the evidence in this docket demonstrates that the competitive presence of AT&T and MCI took many years to develop and depended upon the uncommon global strength and financial resources of AT&T and MCI. In today's environment, the financial community is reluctant to fund, especially in the short run, activities that would replicate what AT&T and MCI achieved over the past decade. Consequently, there is no reason to believe that "replication" of their competitive presence will be timely, likely, or sufficient. Thus, the Commission must ensure that there is *stability in access to loop and transport UNEs*, which competitive providers rely upon to fill out their networks.

The competitive presence of AT&T and MCI, and the assumption that presence would persist, were crucial to the Commission's justification for adopting in the *Triennial Review Remand Order* ("TRRO"),⁴ the test to determine whether DS1 or DS3 UNEs should be delisted in certain wire centers or along routes between wire centers based on the number of business

⁴ *In the Matter of 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), Order on Remand, FCC 04-290 (rel. Feb. 4, 2005).

lines served by the wire centers and the number of fiber-based collocators in those centers. But the mergers were announced immediately after the adoption of the *TRRO*, undermining the Commission's assumption. The Commission intended that only *unaffiliated* collocators would be counted, but AT&T and MCI are almost certainly the two most frequently counted fiber-based collocators.⁵ The Commission should now take the mergers into account in the delisting process within the SBC and Verizon territories, at a minimum. Thus, we propose that SBC and Verizon *reevaluate the impaired status of wire centers and routes excluding MCI and AT&T as fiber-based collocators and using current data*. Moreover, the Commission should waive in the SBC and Verizon territories, for a sufficient period, the "one-way ratcheting" rule⁶ that applies to delisting of DS1 and DS3 loops and transport network elements.⁷ Finally, the specific-location limits on unbundled DS1 loops and transport should also be waived because, if the mergers are consummated, the absence of two largest local wholesale providers will upset the price points upon which these limits were set.

To accomplish these objectives, the undersigned parties jointly proposed the measures set forth in the Attachment to this letter. We hope that you find helpful this attempt to formulate major components of a solution to the serious harm to competition posed by the proposed mergers.

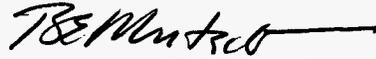
⁵ See 47 C.F.R. § 51.319 (a)(4)-(5) for loops and § 51.39 (d)(3) for transport. The term "fiber-based collocator" is defined in § 51.5 to include only carriers that "are unaffiliated with the incumbent LEC."

⁶ SBC and Verizon are alleging that the delisting of DS1 or DS3 loops or transport at a wire center or along a route action cannot be reversed even if the number of lines in the wire center or the number of collocators decrease, once a determination that a wire center or route is no longer impaired at a DS1 or DS3 level.

⁷ See also UNE-based remedies described in Letter of Edward A. Yorkgitis, Jr., Kelley Drye & Warren, LLP, Counsel for Talk America to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Dockets No. 05-65 and 05-75, October 11, 2005.

Marlene Dortch
October 18, 2005
Page Five

Respectfully submitted,



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Commissioner Kathleen Abernathy
Commissioner Michael Copps
Commissioner Jonathan Adelstein
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ATTACHMENT

CRUCIAL MERGER CONDITIONS RELATED TO UNBUNDLED DS-1 AND DS-3 LOOPS AND TRANSPORT

I. Monthly Recurring and Non-Recurring UNE Charges Must be Capped

The Commission should cap UNE prices in the SBC and Verizon regions for a period of five (5) years at the most recently approved State commission rates. This would not be a freeze, as State commissions should be free to lower the rates if appropriate under the TELRIC or other applicable pricing standard.

- Parties who order or who have ordered unbundled loop (including high capacity and UNE-L loops) and transport elements should have the right, at any time during this five years, to “opt out” of UNE prices and avail themselves of rates available for special access services in the post-merger environment, including those outlined in the Special Access Conditions Letter or other related conditions the Commission may adopt.

II. Where DS1 and DS3 UNEs Are Delisted, Section 271 Unbundled Loops and Transport Must Be Provided

In the SBC and Verizon regions, where DS1 and DS3 loops and transport are delisted, those same loops and transports must be offered on an unbundled basis under Section 271 of the Act. *The Commission should provide, for a period of five (5) years, that such elements are available at 115% of the rates most recently approved by State commissions.*

III. Preserve Existing UNEs For A Transitional Period

In the SBC and Verizon regions, the *status quo ante* (subject to the exception described below) with respect to UNE availability will be preserved for a sufficient period after the mergers are consummated to allow the marketplace to adjust to the loss of AT&T and MCI as competitors. Thus, *no further delisting of loops and transport in SBC and Verizon wire centers or on SBC or Verizon transport routes should be permitted for five (5) years.*

- The Commission should require that SBC and Verizon preserve the *status quo ante* with respect to UNE availability for a period of 5 years.
- In addition, SBC and Verizon should be required to make their loop and transport facilities available as UNEs regardless of the underlying technology.

IV. SBC and Verizon Must Recalculate the Listing of Loop and Transport UNEs

SBC and Verizon must each, within thirty (30) days of any approval order, recalculate the impairment levels in wire centers and on transport routes removing both AT&T and MCI as fiber-based collocators throughout their regions.

- SBC and Verizon should each be required to restate their lists using the most current information for both fiber-based collocators *and* business lines. The Commission should mandate that SBC and Verizon use the most current business line data, namely the most currently reported ARMIS data (which includes data assembled for the carrier's ARMIS reports, even if not yet submitted in that format), UNE-L data, and UNE-P data (for as long as the UNE-P obligations exists in any form). SBC and Verizon may exclude updates for those wire centers and along those routes which they currently report as impaired.
- SBC and Verizon should exclude from their lists any collocators that are simply cross-connected to the fiber of another collocator, including only those collocators which control and operate their own fiber facilities.
- SBC and Verizon, when reporting their updated list information are to exclude non-business lines from ARMIS, UNE-P, *and* UNE-L data. SBC and Verizon should report Centrex business lines by counting every 9 extensions as a single line.
- Further, the Commission also should clarify that SBC and Verizon are required on a going forward basis to monitor the presence of fiber-based collocators and renew offering previously listed UNEs when the specified impairment analysis triggers are no longer satisfied (i.e., not apply a "one-way ratcheting" procedure)
- SBC and Verizon should update their wire center lists on a regular basis, once every three months. This condition would not apply to Tier 3 wire centers, i.e., wire centers that do not have either 24,000 lines or at least 3 fiber-based collocators. Further, for non-Tier 3 wire centers, if SBC or Verizon has reported at least 5000 business lines above the threshold for the status claimed for the wire center or there are at least six (6) collocators, then SBC or Verizon need not update the business line or collocator information every three months. However, if SBC or Verizon later claims a "less-impaired" status for such a wire center based on an increased number of business lines or collocators, then updates every three months would once again be required.
- SBC and Verizon should be required to respond to any CLEC's requests for specific information related to that CLEC that underlies the ILEC's non-impairment list within three (3) business days. SBC and Verizon should provide all requested information, including information that may be customer proprietary network information (CPNI), subject to a reasonable nondisclosure agreement. SBC and Verizon must designate a contact for CLECs to make requests to view

information. Upon receiving a written request for such information, the ILEC should be required to provide that information within three (3) business days, unless the CLEC agrees to a delay.

V. DS1 Loop and Transport Caps Must Be Suspended

The *TRRO* limited the number of DS1 loop UNEs that a requesting carrier could obtain to a maximum of ten DS1 loops to a building from wire centers that are impaired.⁸ It also capped DS1 transport UNEs to a maximum of 10 DS1 dedicated transport circuits along routes which are impaired.⁹ Regarding DS3 loops, the *TRRO* limited the number that a requesting carrier could obtain per building to one (1) DS3 loop.¹⁰ The Commission also limited the number of unbundled DS3 dedicated transport circuits to twelve along any route.¹¹ To maintain the current competitive environment post-merger, *the Commission should remove these caps for DS1 and DS3 loop and transport UNEs for a period of five (5) years.*

⁸ 47 C.F.R. § 51.319 (a)(4)(ii).

⁹ 47 C.F.R. § 51.319 (e)(2)(ii)(A).

¹⁰ 47 C.F.R. § 51.319 (a)(5)(ii).

¹¹ 47 C.F.R. § 51.319 (e)(2)(iii)(B).