



Ann D. Berkowitz
Project Manager – Federal Affairs

1300 I Street, NW
Suite 400 West
Washington, DC 20005
(202) 515-2539
(202) 336-7922 (fax)

June 25, 2003

Ex Parte

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

Re: Regulatory Review Requirements for Incumbent LEC Broadband
Telecommunications Services, CC Docket No. 01-337; and Appropriate
Framework for Broadband Access to the Internet Over Wireline Facilities, WC
Docket No. 02-33

Dear Ms. Dortch:

Today, Scott Randolph, Augie Trinchese, John Goodman, Tom Maguire and Michael O'Connor of Verizon met with Michelle Carey, Bill Kehoe, Bill Dever, Michael Carowitz and Rob Tanner of the Wireline Competition Bureau to discuss the above captioned proceeding. Specifically discussed was the need for Title I treatment for broadband services provided to medium and large business customers. The handouts used during the meeting are attached. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann D. Berkowitz".

Attachment

c: M. Carey
B. Kehoe
B. Dever
M. Carowitz
R. Tanner



Enterprise Market

FCC/Verizon Meeting

June 25, 2003



Overview

- **Enterprise Customers**
- **Market Characteristics**
- **Customer Needs**
- **Regulatory Obstacles to Effective Competition**
- **Customer Example**
- **Summary**



Enterprise Customers

- **Large and medium size business with sites and telecom / data needs that overwhelmingly cross state and LATA boundaries**
- **May be regional or national in scope**
- **Growing market as businesses use competitive telecom and data services:**
 - **to move from local scope to gain efficiencies from larger geographic reach**
 - **consolidations and mergers**
 - **establishing facilities in other geographies to provide redundancy**
- **ILECs new entrants in regional / national markets**

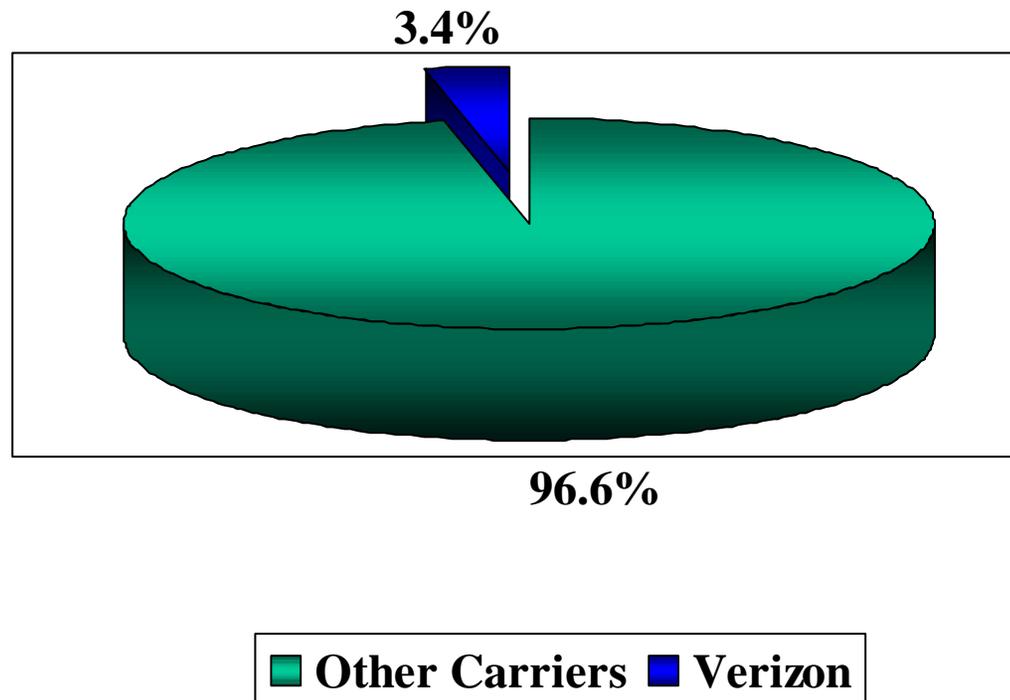


Market Characteristics

- **Enterprise market is national in scope**
 - **LATA boundaries provide a regulatory definition of local and national fast-packet services unsupported by customer needs and experience**
- **Sophisticated customer set includes large businesses, medium businesses, ISPs**
- **Incumbent IXC's are the dominant players**
 - **Verizon has only 3.4% of national Frame Relay revenues***
 - **Verizon has only 3.6% of national ATM revenues***
- **Fast packet enterprise market will exhibit strong growth through 2006***



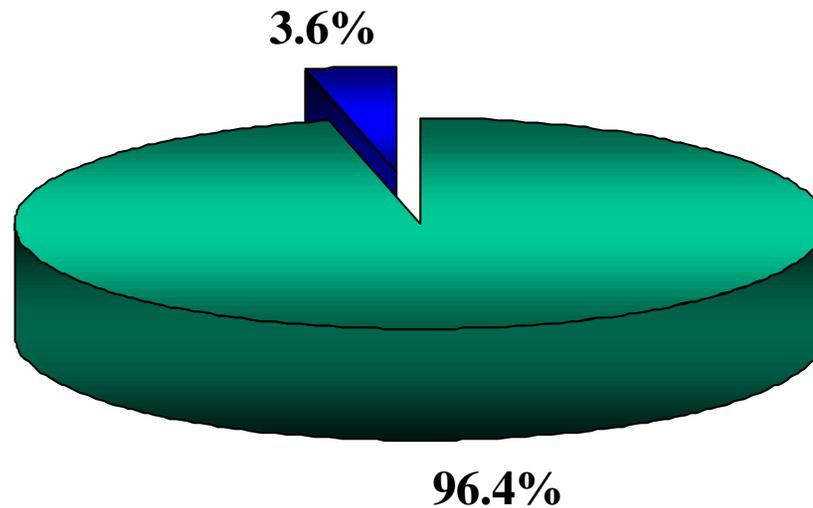
2001 Frame Relay Revenues* \$7.28B





2001 ATM Revenues*

\$1.45B



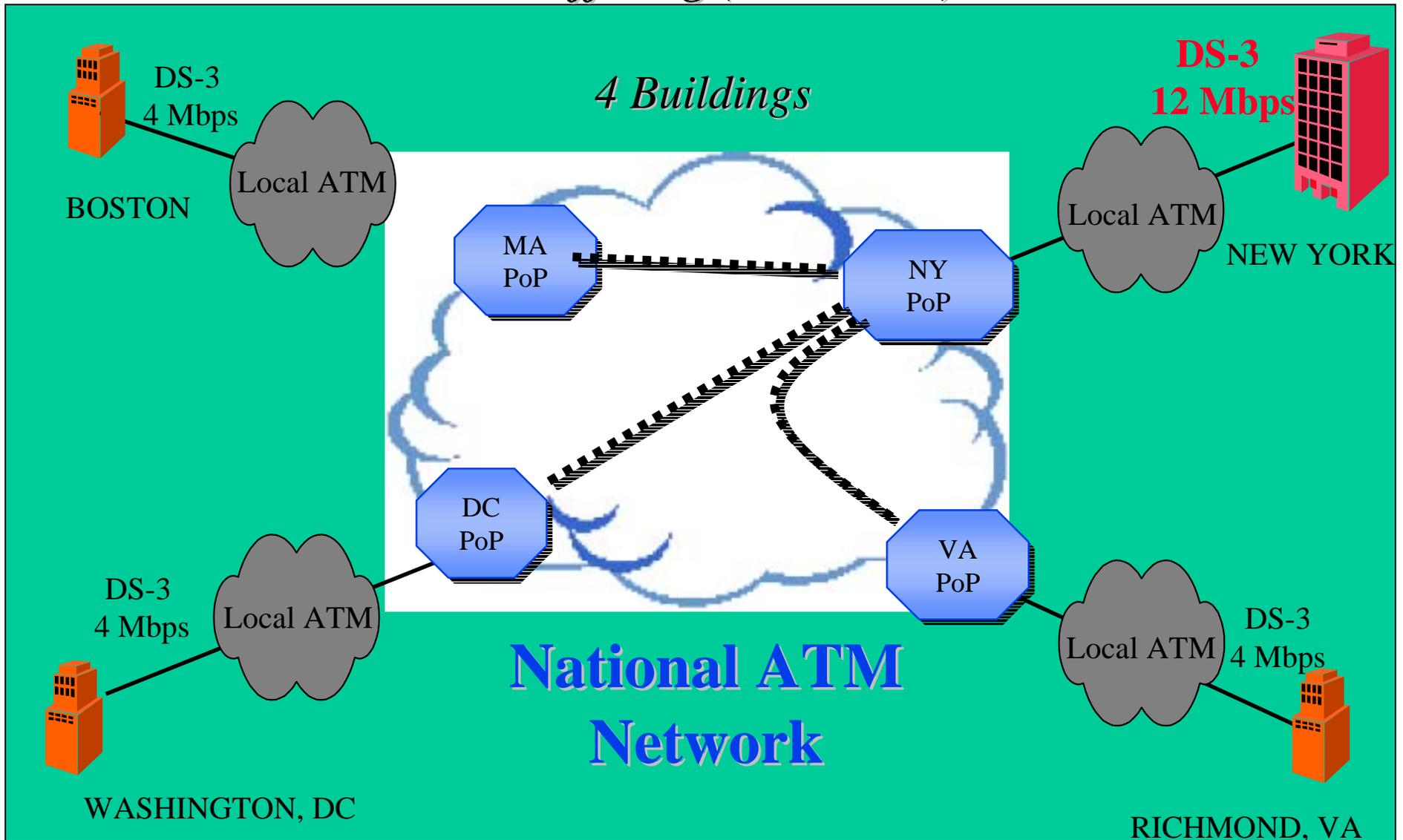
■ Other Carriers ■ Verizon

Customer Needs

- **Large & sophisticated enterprises accustomed to customer-specific solutions**
- **Integrated services and customized solutions**
 - **Customized pricing**
 - **Flexible terms**
 - **Service guarantees**
- **Rates independent of jurisdiction**
- **Ability to partner on market initiatives**

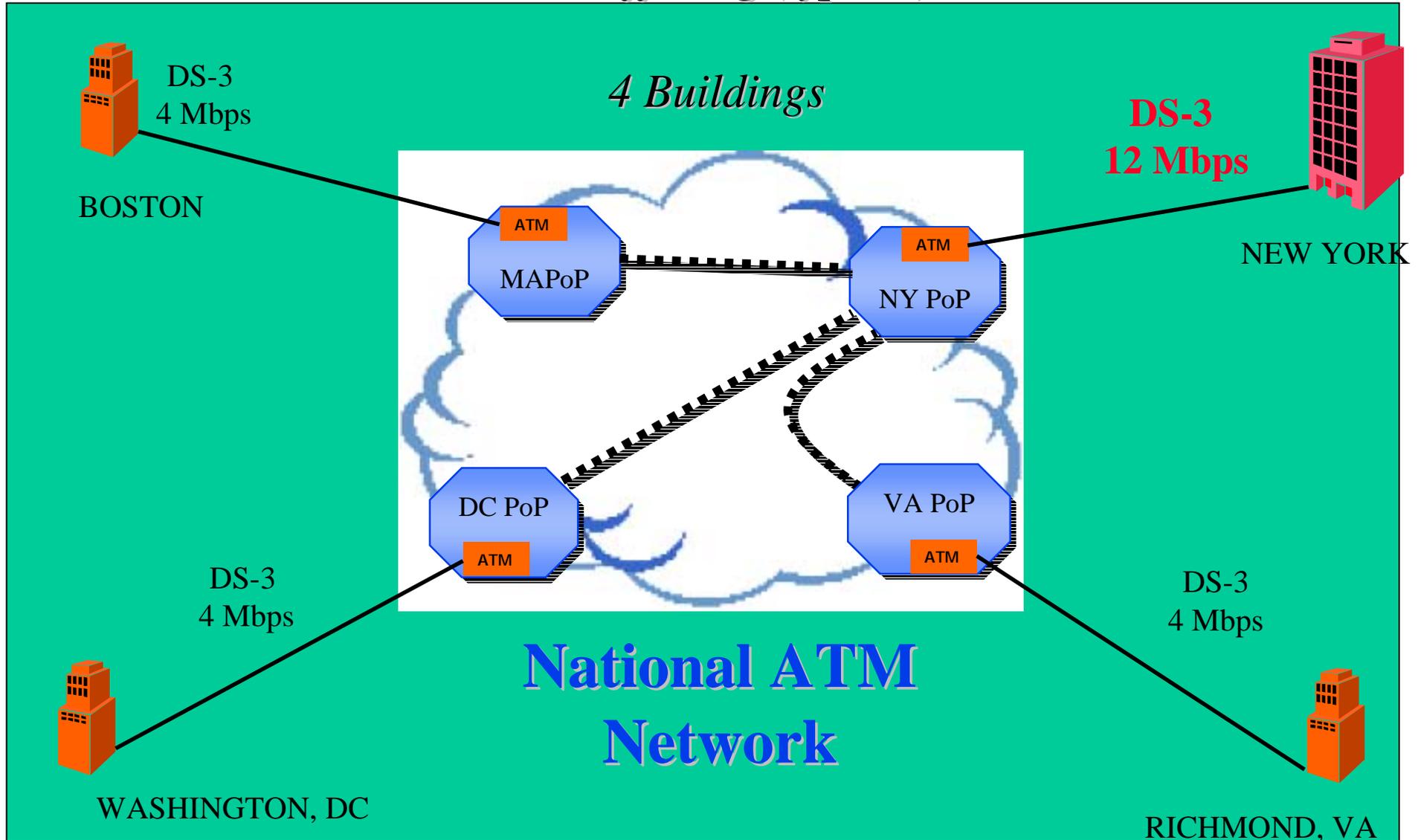
Enterprise Market Project

IXC Offering (theoretical)



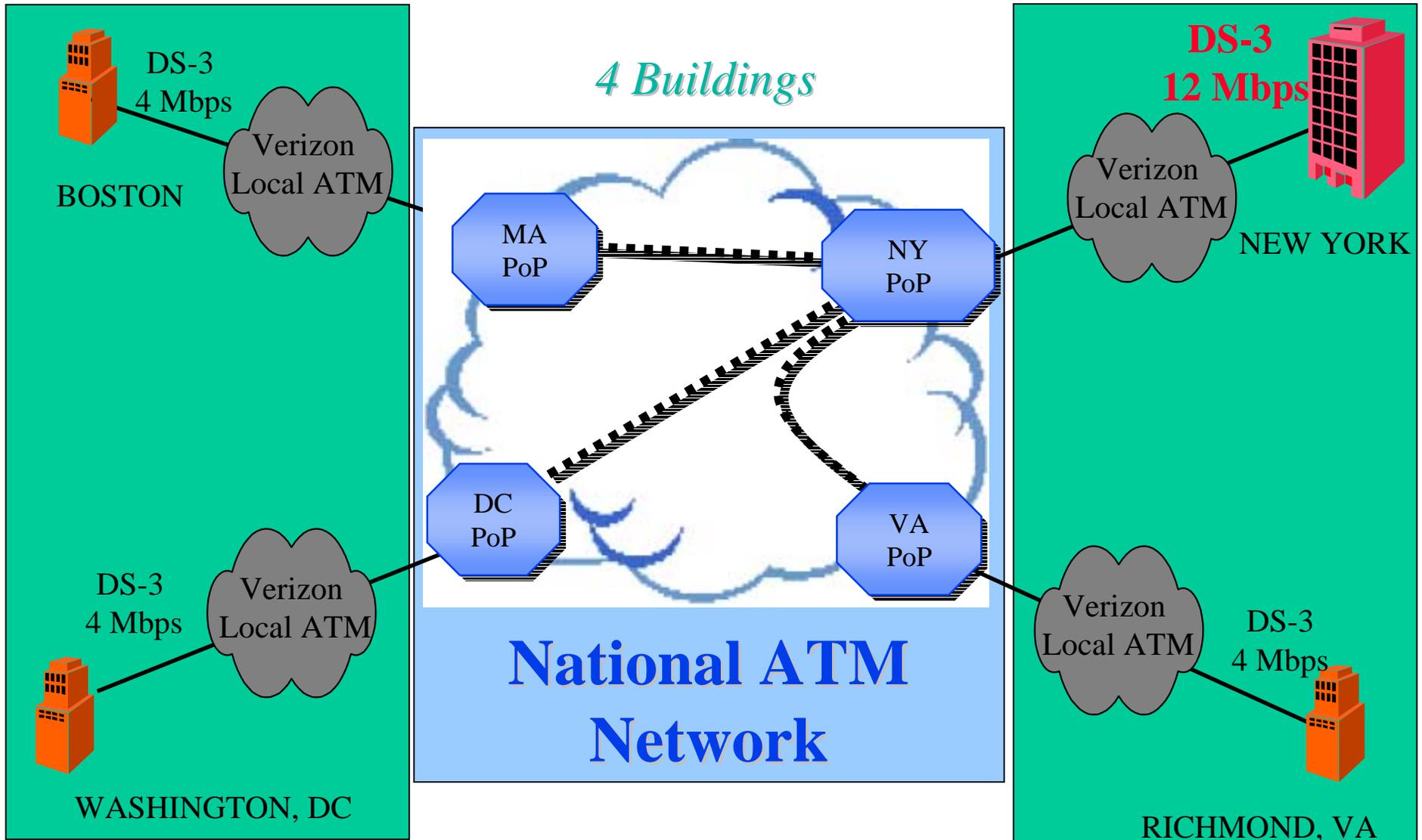
Enterprise Market Project

IXC Offering (typical)



Enterprise Market Project

ILEC Offering

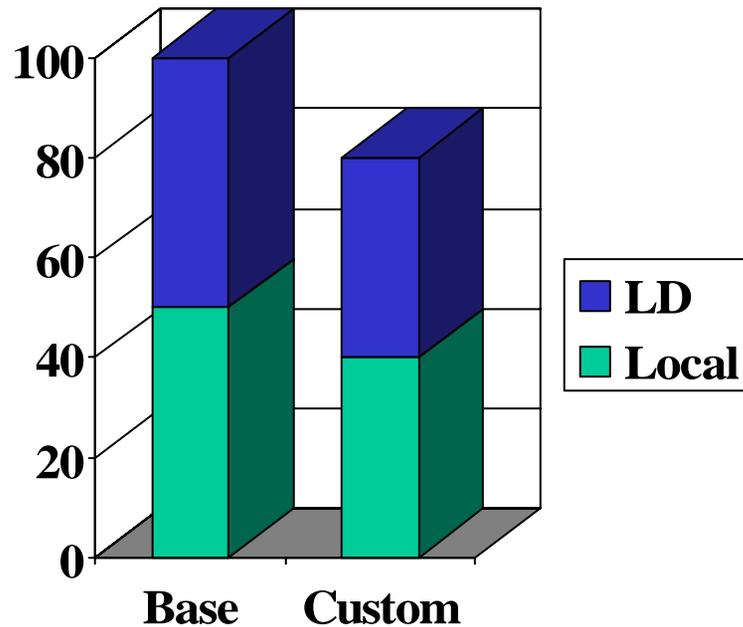


Regulatory Obstacles to Effective Competition

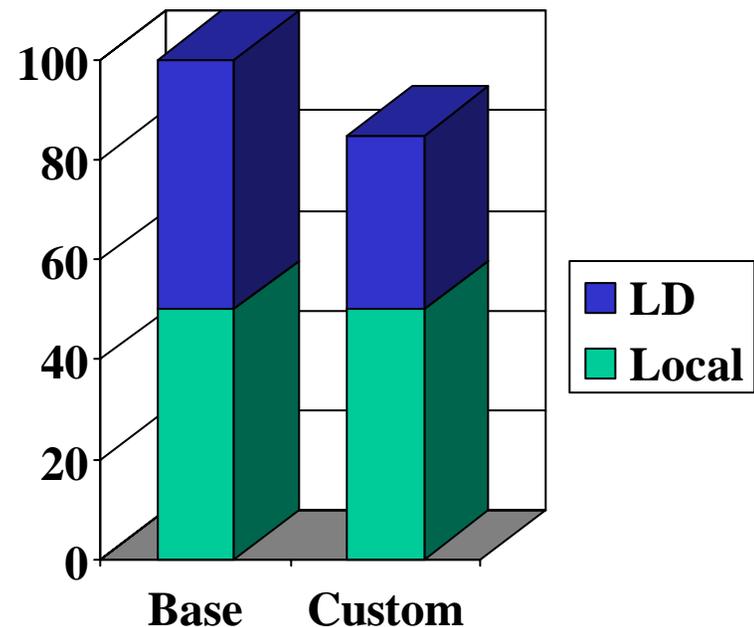
- **IXCs can offer customized pricing and terms for end-to-end solutions**
- **Verizon must quote from tariffs for local fast packet and customers often must sign two contracts**
- **Multi-jurisdictional rules, requirements, and pricing unnecessarily complicate Verizon's ability to meet customer needs**
- **Common Carrier regulation (including Computer Inquiry rules) impedes innovation and flexibility in meeting market requirements**
- **272 & OIM restrictions impede effective competition**
 - **Rules hamper single entity with end-to-end responsibility for provisioning, and maintenance**



VZ Lacks Flexibility with FCC Tariff



IXCs Can Discount Local & LD Elements of a Customized Offering



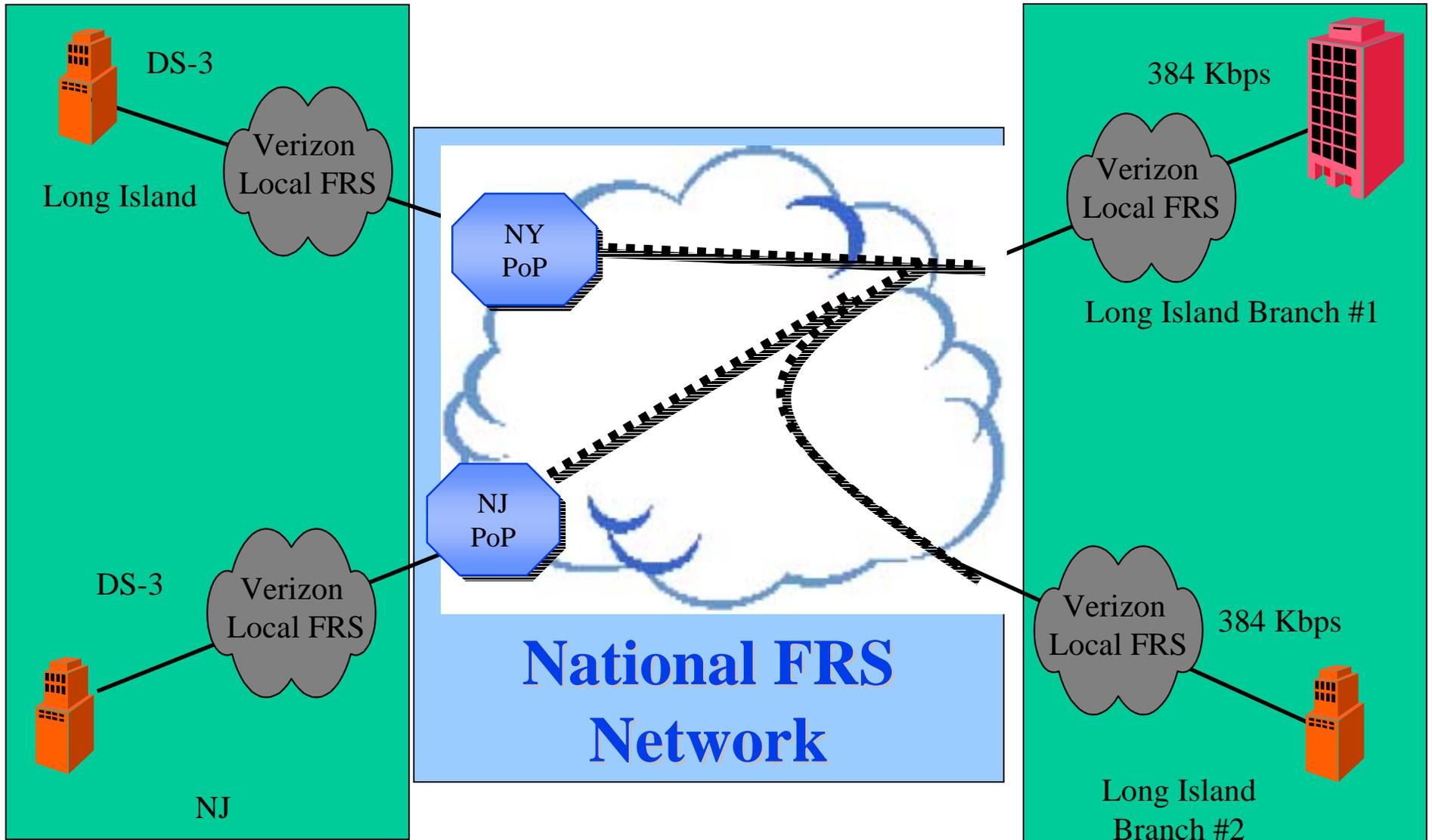
VZ Can Discount only the LD Element of a Customized Offering

Case Study: Mid-Sized Long Island Bank

- Long Island based retail bank with 95 branches across Long Island with host data centers in NY and NJ
- Verizon Enterprise customer with total billed revenue of \$1.5M annually
- Under 5 yr. FCC Contract for 384k FRS at remote branches and DS3's at host data centers
- IXC offered flexible contract terms foregoing non-recurring charges, termination liability in addition to local access (UNE) to access LD FRS pricing
- Verizon countered with discounted LD FRS pricing but was forced to offer FCC #20 tariff pricing for "local" FRS with standard terms and conditions
- IXC's customized solution resulted in a monthly savings of \$18K over Verizon's tariffed rates

Enterprise Market Project

Mid-Sized Long Island Bank



Case Study: National Financial Services Brokerage

- **\$5M RFP issued by Brokerage firm with 161 sites looking for nationwide FRS network**
- **Verizon ESG customer**
- **IXC was incumbent FRS provider**
- **Three IXCs provided customer specific contract terms and aggressive local and LD FRS pricing**
- **Verizon analysis proved our FCC #20 tariff rates for local FRS access was not competitive and chose to bid only on the LD FRS network**
- **Competitor's total FRS solution was 15-20 % lower than Verizon tariff local FRS rates combined with our discounted LD rates**



Enterprise Market

Summary

- **Enterprise customers are sophisticated and accustomed to customized solutions independent of regulatory boundary considerations (e.g. LATA)**
- **IXCs are the Dominant Players and have flexibility in negotiating pricing & terms**
- **Current regulatory rules handcuff effective competition by limiting Verizon's flexibility in negotiating prices and terms**
- **Market forces will drive competition**