Writer's Direct Dial: 202.828.8665
Facsimile Number: 202.833.9548
Aryeh.Friedman@bt.com

September 25, 2007

*Via Electronic Filing*
Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

*EX PARTE NOTICE*

RE: *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, WC Docket No. 05-25, RM-10593

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, BT hereby gives notice that on September 24, 2007, Aryeh Friedman and Sheba Chacko met with Dana Shaffer, Albert Lewis, Randolph Clarke, Marcus Maher and Donald Stockdale, Jr. of the Wireline Competition Bureau. The following matters were discussed:

First, as to Verizon's claims in its September 14 *ex parte* that "Verizon's Top 25 MSAs have an average of 9 competitive networks in each MSA" Verizon never distinguishes between those competitive networks that can serve only residential customers and those that can serve large business ("enterprise") customers. As shown in BT's Comments cable and fixed wireless cannot adequately (or will not) serve the enterprise market. Moreover, cobbling together such local networks (which themselves are often constructed using BOC facilities) does not create an effective alternative to the BOCs' ubiquitous in-region networks because of cost and quality considerations. And as shown in BT's Comments (and the Comments of others), many enterprise customers have sites that need to be provisioned in areas where there are no alternative special access providers to the BOC, or where it is uneconomic for such alternative providers to even bid on an RFP seeking such service.

Second, as to the claim that special access prices have been declining, the record shows that pricing has been persistently and materially above cost, including the evidence in BT's Comments as to the comparable costs of special access (PPCs) in the United Kingdom. Any

special access price declines by the BOCs are significantly less than what would occur in a competitive market. Verizon's and SBC's special access rates are limited only by the merger conditions, and those capped prices have now become the price floor.

Third, the TDM/non-TDM distinction for granting relief, as suggested by the BOCs, is not supportable. Ethernet over TDM is inefficient both in terms of cost and quality.

Fourth, re-regulation of the wholesale special access bottleneck is necessary to promote the public interest including lower prices and innovation, and in fact this has been the conclusion of regulators in other jurisdictions. Re-initialization of rates is the only effective remedy in the near term, and a near term solution is essential to protect whatever wholesale special access competition remains. Rate initialization can be implemented in two stages – an interim remedy as proposed by the Commission in its 2005 NPRM, and then permanent re-initialized of rates after an appropriate hearing. As is evident from this and other proceedings, relevant data is readily available on which the Commission can make its determination.

Sincerely,

Aryeh Friedman

cc: R. Clarke
A. Lewis
M. Maher
D. Shaffer
D. Stockdale, Jr.