

EMBARQ SPECIAL ACCESS SERVICES
FACE A LOT OF COMPETITION AND ARE PRICED REASONABLY
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SUMMARY: THE FCC SHOULD NOT REDUCE EMBARQ'S SPECIAL ACCESS RATES

- Competition is flourishing in Embarq territories.
- Embarq special access prices are just and reasonable; in fact DS1 channel terminations are, on average, below economic cost.
- Re-regulation is particularly inappropriate for EQ, which is a standalone and largely rural ILEC that was spun-off from a large purchaser of special access.

I. BACKGROUND FACTS RE: EMBARQ'S SPECIAL ACCESS

- Embarq's territory is dispersed across 18 states, of which 17 are designated rural.
- Embarq receives 65% of its special access revenue on DS1, and 26% on DS3.
- The top 5 customers (74% of revenue) are all much larger than Embarq; they are AT&T, Sprint, Verizon Business, Verizon Wireless, and Qwest.

II. EMBARQ FACES CONSIDERABLE SPECIAL ACCESS COMPETITION

- 77% of access lines have either a CLEC or cable option.
- Embarq faces 5 or more competitors where it has the most revenue, and the lowest costs.
- Wireless carriers are increasingly buying channel terminations from competitors, such as Cox, BrightHouse, Dukenet, and Time Warner Cable, and issuing national RFPs for fiber to cell towers.
- Special Access markets are transitioning to lower-cost Ethernet, an area where competitors are among the largest (Time Warner Telecom and Cox are among the top 4).

III. EMBARQ'S RATES ARE REASONABLE

- The majority of Embarq's special access revenue (71%) is still under price cap regulation; Embarq has Phase II price flex in 10 markets.
- Embarq DS3 channel termination rates have generally declined since price flex.
- Embarq DS1 channel termination rates are, on average, below economic cost.
- Cell tower terminations in Embarq territory are often in high-cost areas.

IV. EMBARQ IS SITUATED DIFFERENTLY FROM LARGER CARRIERS

- Embarq is not integrated with a facilities-based wireless or long distance affiliate.
- Embarq is substantially smaller, and more dispersed than its major purchasers.
- Embarq is heavily rural.

V. THE CURRENT PRICING FLEXIBILITY TRIGGERS NEED TO BE FIXED

- Current triggers do not account for all competitors (cable and fixed wireless very rarely collocate).
- Embarq agrees that the price flex triggers can be more granular, if they include all competitors.

VI. JURISDICTIONAL ARMIS DATA IS BROKEN AND GROSSLY MISLEADING

- Special access loops cost more than POTS loops.
- Separated ARMIS data includes all DSL revenues, but not most of the costs.