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March 28, 2007

Ex Parte

ORIGINAL

FILED/ACCEPTED

MAR 28 2007

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

Federal Communications Commission
Office of the Secretary

Re: **REDACTED – FOR PUBLIC INSPECTION IN WC DOCKET
NO. 02-112 before the Federal Communications Commission**
*Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related
Requirements*

Dear Ms. Dortch:

In response to a letter dated March 13, 2007, from Donald K. Stockdale, Associate Chief, Wireline Competition Bureau, and the Information Request attached thereto, AT&T Inc. (AT&T) hereby provides narrative answers, the requested data, and the supporting documentation for the following responses: 1.b., 1.c., 1.d, 1.f., and 3. AT&T will provide the remaining responses as quickly as possible and on a rolling basis.

Much of the information contains material that is extremely sensitive from a commercial, competitive, and financial perspective, and that AT&T would not, in the normal course of its business, reveal to the public or to its competitors. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the *First Protective Order*¹ and the *Second Protective Order*² in this proceeding and is appropriately marked. AT&T is filing the following responses subject to the *Second Protective Order*: 1.b., 1.c., 1.d., and 1.f. All of these responses fall within the following category of "Highly Confidential Information": "revenues or numbers of customers disaggregated by customer type and a market area smaller than the nation . . . including carrier-specific E911 line count listings."³ Accompanying AT&T's highly confidential information is a request for confidential treatment.

The confidential, non-redacted version of AT&T's response will be made available for inspection, pursuant to the terms of the two *Protective Orders*, as applicable,

¹ *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements*, WC Docket No. 02-112, First Protective Order, DA 07-1387 (rel. March 23, 2007) (*First Protective Order*).

² *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements*, WC Docket No. 02-112, Second Protective Order, DA 07-1389 (rel. March 23, 2007) (*Second Protective Order*).

³ *Second Protective Order* at para. 4. As discussed with FCC staff, AT&T has taken the additional step of masking the identity of unaffiliated providers in all of its responses.

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at the law offices of Sidley Austin LLP. Counsel for parties to this proceeding should contact Brendan McMurrer of that firm at (202)736-8135 to coordinate access after they comply with the terms of the FCC's *Protective Orders*. Parties seeking access to AT&T's confidential documents should first serve the Acknowledgement of Confidentiality on Mr. McMurrer at Sidley Austin LLP, 1501 K Street, N.W., Washington, D.C. 20005.

AT&T is separately filing a redacted version of this submission through the Commission's Electronic Comment Filing System.

Please do not hesitate to contact me if you require additional information.

Sincerely,

/s/ Frank S. Simone

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1.b. For each AT&T franchise area, provide: The number of residential lines AT&T provides to resellers, and the name and corresponding line counts for the top three purchasers of resold lines.

Response: See attached.

Attachment 1.b.

Table(s) Redacted in Full

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1.c. For each AT&T franchise area, provide: The number of residential UNE-L lines provided by AT&T, and the name and corresponding line counts for the top three purchasers of UNE-L lines.

Response: See attached. AT&T has limited knowledge in the ordinary course of business concerning whether wholesale UNE-L lines are used to serve business or residential customers. Consequently, the attached table provides total UNE-L volumes.

Attachment 1.c.

Table(s) Redacted in Full

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1.d. For each AT&T franchise area, provide: The number of residential lines that AT&T provides through negotiated commercial agreements, and the name and corresponding line counts for the top three purchasers of these lines.

Response: See attached. Volumes provided prior to fourth quarter 2004 are wholesale UNE-P lines. After that period of time, the volumes include both UNE-P and negotiated commercial agreements (referred to as Local Wholesale Complete in the attached table).

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Attachment 1.d.

Table(s) Redacted in Full

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1.f. For each AT&T franchise area, provide: By carrier, the number of residential access lines provided by facilities-based providers other than AT&T (*e.g.*, E-911 listings in which AT&T is not the underlying local exchange carrier).

Response: See attached.

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Attachment 1.f.

Table(s) Redacted in Full

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3. Define each retail and wholesale business customer class to which AT&T sells domestic and international interLATA telecommunications services. List and define each domestic and international interLATA telecommunications service (e.g., long distance voice, long haul traffic, private line, ATM, Frame Relay, T1, T3) that AT&T sells to each of these customer classes.

Response:

The new AT&T has combined aspects of the legacy AT&T, legacy SBC, and Legacy BellSouth organizations for business customers. The process of integrating the organizations is underway, and the migration of the legacy databases into a unified system is not yet complete. Because the data requested by the Commission is for December 31, 2003 through December 31, 2006, the definitions provided below correspond to the classes and products offered by pre-merger AT&T and BellSouth. Moreover, to some degree, pre-merger AT&T continued to divide customers into sales categories that were a hybrid of those used by legacy SBC and AT&T and AT&T has structured its responses accordingly.

A. Pre-Merger AT&T:

1. Retail:

AT&T Business Services (“ABS”) is generally responsible for retail business customers that are global, large, or outside the legacy SBC 13-state region. They are categorized as follows:

Signature Customers: Signature customers comprise a defined list of approximately 300 business customers that are typically AT&T’s largest customers and generate the highest level of revenue. There is no single criterion or revenue threshold for designation as a Signature customer, but among the criteria considered are the following: amount of customer purchases of telecommunications services and other information technology; the customer’s total revenue; the cost of serving the customer; the customer’s use of leading edge services (e.g., call centers, managed services); the customer’s global reach; and the customer’s industry. Certain of legacy SBC’s customers that meet the Signature customer profile are now served through the Signature channel.

Enterprise Customers: Enterprise customers are customers that do not meet the Signature customer profile, but nonetheless generate a substantial volume of telecommunications revenue. Enterprise customers are multi-region or single-region and generally have either current AT&T service billing of more than \$1 million annually or at least the potential to generate more than \$1 million in annual revenue. The Enterprise category, which comprises approximately 5,000 customers, includes qualifying local government customers and state government customers outside the legacy SBC 13-state region. Legacy SBC customers (typically those in legacy SBC’s “Global” customer segment) that satisfy these criteria are considered ABS Enterprise customers.

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Select Customers: ABS Select Customers include all remaining multi-region or single-region retail customers outside the legacy SBC 13-state region (except Federal Government, Global and Small Business Customers) that generally satisfy the following criteria: more than \$18,000 in AT&T annual billing, more than 85 employees, and at least limited use of managed or data services. AT&T currently serves approximately 120,000 Select customers.

Small Business Customers: AT&T's category of Small Business customers includes all business customers that do not satisfy the criteria for any of the other groups described above, and are not Wholesale, Federal Government, or Global customers. They generally purchase the same services provided to legacy AT&T's residential customers with more use of advanced features and toll free services. These customers are generally served by UNE-P replacement, UNE-L and resale arrangements.

Global Customers: Global Customers include non-US based customers and non-US based subsidiaries of Enterprise customers.

Government Customers: These customers consist of federal government departments and agencies and include both defense/security and non-defense customers. Government customers also include foreign government embassies, missions and consulates; quasi-governmental agencies; and services provided to Government customers when AT&T is a member of a consortium or a sub-contractor.

Although AT&T has organized its sales and support resources generally according to the size and revenue of its customers – with large business customers in primarily its Signature and Enterprise segments and medium-sized business customers primarily in its Select and Enterprise segments – the types of services that AT&T provides do not always correlate strongly with a customer's size. AT&T offers and sells a wide range of voice, data and IP services to all of these business customers. Although larger customers tend to purchase more complex services more often than smaller customers, that is not always the case – some very large customers purchase very basic voice and data services and some smaller customers purchase managed services. Generally, AT&T's products fall within the broad categories of: local voice, local data, interexchange voice, interexchange data, and managed services.

Business Communications Services (“BCS”) at the most general level is responsible for small to medium retail business customers within the legacy SBC 13-state region.¹ Within BCS, there are three basic customer categories:

BCS GEM: Within the BCS organization, state and local governments, educational institutions and medical institutions are classified as “Government, Education, and Medical” (GEM) customers. These customers represent a range of sizes, revenues, industry segments and for-profit/non-profit status.

¹ BCS also includes certain legacy SBC customers outside of SBC's 13-state region served by SBC Long Distance LLC d/b/a “AT&T Long Distance.” This entity was formerly known as SBC Telecom.

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BCS Select: Apart from GEM customers, legacy SBC's BCS organization divides business customers into two categories. The first is BCS Select, which includes customers expected to generate revenues of more than \$7,000 per year, have more than 50 employees, or require complex services.

BCS Valued: The BCS Valued channel includes business customers expected to spend less than \$7,000 on telecommunications services per year, have fewer than 50 employees, or require non-complex services.

Affiliates: For financial and accounting purposes, legacy SBC separately maintains revenue information for affiliate businesses that use telecommunications services to operate their business.

2. Wholesale:

AT&T's wholesale customers include common carriers (including long distance carriers, local exchange carriers, and wireless carriers), Internet service providers (including cable system operators), and systems integrators.

AT&T treats wholesale customers as a separate customer class from retail customers. AT&T generally tracks its wholesale sales by product, not on the basis of the size, revenue, predominant line of business or other characteristics of its wholesale customers.

AT&T serves more than 500 wholesale customers through its legacy AT&T wholesale channel. The majority of AT&T's sales to these wholesale customers are basic voice and data services that these customers use for the transport and termination of their customers' calls or as inputs in their own telecommunications or information services. AT&T also provides wholesale services through several legacy SBC channels. AT&T provides wholesale services within and outside of the SBC franchised territory through the SBC Long Distance ("SBCLD") channel, which provides both wholesale and retail long-haul services.

AT&T provides additional data wholesale services to ISPs both within and outside of the SBC franchised territory through its SBC Internet Services channel, which provides DSL, ATM and frame relay services.

Within AT&T's franchise area, AT&T provides wholesale services through the "Industry Markets Group." The Industry Markets Group currently divides its business by product set. The group's three product segments are Special Access, Switched Access, and Local Services (which include UNEs, both regulated and privately negotiated). Within Special Access, services to wireline and wireless carriers are generally tracked as separate categories, although the same customer may fall into both categories. Within its 13 state region, AT&T also provides wholesale services through the Advanced Solutions, Inc. ("ASI") and Ameritech Advanced Data Services ("AADS") channels, which provide wholesale and retail DSL, frame relay and ATM.

B. Pre-Merger BellSouth:

Customer sales and marketing are principally handled by two groups at BellSouth:

Business Markets handles Large Business (“LBS”) customers (as well as wholesale customers).

Retail Markets handles Small Business (“SBS”) and residential customers.

As is explained below, the terms “Large Business” and “Small Business” are used by BellSouth to refer to the broad segmentation of retail business customers into those served by the Business Markets or Retail Markets groups. The term “enterprise” refers to a segment within the Large Business category at BellSouth, while the term “medium” customer is not used in the ordinary course of business within BellSouth. “Mass market” is used within the Retail Markets Group to describe its Consumer and certain Small Business segments.

Customers are designated as LBS or SBS according to the revenue the customer generates with BellSouth. Customers spending above approximately \$65,000 annually are generally assigned to LBS, while lower spending customers are generally assigned to SBS. Account assignments between SBS and LBS are normally conducted at the beginning of each year. If a SBS account rises above the \$65,000 level or a LBS account falls below this level during the year, the account normally retains its business unit assignment until the next round of annual reassignments. In addition, there may be certain accounts (*e.g.*, government accounts, schools, etc) that may be assigned to either LBS or SBS because of strategic decisions on how those accounts will be handled, preexisting relationships with a particular group, or other factors.

LBS: Within the Business Markets group, BellSouth has traditionally divided LBS customers into three categories: general business (less than 300 lines but total annual spending of at least \$65,000, in general), major (300-700 lines) and enterprise (700 or more lines). Average annual customer spending with BellSouth is approximately \$100,000 in the general business category, approximately \$400,000 in the major category and approximately \$2 million in the enterprise category.

SBS: SBS uses tiers to stratify its customer base into sales segments. These tiers are based on spending with BellSouth that includes local, long distance, data and Internet access revenue. Assignment to a given tier will also take into account the customer’s product complexity, as some tiers are not equipped to handle complex products. There are seven tiers within SBS with monthly spending as follows:

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Tier	Monthly Revenue
1	>\$3,333/mo
2	\$833-3,332
3	\$587-\$832
4	\$375-\$586
5	\$148-374
6	\$1-145
0	<\$0

The retail services included within the retail service categories employed by BellSouth differ among different marketing groups within BellSouth.

SBS/LBS Services. The following services are included within the product classes utilized by BellSouth's LBS and SBS groups:

- Local voice is composed of all access line products, including PBX trunks, Centrex and 1FBs, as well as all ancillary services attached to a line, such as voice mail, call forwarding, etc. The following product groups are included in local voice:

Lines - Flat Rate
Lines – Usage
Lines – Other
Packages
Centrex
DID Trunks
PBX Trunks
Vertical Services
Memory Call
Miscellaneous Voice
Miscellaneous Other

- Local data includes the following product groups:

PRI ISDN
BRI ISDN
Synchronet
Frame Relay
ATM
MegaLink (DS1)
Video
Video Conferencing Service
Lightgate
SMARTRing

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Native Mode LAN Interconnection
Metro Ethernet
Gigabit Ethernet
BellSouth Integrated T1 Solutions
DS0
FlexServ
Wavelength
Miscellaneous Data

- Managed Services includes Managed Router Services.
- Interexchange Voice and Data. BellSouth Long Distance (“BSLD”) provides interexchange voice services (private line, inbound, outbound, calling card, and directory voice services) and interexchange data services (Frame Relay and ATM data services).
- Other. The only other retail service category utilized by BellSouth concerns Internet access services (such as Dedicated Internet Access and DSL).