August 7, 2006

BY ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth St., S.W.
Washington, D.C. 20554

Re: REDACTED – FOR PUBLIC INSPECTION IN WC DOCKET NO. 06-74 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Dear Ms. Dortch:

In accordance with the request we have received from the Staff of the Wireline Competition Bureau, attached please find additional information regarding the North American Internet traffic carried by each of the Tier 1 Internet backbone providers ("IBPs"). AT&T does not track the specific data requested in the ordinary course of business, and efforts to obtain the data from the only known third party source of such data were not successful because of concerns about maintaining the confidentiality of their proprietary data. AT&T has therefore had to estimate the traffic shares utilizing data available to it.

The attached estimates utilize AT&T's own proprietary information, as well as information from third party sources. The attached estimates reflect shares calculated using the two methodologies described below. Both methodologies account for the effects of the SBC/AT&T and Verizon/MCI transactions, but not for the Level 3/Williams Communications transaction. Consequently, these estimates understate Level 3's share under each of the two methodologies.

Methodology 1

The traffic share estimates shown under the column captioned "Methodology 1," assume that the share of total North American traffic accounted for by the 8 Tier 1 IBPs remained a constant 69% from December 2004 to December 2005. *See* Schwartz Reply Declaration, Table 1 ("Table 1"). Applying this percentage to the total RHK traffic

figure for December 2005, as provided in AT&T's July 20, 2006 submission, provides the total amount of Tier 1 traffic in December 2005.

AT&T's share of that total December 2005 Tier 1 traffic, reflecting both the legacy SBC & AT&T networks' monthly North American Internet peering and customer traffic, can be determined based on the information previously submitted to the Commission in revised Exhibit 28.e.1. Because the RHK traffic numbers also include "on-net" traffic, AT&T has increased the total "in plus out" traffic submitted in Exhibit 28.e.1 to reflect AT&T's on-net traffic, resulting in its total December 2005 North American Internet traffic as presented in Methodology 1.[1]

The estimate of the traffic, and thus the share, of the other Tier 1 Internet backbone providers, is based on the total peering traffic exchanged between the legacy AT&T network and each of the other Tier 1 IBPs (combining inbound and outbound peered traffic), as previously provided to the FCC in Exhibit 30.a.2. Methodology 1 thus assumes that the traffic that each Tier 1 IBP exchanges with legacy AT&T as a Tier 1 IBP is representative of its share of Internet traffic. As such, the bias in this methodology will be to somewhat understate shares of Tier 1 peers of AT&T that have shares of on-net traffic larger than the average of all Tier 1 peers. For this reason, Methodology 1 likely understates the traffic shares of Sprint and Verizon/MCI.

The traffic exchanged with each Tier 1 peer was then calculated as a percentage of legacy AT&T's total peering traffic for December 2005. For each peer, this share was multiplied by the North American Internet traffic (peering and on net) for all Tier 1 IBPs except AT&T (including SBC) (obtained by subtracting AT&T/SBC traffic from the RHK North American total). This provides the pre-merger December 2005 North American and Tier 1 Internet traffic shares of each of the Tier 1 IBPs as depicted in Methodology 1.

The post-merger traffic figures reflect the incremental addition of BellSouth's 1Q'06 North American Internet traffic (as provided in BellSouth's response to Specification 28.e.1.) to AT&T's 4Q'05 North American Internet traffic; as Internet

[1] AT&T does not know what traffic volume RHK ascribed to AT&T for the end of 2005, and AT&T did not submit its actual 2005 network traffic figure to RHK. AT&T has therefore simply assumed that the RHK total traffic numbers include the correct volume for AT&T, but it has no way to test this assumption.

traffic grew relatively rapidly in this time period, using BellSouth's 1Q '06 traffic figure will overstate its share somewhat, and thus the resulting calculation provides an upper bound on AT&T's post-merger North American and Tier 1 traffic shares.

Methodology 2

Methodology 2 estimates traffic shares utilizing just the rate of growth in traffic exchanged with AT&T by each of its peers, and the results are reflected in the columns headed "Methodology 2." Specifically, AT&T utilized the data in Exhibit 30.a.2. to calculate the quarter-to-quarter growth rate in traffic exchanged between each Tier 1 IBP peer and legacy AT&T. These quarter-by-quarter growth rates were then applied to the 4Q'04 traffic numbers reported by RHK, and repeated for each quarter, for each IBP, through 4Q'05. This information, when integrated with the December 2005 AT&T North American Internet traffic (total traffic per revised Exhibit 28(e)(1), increased by the volume of "on-net" traffic for each of the legacy AT&T and SBC Internet backbones), provides the December 2005 North American and Tier 1 shares of Internet traffic for each Tier 1 IBP.

The post-merger figures in Methodology 2 again reflect the addition of BellSouth's 1Q'06 Internet traffic, and thus provide an upper bound on AT&T's post-merger North American and Tier 1 traffic shares. Methodology 2 does not hold constant (at 69%) the share of total North American traffic represented by Tier 1 IBPs, but rather allows that share to fluctuate to reflect growth by one or more Tier 1 IBPs relative to the Internet as a whole. Because Methodology 2 relies solely on the rate of growth in peering traffic with legacy AT&T, it will tend to understate shares of the Tier 1 peers of AT&T that are growing their on-net traffic faster than their total traffic.

Despite the differences in methodologies, the results are relatively consistent with one another and with AT&T's perceptions as to the distribution of Internet traffic. AT&T's experience suggests that Level 3 is growing its share of traffic relative to all other providers, and the calculations support that perception.

The attachment includes proprietary information that is commercially and financially sensitive and that AT&T would not in the normal course of business reveal to the public or its competitors. The attachment accordingly has been redacted pursuant to

the Protective Order[2] in this proceeding. AT&T's complete response will be made available for inspection, pursuant to the terms of the Protective Order at the offices of Crowell & Moring LLP. Counsel for parties to this proceeding should contact Jeane Thomas of that firm at (202) 624-2877 to coordinate access.

Per the direction of the Staff, AT&T is filing with the Secretary today, under separate transmittals, a CD-ROM containing one copy of the complete unredacted data. AT&T is also providing to the Staff the copies of the unredacted data that have been requested.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/x/ Gary L. Phillips

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Attachment

[2] *In re AT&T Inc. & BellSouth Corp. Applications for Approval of Transfer of Control,* WC Dkt No. 06-74, Protective Order, DA 06-1032 (rel. May 12, 2006).