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DECLARATION OF PARLEY CASTO

I. IDENTIFICATION AND QUALIFICATIONS.

1. My name is Parley C. Casto. My title is Assistant Vice President – Pricing – Business Marketing for AT&T Services, Inc. (“AT&T”). I am responsible for pricing for AT&T Wholesale products and services, including TDM special access and Ethernet services, provided to interexchange carriers, wireless carriers, content providers, competitive local exchange carriers (“CLECs”) and internet service providers. My previous positions included Sales Vice President for AT&T Wholesale and Executive Director – Industry Markets Special Access Product Management for SBC. In the latter position, I was responsible for product management, rate development, policy development, and tariff management for the wholesale special access business of SBC on an enterprise-wide basis. Prior to holding these positions, I served as a Director of various other product management organizations within SBC. In those positions, I supervised product management teams responsible for switched access, advanced services, special access, and unbundled network elements. I received my BA from DePaul University in Chicago, Illinois in 1999 and my MBA from DePaul University in 2002. I began working for Illinois Bell Telephone Company in 1992 in the network services organization in Chicago, Illinois.

II. PURPOSE OF DECLARATION.

2. The purpose of this declaration is to respond to arguments raised by certain opponents of AT&T’s proposed acquisition of T-Mobile USA that the transaction will permit AT&T to engage in anticompetitive pricing of the “backhaul” connections purchased by wireless

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carriers to connect their cell sites to their switches. These claims rest upon an outdated view of the special access marketplace generally and particularly of the intensely competitive business of supplying backhaul connections to wireless carriers. Although all segments of the market for backhaul services have become competitive, competition is especially intense for higher-capacity fiber and microwave Ethernet backhaul services – to which all major carriers have announced they will be converting on a going forward basis to meet the exploding demand for mobile wireless data services. AT&T has no competitive advantages as an incumbent in providing these Ethernet backhaul services. Virtually all of these Ethernet services are sold to wireless carriers via a competitive bidding process, involving multiple Ethernet providers, and competition is fierce. Since the latter part of 2009, AT&T has won **[Begin Confidential Information]**

[End Confidential Information] of the cell sites for which wireless carriers have sought bids for Ethernet backhaul connections in areas served by AT&T – even though AT&T has dropped the prices in its bids for Ethernet services **[Begin Highly Confidential Information]**

[End Highly Confidential Information] to meet competition. Consequently, any claim that the market for backhaul will become less competitive as a result of this transaction, even as Ethernet services become more prevalent, is inconsistent with the facts.

III. THE WIRELESS BACKHAUL MARKETPLACE IS HIGHLY COMPETITIVE AND HAS BECOME EVEN MORE SO IN RESPONSE TO THE EXPLOSION IN DEMAND FOR MOBILE WIRELESS DATA SERVICES.

3. In the majority of AT&T Mobility’s nationwide service area, AT&T has no wireline incumbent local exchange carrier (“ILEC”) affiliate, and AT&T’s ILECs do not offer or provide backhaul services to wireless carriers in these areas. Any backhaul services provided by

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AT&T in these non-ILEC areas are offered through AT&T CLEC affiliates, and because those CLEC affiliates are nondominant providers that have never had market power, the acquisition of T-Mobile USA could not possibly have adverse effects on AT&T's provision of backhaul services in these non-ILEC areas.

4. Where AT&T does have ILEC facilities in 22 states around the country, AT&T has faced competition for years in the provision of dedicated connections to wireless cell sites. Moreover, T-Mobile USA does not provide any backhaul services. Consequently, there is also no basis for the claim that the acquisition of T-Mobile USA would adversely affect AT&T's provision of backhaul services in its ILEC areas.

5. In the past, wireless carriers often purchased copper-based TDM DS1 circuits (or "T1s") from us for their backhaul needs, and AT&T competed primarily with CLECs and microwave backhaul providers for that business. Wireless carriers are large sophisticated purchasers of these and other wholesale services, and they have negotiated among the lowest prices of all of our customers. Accordingly, the average prices wireless carriers pay for the TDM circuits they buy from us have declined substantially over the years.

6. While competition for backhaul services is robust, competition is especially fierce for Ethernet backhaul services, which is the segment of the backhaul market that is growing most rapidly. Ethernet backhaul service offers much higher speeds than traditional TDM backhaul. Wireless carriers have been experiencing incredibly rapid growth in traffic, especially in their data services, and as a result there has been a seismic shift in the business of providing backhaul connections, as mobile wireless carriers increasingly demand higher capacity backhaul services than they previously used. Further, many of these carriers are currently deploying LTE

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networks, and in those networks they almost invariably use only Ethernet connections for backhaul.

7. As a result, all of the major wireless carriers – AT&T Mobility, Verizon Wireless, Sprint, T-Mobile USA, MetroPCS, Leap Wireless, U.S. Cellular, Cellular South, and others – are in the process of deploying, or have announced their intention to deploy, Ethernet or other high capacity backhaul solutions, including both fiber and microwave fixed wireless solutions. T-Mobile USA, for example, has stated that, by the first half of 2011, it will have converted about **[Begin Confidential Information]** **[End Confidential Information]** of its cell sites to the use of Ethernet backhaul services.¹

8. Other carriers are following suit: Verizon executives have said “Ethernet backhaul is something we have been working very hard to get,” U.S. Cellular has announced that it is seeking to upgrade the majority of its footprint to LTE (which uses Ethernet for backhaul) by the end of 2012, and MetroPCS, Leap/Cricket, and LightSquared are all now focused on moving to Ethernet backhaul.² And although Sprint has lagged behind other carriers in making the switch to Ethernet backhaul facilities, it is now in the process of upgrading its facilities and

¹ Decl. of David Mayo, T-Mobile (filed June 10, 2011) (explaining in detail T-Mobile USA’s dramatic shift away from TDM services to Ethernet and other high capacity services, and its significant reduction in purchases of backhaul services from incumbent local exchange carriers).

² See, e.g., Sean Buckley, Verizon Wireless’ ongoing LTE drive creates a lush wireline-based backhaul opportunity, FierceWireless (May 28, 2011); Dan Meyer, MetroPCS Launches LTE Smart Phone (Feb. 9, 2011), available at <http://www.rcrwireless.com/ARTICLE/20110209/DEVICES/110209945/metropcs-launches-lte-smart-phone>; Cricket 3G/4G Strategy, Colin Holland, SVP, Engineering and Technical Operations (2010), available at <http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NTYzMDV8Q2hpbGRJRjRD0tMXxUeXBIPtM=&t=1>.

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migrating its backhaul circuits to Ethernet.³ Sprint has publicly confirmed that as part of its “Network Vision” project it will, over the next few years, move to an Ethernet backhaul network using microwave and fiber optic facilities.⁴ Notwithstanding Sprint’s prior performance, Clearwire, of which Sprint owns 54%, has stated that 90% of its backhaul is Ethernet.⁵

9. Further, while TDM backhaul facilities will not be entirely obsolete in the short term, it is significant that three of AT&T’s largest wireless customers for backhaul services are limiting their long term commitments to purchase AT&T’s TDM backhaul services because they expect to sharply reduce future purchases of those services as they replace them with Ethernet services. And all of AT&T’s wireless customers routinely tell AT&T that they intend to disconnect TDM backhaul services as they convert to Ethernet. Moreover, while AT&T wireless customers have continued to purchase TDM DS1 circuits as a stopgap to meet immediate bandwidth needs while Ethernet backhaul is deployed to their cell sites, the impending large-scale cross-over from TDM to Ethernet plainly has begun: for circuits installed in the month of

³ Ayvazian, Berge, Assessment of Sprint’s Network Vision Initiative, Heavy Reading, at 3 (Dec. 10, 2010), *available at* http://www.sprint.com/servlet/whitepapers/dbdownload/HeavyReading_Assessment_of_Sprint_s_Network_Vision_Initiative_Dec2010.pdf?table=whp_item_file&blob=item_file&keyname=item_id&keyvalue='25625ay' (Sprint actively is seeking suppliers for fiber Ethernet for thousands of cell sites in numerous markets throughout the country as part of its new “Network Vision Initiative,” and says it will move to Ethernet network “leveraging both microwave and fiber optic technologies” over the next “3 to 5 year period, beginning with 8-10 markets in 2011, another 30 in 2012 and most of the remainder in 2013”).

⁴ Sue Marek, Sprint: Decision on LTE likely in four to six months, FierceWireless (Feb. 15, 2011), *available at* http://www.fiercewireless.com/story/sprint-decision-lte-likely-four-six-months/2011-02-15?utm_medium=rss&utm_source=rss (quoting Sprint’s Senior Vice President of networks, “T1 is no longer the preferred choice for backhaul”).

⁵ See, e.g., *Clearwire CTO urges infrastructure industry to focus on capacity*, FierceWireless (Oct. 5, 2010), *available at* <http://www.fiercewireless.com/story/clearwire-cto-urges-infrastructure-industry-focus-capacity-4g-networks/2010-10-05> (Sprint CTO: Clearwire “runs 90 percent of its network on microwave backhaul”).

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April, 2011, **[Begin Confidential Information]**

[End Confidential Information].

10. Because the demand for Ethernet backhaul capacity is growing so quickly, competition for backhaul services is intensifying. There is a broad range of strong competitors to AT&T for backhaul services, including cable companies (like Cox, Comcast, Charter, Cablevision, Brighthouse and Time Warner Cable), fiber providers (like DukeNet and Florida Power and Light), traditional CLECs (such as Level 3, XO, and tw telecom), and fixed wireless providers (including FiberTower, TTMI, Zayo, GigaBeam, Nextlink, Clearwire, and TowerCloud). Carrier self-supply is also increasing, and carriers today have indicated a strong propensity toward self-supplying significant amounts of Ethernet backhaul in their service areas on a going forward basis.

11. In addition to the high demand for Ethernet backhaul, competition in the market is especially intense because no carrier, including any ILEC, has any historical head-start or advantage in providing Ethernet backhaul services.⁶ Indeed, many of AT&T's Ethernet backhaul service installations involve new capital investment to construct the fiber connections to the customer's cell sites, and therefore AT&T has no advantage over other competitors. In fact, because providers often must install new facilities to provide Ethernet backhaul, virtually any provider with fiber in the vicinity of cell sites can viably compete. Generally, a provider does

⁶ Industry analyst reports have confirmed that ILECs supply a minority of Business Ethernet ports today. Vertical Systems Group, Year-End 2010 U.S. Business Ethernet Port Share (the majority of Ethernet ports today are not supplied by ILECs; no single provider has more than a 24 percent share of the overall business; 7 companies have more than 5 percent; 5 of the top 8 providers lost port share or remained steady in 2010, while the remaining providers gained share; “[c]ontinuing a trend that was identified from previous share results, Competitive Providers and Cable MSOs once again gained port share from ILECs (Incumbent providers). This trend is attributed primarily to a broadening of market competition”).

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not need to construct the new facilities until after it wins a contract to provide the Ethernet backhaul, and it then is able to provide service not only to the requesting wireless carrier, but often to any other wireless carriers collocated at that cell site.

12. Wireless carriers are taking full advantage of this environment by using competitive bidding processes for the award of contracts. Indeed, virtually all of AT&T's wireless customers use competitive bidding for the provision of Ethernet backhaul to cell sites. In these competitive conditions, it is not surprising that wireless customers have a wide range of bidders from which to choose, and that prices for these services have sharply decreased since demand for Ethernet backhaul has taken off over the last couple of years.⁷ Moreover, sophisticated customers like wireless companies often request bids at numerous sites simultaneously, which allows them to request that the pricing from the most competitive sites, with the highest number of providers, to be applied to sites with fewer providers.

13. AT&T's experiences as a supplier of Ethernet backhaul services likewise reflect these intensely competitive conditions: Since the latter part of 2009, when wireless carriers first began deploying Ethernet backhaul, AT&T has received requests for bids for backhaul to about **[Begin Confidential Information]** **[End Confidential Information]** cell sites, and it is has won bids on **[Begin Confidential Information]** **[End Confidential Information]** of those sites. What is more, this low award rate in the competitive marketplace has occurred even though **[Begin Highly Confidential Information]**

⁷ Sean Buckley, Verizon Wireless' ongoing LTE drive creates a lush wireline-based backhaul opportunity, FierceWireless (May 28, 2011) (quoting a Verizon executive as saying "I have been very impressed to see the amount of backhaul out there. In one market – which isn't a very large market – we had more than nine responses to an RFP we put out for backhaul. . . . In my view, we have a very healthy ecosystem").

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[End Highly Confidential Information].

14. In this intensely competitive environment, there is simply no merit to claims that AT&T is in a position to demand anticompetitive prices or terms for wireless backhaul connections, much less that the AT&T/T-Mobile USA transaction – which does nothing to improve our competitive position in the provision of wireless backhaul connections – will have that effect. Although this is most clearly demonstrated by the large number of bidders competing to provide Ethernet backhaul services at decreasing prices, AT&T’s anecdotal experiences with its wireless customers also reflect the fierce competition.

15. For example, T-Mobile USA, one of the first wireless carriers to begin a wholesale migration from TDM circuits to Ethernet solutions initiated that process by immediately selecting other vendors at around **[Begin Confidential Information]**

[End Confidential Information] Since then, in negotiating with AT&T, T-Mobile USA has frequently stressed the attractive pricing it has been able to obtain from alternative Ethernet providers, and Mr. Mayo has stressed in this proceeding T-Mobile USA’s significant reduction in purchases of backhaul services from incumbent local exchange carriers. Likewise, **[Begin Confidential Information]**

[End Confidential Information] In repeated bid requests across the country, including large cities like Houston, Texas, as well as at sites in Wisconsin and Connecticut, Verizon Wireless has chosen to self-provide or to purchase backhaul services from

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providers other than AT&T, including cable companies, microwave wireless providers, independent fiber providers, and CLECs.

16. Similarly, AT&T made proposals to Sprint last year to supply Ethernet backhaul connections to several thousand sites in eight markets in AT&T's footprint. We understand that many alternative providers also presented proposals, and plainly, Sprint has alternatives, including the microwave backhaul solutions that Clearwire, of which Sprint owns 54%, uses extensively. **[Begin Confidential Information]**

[End Confidential Information]

17. Other AT&T wireless carrier customers have also announced or issued significant requests for Ethernet backhaul services, attracting numerous competitors, and have awarded contracts to a wide variety of suppliers. MetroPCS, for example, is relying on providers other than AT&T for its Ethernet backhaul needs: **[Begin Confidential Information]**

[End Confidential Information].⁸

18. Leap Wireless has confirmed that it is migrating to Ethernet backhaul and that it is expecting "last mile competition and migration to Ethernet" to significantly reduce its "relative

⁸ See also Dan Meyer, MetroPCS Launches LTE Smart Phone (Feb. 9, 2011), *available at* <http://www.rcrwireless.com/ARTICLE/20110209/DEVICES/110209945/metropcs-launches-lte-smart-phone> (MetroPCS has announced that as part of its transition to LTE, it too will be migrating its backhaul to Ethernet, and one analyst has noted that it will be able to take advantage "of competitive rates on Ethernet backhaul in support of its LTE network").

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backhaul costs.”⁹ To that end, Leap Wireless **[Begin Confidential Information]**

[End Confidential Information].

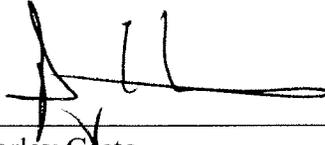
19. LightSquared, a new entrant that is building a nationwide LTE network and planning to deploy Ethernet backhaul to thousands of cell sites in AT&T’s region in the next two years, also has offers from alternative suppliers that have employed aggressive pricing. And it has become clear to us that LightSquared will select alternative suppliers **[Begin Confidential Information]**

[End Confidential Information].

20. The bottom line is that, as the wireless industry increasingly shifts to higher-capacity backhaul services, the wireless backhaul marketplace is more competitive than it has ever been. All of our customers have made clear that if we want to attract or retain their business, we have to be very competitive, not only on price but also on other terms including service delivery, maintenance, service performance and general conditions in the agreements. The contention that AT&T has any ability to engage in anticompetitive pricing in this marketplace, or that its acquisition of T-Mobile USA will cause any adverse change in the market, is completely at odds with reality.

⁹ Cricket 3G/4G Strategy, Colin Holland, SVP, Engineering and Technical Operations (2010), *available at* <http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NTYzMDV8Q2hpbGRJRD0tMXxUeXBIPtM=&t=1>.

I declare under penalty of perjury that the foregoing is true and correct. Executed on
June 9, 2011

A handwritten signature in black ink, appearing to read 'Parley Casto', written over a horizontal line.

Parley Casto
Assistant Vice President – Pricing – Business Marketing
AT&T Services, Inc.