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May 2, 2012

Ex Parte

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

Re: Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25, RM 10593

Dear Ms. Dortch:

On April 30, 2012, Maggie McCready, Ed Shakin and the undersigned, of Verizon, met with Michael Steffen, of Chairman Genachowski's office, and Deena Shetler, Nick Alexander, Eric Ralph and Travis Litman of the Wireline Competition Bureau. On May 1, 2012, Maggie McCready, Ed Shakin and the undersigned also had separate meetings with Christine Kurth, of Commissioner McDowell's office and Angie Kronenberg of Commissioner Clyburn's office.

In all of these meetings, Verizon discussed its special access offerings and explained that the market for high capacity services is very competitive, with a variety of players offering competitive alternatives to Verizon's special access services. Verizon provided an overview of the various types of tariffed special access contracts it offers, and explained how various terms and conditions in those contracts operate, including how Verizon calculates early termination and shortfall liabilities. We also urged the Commission to require all providers of high capacity services to provide competitive data to allow the Staff to conduct a complete assessment of the competitive landscape.

Very truly yours,

A handwritten signature in black ink that reads "Donna Epps".

Attachments

cc: Michael Steffen
Christine Kurth
Angie Kronenberg
Deena Shetler
Nick Alexander
Eric Ralph
Travis Litman

ATTACHMENT 1

Special Access



April 2012



There are Many Types of High-Capacity Services

- **“Special access” is a regulatory term that describes TDM-based, point-to-point, high-capacity circuits that extend from a customer’s premises to another carrier’s network (or to another customer’s premise).**
- **Special access circuits are dedicated facilities. They do not use a switch.**
- **Special access is just one type of high-capacity service. Cable, fixed wireless, and CLECs also offer high-capacity services, but they may call them something else, like “private line,” “metro private line,” “data transport,” “dedicated connections,” or simply “high-capacity services.”**

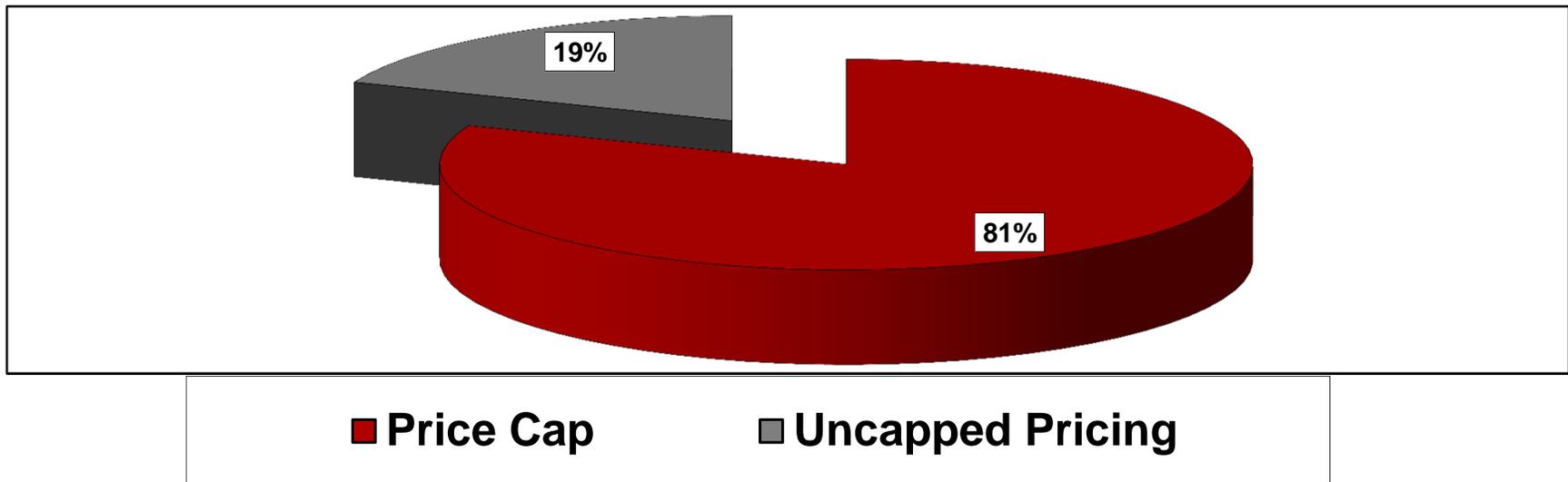


FCC Already Regulates Special Access Services

- **ILECs sell interstate special access services through federal tariffs. Section 201's just and reasonable standard applies.**
- **Price cap ILECs offer special access services under three categories of regulation.**
 - Price Caps: ILECs can offer generally available discounts but not individualized contracts.
 - Contract Pricing (Phase I flexibility): Services remain subject to price caps, but ILECs can negotiate individualized, tariffed contracts.
 - Uncapped Pricing (Phase II flexibility): ILECs can negotiate individualized, tariffed contracts, and are not subject to price caps.
- **To obtain pricing flexibility relief, a price cap ILEC must demonstrate that certain competitive triggers are met.**
 - The triggers are based on the presence of collocators.
 - Verizon has not sought additional relief since January 2005.



In the Vast Majority of MSAs, Verizon's "Last-Mile" Special Access Services are Still Subject to Price Caps



- Many of Verizon's most competitive areas – including New York, Boston, Washington, Philadelphia, and Los Angeles – are still subject to price caps for the "last-mile".



Many Types of Providers Offer Alternatives to ILEC Special Access Services





A Dramatic Increase in Wireless Backhaul Generates Explosive Demand and Growth in Competition

- **The high-capacity marketplace is rapidly changing.**
- **Demand is exploding as a result of wireless backhaul and business customers' increasing data needs.**
- **The marketplace is experiencing a migration from legacy DS1 and DS3 services to a variety of competitors providing other technologies and higher capacity services.**
- **Buyers of high-capacity services have more choices as cable, fixed wireless and CLECs have expanded their offerings to meet the growth in demand.**



Demand for Backhaul is Growing Exponentially

- **“Wireless service provider spending on mobile backhaul services is expected to continue to increase over the next several years, as end-user (business and consumer) demand for data intensive applications, as well as mobile Internet usage, continues to increase at an exponential rate.”**
 - Frost and Sullivan, *“U.S. Mobile Backhaul Services Market: Wireless Service Provider Spending Trends,”* Business Communications Services Volume 5, Number 8, October 2011.
- **Market strategy consultant iGR recently forecasted overall demand growing almost tenfold between 2011 and 2016.**
 - *U.S. Mobile Backhaul Demand Forecast to Grow More Than Nine Times in the Next Four Years, (3/13/12).*



Competition is Accelerating With the Growth in Demand

Level 3

“We’ve actually seen the competition really, really increase over the last 12 months pretty dramatically. [T]he MSOs seem to have really gotten into that space in earnest. CLECs are becoming very competitive...” *Amanda Tierney (Level 3 VP Wholesale Markets), Level 3: Mobile Backhaul Brutally Competitive, Light Reading (10/7/11).*
http://www.lightreading.com/video.asp?doc_id=213138

Sprint

“Sprint will end up with ‘25 to 30 significant backhaul providers’ that will likely be a mix of incumbent LECs, cable MSOs and alternative carriers, all of whom will be expected to deliver Ethernet predominantly over fiber for Sprint’s new multi-mode network...” *Carol Wilson, Light Reading, Sprint To Reveal Backhaul Contract Winners Friday (10/5/11), Quoting Paul Schieber, Sprint VP of Roaming and Access Planning.*
http://www.lightreading.com/document.asp?doc_id=213050

T-Mobile

“[W]hat we are doing is working together with cable companies, working together in some cases with power utilities to ensure we partner on the type of volume that we can bring and commitments from them to lay fiber into the ground.” *Brian Kirkpatrick, Chief Financial Officer, T-Mobile USA, Bloomberg Transcript of Investor Day Conference, Day 2 (3/18/10).*

FiberLight

“FiberLight has positioned itself to help wireless carriers deliver the bandwidth needed for today’s evolving network, leveraging our dense fiber to deliver high capacity diverse Ethernet connectivity. Wireless backhaul is one of the most important segments in the fiber marketplace and over the past 5 years, FiberLight has invested in ensuring we are a key participant in this growth segment.” *Michael P. Miller, CEO FiberLight. FiberLight Wins Wireless Backhaul Deal in Tampa (3/21/12).*
<http://www.fiberlight.com/fiberlight-wins-wireless-backhaul-deal-in-tampa/>



Cable Providers in Particular Are Competing More Aggressively

- **Cablevision:** “Well, our current advertising is that more people choose us than Verizon for their business services. So we think we have the majority of the share now in the small business marketplace. And we see continued share opportunities, particularly as we move up market into the midmarket, and there are still major portions of the midmarket available to us in terms of share growth.”
 - Tom Rutledge - Cablevision Systems Corp. – COO. (p12) Thomson Street Events - FINAL TRANSCRIPT, CVC - Q3 2011 Cablevision Systems Corp Earnings Conference (10/28/11).
- “In the backhaul market, ILECs had been the largest providers, but that has changed the last few years as there has been more a requirement for higher bandwidth infrastructure,’ said Jay Clark, director of carrier sales operations at Cox Communications. ‘That has created the opportunity for us to come in and provide backhaul capacity over Ethernet.’ [D]eployment of LTE over the last year is what really has shifted mobile carriers’ backhaul needs to fiber and Ethernet.”
 - Telco Backhaul Strategies, Fierce Telecom, November 2011 Cable Operator’s Big Picture Includes Mobile Backhaul by Dan O’Shea, page 9.
- **Comcast:** “[O]ur installed towers are up about 57% year-to-date, so that’s been a great business for us. And as the wireless continues to grow and the consumption of data continues to grow at a very fast rate, it’s a great solution for the wireless carriers. And I think that’s about a \$1 billion opportunity.”
 - Neil Smit - Comcast Corporation - Executive Vice President, (p6), corrected Transcript, Factset: Call Street, Wells Fargo Securities Technology, Media & Telecom (TMT) Conference (11/8/11).



Other Providers are Also Competing Effectively for High-Capacity Services

- **tw telecom:** “During the second quarter [2011], tw telecom's data and Internet revenue grew 3.9 percent sequentially and 17.9 percent year-over-year, a factor that was driven by a 29 percent year-over-year increase in Ethernet and VPN-based products. [While] tw telecom has retained its upper hand over other fiber-based Ethernet service providers, it can't necessarily sit on its laurels either. The service provider faces a growing array of aggressive CLECs, cable MSOs and the independent ILECs...”
 - Sean Buckley, *Fierce Telecom tw telecom's Ethernet rise is based on a fiber-rich, customer-first diet*, September 21, 2011.
- **Tower Cloud** “raised \$49 million during what has been a challenging economic time. [According to Tower Cloud's CEO, Ron Mudry,] ‘A few years ago it was all T1s that the carriers were ordering [and] I would say beginning in 2009 we began to see our first Ethernet orders. I think [in 2010 and 2011], it's been the transition with all of the new towers that we're winning backhaul services on are all Ethernet.’”
 - Sean Buckley, *Telco Backhaul Strategies, Fierce Telecom, November 2011. Executive Q&A with Ron Mudry, President and CEO, Tower Cloud at pp.5,8.*
- **XO:** “During the six months ended June 30, 2011, revenue from Strategic Core increased \$55.9 million, or 13%, over the year-ago period. This growth was driven by strong demand for secure, low-cost solutions and a continued market demand shift away from TDM-based solutions, as evidenced by the increase of \$42.2 million in IP VPN, IP Flex and Ethernet services compared to the same period in 2010.”
 - XO Holdings 10Q for period ending 6/30/11 and filed 8/15/11, at page 16.
- “**FiberLight** continues that trend by investing in the wireless backhaul space in 2012. There has never been a better time to be in our business. Profitable demand continues to emerge from multiple points in the marketplace...”
 - Michael P. Miller, CEO FiberLight. *FiberLight Wins Wireless Backhaul Deal in Tampa (3/21/12).*



The FCC Should Have All the Facts Before Taking Action on Special Access

- **Misplaced regulation in a healthy marketplace will harm investment and deter entry.**
- **The FCC should not impose any additional regulation without a specific finding that the marketplace is broken.**
- **The Commission has recognized that the proponents of additional regulation have not provided enough data:**
 - “Unfortunately, the Commission has faced obstacles in its efforts to gather the data it needs to make an informed decision on special access. For instance, in response to the FCC’s October 2010 request for special access data, fewer than 10 percent of petitioner COMPTEL’s service provider members (7 of approximately 90) submitted data concerning their experience in the special access market.” Opposition of FCC to Petition for Writ of Mandamus, filed on October 6, 2011, at pages 21-22.
- **The FCC needs additional comprehensive data from competitive providers before taking action in the special access proceeding.**



Verizon Responds to Competition by Offering Customers A Variety of Choices

- **Customers can choose from term-only or term-and-volume plans. Both types of plans offer comparable discounts.**
 - Verizon's plans permit purchases from non-Verizon providers and self-supply.
 - Customers can establish lower commitment levels when they subscribe to a new term.
 - Customers do not have to purchase all the components of a circuit from Verizon in order to obtain a discount. For example, a customer could purchase the channel termination from Verizon but the transport from a competitive provider.
- **A customer subscribing to Verizon's discount plans benefits even if it terminates early or does not meet its volume commitment.**
- **If a customer exits one of Verizon's discount plans early or is unable to meet its volume commitment, the customer generally would still retain a significant portion of the discounts it received.**

ATTACHMENT 2

**Verizon MSAs
Summary**

"Last Mile" Channel Termination Regulation by MSA		
	Number of MSAs	%
Uncapped Pricing (Phase II Pricing Flexibility)	18	19%
Price Cap (Price Cap or Phase I Pricing Flexibility)	78	81%
Total	96	100%

Transport Regulation by MSA		
	Number of MSAs	%
Uncapped Pricing (Phase II Pricing Flexibility)	41	43%
Price Cap (Price Cap or Phase I Pricing Flexibility)	55	57%
Total	96	100%

MSAs with Verizon Special Access Revenue

2008 MSA	Verizon Price Flex Status Channel Termination
Albany-Schenectady-Troy, NY	Phase I
Allentown-Bethlehem-Easton, PA-NJ	Phase I
Altoona, PA	Phase I
Baltimore-Towson, MD	Phase I
Boston-Cambridge-Quincy, MA-NH	Phase I
Bradenton-Sarasota-Venice, FL	Phase I
Buffalo-Niagara Falls, NY	Phase I
Lakeland-Winter Haven, FL	Phase I
Lynchburg, VA	Phase I
New York-Northern New Jersey-Long Island, NY-NJ-PA	Phase I
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Phase I
Providence-New Bedford-Fall River, RI-MA	Phase I
Springfield, MA	Phase I
Syracuse, NY	Phase I
Tampa-St. Petersburg-Clearwater, FL	Phase I
Washington-Arlington-Alexandria, DC-VA-MD-WV	Phase I
Worcester, MA	Phase I
Binghamton, NY	Phase II
Bridgeport-Stamford-Norwalk, CT	Phase II
Dallas-Fort Worth-Arlington, TX	Phase II
Erie, PA	Phase II
Hagerstown-Martinsburg, MD-WV	Phase II
Harrisburg-Carlisle, PA	Phase II
Lancaster, PA	Phase II
No MSA DE	Phase II
Pittsburgh, PA	Phase II
Reading, PA	Phase II
Richmond, VA	Phase II
Roanoke, VA	Phase II
San Francisco-Oakland-Fremont, CA	Phase II
Scranton--Wilkes-Barre, PA	Phase II
State College, PA	Phase II
Vineland-Millville-Bridgeton, NJ	Phase II
Virginia Beach-Norfolk-Newport News, VA-NC	Phase II
Williamsport, PA	Phase II
Atlantic City-Hammonton, NJ	Price Cap
Austin-Round Rock, TX	Price Cap
Bakersfield, CA	Price Cap
Barnstable Town, MA	Price Cap
Beaumont-Port Arthur, TX	Price Cap
Blacksburg-Christiansburg-Radford, VA	Price Cap
Brownsville-Harlingen, TX	Price Cap
Charlottesville, VA	Price Cap
College Station-Bryan, TX	Price Cap
Corpus Christi, TX	Price Cap
Cumberland, MD-WV	Price Cap
Danville, VA	Price Cap
Dover, DE	Price Cap
El Centro, CA	Price Cap
Elmira, NY	Price Cap
Fresno, CA	Price Cap
Glens Falls, NY	Price Cap
Hanford-Corcoran, CA	Price Cap
Harrisonburg, VA	Price Cap
Houston-Sugar Land-Baytown, TX	Price Cap
Ithaca, NY	Price Cap
Johnstown, PA	Price Cap
Kingston, NY	Price Cap
Lebanon, PA	Price Cap
Longview, TX	Price Cap
Los Angeles-Long Beach-Santa Ana, CA	Price Cap
McAllen-Edinburg-Mission, TX	Price Cap
Merced, CA	Price Cap
No MSA CA	Price Cap
No MSA MA	Price Cap
No MSA MD	Price Cap
No MSA NY	Price Cap
No MSA PA	Price Cap

MSAs with Verizon Special Access Revenue

2008 MSA	Verizon Price Flex Status
	Transport
Atlantic City-Hammonton, NJ	Phase I
Houston-Sugar Land-Baytown, TX	Phase I
No MSA MD	Phase I
No MSA VA	Phase I
Oxnard-Thousand Oaks-Ventura, CA	Phase I
Utica-Rome, NY	Phase I
York-Hanover, PA	Phase I
Albany-Schenectady-Troy, NY	Phase II
Allentown-Bethlehem-Easton, PA-NJ	Phase II
Altoona, PA	Phase II
Baltimore-Towson, MD	Phase II
Binghamton, NY	Phase II
Boston-Cambridge-Quincy, MA-NH	Phase II
Bradenton-Sarasota-Venice, FL	Phase II
Bridgeport-Stamford-Norwalk, CT	Phase II
Buffalo-Niagara Falls, NY	Phase II
Dallas-Fort Worth-Arlington, TX	Phase II
Elmira, NY	Phase II
Erie, PA	Phase II
Hagerstown-Martinsburg, MD-WV	Phase II
Harrisburg-Carlisle, PA	Phase II
Johnstown, PA	Phase II
Lakeland-Winter Haven, FL	Phase II
Lancaster, PA	Phase II
Los Angeles-Long Beach-Santa Ana, CA	Phase II
Lynchburg, VA	Phase II
New York-Northern New Jersey-Long Island, NY-NJ-PA	Phase II
No MSA DE	Phase II
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Phase II
Pittsburgh, PA	Phase II
Poughkeepsie-Newburgh-Middletown, NY	Phase II
Providence-New Bedford-Fall River, RI-MA	Phase II
Reading, PA	Phase II
Richmond, VA	Phase II
Riverside-San Bernardino-Ontario, CA	Phase II
Roanoke, VA	Phase II
San Francisco-Oakland-Fremont, CA	Phase II
Santa Barbara-Santa Maria-Goleta, CA	Phase II
Scranton--Wilkes-Barre, PA	Phase II
Springfield, MA	Phase II
State College, PA	Phase II
Syracuse, NY	Phase II
Tampa-St. Petersburg-Clearwater, FL	Phase II
Vineland-Millville-Bridgeton, NJ	Phase II
Virginia Beach-Norfolk-Newport News, VA-NC	Phase II
Washington-Arlington-Alexandria, DC-VA-MD-WV	Phase II
Williamsport, PA	Phase II
Worcester, MA	Phase II
Austin-Round Rock, TX	Price Cap
Bakersfield, CA	Price Cap
Barnstable Town, MA	Price Cap
Beaumont-Port Arthur, TX	Price Cap
Blacksburg-Christiansburg-Radford, VA	Price Cap
Brownsville-Harlingen, TX	Price Cap
Charlottesville, VA	Price Cap
College Station-Bryan, TX	Price Cap
Corpus Christi, TX	Price Cap
Cumberland, MD-WV	Price Cap
Danville, VA	Price Cap
Dover, DE	Price Cap
El Centro, CA	Price Cap
Fresno, CA	Price Cap
Glens Falls, NY	Price Cap
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Harrisonburg, VA	Price Cap
Ithaca, NY	Price Cap
Kingston, NY	Price Cap
Lebanon, PA	Price Cap
Longview, TX	Price Cap
McAllen-Edinburg-Mission, TX	Price Cap
Merced, CA	Price Cap
No MSA CA	Price Cap
No MSA MA	Price Cap
No MSA NY	Price Cap
No MSA PA	Price Cap
No MSA TX	Price Cap

ATTACHMENT 3

Demand for wireless backhaul is growing exponentially.

- Market strategy consultant iGR, in its recent study, “U.S. Mobile Backhaul Forecast: 2011-2016,” forecasts that the overall backhaul demand will grow by 9.7 times.
U.S. Mobile Backhaul Demand Forecast to Grow More Than Nine Times in the Next Four Years, <http://www.fiercemobilecontent.com/press-releases/us-mobile-backhaul-demand-forecast-grow-more-nine-times-next-four-years> (Mar. 31, 2012).
- The market for wholesale backhaul services in North America will grow from \$2.45 billion in 2010 to \$3.9 billion in 2015.
Jennifer Pigg, Yankee Group, *Wholesale Mobile Backhaul: There’s Gold in Them There Hauls* (June 2011).
- Overall, the mobile backhaul services market is likely to continue to offer growth opportunities to providers over the next 3-5 years as demand for mobile data/Internet continues to expand in urban and rural markets across the U.S. Specifically, within the second tier markets and suburbia, wireless operators are making a push toward rollout of 4G services, generating greater demand for mobile backhaul services (page 7).
Frost and Sullivan, *U.S. Mobile Backhaul Services Market: Wireless Service Provider Spending Trends*, Business Communications Services Vol. 5, No. 8 (Oct. 2011).

The dramatic increase in wireless backhaul is generating increased competition.

- “Level 3 is working with the mobile operators, both at the core, as we have always done, and at the edge, in order – in order to support their tower buildouts. We provide a portfolio that’s very flexible, both in terms of technology and in terms of footprint, and we’re really excited to be a big enabler of the move to 4G. [4G] is really the catalyst for the ubiquity of Ethernet and the ubiquity of fiber to the tower. I think we’ve been seeing that – that shift... And we’re still fairly early in that shift. But with the vast number of towers that have been awarded and that are going to be awarded really in the next 6 to 12 months, I think we’re going to see that shift happen really fast in the next one to two years, where – where fiber and Ethernet will become the vast majority of the connectivity to the towers. [The last mile] is a big hill. It’s a – it’s a very competitive space. [W]e’ve actually seen the competition really, really increase over the last 12 months, pretty dramatically. I think they’re – the MSOs seem to have really gotten into that space in earnest. CLECs are becoming very competitive and you really need to be creative to try to make the economics work.”
Amanda Tierney, VP Wholesale Markets, Level 3,
http://www.lightreading.com/video.asp?doc_id=213138 (Oct. 7, 2011).
- During the six-month period ending June 30, 2011, revenue from Strategic Core increased \$55.9 million, or 13%, over the year-ago period. This growth was driven by strong demand for secure, low-cost solutions and a continued market demand shift away from TDM-based solutions, as evidenced by the increase of \$42.2 million in IP VPN, IP Flex and Ethernet services compared to the same period in 2010.
XO Holdings 10Q for period ending June 30, 2011, p. 16,
http://www.sec.gov/Archives/edgar/data/1111634/000114420411047191/v230650_10q.htm (filed Aug. 15, 2011).
- Paul Schieber, Sprint VP of Roaming and Access Planning, predicts Sprint will end up with "25 to 30 significant backhaul providers," described as a mix of ILECs, cable MSOs and alternative carriers, to deliver Ethernet predominantly over fiber for Sprint's new multi-mode network, a combination of the CDMA, IDEN and WiMax networks Sprint uses today. Schieber noted that Sprint could still build its own backhaul facilities if the options presented don't meet the carrier's

Special Access

requirements, including in some less populated markets; to date, however, he is pleased with the way the industry has stepped up.

Carol Wilson, Light Reading, *Sprint To Reveal Backhaul Contract Winners Friday*, http://www.lightreading.com/document.asp?doc_id=213050 (Oct. 5, 2011).

- Greater competition within the mobile backhaul services market has not only had its impact on legacy services revenues, but is also having a negative effect on the prices for emerging platforms such as Ethernet. Almost all of the service providers surveyed for this research cited declining pricing as an ongoing trend in the market, regardless of the transport platform—*i.e.*, legacy vs. next-generation (page 16).
Frost and Sullivan, *U.S. Mobile Backhaul Services Market: Wireless Service Provider Spending Trends*, Business Communications Services Vol. 5, No. 8 (Oct. 2011).
- At a March 2010 Bloomberg's Investor Day conference, T-Mobile CFO Brian Kirkpatrick discussed the company's backhaul strategy: "we are not out there really deploying that fiber in the ground but what we are doing is working together with cable companies, working together in some cases with power utilities to ensure we partner on the type of volume that we can bring and commitments from them to lay fiber into the ground" and that "over 40% of the cell sites we have today in 3G, are deployed now with alternative backhaul providers meaning, not with traditional landline [Verizon] or AT&T."
Transcript, Day 2, Bloomberg's Investor Day Conference (Mar. 18, 2010).
- Larissa Herda, CEO and Chairman of tw telecom, notes that it is seeing growing opportunities in selling wireless backhaul services. "A quarter of our carrier revenue stream is wireless," Herda said. "That's been growing over many years and has contributed to the stability of our business." Still, Herda cautions that, while wireless backhaul is a sizeable opportunity, tw telecom is not going to put all of its eggs in just one basket. Similar to its enterprise business, tw telecom wants diverse opportunities to pursue. In the past year, tw telecom signed about \$30 million worth of contracts with wireless operators with a mix of one, three and five year contracts.
Sean Buckley, Fierce Telecom, *tw telecom: Enterprise Technology Migrations, Wireless Backhaul to Drive New Revenue*, <http://www.fiercetelecom.com/story/tw-telecom-nasdaq-twtc-enterprise-technology-migrations-wireless-backhaul-d/2010-11-11#ixzz1rBziecW4> (Nov. 11, 2010).
- During the second quarter, tw telecom's data and Internet revenue grew 3.9% sequentially and 17.9% year-over-year, a factor that was driven by a 29% year-over-year increase in Ethernet and VPN-based products. Although tw telecom has retained its upper hand over other fiber-based Ethernet service providers, it can't necessarily rest easy: the service provider faces competition from a growing array of aggressive CLECs, cable MSOs and independent ILECs.
Sean Buckley, Fierce Telecom, *tw telecom's Ethernet Rise is Based on a Fiber-Rich, Customer-First Diet*, http://www.fiercetelecom.com/story/tw-telecoms-ethernet-rise-based-fiber-rich-customer-first-diet/2011-09-21?utm_medium=rss&utm_source=rss (Sept. 21, 2011).
- Tower Cloud recently raised \$49 million in the midst of a "challenging" economy. President and CEO Ron Mudry: "A few years ago it was all T1s that the carriers were ordering....I would say beginning in 2009 we began to see our first Ethernet orders. I think [in 2010 and 2011], it's been the transition with all of the new towers that we're winning backhaul services on are all Ethernet.... Pretty much all the new towers we are seeing are all Ethernet. Generally, the opening bandwidth for Ethernet-based backhaul service is about 50 Mbps per site, which is significantly higher than the T1 bandwidth that we saw just a year or two ago."

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Sean Buckley, Fierce Telecom, *Taking a New Look at Wireless Backhaul Telco Backhaul Strategies*, Fierce Telecom, <http://www.fiercetelecom.com/special-reports/taking-new-look-wireless-backhaul-ron-mudry-tower-cloud> (Nov. 15, 2011).

- In a March statement, FiberLight CEO & Founder Michael P. Miller says, “FiberLight has positioned itself to help wireless carriers deliver the bandwidth needed for today’s evolving network, leveraging our dense fiber to deliver high capacity diverse Ethernet connectivity. Wireless backhaul is one of the most important segments in the fiber marketplace and over the past 5 years, FiberLight has invested in ensuring we are a key participant in this growth segment.” Miller confirms that FiberLight will continue investing in wireless backhaul in 2012: “There has never been a better time to be in our business. Profitable demand continues to emerge from multiple points in the marketplace, allowing FiberLight to continue its track record of, not only being uniquely positioned to deliver what our clients ask for, but consistently exceeding their expectations.”

FiberLight Press Release, *FiberLight Wins Wireless Backhaul Deal in Tampa*, <http://www.fiberlight.com/fiberlight-wins-wireless-backhaul-deal-in-tampa/> (Mar. 21, 2012)

Cable providers in particular are competing more aggressively.

- During an earnings conference call, Cablevision COO Tom Rutledge stated, “Well, our current advertising is that more people choose us than Verizon for their business services. So we think we have the majority of the share now in the small business marketplace. And we see continued share opportunities, particularly as we move up market into the midmarket, and there are still major portions of the midmarket available to us in terms of share growth.”

Thomson Street Events, *CVC - Q3 2011 Cablevision Systems Corp Earnings Conference Call*, Final Transcript (Event date: Oct. 28, 2011).

- Cablevision explained Lightpath revenues increases for the fourth quarter of 2011: “[t]he improved results were driven primarily by a 12.7% increase in revenue from Ethernet services, offset in part by higher operating expenses to support the increase in Ethernet installations.”

Cablevision Press Release, *Cablevision Systems Corporation Reports Fourth Quarter and Full Year 2011 Results*, <http://www.cablevision.com/pdf/news/022812.pdf> (Feb. 28, 2012).

- J.P. Morgan analysts noted that “Cablevision has significant and growing commercial opportunities....Cablevision’s Lightpath enterprise product now provides service to over 4,700 buildings, up 17% from about 4,000 in 2Q10. With its focus on the northeast markets, Cablevision’s addressable opportunity for enterprise is almost unlimited.”

Philip Cusick et al., J.P. Morgan, *Commercial Revenue Opportunity Provides Next Layer of Growth for Cable, Up 21% Y/Y in 3Q for MSOs Under Our Coverage*, at 3 (Nov. 21, 2011).

- “In the backhaul market, ILECs had been the largest providers, but that has changed the last few years as there has been more a requirement for higher bandwidth infrastructure,” said Jay Clark, director of carrier sales operations at Cox Communications. “That has created the opportunity for us to come in and provide backhaul capacity over Ethernet.” Clark emphasizes the “critical” role “deployment of LTE over the last year” has played in shifting mobile carriers’ backhaul needs to fiber and Ethernet.

Dan O’Shea, Fierce Telecom, *Cable Operator’s Big Picture Includes Mobile Backhaul*, in *Telco Backhaul Strategies*, at 9, <http://www.zayo.com/sites/default/files/fiercetelecom-mobile-backhaul-ebook11.14.11.pdf> (Nov. 2011).

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- “Cox Business is now pursuing ‘large locals’ in its franchise areas to boost its commercial service revenue, said Senior Vice President Phil Meeks. In particular, he said, Cox is wooing hospitals, school systems, universities, medical offices, government agencies and other entities in the education, healthcare and government sectors. ‘We’re very focused on those three verticals,’ he said [at the December 2011 Light Reading conference]. Cox, which became the first cable operator to reach \$1 billion in annual commercial service revenue, is shooting to hit \$2 billion by 2016. Meeks said the cable provider should achieve that by recruiting the large locals, doubling its market share of small firms with fewer than 20 employees and doubling its wholesale carrier revenue over the next four years. ‘We plan to continue that growth trajectory,’ he said.”

Cable Providers Push into Middle Market and Enterprise Sectors, Communications Daily (Jan. 3, 2012).

- “[Business class services have] always been a very good opportunity for us,” said Todd Smith, Cox Communications director of media relations. Cox, the first MSO to enter the business services market (in 1993), is on track to surpass \$2 billion in sales by 2016. “What attracted us to it was that we were building out our network and serving residential customers, and we realized along the way that, hey, we’re passing industrial parks, we’re passing businesses that we don’t serve today and we could probably serve a lot of these—especially small businesses—with very little enhancement to our network.”

Samantha Bookman, Fierce Cable, *Business Services: Can MSOs Compete with the Big Guys?* <http://www.fiercecable.com/special-reports/business-services-can-msos-compete-big-guys#ixzz1rBsj7GLZ> (Jan. 15, 2012).

- “Time Warner Cable has focused first on delivering additional services to its existing commercial customers, then extending those same services to a larger group of companies and now offering more services to an even bigger group of prospects. ‘It’s a major growth engine for us,’ said [Executive Vice President Jim] Ludington, saying business services generated 40 percent of TWC’s Q4 growth.” According to Senior Vice President Jeff Chen, “Bright House Networks has prospered by expanding dedicated fiber lines and offering ethernet passive optical network (EPON) technology to firms....[Bright House is] now focusing on developing specialized video services for hotels in its prime Florida markets, just as Time Warner Cable is doing in some of its markets.”

Cable Operators See More Money in Business Services, Communications Daily (Apr. 6, 2012).

- In 2011, Time Warner Cable experienced an increase of more than 69% in wholesale transport revenues—primarily, the “amounts generated by the sale of point-to-point transport services offered to wireless telephone providers (i.e., cell tower backhaul) and competitive carriers.” Time Warner Cable earned \$154 million in wholesale transport revenues in 2011, compared to \$91 million in 2010 and \$36 million in 2009.

Time Warner Cable, Investor Relations: Financial Performance Trending Schedules, *2011 Trending Schedules, Reconciliations and Other Financial Information*, at Schedule 2 & note 10, <http://ir.timewarnercable.com/phoenix.zhtml?c=207717&p=irol-trendingSchedules>.

- Comcast Executive Vice President Neil Smit: “[M]ost recently, we’re offering a Metro E service, which is like a – we’ll call it a T1 equivalent only much faster and much more powerful....And then that cell backhaul, our installed towers are up about 57% year-to-date, so that’s been a great business for us. And as the wireless continues to grow and the consumption of data continues to grow at a very fast rate, it’s a great solution for the wireless carriers.”

Factset: Call Street, Comcast Corp., *Wells Fargo Securities Technology, Media & Telecom (TMT) Conference*, <http://files.shareholder.com/downloads/CMCSA/1798495421x0x516308/e4a8e0f3-5622-4c57-ba7a-e2c452425fd6/CMCSA.20111108.pdf> (Nov. 8, 2011).