

### AT&T'S SHARE OF INTERNET BACKBONE TRAFFIC

AT&T hereby submits as Appendix 1 hereto a report from OVUM RHK entitled “Global Internet traffic: 4Q05 update” (dated April 4, 2006), and an Excel file from OVUM RHK entitled “Global Capex” that contains the data utilized in Tables 1-12 of the OVUM RHK report.

Utilizing the updated RHK information, as well as the information contained in AT&T's amended Exhibit 28.e.1 submitted on July 16, 2006, in response to the FCC's request, AT&T has prepared and has attached as Appendix 2 to this submission an updated Internet Traffic Share table, in the same format utilized in Table 1 to the Reply Declaration of Dr. Marius Schwartz. Appendix 2 shows that AT&T's pre-merger share of all North American Internet traffic has declined from 18.38% as of December 2004 to **[begin confidential]** **[end confidential]** as of December 2005. Because the updated RHK data in this report do not identify shares of any other backbone provider, AT&T cannot provide December 2005 North American shares for any other backbone, nor can it calculate the size of the Tier 1 market from the RHK data currently available.

If, however, one uses for December 2005 the same ratio of pre-merger Tier 1 backbone traffic to total North American Internet traffic as could be calculated from the December 2004 RHK data (69.24%), the updated RHK data would indicate that AT&T's pre-merger share of traffic in the Tier 1 market has also declined, from 26.55% as of December 2004 to **[begin confidential]** **[end confidential]** as of December 2005.<sup>1</sup> BellSouth data, per

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<sup>1</sup> This calculation is consistent with AT&T's AS 7018 network experience, where the ratio of traffic exchanged with Tier 1 peers to total network traffic has remained constant from Q1 2005 through Q4 2005.

Exhibit 28(e)(1) filed on its behalf, shows that the traffic carried on its network has consistently been less than **[begin confidential]** **[end confidential]** of the traffic carried on the AT&T network. As is shown in Appendix 2, BellSouth traffic represents an estimated **[begin confidential]** **[end confidential]** of North American traffic as of December 2005. Based on these assumptions, AT&T's post-merger share of Tier 1 traffic would be approximately **[begin confidential]** **[end confidential]**, which is slightly less than AT&T had in 2004 without BellSouth.

The OVUM RHK report also claims that Internet Backbone revenues for the fourth quarter of 2005 were approximately **[begin confidential]** **[end confidential]**. OVUM RHK claims that this number represents only “revenues that accrue to backbone networks” and excludes ISP revenues derived from access providers that are not integrated with backbones (e.g., cable modems, dial up ISPs). In its responses to FCC Specification 29(b), AT&T reported its total revenues for Internet access services (Exhibit 29.b.1). The resulting “share” of revenues that would be derived from this comparison of **[begin confidential]** **[end confidential]**, however, overstates AT&T's actual share considerably because the **[begin confidential]**

**[end confidential]** denominator is represented to be only backbone revenues, while the AT&T revenues include access revenues that are comparable to those earned by other ISPs, but which RHK has excluded. For example, revenues earned by cable broadband providers who collectively provide broadband services to over half of all broadband eyeballs (per the table at page 103 of Applicants' Public Interest Statement), would be excluded from the **[begin confidential]** **[end confidential]** denominator, but these revenues are included in AT&T's broadband revenues as reported in Exhibit 29.b.1. Alternatively, if RHK is truly measuring only “backbone revenue” – transit payments plus DIA revenue, and the backbone-

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specific portion of integrated access revenues – then AT&T’s “backbone revenues” would be about **[begin confidential]** **[end confidential]** of the total revenues for Q4 2005, as most of the reported DSL revenues are for ISP access, with less than **[begin confidential]** **[end confidential]** for backbone transit. So calculated, AT&T’s “backbone revenue” share of approximately **[begin confidential]** **[end confidential]** would be consistent with its traffic share.