

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In The Matter Of )  
)  
)  
)  
AT&T Inc. and BellSouth Corporation ) WC Docket No. 06-74  
Applications For Approval Of Transfer Of )  
Control )  
)  
)  

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RESPONSE OF BELLSOUTH CORPORATION TO INFORMATION AND  
DOCUMENT REQUEST DATED JUNE 23, 2006

**NON-CUSTODIAN DOCUMENTS**

July 11, 2006

# **BELLSOUTH COMMENTS**

WC Docket No. 05-25  
RM-10593

June 13, 2005

## **Attachment 6**

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

|   |   |                     |
|---|---|---------------------|
| In the Matter of  | ) |                     |
|   | ) |                     |
| Special Access Rates for Price Cap Local<br>Exchange Carriers   | ) | WC Docket No. 05-25 |
|   | ) |                     |
| AT&T Corp. Petition for Rulemaking to<br>Reform Regulation of Incumbent Local<br>Exchange Carrier Rates for Interstate<br>Special Access Services | ) | RM-10593            |
|   | ) |                     |

**DECLARATION OF STEPHANIE BOYLES**

Comes now the declarant, and swears under oath as follows:

1. This Declaration is being filed to report on the market for special access services in the BellSouth region and to explain the methodology that RHK employed in developing the report.

2. I am currently employed at RHK, Inc. as Managing Director, Service Provider Advisory Services. I have a Ph.D. in mathematics from the University of Florida and over twenty years of experience in the telecommunications industry. RHK is a research and advisory services company headquartered in San Francisco. RHK provides advisory services to the global telecom industry in the form of consulting support, market/technology subscription research, and investment banking services. I joined RHK in 2000, after working at BellSouth for 16 years in various marketing, product management, business strategy, and business unit lead positions and at AT&T Bell Laboratories for 3 years as a systems engineer. In my role at RHK, I have served several telecom service providers on strategic issues, primarily focusing on the wholesale

special access market. My recent assignments for such carriers included in-depth research and analysis into: (i) carrier purchase decision priorities, (ii) location and strength of competition, (iii) tactical pricing, (iv) long-term pricing, (v) strategic plan viability, (vi) market sizing and market share; and (vii) competitive pricing. Other carrier assignments included: (i) quantification of IP traffic magnitude and growth; (ii) gigabit Ethernet market forecast; (iii) assessment of the viability of a major carrier's network transformation vision; (iv) Digit Rights Management assessment and vendor strategy recommendations; (v) worldwide interest in GMPLS deployment; (vi) market sizing and viability of an ILEC's broadband strategy.

**3. Wholesale Market Share (circuit-based) Quantification.**

In order to quantify BellSouth's Market Share (circuit-based), RHK first developed an estimate of the total enterprise demand for private line data services in BellSouth's footprint. Total enterprise demand for private line data services was initially estimated nationwide using Vertical System's and Frost & Sullivan's estimate of total private line data circuits at DS0, DS1, DS3 and OCN rates purchased by Enterprise customers in the U.S. In order to estimate the enterprise demand for private line data services in BellSouth's serving area, RHK used a database of businesses resident in BellSouth's serving area and an estimation of data circuit demand per business based on industry type, number of employees, proximity to major metropolitan area, and headquarters versus branch location to arrive at an estimate of total enterprise demand for data circuits in BellSouth's footprint. The RHK estimate of data circuit demand per business type was derived from a combination of IDC's U.S. WAN Manager Survey of enterprise purchasing patterns, and TNS Telecom's estimate of bandwidth demand by metro.

4. From this estimate of enterprise demand for private line data services in BellSouth's serving area, RHK subtracted BellSouth Retail's actual sales of data circuits to estimate the total demand for Wholesale wireline-generated tail circuits. RHK then modeled tail<sup>1</sup> circuit demand to interoffice<sup>2</sup> circuit demand using typical multiplexing arrangements and typical fill rates. The result was an estimate of the Total Wholesale Wireline Market for Tail Circuits and Interoffice Circuits.

5. In order to develop BellSouth's wholesale market share of circuits, RHK took the ratio of the actual special access circuits sold by BellSouth Wholesale to the total market for special access circuits. The UNE (unbundled network element) share of circuits was estimated by taking the ratio of actual UNE circuits sold by BellSouth to the total market for special access circuits. The AAV (alternative access vendor) share of circuits was estimated by first calculating the number of AAV circuits (total circuits in the market minus total BellSouth special access circuits minus total UNE circuits) and then computing the ratio of AAV circuits to total market circuits. These estimates were separately computed for tail and interoffice circuits.

6. **Wholesale Market Share (revenue-based) Quantification.**

RHK estimated the BellSouth's Wholesale Market Share (revenue-based) by using: (i) average BellSouth pricing per circuit for BellSouth special access circuits sold; (ii) average pricing per circuit for UNE circuits sold, (iii) average alternative access vendor pricing for competitive carrier circuits sold; and (iv) average alternative access vendor pricing to carrier self-supplied circuits.

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<sup>1</sup> **Tail** circuits are circuits that originate at an enterprise building and terminate at the serving wire center.

<sup>2</sup> **Interoffice** circuits are circuits that originate at a serving wire center and terminate on another serving wire center or at a carrier POP (point-of-presence).

7. BellSouth's average special access price per circuit and the average UNE price per circuit were provided by BellSouth. The following prices were used for BellSouth: DS1-\$240; DS3-\$1,356; OCN-\$5,077. For UNEs: DS1-\$141; DS3-\$628.

8. RHK developed the AAV price per circuit in the following way. First, RHK subcontracted to Universal Access to obtain actual prices of all the Type 1<sup>3</sup> DS1, DS3, OCN circuits they sold in BellSouth's territory. RHK then created an initial estimate of AAV prices for DS1, DS3, OCN circuits by reducing Universal Access' retail rate by an estimation of Universal Access's margin. (Universal Access is one of the nation's largest independent buyer, seller and manager of wholesale networks (circuits) on behalf of telecommunications carriers, cable companies, government agencies, systems integrators and service providers.) Second, RHK verified that competitive pricing data through interviews of 16 of BellSouth Wholesale's carrier customers. Third, RHK re-verified the competitive pricing through third party industry contacts. The following prices were used for AAVs: DS1-\$140; DS3-\$700; OCN-\$3,300.

9. **Wholesale Market Share (capacity-based) Quantification.** RHK estimated BellSouth's Special Access share, UNE share and AAV share of the market by estimating the total market capacity and then taking the ratio of BellSouth's Special Access Capacity, the total UNE capacity and the total AAV capacity to the total market capacity. BellSouth's Wholesale Market Share (capacity-based) was developed by multiplying the number of DS1, DS3, OCN circuits (sold as BellSouth Special Access in the tail and interoffice) by the circuit's capacity. BellSouth's average capacity per tail and IOF circuit was calculated based on actual sold circuits. The average BellSouth OCN tail circuit capacity is 369 mbps, and average OCN IOF capacity is 1423 mbps.

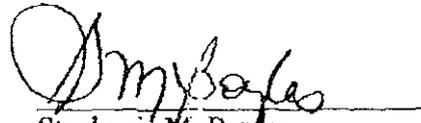
<sup>3</sup> Type 1 circuits are circuits purchased from an Alternative Access Vendors.

The AAV average capacity per tail and IOF circuit was estimated from the distribution of OCN circuits sold by Universal Access in BellSouth's top 8 markets. For AAVs, the average OCN tail circuit capacity is 215 mbps, and the average OCN IOF capacity is 830 mbps.

10. Attached hereto as Exhibit A is a Powerpoint presentation that provides the results of the analysis performed by using the methodology explained above.

11. This concludes my Declaration.

I, Stephanie Boyles, hereby declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

  
Stephanie M. Boyles

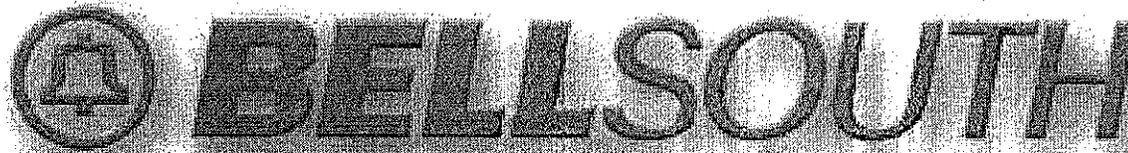
Dated: June 8, 2005

# **BELLSOUTH COMMENTS**

WC Docket No. 05-25  
RM-10593

June 13, 2005

**Exhibit A**



# **Market Share Analysis Wireline Special Access**

Stephanie Boyles  
Mike Podsedly  
Kevin Duffy-Deno  
Mike Doscher

June 8, 2005

BLS-INT-001259

# Regional Wireline Wholesale Special Access Market Shares

| Revenue-Based Share  |             |            |                 |
|----------------------|-------------|------------|-----------------|
|                      | <i>Tail</i> | <i>IOF</i> | <i>Combined</i> |
| BST                  | 63%         | 12%        | 41%             |
| UNE                  | 20%         | 15%        | 18%             |
| AAV                  | 17%         | 73%        | 41%             |
| Capacity-Based Share |             |            |                 |
|                      | <i>Tail</i> | <i>IOF</i> | <i>Combined</i> |
| BST                  | 44%         | 12%        | 17%             |
| UNE                  | 10%         | 1%         | 2%              |
| AAV                  | 46%         | 87%        | 82%             |

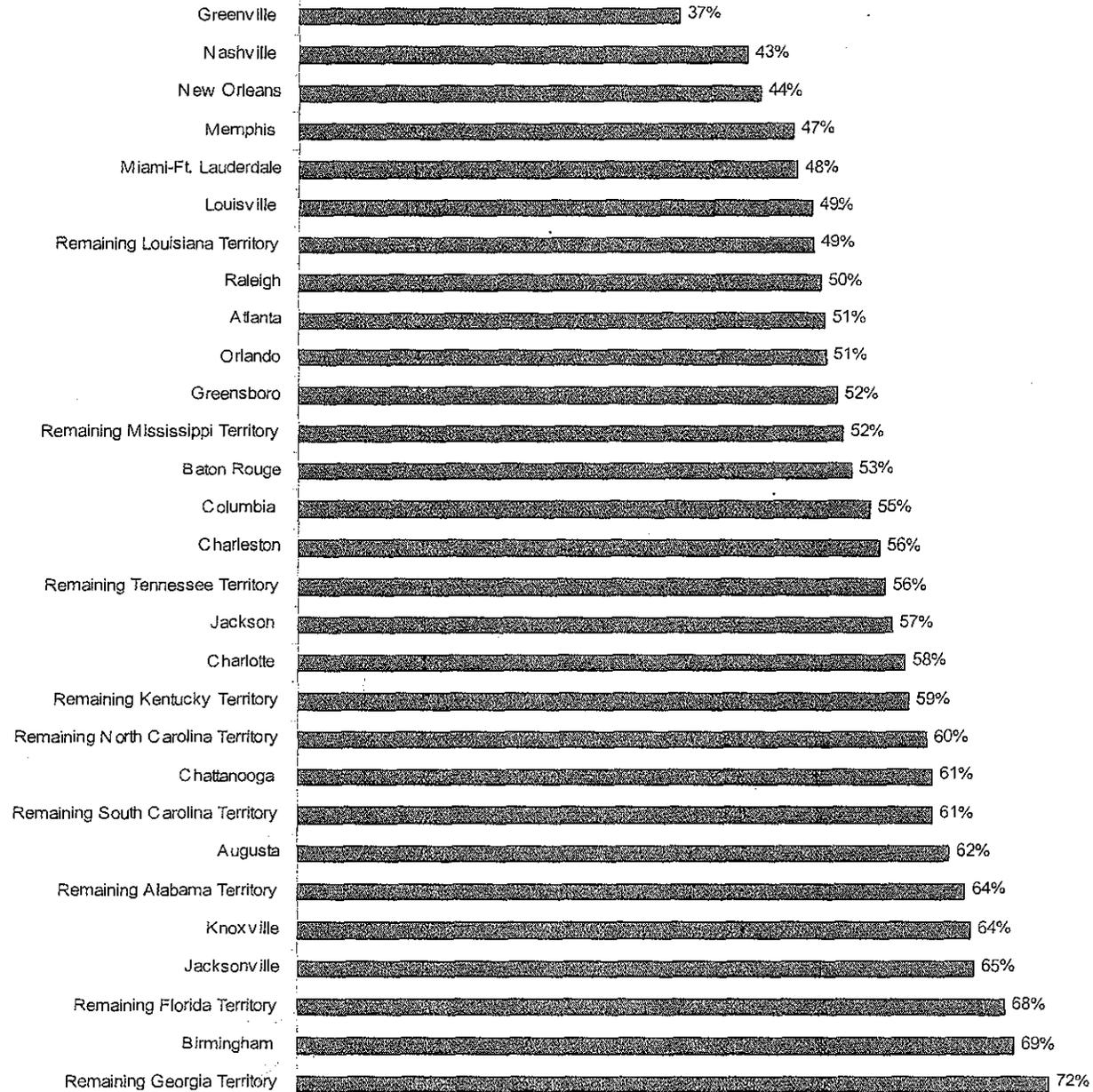
BLS-INT-001260

# Metro & Out-state Wireline Wholesale Market Shares

|                                    | Share of Revenue |     |     | Share of Capacity |     |     |
|------------------------------------|------------------|-----|-----|-------------------|-----|-----|
|                                    | BLS SPA          | UNE | AAV | BLS SPA           | UNE | AAV |
| Birmingham                         | 77%              | 10% | 12% | 60%               | 8%  | 32% |
| Remaining Alabama Territory        | 74%              | 10% | 16% | 54%               | 9%  | 37% |
| Miami-Ft. Lauderdale               | 61%              | 22% | 17% | 35%               | 8%  | 57% |
| Jacksonville                       | 71%              | 12% | 18% | 59%               | 7%  | 33% |
| Orlando                            | 55%              | 22% | 23% | 47%               | 9%  | 44% |
| Remaining Florida Territory        | 77%              | 8%  | 15% | 59%               | 10% | 32% |
| Atlanta                            | 57%              | 22% | 21% | 44%               | 10% | 46% |
| Augusta                            | 76%              | 13% | 12% | 49%               | 7%  | 44% |
| Remaining Georgia Territory        | 80%              | 7%  | 13% | 64%               | 7%  | 28% |
| Louisville                         | 64%              | 19% | 17% | 35%               | 9%  | 57% |
| Remaining Kentucky Territory       | 70%              | 10% | 20% | 48%               | 5%  | 47% |
| Baton Rouge                        | 56%              | 11% | 33% | 50%               | 18% | 32% |
| New Orleans                        | 53%              | 22% | 26% | 36%               | 10% | 54% |
| Remaining Louisiana Territory      | 54%              | 7%  | 39% | 45%               | 24% | 32% |
| Jackson                            | 59%              | 13% | 28% | 55%               | 7%  | 38% |
| Remaining Mississippi Territory    | 54%              | 9%  | 37% | 51%               | 12% | 37% |
| Charlotte                          | 71%              | 15% | 14% | 46%               | 9%  | 45% |
| Greensboro                         | 66%              | 16% | 18% | 38%               | 10% | 53% |
| Raleigh                            | 65%              | 21% | 14% | 35%               | 9%  | 56% |
| Remaining North Carolina Territory | 70%              | 8%  | 21% | 50%               | 13% | 37% |
| Charleston                         | 58%              | 10% | 31% | 53%               | 19% | 28% |
| Columbia                           | 62%              | 16% | 21% | 47%               | 12% | 40% |
| Greenville                         | 45%              | 11% | 43% | 28%               | 22% | 50% |
| Remaining South Carolina Territory | 71%              | 5%  | 24% | 51%               | 23% | 26% |
| Chattanooga                        | 71%              | 12% | 18% | 51%               | 12% | 37% |
| Knoxville                          | 73%              | 8%  | 19% | 56%               | 13% | 31% |
| Memphis                            | 62%              | 19% | 18% | 33%               | 10% | 57% |
| Nashville                          | 56%              | 20% | 24% | 30%               | 12% | 58% |
| Remaining Tennessee Territory      | 72%              | 12% | 16% | 40%               | 8%  | 54% |

BLS-INT-001261

# BST Composite Wireline Wholesale Market Shares



BLS-INT-001262

# Wireline Market Shares Tail Circuits

| <u>DS1</u>  |         |         |             |        |            |
|-------------|---------|---------|-------------|--------|------------|
|             | Jul'04  | Jan'05  | Unit Change | Growth | Flow Share |
| BST Special | 159,607 | 162,776 | 3,169       | 4.0%   | 24%        |
| BST UNE     | 74,858  | 81,926  | 7,068       | 18.9%  | 54%        |
| AAV         | 26,122  | 28,990  | 2,867       | 22.0%  | 22%        |
| Market      | 260,587 | 273,692 | 13,104      | 10.1%  |            |

Note: Growth numbers are annualized based on previous 6 month change

|             | Jul'04 | Jan'05 |
|-------------|--------|--------|
| BST Special | 61%    | 59%    |
| BST UNE     | 29%    | 30%    |
| AAV         | 10%    | 11%    |

| <u>DS3</u>  |        |        |             |        |            |
|-------------|--------|--------|-------------|--------|------------|
|             | Jul'04 | Jan'05 | Unit Change | Growth | Flow Share |
| BST Special | 3,232  | 3,773  | 541         | 33.5%  | 42%        |
| BST UNE     | 124    | 122    | -2          | -3.2%  | 0%         |
| AAV         | 3,977  | 4,723  | 745         | 37.5%  | 58%        |
| Market      | 7,333  | 8,618  | 1,284       | 35.0%  |            |

|             | Jul'04 | Jan'05 |
|-------------|--------|--------|
| BST Special | 44%    | 44%    |
| BST UNE     | 2%     | 1%     |
| AAV         | 54%    | 55%    |

| <u>OCN</u>  |        |        |             |        |            |
|-------------|--------|--------|-------------|--------|------------|
|             | Jul'04 | Jan'05 | Unit Change | Growth | Flow Share |
| BST Special | 369    | 418    | 49          | 26.6%  | 16%        |
| BST UNE     | 0      | 0      | 0           | 0.0%   | 0%         |
| AAV         | 1,316  | 1,565  | 249         | 37.8%  | 84%        |
| Market      | 1,685  | 1,983  | 298         | 35.3%  |            |

|             | Jul'04 | Jan'05 |
|-------------|--------|--------|
| BST Special | 22%    | 21%    |
| BST UNE     | 0%     | 0%     |
| AAV         | 78%    | 79%    |

## Market Growth

- DS1: 10.1%
- DS3: 35.0%
- OCN: 35.3%

## BST Growth

- DS1: 4.0% (specials), 18.9% (UNEs)
- DS3: 33.5%
- OCN: 26.6%

BLS-INT-001263

# DS1 Wireline Tail Circuit Market Shares

| <u>DS1</u>  |         |         |             |        |            |  |
|-------------|---------|---------|-------------|--------|------------|--|
|             | Jul'04  | Jan'05  | Unit Change | Growth | Flow Share |  |
| BST Special | 159,607 | 162,776 | 3,169       | 4.0%   | 24%        |  |
| BST UNE     | 74,858  | 81,926  | 7,068       | 18.9%  | 54%        |  |
| AAV         | 26,122  | 28,990  | 2,867       | 22.0%  | 22%        |  |
| Market      | 260,587 | 273,692 | 13,104      | 10.1%  |            |  |

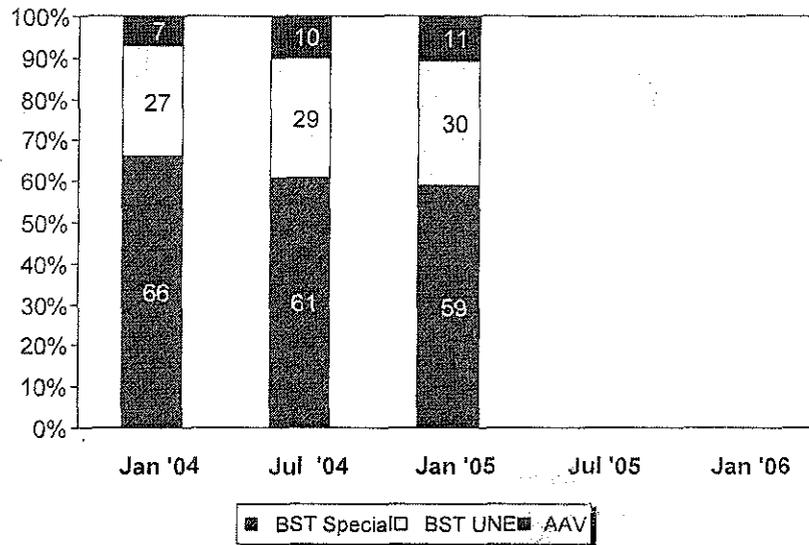
  

|             | Jul'04 | Jan'05 |  |
|-------------|--------|--------|--|
| BST Special | 61%    | 59%    |  |
| BST UNE     | 29%    | 30%    |  |
| AAV         | 10%    | 11%    |  |

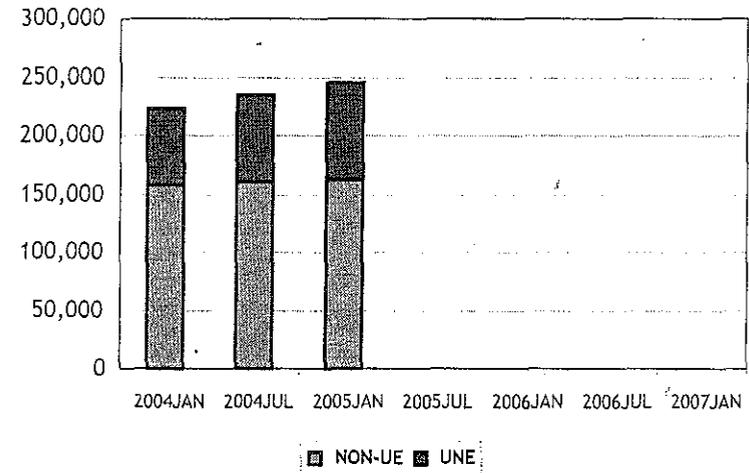
Note: Growth numbers are annualized based on previous 6 month change

Note: Growth numbers are annualized based on previous 6 month change

DS1 Wireline Tail - Market Share



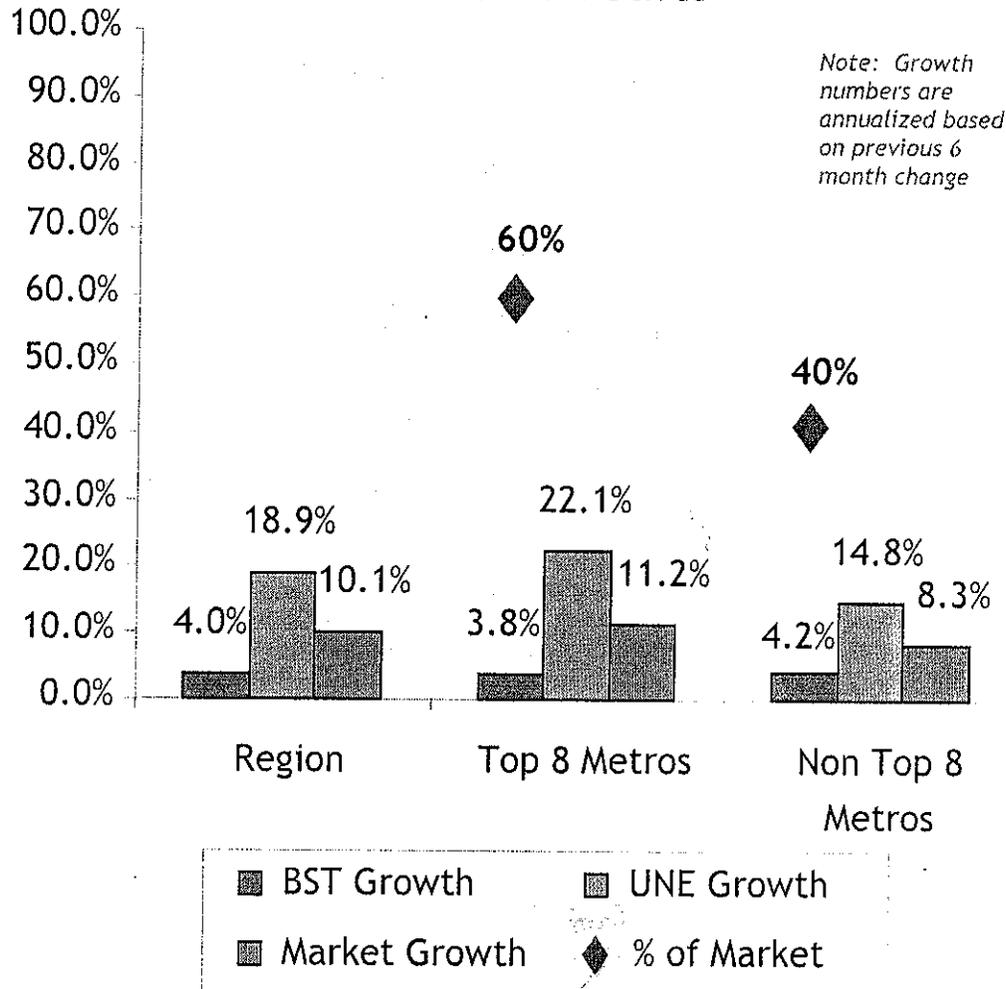
BST DS1 Tail Circuits in Service



BLS-INT-001264

# BST DS1 Tail Circuits: Geographical Performance

## DS1 Tail Circuits



- UNE growth continuing to exceed SPA growth
- Growth in the non top 8 metros slightly exceeding growth in the top 8 metros

BLS-INT-001265

# DS3 Wireline Tail Circuit Market Shares

| <u>DS3</u>  |        |        |             |        |            |
|-------------|--------|--------|-------------|--------|------------|
|             | Jul'04 | Jan'05 | Unit Change | Growth | Flow Share |
| BST Special | 3,232  | 3,773  | 541         | 33.5%  | 42%        |
| BST UNE     | 124    | 122    | -2          | -3.2%  | 0%         |
| AAV         | 3,977  | 4,723  | 745         | 37.5%  | 58%        |
| Market      | 7,333  | 8,618  | 1,284       | 35.0%  |            |

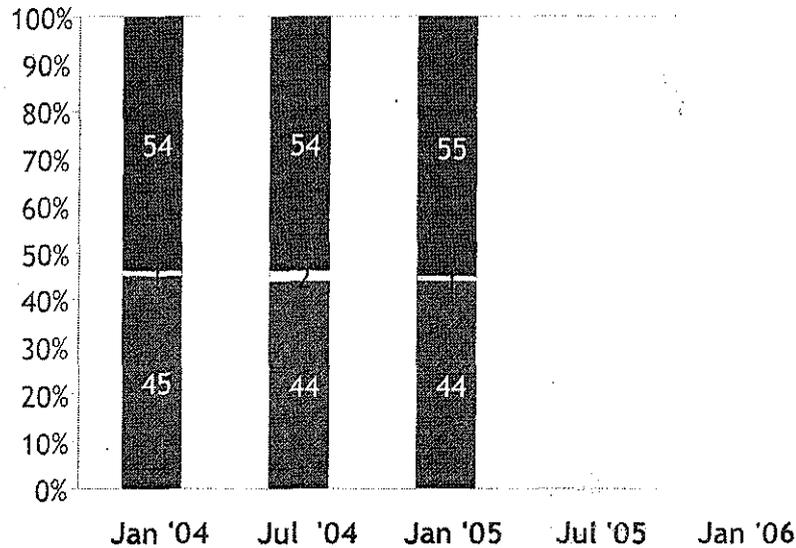
  

|             | Jul'04 | Jan'05 |
|-------------|--------|--------|
| BST Special | 44%    | 44%    |
| BST UNE     | 2%     | 1%     |
| AAV         | 54%    | 55%    |

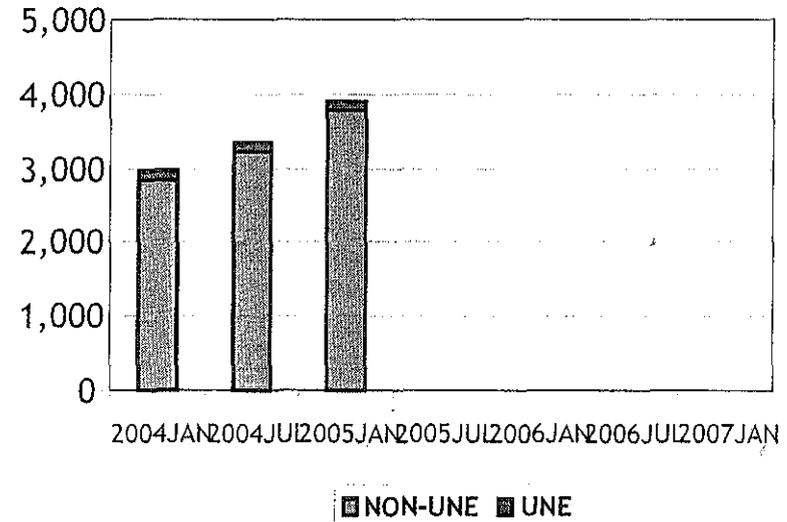
Note: Growth numbers are annualized based on previous 6 month change

Note: Growth numbers are annualized based on previous 6 month change

DS3 Wireline Tail - Market Share



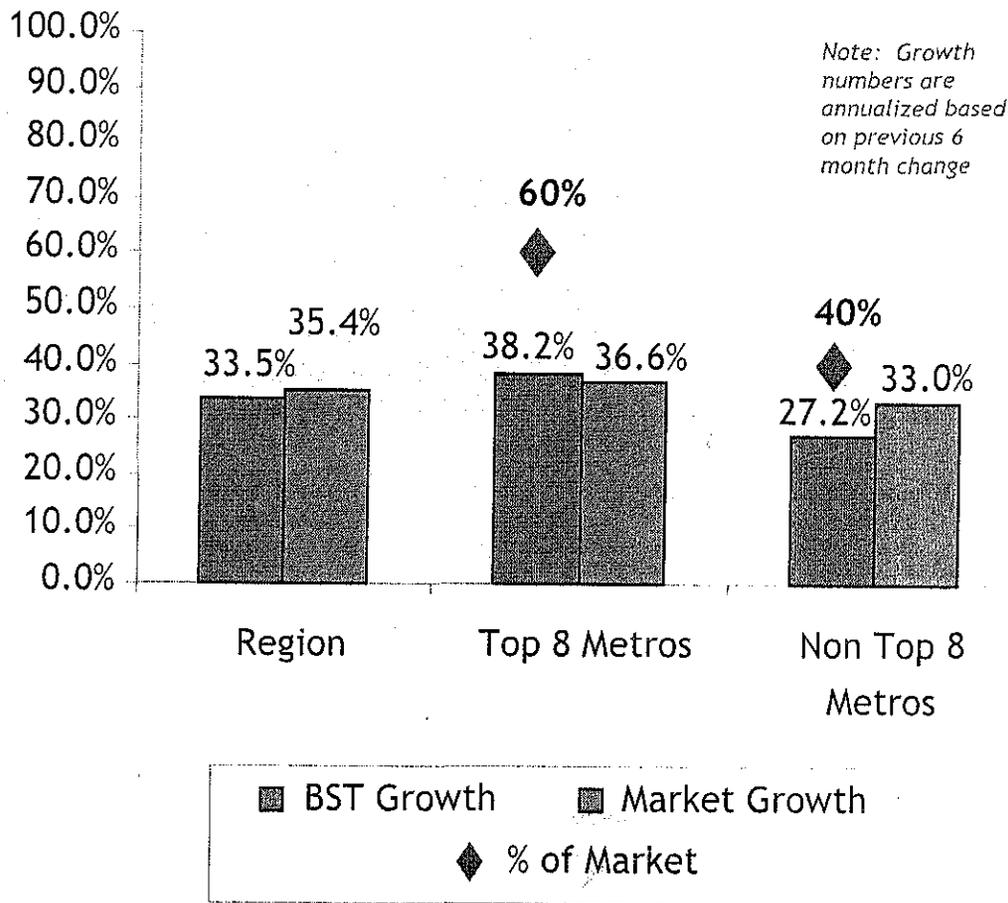
BST DS3 Tail Circuits in Service



BLS-INT-001266

# BST DS3 Tail Circuits: Geographical Performance

## DS3 Tail Circuits



- Market & BST growth comparable
- UNE products trending off
- Growth is greater in the top 8 metros

BLS-INT-001267

# OCN Wireline Tail Circuit Market Shares

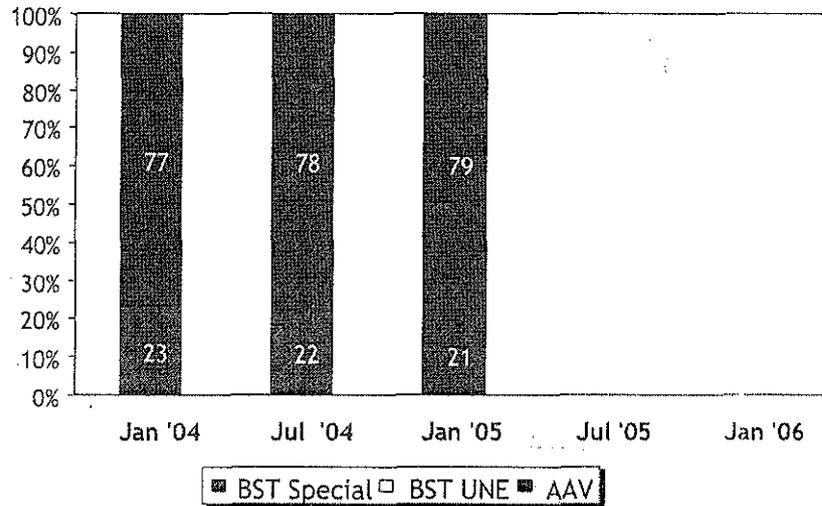
| <u>OCN</u>  |        |        |             |        |            |
|-------------|--------|--------|-------------|--------|------------|
|             | Jul'04 | Jan'05 | Unit Change | Growth | Flow Share |
| BST Special | 369    | 418    | 49          | 26.6%  | 16%        |
| BST UNE     | 0      | 0      | 0           | 0.0%   | 0%         |
| AAV         | 1,316  | 1,565  | 249         | 37.8%  | 84%        |
| Market      | 1,685  | 1,983  | 298         | 35.3%  |            |

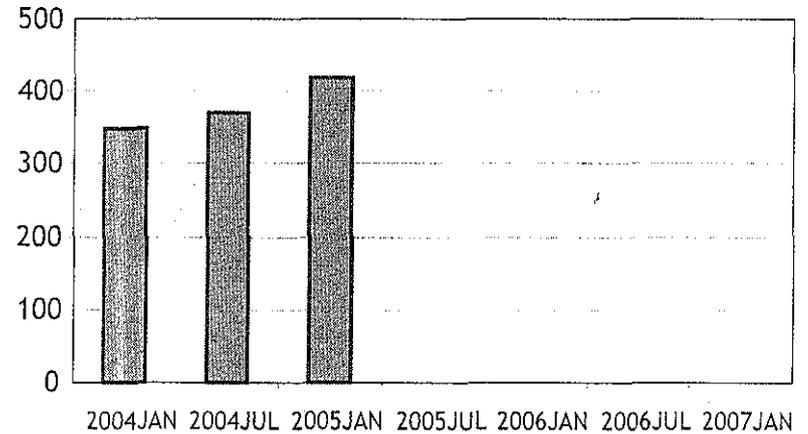
|             | Jul'04 | Jan'05 |
|-------------|--------|--------|
| BST Special | 22%    | 21%    |
| BST UNE     | 0%     | 0%     |
| AAV         | 78%    | 79%    |

Note: Growth numbers are annualized based on previous 6 month change

OCN Wireline Tail - Market Share



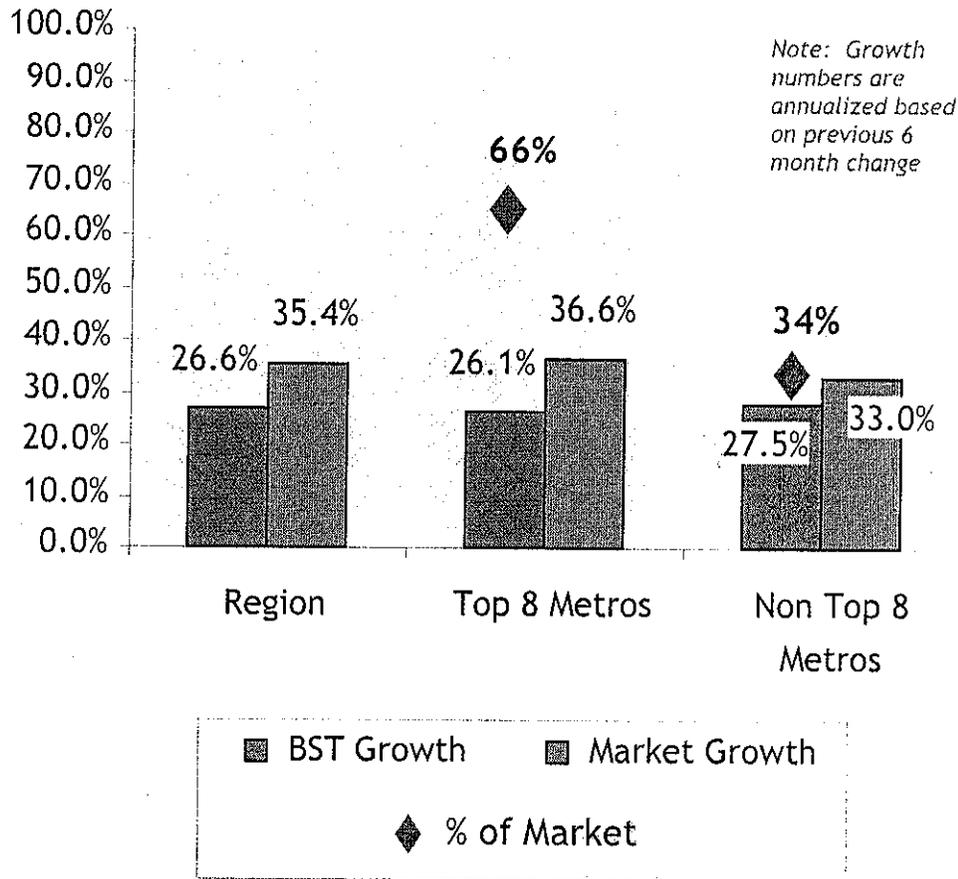
OCN Tail Circuits in Service



BLS-INT-001268

# BST OCN Tail Circuits: Geographical Performance

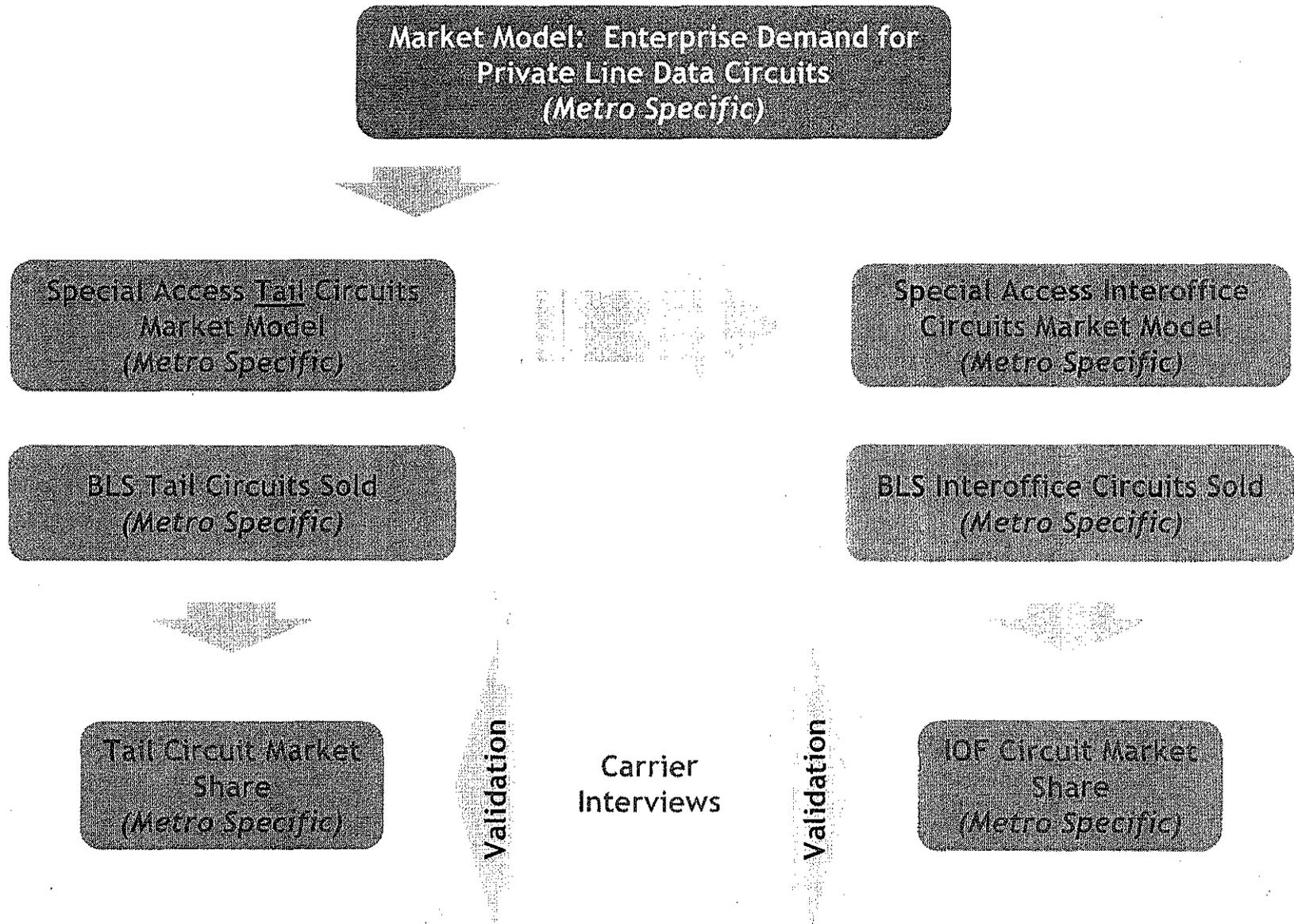
## OCN Tail Circuits



- Market grew 35.4%, BST grew 26.6%
- Growth consistent between top markets and lower tier markets
- BST performance in non top 8 Metros was higher than in the top 8 metros

BLS-INT-001269

# Market Share Estimation Methodology



BLS-INT-001270

Super 8 MSAs

|  |
|--|
| Atlanta-Sandy Springs-Marietta- GA Metropolitan Statistical Area   |
| Fort Lauderdale-Pompano Beach-Deerfield Beach- FL Metropolitan Div |
| Nashville-Davidson-Murfreesboro- TN Metropolitan Statistical Area  |
| Orlando- FL Metropolitan Statistical Area                          |
| Charlotte-Gastonia-Concord- NC-SC Metropolitan Statistical Area    |
| Jacksonville- FL Metropolitan Statistical Area                     |
| Memphis- TN-MS-AR Metropolitan Statistical Area                    |
| Birmingham-Hoover- AL Metropolitan Statistical Area                |

# Backup

Next 12 MSAs

|   |
|---|
| New Orleans-Metairie-Kenner- LA Metropolitan Statistical Area |
| Louisville- KY-IN Metropolitan Statistical Area               |
| Greensboro-High Point- NC Metropolitan Statistical Area       |
| Raleigh-Cary- NC Metropolitan Statistical Area                |
| Greenville- SC Metropolitan Statistical Area                  |
| Charleston-North Charleston- SC Metropolitan Statistical Area |
| Augusta-Richmond County- GA-SC Metropolitan Statistical Area  |
| Jackson- MS Metropolitan Statistical Area                     |
| Baton Rouge- LA Metropolitan Statistical Area                 |
| Columbia- SC Metropolitan Statistical Area                    |
| Chattanooga- TN-GA Metropolitan Statistical Area              |
| Knoxville- TN Metropolitan Statistical Area                   |

Next 58 MSAs

|  |  |
|--|--|
| Winston Salem- NC Metropolitan Statistical Area                      | Anniston-Oxford- AL Metropolitan Statistical Area            |
| Asheville- NC Metropolitan Statistical Area                          | Houma-Bayou Cane-Thibodaux- LA Metropolitan Statistical Area |
| Deltona-Daytona Beach-Ormond Beach- FL Metropolitan Statistical Area | Lake Charles- LA Metropolitan Statistical Area               |
| Mobile- AL Metropolitan Statistical Area                             | Monroe- LA Metropolitan Statistical Area                     |
| Lafayette- LA Metropolitan Statistical Area                          | Hattiesburg- MS Metropolitan Statistical Area                |
| Palm Bay-Melbourne-Titusville- FL Metropolitan Statistical Area      | Clarksville- TN-KY Metropolitan Statistical Area             |
| Montgomery- AL Metropolitan Statistical Area                         | Florence- AL Metropolitan Statistical Area                   |
| Shreveport-Bossier City- LA Metropolitan Statistical Area            | Albany- GA Metropolitan Statistical Area                     |
| Huntsville- AL Metropolitan Statistical Area                         | Auburn-Opelika- AL Metropolitan Statistical Area             |
| Port St. Lucie-Fort Pierce- FL Metropolitan Statistical Area         | Lexington-Fayette- KY Metropolitan Statistical Area          |
| Hickory-Morganton-Lenoir- NC Metropolitan Statistical Area           | Gadsden- AL Metropolitan Statistical Area                    |
| Gulfport-Biloxi- MS Metropolitan Statistical Area                    | Vero Beach- FL Metropolitan Statistical Area                 |
| Savannah- GA Metropolitan Statistical Area                           | Valdosta- GA Metropolitan Statistical Area                   |
| Florence- SC Metropolitan Statistical Area                           | Durham- NC Metropolitan Statistical Area                     |
| Pensacola-Ferry Pass-Brent- FL Metropolitan Statistical Area         | Bowling Green- KY Metropolitan Statistical Area              |
| Columbus- GA-AL Metropolitan Statistical Area                        | Burlington- NC Metropolitan Statistical Area                 |
| Panama City-Lynn Haven- FL Metropolitan Statistical Area             | Anderson- SC Metropolitan Statistical Area                   |
| Macon- GA Metropolitan Statistical Area                              | Evansville- IN-KY Metropolitan Statistical Area              |
| Wilmington- NC Metropolitan Statistical Area                         | Rome- GA Metropolitan Statistical Area                       |
| Gainesville- FL Metropolitan Statistical Area                        | Elizabethtown- KY Metropolitan Statistical Area              |
| Owensboro- KY Metropolitan Statistical Area                          | Spartanburg- SC Metropolitan Statistical Area                |
| Goldensboro- NC Metropolitan Statistical Area                        | Brunswick- GA Metropolitan Statistical Area                  |
| Jackson- TN Metropolitan Statistical Area                            | Pascagoula- MS Metropolitan Statistical Area                 |
| Alexandria- LA Metropolitan Statistical Area                         | Gainesville- GA Metropolitan Statistical Area                |
| Athens-Clarke County- GA Metropolitan Statistical Area               | Cleveland- TN Metropolitan Statistical Area                  |
| Warner Robins- GA Metropolitan Statistical Area                      | Memphis- TN Metropolitan Statistical Area                    |
| Tampa-St. Petersburg-Clearwater- FL Metropolitan Statistical Area    | Kingsport-Bristol- TN-VA Metropolitan Statistical Area       |
| Tuscaloosa- AL Metropolitan Statistical Area                         | Ocala- FL Metropolitan Statistical Area                      |
| Decatur- AL Metropolitan Statistical Area                            | Tallahassee- FL Metropolitan Statistical Area                |

Examples of Towns outside these 78 metros:

- Dalton, GA
- Milledgeville, GA
- Hazlehurst, GA

BLS-INT-001271