EX PARTE OR LATE FILED

ORIGINAL

Gordon R. Evans
Vice President
Federal Regulatory

verizon

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2527
Pager 888 802-1089
Fax 202 336-7922
gordon.r.evans@verizon.com

RECEIVED

MAY - 1 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

May 1, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

EX PARTE

RE: Bell Atlantic/GTE Merger Order
(CC Docket No. 98-184)

Dear Ms. Salas:

The attached letter and declaration should be placed in the record of the above captioned proceeding.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, an original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above.

If there are any questions regarding this matter, please call me at 202 515-2527.

Sincerely,

G R Evans

Gordon R. Evans

Attachment

No. of Copies rec'd 0+1
List A B C D E

Gordon R. Evans
Vice President
Federal Regulatory

verizon

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2527
Pager 888 802-1089
Fax 202 336-7922
gordon.r.evans@verizon.com

April 26, 2001

Ms. Dorothy Attwood
Chief, Common Carrier Bureau
Federal Communications Commission
445 12th St., S.W.
Room 5-C450
Washington, D.C. 20554

Dear Ms. Attwood:

I am writing to seek the Commission's concurrence to accelerate the Verizon incumbent telephone companies' right to provide advanced services directly, without using the separate advanced services affiliate that was required by the Bell Atlantic-GTE merger order.[1] The separate affiliate requirement will automatically terminate no later than nine months after the D.C. Circuit's decision in *ASCENT v. FCC*, and it is consistent with the public interest to lift this restriction immediately.

The merger conditions themselves already specify the requirements that will apply upon the termination of the separate affiliate requirement, and eliminating the separate affiliate requirement now will serve the public interest by allowing Verizon to bring these services to the public more quickly and without the additional costs that a separate affiliate necessarily entails. Moreover, because the conditions themselves already specify the requirements that apply upon the termination of the separate affiliate requirement, no competitor will be harmed by allowing Verizon to provide these services free of this requirement now.

First, if the Commission does not act, Verizon will be required to start to turn away new customers in New Jersey before the end of the automatic sunset period. The New Jersey Board of Public Utilities has not approved Verizon New Jersey's application to transfer advanced services assets to the separate affiliate. Now that the separate affiliate requirement will terminate, there would seem to be no reason for the Board to divert resources from other pressing matters to approve that transfer. Thus, Verizon New Jersey is continuing to provide advanced services (as permitted), but it may not purchase any new advanced services equipment under the terms of the Merger Conditions. As a result, it is already out of capacity

[1] *GTE Corp.*, 15 FCC Rcd 14032, App. D (2000) ("Merger Conditions").

in two central offices, and expects to be out of capacity — and unable to fill customer orders — in 70 more in the coming months.[2]

Second, the separate affiliate requirement is hindering Verizon's deployment of new technologies and next generation networks. As I indicated in my April 9 letter to you, Verizon is installing more fiber-fed DLC equipment in its local feeder plant and is considering deployment of DSL capabilities on that architecture in certain locations where it is upgrading existing remote terminals. Verizon could utilize this architecture to offer a wholesale DSL packet transport service to other carriers, as well as to provide retail DSL service to consumers.

To do this, Verizon must procure, install and test advanced services equipment (such as OCDs for our central offices and integrated DSL-capable cards for remote terminals), which could not be done by a Verizon local exchange carrier under the Merger Conditions.[3]

Verizon has discussed this wholesale DSL packet transport offering with other carriers at a number of industry meetings. One issue of particular concern to many of the carriers is timing — when would Verizon commit to providing the service and how long would it take from that commitment for the service to be widely available. If the separate affiliate requirement is determined to remain in effect until the date by which it automatically terminates, installation of this equipment and the services they can provide will be delayed. Allowing Verizon to install and to begin the testing process would significantly reduce the time it would take Verizon to bring such a service on line.

Third, the separate affiliate requirement is making doing business more complicated for large business customers with sophisticated networks and complicated advanced services needs for products such as ATM and Frame Relay. For customers like this, it is important that Verizon be able to provide an integrated solution over a network that it controls just as our competitors already are able to do.[4] For instance, large customers want a single point of

---

2 Dowell Dec. ¶¶ 3-7 .

3 Merger Conditions § I.3.d.

4 It is well recognized that there are pro-competitive benefits to serving customers using a carriers own integrated facilities. For example, the Commission has cited the enhanced ability of parties to serve "multi-location customers over their own networks," enabling "such customers to receive higher quality and more reliable services." *Application of WorldCom, Inc and MCI Communications Corp. For Transfer of Control*, 13 FCC Rcd 18025, ¶ 199 (1998). Indeed, competitors have cited these benefits as advantages of their own offerings. In WorldCom's words, "only one company" has a seamless global "wholly owned" network that provides a fully-integrated bundle of services. MCI WorldCom two-page advertisement, Wall St. J., Nov. 5, 1998, at B19-19. Similarly, AT&T touts its data network with its own local ports "all over the world," which is "a big plus in attracting the large corporate customers that are the grand prize for telecommunications companies." Seth Schiesel, *AT&T Buying I.B.M. Network*, N.Y. Times, Dec. 9, 1998 at C1.

contact for all of their voice and data needs. This single point of contact needs the ability to not only take and process orders, but also to process trouble reports, test circuits and answer billing questions. These customer requirements are either prohibited or greatly hampered by the separate affiliate regime, which adds an additional layer of complexity to the already complicated service arrangements that big business customers demand. And it is a layer of complexity that our competitors do not have, since these kinds of complex arrangements for big business customers typically are provided by competitors using their own network facilities.

The fourth reason is that structural separation increases costs. The additional tax burden that results from the structural separation requirement alone amounts to tens of millions of dollars. The reason is that, in several states, Verizon will be unable to take advantage of the losses of its start-up advanced services business when figuring its state income taxes. The maintenance of a separate affiliate adds costs to Verizon's advanced services in other ways as well, as the separate affiliate requirement results in additional unnecessary duplication and expense. Even by a conservative estimate, the structural separation requirement increases tax and operational expense by an estimated $48 million per year (in addition to literally hundreds of million more in costs that already have been incurred).[5] These extra tax and operational costs that are either passed on to consumers or siphon away funds that could be used to more broadly and more quickly deploy these services.

Of course, as required by the merger conditions, Verizon advanced services operation would continue to use the same standard wholesale interfaces, processes and procedures that are available to other CLECs.[6] Therefore, the merger conditions already specify the requirements that apply, and there are no adverse effects of terminating the structural separation requirement now rather than in nine months.

Prompt elimination of the structural separation requirement will, therefore, permit Verizon to bring more services to more consumers more quickly and more economically. Verizon's advanced services operation will use the same ordering interfaces when dealing with its telephone companies as other advanced services providers, so there is no possible anti-competitive effect.

Thank you for your consideration of this matter. If you have any questions, please give me a call.

Very truly yours,

---

5 Dowell Dec. ¶ 8.

6 Merger Conditions § 12; Dowell Dec ¶ 9.

Attachments

cc: Carol Mattey
Michelle Carey
Glenn Reynolds

DECLARATION OF GEORGE DOWELL

1. My name is George Dowell. I am the Vice President for Strategic Planning and Implementation of Verizon Advanced Data Inc. ("VADI"), Verizon's separate data affiliate. My responsibilities currently include directing the program teams that develop and implement all of the operating support systems, processes, and work centers necessary for VADI to provision and maintain DSL and other advanced services throughout the areas in which Verizon's local telephone operating companies provide local exchange service. I have more than 18 years experience in the telecommunications industry, in a variety of engineering and operations positions working for NYNEX, Bell Atlantic, and now VADI. Prior to assuming my current responsibilities, I was Vice President for Operations Excellence for Bell Atlantic.

2. The purpose of this declaration is to explain that how eliminating the nine-month transition period contained in paragraph 11 of Section I of the Bell Atlantic/GTE merger conditions will benefit consumers. Eliminating this waiting period will allow Verizon to continue to deploy advanced services in New Jersey and will allow Verizon to avoid significant costs caused by the separate affiliate requirement.

3. <u>Continuation of service in New Jersey</u>. The Merger Conditions required that Verizon New Jersey (as well as the other Verizon incumbent local exchange carriers) provide interstate and intrastate advanced data services such as ADSL, ATM and Frame Relay through a structurally separate affiliate on or before December 27, 2000.

4. Verizon New Jersey filed a petition with the New Jersey Board of Public Utilities ("Board") on August 7, 2000 for approval to transfer to VADI assets owned by Verizon New Jersey and used exclusively to provide advanced services. *Verizon New*

Jersey Inc.'s Transfer of Advanced Data Services Assets to Verizon Advanced Data Inc., Docket No. TM00080538 (August 7, 2000). Because this petition had not been approved, Verizon New Jersey filed a petition with the Commission on December 18, 2000, seeking a waiver of the advanced services affiliate requirement pending Board approval of the asset transfer. Pursuant to the Merger Conditions, Verizon is permiteed to operate as it had, as if the transition period had not expired.[1] The Commission has not done so to date.

5. Accordingly, at the present time Verizon New Jersey continues to provide advanced services in New Jersey. VADI does not provide any advanced services in New Jersey nor has it filed tariffs for those services. It has no customers in New Jersey.

6. Although Verizon New Jersey continues to offer ADSL and other advanced services in New Jersey, the Merger Conditions bar it from purchasing any new advanced services equipment. Rather, the Merger Conditions state that VADI must own all advanced services equipment purchased after September 27, 2000.[2]

7. In connection with discussions concerning the pending transfer, Verizon New Jersey has described to VADI capacity problems in the Verizon New Jersey network. In order to continue to meet customer demand throughout New Jersey, Verizon New Jersey needs to obtain additional plug-in cards for central office equipment and other advanced services equipment. Two Verizon New Jersey central offices have run out of capacity already and are now closed to new orders due to unavailability of equipment. If Verizon New Jersey is not allowed to purchase new equipment, it will run out of capacity in more than seventy central offices and will be unable to fill new customer orders for ADSL

---

1 Merger Conditions ¶ I.6(f).

within the next four months. Several of these offices will be out of capacity in the next two weeks. Also, ten central offices will be out of capacity for ATM or frame relay service within three months. ATM service is used for backbone transport of ADSL. Therefore, unless relief is obtained, Verizon New Jersey will soon be forced to stop deploying ADSL in most of the State.

8. Elimination of costs. Accelerating the sunset of the separate affiliate merger conditions also will reduce the added costs that are inherent in separation and ultimately are borne by consumers. At that time, Verizon could share resources between its advanced services and other operations that it currently cannot share. For example, Verizon would not be required to have duplicate engineering personnel or to store customer records on duplicate systems. Rather, it would share these and other resources just as its competitors may do today. Of course, under the terms of the Conditions, Verizon's advanced services unit would still have to submit orders using the same interfaces, processes and procedures as CLECs use, and any additional costs incurred by the need to do so would not be avoided. In addition, in several states, Verizon will be unable to take advantage of the losses of its advanced services affiliate when figuring its state income taxes as it otherwise would be able to do. I estimate that these cost savings would exceed $48 million annually. Eliminating these costs would give Verizon more flexibility in pricing these competitive services.

9. Ordering processes. As provided for in the merger Conditions, Verizon's advances services business would continue to use the wholesale ordering process for line sharing and other components of advanced services even after the end of the separate

---

[2] *Id* ¶ I.3(d).

affiliate requirement. For example, when VADI receives an order today, it uses the CORBA interface (one of the pre-ordering interfaces Verizon offers to all CLECs) to obtain pre-ordering information. VADI has elected to obtain a limited extract file of the loop qualification data for working telephone numbers from the LiveWire database that Verizon has made available to CLECs. VADI downloads a copy of the loop extract file electronically from the Verizon local telephone operating companies in the same manner as the file is made available to CLECs. This extract is currently provided in the former Bell Atlantic serving territories and will be available in the former GTE serving territories effective May 15, 2001. Once VADI determines that an end user's loop is qualified for DSL service, its employees and sales agents enter the ordering information into VADI's internal ordering system. VADI then submits the wholesale orders to the Verizon local telephone operating companies using the same interfaces as are available to other CLECs. VADI submits its orders to the Verizon local telephone operating companies over the EDI interface, although at times it uses the Web GUI interface. Both the EDI and Web GUI interfaces are available to all CLECs. After VADI submits the order to the ILEC, VADI will receive a firm order confirmation or a reject from the Verizon local telephone operating companies through these same interfaces. Likewise, once the separate affiliate requirement terminates, Verizon's advanced services business will continue to use the interfaces and processes available to CLECs as required by the terms of the Merger Condition.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on April __, 2001

George Dowell