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December 27, 2006

VIA E-MAIL **EX PARTE**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW-325
445 12th Street, S.W.
Washington D.C. 20554

Re: In the Matter of AT&T Inc. and BellSouth Corporation Applications for Approval of Transfer Of Control, WC Docket No. 06-74

Dear Ms. Dortch:

On Tuesday, December 26, 2006, the undersigned, on behalf of Time Warner Telecom Inc. ("TWTC"), discussed with Scott Deutchman and Bruce Gottlieb, legal advisors to Commissioner Michael Copps, and with Scott Bergmann, legal advisor to Commissioner Jonathan Adelstein, the need for conditions to address the merger-specific harms to the special access market (including Ethernet services) posed by the proposed AT&T-BellSouth merger. During the discussions, I repeated the points made in prior TWTC filings in this proceeding. In addition, I emphasized that (1) any rate reductions to the services at issue must remain in place for as long as possible since there is no evidence that widespread facilities-based entry into the relevant markets for local transmission services is likely to occur in the foreseeable future; (2) reductions to Ethernet prices must apply to both retail rates (the appropriate reduction is 20 percent) and to the cross-connect charge (the appropriate reduction for this charge is 50 percent); (3) a merger condition requiring the merged firm to offer volume-term discounts without minimum annual revenue commitments ("MARCs") is unlikely to have any meaningful effect on the market if the merged firm is free to offer more steeply discounted prices to those customers willing to agree to a MARC; and (4) a merger condition granting purchasers the option of foregoing future discounts under existing volume-term agreements in exchange for retaining the MARC at its current level for the duration of the contract (and not increasing it going forward) is unlikely to have any meaningful effect on the market, especially if purchasers taking advantage of this option must forego future discounts that are tied solely to the passage of time (i.e., where the discounts increase each year of the contract regardless of whether the volume purchased increases). As to the fourth point, I sent the attached e-mail to Messrs. Deutchman, Gottlieb, and Bergmann.

Pursuant to Section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), a copy of this letter is being filed electronically in the above-referenced proceeding.

Respectfully submitted,

_______/s/__________

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202-303-1111

cc: Michelle Carey
Ian Dillner
Scott Deutchman
Scott Bergmann
Bruce Gottlieb
Thomas Navin
Renee Crittendon
Nick Alexander
Don Stockdale

From: Jones, Thomas
Sent: Tuesday, December 26, 2006 2:05 PM
To: 'scott.bergmann@fcc.gov'; 'scott.deutchman@fcc.gov'; 'bruce.gottlieb@fcc.gov'
Subject: Flat discount offer

I wanted to clarify an important point on the offer to allow customers to choose to keep discounts at existing levels in return for ATT's agreement to retain MARCs at their current levels. Apparently ATT's existing contracts tie additional discounts going forwrd to either increased purchase levels (volume) or simply the passage of time under the contract (term). I have been told that the option propsed by ATT is only meaningful if customers opting for a flat MARC forego only future increases in discounts tied to volume. If they must forego term discounts as well, I have told that the offer is unlikely to have any effect. Please let me know if you want to discuss further.