

Donna Epps
Vice President
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ORIGINAL



EX PARTE OR LATE FILED

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October 10, 2012

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MATERIAL REDACTED

FILED/ACCEPTED

Ex Parte

OCT 10 2012

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

Federal Communications Commission
Office of the Secretary

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

Dear Ms. Dortch:

Enclosed is an ex parte for filing in the above-captioned proceeding.

The filing contains Highly Confidential Information. Highly Confidential Information has been marked "HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO SECOND PROTECTIVE ORDER IN WC DOCKET NO. 05-25, RM-10593" in accordance with the *Second Protective Order* in this proceeding.¹ The information is Highly Confidential Information because it includes, among other things, the extent to which companies rely on incumbent local exchange carrier (ILEC) and non-incumbent LEC last-mile facilities.²

Specifically, we are herewith submitting for filing one original of the Highly Confidential filing; and two copies of the redacted filing, as specified in the *Second Protective Order*.³ Additionally, one machine-readable copy of the redacted version of this document will be filed electronically via ECFS.

¹ See *Special Access for Price Cap Local Exchange Carriers*, Second Protective Order, 25 FCC Rcd 17725 (2010) ("*Second Protective Order*").

² See *id.*, ¶ 6.

³ See *id.* ¶ 15.

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Two copies of the Highly Confidential version of this ex parte filing will be delivered to Andrew Mulitz of the Pricing Policy Division of the Wireline Competition Bureau.⁴

We are also tendering to you certain copies of this letter for date-stamping purposes. Please date-stamp and return these materials.

Thank you for your assistance in this matter. Please contact me at 202-515-2527 if you have any questions regarding this filing.

Sincerely,



Enclosure

cc: Deena Shetler (redacted version)
Nicholas Alexander (redacted version)
Eric Ralph (redacted version)
Elizabeth McIntyre (redacted version)
Andrew Mulitz (highly confidential version)
Derian Jones (highly confidential version)

⁴ See FCC Public Notice, *Competition Data Requested in Special Access NPRM*, 26 FCC Rcd 14000 (2011).

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

Dear Ms. Dortch:

Verizon on September 12, 2012 submitted data demonstrating that Sprint is replacing the vast majority of the ILEC DS1s and DS3s it uses to provide wireless backhaul to its cell towers in Verizon's incumbent territory with alternative high-capacity services from other competitors.¹ Instead of disputing these facts, which it cannot do, Sprint tries and fails to limit their significance by raising largely irrelevant issues.²

Sprint describes Network Vision as a "complete reconstruction of the Sprint network."³ Sprint will disconnect the DS1 and DS3 special access facilities that it currently leases and uses for wireless backhaul to its cell sites and replace them with a mix of fiber and microwave. Much more than a piecemeal replacement or minor augmentation of Sprint's network, Network Vision is a \$4 to \$5 billion overhaul of Sprint's nationwide wireless network.⁴

¹ See Ex Parte Letter from Kathleen Grillo, Verizon, to Marlene Dortch, FCC, WC Docket No. 05-25 & RM-10593 (September 12, 2012) ("*Sept. 12 Letter*").

² See Ex Parte Letter from Paul Margie, Wiltshire & Grannis LLP, on behalf of Sprint, to Marlene Dortch, FCC, WC Docket No. 05-25 & RM-10593 (September 26, 2012) ("*Sept. 26 Letter*").

³ *Id.* at 6.

⁴ See "Sprint Announces Network Vision – A Cutting-Edge Network Evolution Plan With Partners Alcatel-Lucent, Ericsson and Samsung," (December 6, 2010), <http://newsroom.sprint.com/news/sprint-announces-network-vision-network-evolution-plan.htm>.

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Through Network Vision, “Sprint solicited bids to upgrade backhaul access to all of its approximately 38,000 macro cell sites.”⁵ And in Verizon’s incumbent territory, Sprint awarded only six percent of the sites to Verizon.⁶ Sprint does not dispute any of these facts in its *Sept. 26 Letter*.

Sprint cannot and does not deny that it awarded Network Vision bids to dozens of providers, including cable providers and providers of microwave facilities that do not rely on ILEC special access.⁷ Instead, Sprint responded by trying to downplay the fact that many different competitive providers were willing and able to provide Sprint with high-capacity service that competes with and replaces ILEC special access. For example, Sprint argues that its Request for Quotes was “specially designed to attract alternative vendors.”⁸ But that only reinforces that there are competitors in the marketplace willing and able to provide alternatives to ILEC special access -- and that Sprint, well aware of those vendors, developed a request specifically designed to attract them.

Sprint apparently succeeded in finding many suitable competitive providers. Sprint’s backhaul development manager said recently that Sprint is using “thirty to forty different types of alternate access vendors” to provide the high-capacity services that will replace the ILEC special access services it currently leases.⁹ As Sprint’s President, Network Operations and Wholesale said of Network Vision, “[F]or the first time, we now have back haul flexibility. We were basically a T1 organization. Now we’ve got the opportunity to use fiber or microwave and we choose site by site, and it’s an economic decision and at times has to be a technology decision.”¹⁰ All of this belies Sprint’s oft-repeated claims that it lacks competitive alternatives to ILEC special access services.

Sprint also claimed that Network Vision is a unique situation,¹¹ but providing high-capacity backhaul service to cell towers is not unique. And though Sprint accuses Verizon of assuming the data prove too much,¹² the data speak for themselves. The bottom line is competitive providers of high-capacity services are offering alternatives to ILEC special access

⁵ Ex Parte letter from Sprint, filed by Antoinette C. Bush, Skadden, Arps, Slate, Meagher & Flom LLP, to Marlene Dortch, FCC, WT Docket No. 12-4, at 3 (filed July 12, 2012).

⁶ See Nomura Equity Research Report, “Sprint Nextel Corporation: Takeaways from Meetings with Management,” (“Nomura Report”) *attached to* Ex Parte Letter from Donna Epps, Verizon, to Marlene Dortch, FCC, WC Docket No. 05-25 & RM-10593 (July 24, 2012).

⁷ See Nomura Report at 2.

⁸ *Sept. 26 Letter* at 6.

⁹ See “Backhaul Solutions for Next-Generation Networks”, TIANOW.ORG (August 7, 2012), <http://www.tianow.org/videos/backhaul-solutions-for-next-generation-networks/7890> (Statement by Adeel Siddiqui, Backhaul Development Manager, Sprint).

¹⁰ Steve Elfman, “Sprint 4G Strategy/Network Update – Final” FD (FAIR DISCLOSURE) WIRE at 7, *available at* LEXIS Transcript 100711a4207432.732; <http://www.sprint.com/about/> (follow “Browse Investor Relations” to “Investor Events” to “Strategy Update Meeting”) (October 7, 2011).

¹¹ See *Sept. 26 Letter* at 5.

¹² See *id.* at 3-4.

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services. Moreover, the expansive and varied nature of the geography covered by Sprint's Request for Quotes disproves Sprint's arguments that competition is present in only a few isolated urban areas. Competitors are offering alternatives to special access not just in New York City and other major urban centers but all over, including smaller locations in Verizon's incumbent territory like Norfolk, Va., and Allentown, Pa., where Sprint awarded [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] to Verizon.

Finally, Sprint attempts to distract attention away from the damaging facts by arguing it will continue to use DS1 and DS3 special access services from Verizon for other purposes.¹³ But that is irrelevant. The critical question is whether there are competitive alternatives to ILEC special access, and the data Verizon submitted in its *Sept. 12 Letter* unequivocally answers this question with a resounding "yes." There is widespread competition, and nothing in Sprint's response proves otherwise.

Sincerely,



cc: Deena Shetler (redacted version)
Nicholas Alexander (redacted version)
Eric Ralph (redacted version)
Elizabeth McIntyre (redacted version)
Andrew Multz (highly confidential version)
Derian Jones (highly confidential version)

¹³ See *id.* at 4.