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February 13, 2004

Ex Parte

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

Re: WC Docket No. 02-112; Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements

Dear Ms. Dortch:

Attached are Verizon's responses to (1) AT&T's November 26, 2003 ex parte filing in the above-referenced proceeding; and (2) the Wireline Competition Bureau's request for additional information in this proceeding concerning Verizon's offerings of local and long services.

Sincerely,

/s/Dee May

Attachments

cc: Renee Crittendon
Pam Megna

BOC LONG DISTANCE SERVICES ARE NON-DOMINANT

By no stretch of the imagination can BOCs be considered “dominant” providers of long distance services, whether or not they offer such services through a separate affiliate and whether or not such services are provided on a standalone basis or as part of a bundle. The long distance industry is hyper-competitive. In addition to dozens of facilities-based interexchange carriers, six nationwide wireless carriers offer long distance calling at no extra charge when packaged with their other services, cable companies already offer telephony (including long distance service) to 15 percent of U.S. households and plan to expand that number five-fold in the next twelve months, and e-mail and instant messaging replace roughly one-third of all wireline long distance communications. This robust competition, coupled with intense and growing intra- and inter-modal competition in the local market, regulatory safeguards such as price cap regulation, and the BOCs’ status as new entrants into the market, make it inconceivable that the BOCs could somehow gain market power in the provision of long distance services.

Overview: AT&T’s *Ex Parte* Fails to Establish that BOCs Can Exercise Market Power in the Provision of Long Distance Services

In an *ex parte* riddled with erroneous assertions and untenable arguments, AT&T contends that the BOCs have attained market power by offering bundles of local and long distance services and that other long distance providers, whether offering bundles or standalone services, do not provide a competitive check on BOC pricing behavior. This is preposterous. The long distance market is far too competitive for the BOCs to gain market power, and the BOCs’ bundled service packages are merely competitive responses to similar offerings first introduced by other carriers, including, most notably, AT&T. Moreover, any attempt by the BOC to wield market power through predatory pricing would be doomed to failure – they could never hope to (1) drive out all the entrenched long distance competitors, (2) prevent re-entry by those or other competitors making use of the abandoned facilities, and (3) recoup their investment in predatory pricing by subsequently raising rates.

There is too much competition from traditional long distance carriers for BOCs to gain market power in the long distance market. There is vigorous competition among “traditional” landline interexchange carriers. These competitors include numerous entities with nationwide, facilities-based networks (such as AT&T, WorldCom, Sprint, Qwest, Level 3, and Broadwing), regional facilities-based carriers, resellers, the long-distance affiliates of BOCs and independent LECs, and niche players such as pre-paid calling card providers. There is no conceivable way that a BOC could gain market power in a market with so many entrenched rivals.

Multiple sources of inter-modal competition further guarantee that the BOCs cannot gain market power in the provision of long distance services. As the Commission’s *Long Distance Report* recognized, long distance is an “evolving marketplace” where carriers (such as wireline, wireless and cable) are offering consumers bundled packages of local and long distance service, and buckets of minutes that can be used to call anyone, anywhere, and any time.” Inter-modal competition today comes from a multitude of sources, including cable telephony (both circuit-switched and, increasingly, VOIP), wireless carriers, and non-traditional alternatives such as instant messaging and E-mail. As AT&T acknowledges to the Securities and Exchange Commission but denies to the FCC, all of these are potent substitutes for wireline

communications services, which individually and collectively doom to failure any effort by a BOC to gain market power. In fact, a recent JD Power survey concluded that 45 percent of all long distance calls are displaced by a combination of wireless, VOIP, e-mail, and instant messaging.

- Cable telephony. Cable telephony is now available to roughly 18 percent of all homes (as well as more than half a million businesses), and has captured 25-40 percent of the local phone market where it is available. While it was originally offered over circuit switches, more recently, cable companies have announced deployment of IP-based service. As recent announcements by Time Warner, Cox, Cablevision and Comcast indicate, cable telephony will be available throughout most of the country within the next 12 months, at rates that the cable companies claim will be one-third less than comparable offerings from the BOCs. In fact, one industry analyst just stated that cable-based IP telephony would be available to 82% of U.S. households by the end of 2005 and that, as a result of the MSOs' IP deployment plans, "the cable telephony threat to the RBOCs is nearly 70% greater than we had previously expected." Notably, Bernstein Research Call, "U.S. Telecom and Cable: Faster Roll-out of Cable Telephony Means More Risk to RBOCs; Faster Growth for Cable," Dec. 17, 2003, at 1.

- Wireless. Wireless providers have replaced roughly 30 percent of all landline long distance calling and wireless is now "the method of choice when it comes to long-distance calling from home," according to a recent article in the *Wall Street Journal*. Indeed, AT&T itself has acknowledged that wireless "has contributed to an overall decline in traffic volume on traditional wireline networks," AT&T Corp. SEC Form 10-K, at 17 (Mar. 28, 2003), and the study it relies on most heavily in its ex parte concludes that average long distance minutes of use per subscriber have declined from 180 to 100 (44%) because of substitution by wireless and e-mail. CIBC, *Opportunities for Flat Rate Pricing and Bundling*, June 26, 2003, at 20.

- Platform-Independent VOIP. On top of all this competition, numerous platform-independent providers of VOIP directly compete in the provision of long distance services. Indeed, anyone with a broadband connection is capable of being served by dozens of new VOIP providers. VOIP (whether delivered over cable networks, telephone networks, or otherwise) is, in the words of AT&T's own Chairman, "the most significant, fundamental new technology shift in decades." Indeed, by the end of March 2004, AT&T will have deployed "VOIP services to consumers in the top 100 markets in the United States." See AT&T News Release, *AT&T Unveils Major Voice Over Internet Initiative: Will Expand Business and Launch Consumer Offers in 2004*, Dec. 11, 2003, available at <http://www.att.com/news/item/0,1847,12627,00.html>. AT&T's deployment is "platform-agnostic" – it works over any broadband platform, and AT&T recently said it would use "VOIP ... to bypass the [ILEC] access as fast as possible." *Communications Daily*, Jan. 14, 2004, Wireline (quoting AT&T Vice President Bob Quinn).¹ MCI has announced similarly aggressive deployment plans, and a host of other companies,

¹ Given these definitive statements, the Commission should give no credit to AT&T's assertion that "Voice over IP is in its infancy" and that the BOCs somehow will "use their local bottlenecks to limit the competitiveness of VOIP." See Letter from Frank S. Simone, Government Affairs Director, AT&T, to Marlene H. Dortch, WC Docket No. 02-112, dated Feb. 3, 2004, at 9. Plainly, AT&T's technical and marketing executives – and its own Chairman – do not share the view expressed in its pleadings.

including Vonage, Skype, 8X8, and others, already are enjoying considerable success in the long distance market.

- Other sources of competition. In addition to voice-based long distance services, pressure on long distance rates and service offerings is brought by instant messaging and e-mail. These sources likely divert roughly one-third of all long distance traffic today. Not only has AT&T acknowledged that e-mail depresses long distance minutes of use, but industry analysts likewise have recognized that IM and e-mail divert long distance traffic. *See Sizing U.S. Consumer Telecom*, The Forrester Report, at 19 n.5 (Jan. 2002).

Notably, all of these competitors offer local and long distance communications capabilities and various packages of those services along with other features (mobility, video, Internet access, text messaging, etc.). AT&T argues that these differences prevent intermodal competition from disciplining the BOCs' pricing behavior. Just the opposite is true. Many features and options offered by intermodal competitors make their services *more* attractive to many customers and put *greater* pricing pressure on the providers of wireline services. But, regardless, there is so much competition in the provision of long distance service, both through bundled pricing options and standalone pricing, that there is no way any competitor could gain market power.

Bundles are pro-consumer, not anticompetitive. AT&T's revisionist view of the world – that bundles are a nefarious BOC plot to take over the long distance market – cannot be reconciled with reality. As the Commission has recognized, bundling is strongly in the public interest: the provision of “integrated telecommunications service packages” is “desirable,” the 1996 Act “contemplates one-stop shopping,” and “bundling of both local and long distance services is one of the goals of section 271.” Bundled service packages, moreover, were introduced by wireless providers such as AT&T Wireless and were subsequently adopted by other providers who have to compete with those packages, including the BOCs as well as AT&T and MCI. And, despite AT&T's claims here that it cannot compete against the BOCs' bundled service offerings, its CEO just stated that local/long distance bundles “have proven to be a terrific growth business for AT&T.” *See* “AT&T Chairman Outlines Aggressive Competitive Strategy at CSFB Conference,” <http://www.att.com/news/item/0,1847,12629,00.html> (Dec. 11, 2003).

Existing non-structural regulation provides an effective, albeit unnecessary, backstop against any effort to gain long distance market power. There is no reason to conclude that the offering of bundled pricing options would give the BOCs the ability to wield market power if they offered long distance service on an integrated basis. The Commission already allows the BOCs to offer bundles of regulated and nonregulated services in many market segments on an integrated basis, and they have not dominated any of those markets. For example, the BOCs lost more than fifty percent of their market share in the intraLATA toll market following the 1996 Act, even though they offer such services on an unseparated, lightly regulated basis. The BOCs' interLATA corridor services are subject to such intense competition that they have been removed from price cap regulation. And the BOCs have been able to provide, interLATA information services, intraLATA information services, CPE, payphones, and inside wire on an integrated, unregulated basis for many years with no evidence that they have attempted to leverage their provision of local telephone service to harm competition in those markets, let alone succeeded in

doing so. The existing regulatory controls over the provision of local exchange and exchange access services, including price caps, have proven to be more than adequate to prevent the BOCs from gaining any advantage over their competitors.

Dominant carrier regulation is harmful to the public interest. In any event, dominant carrier regulation can serve no purpose in this context except to give AT&T and other incumbent long distance carriers the ability to prevent the BOCs from offering lower prices to consumers. As the Commission already has found, dominant carrier regulation “can stifle price competition and marketing innovation,” and is “not well-suited to prevent the risks associated with” ILEC provision of in-region, interLATA services. *LEC Classification Order*, ¶¶ 88-90, 92, 108, 119. The Commission therefore should promptly declare that the BOCs are non-dominant in the provision of interLATA services, whether or not those services are offered through a separate affiliate.

I. THE INTENSE COMPETITION IN THE LONG DISTANCE MARKET PRECLUDES ANY ENTITY FROM GAINING MARKET POWER.

The Commission recently recognized that competition in the long distance market encompasses more than traditional wireline interexchange services, noting that wireline, wireless, and cable providers are all offering consumers alternatives for both local and long distance services. *Statistics of the Long Distance Telecommunications Industry*, rel. May 2003, at 2. This section of the paper will show that both intra- and inter-modal long distance competition are too vigorous to enable any competitor to gain market power in the provision of long distance services.

A. Intra-Modal Long Distance Competition Is Robust.

The traditional interexchange carriers include numerous entities that own nationwide networks, such as AT&T, WorldCom, Sprint, Qwest, Broadwing, and Level 3, as well as numerous regional, facilities-based carriers. There are also resellers, providers of niche services such as pre-paid calling cards, and the long distance affiliates of the BOCs and the independent incumbent local exchange carriers. All of these competitors, of course, offer long distance service on an unbundled basis, as well as including long distance in packages with other services.

B. Cable Telephony Providers Offer Competitive Long Distance Services

Cable telephony – including the provision of circuit-switched service as well as IP telephony by both cable systems and other providers – further intensifies the already robust competitive pressure on wireline long distance services.

Circuit-switched cable telephony has been successful. Cable telephony using circuit-switched technology already is available to more than 20 million homes – approximately 18 percent of all U.S. homes² – and has garnered approximately 2.5 million subscribers.³ For

² Bernstein Research Call, “U.S. Telecom & Cable: Faster Roll-out of Cable Telephony Means More Risk to RBOCs; Faster Growth for Cable,” Dec. 17, 2003, at Exhibit 1.

example, Cox and Comcast have boasted that they have achieved penetration rates of as high as 40 percent in the most mature markets, and 20 percent or more in even the less mature ones.⁴ Notably, cable companies have captured a large portion of *primary* lines. For example, a recent analyst's report states that Cox has achieved a 35% share of primary line connections in its most established markets and that Comcast enjoys a share of 30% in some of its telephony markets (all currently circuit-switched). That evidence compellingly demonstrates that consumers view cable telephony as a true alternative to telephone company-provided service where it is available – and, as the next few paragraphs show, the availability of cable telephony is poised to explode through the rapid implementation of IP capabilities.

IP telephony over cable will have a huge impact on the market. Given the success of circuit-switched cable telephony, the roll-out of IP-based cable telephony over a far broader service area will have a dramatic impact on the market. The cable companies' IP telephony deployment plans are so aggressive that Bernstein just "revis[ed] our joint long-term consumer cable telephony forecast to reflect the intentions of all the major MSOs to offer cable telephony to nearly 100% of their in-franchise homes over the next two-to-three years. Specifically, we are raising our estimate of cable telephony subscribers from 10.4M by 2008 ... to 17.4M. Our new outlook suggests that the cable MSOs will control 15.5% of the consumer primary access lines in the US by 2008, up from our previous estimate of 9.3%." Risk to RBOCs at 1. Another Bernstein survey of cable households found that 26 percent would switch their phone service to the cable company even if there were no associated cost savings. See Peter Grant, "Cable Giants Vie to Improve Online Phoning," *Wall St. J.*, Jan. 8, 2004 at A15.

Every major cable operator has either deployed IP telephony or is in final testing of that service, with firm plans to roll out the technology in 2004:

Cablevision, for example, already has done so for more than four million households in the Connecticut, New York, and parts of New Jersey. See Matt Richtel, "Time Warner Deal Raises Ante in Cable's Bid for Phone Market," *New York Times*, Dec. 9, 2003, at A1, C7 ("Time Warner Deal"). In fact, its CEO just told a UBS media conference that it incurs only \$150 in incremental costs per subscriber to deploy IP telephony and that its unlimited local/long distance

(Continued . . .)

³ See *Annual Assessment of the Status of Competition in the Market for Delivery of Video Programming*, FCC 04-5, MB 03-172 (rel. Jan. 28, 2004), ¶ 57.

⁴ See, e.g., Dan Somers, President and CEO, AT&T Broadband, *Operational Overview*, AT&T Broadband, Investor Presentation at 16-17 (July 2001) ("Some [Chicago] suburbs have 40 percent penetration."); Cox Communications, *Whitepaper: Preparing for the Promise of Voice-over Internet Protocol (VoIP)* at 1 (Feb. 2003), <http://www.cox.com/PressRoom/supportdocuments/VOIDwhitepaper.pdf> ("in areas where the service has been available the longest, penetration is . . . up to 40 percent."); J. Granelli, *Expanding Cable Telephony Is New Kid on SBC's Block*, *L.A. Times* (Jan. 21, 2003) ("As of the end of September, Cox provided telephone service for 30% of the 304,000 households it has wired in 14 south Orange County cities, where nearly all the homes are hooked up. It has a similar share in the San Diego County communities it serves."); AT&T News Release, *AT&T Broadband - Comcast Merger Will Create More Competitive Marketplace* (Apr. 23, 2002) (Then AT&T chairman C. Michael Armstrong said "AT&T Broadband has already gained 25 percent or higher cable telephony penetration in 55 communities").

bundle price of \$34.95 per month gives it a 40-45% margin and a payback period of only ten months. *See* Attachment 1 hereto (Cablevision UBS Presentation).

Similarly, Time Warner currently offers IP telephony in Portland, Maine, where it has gained a primary line share of ten percent after just six months of service. Bernstein Research Call, “U.S. Telecom and Cable: Faster Roll-Out of Cable Telephony Means More Risk to RBOCs; Faster Growth for Cable,” Dec. 17, 2003, at 5 (“Risk to RBOCs”); *see also* Bernstein Research Note, Jan. 9, 2004, at 2. And, it plans to offer IP telephony “in most, if not all, of [its] markets by the end of 2004.” Matt Richtel, “Time Warner To Use Cable Lines To Add Phone to Internet Service,” *N.Y. Times*, Dec. 9, 2003. That expansion will enable Time Warner to provide IP telephony in all 27 of its states by the end of 2004, meaning that most or all of the 18 million homes it passes will have an additional facilities-based choice for local phone services as well as bundled services. Risk to RBOCs; *see also* Time Warner Deal, *supra*. To facilitate its efforts, Time Warner has announced a deal with Sprint and MCI to carry long-distance traffic and terminate calls on phone networks in other areas. Peter Grant and Shawn Young, “Time Warner Cable Expands Net-Phone Plan,” *Wall St. J.*, Dec. 9, 2003, at A19 (“Time Warner Cable Expands”). Notably, Time Warner expects to be able to sharply under-cut the RBOCs’ prices: it disclosed at the UBS media conference that deploying IP telephony costs only \$300 per subscriber – 50 percent less than traditional circuit-switched telephony. Given its cost savings, Time Warner offers unlimited local and long distance calling for \$39.95 per month, which it states is a \$25 savings from Verizon’s comparable package. Time Warner also stated that its telephony product is 911 and CALEA-compliant. *See* Attachment 2 hereto (Time Warner UBS Presentation).

The other MSOs are following suit. For example, Cox, which already is a leading provider of circuit-switched cable telephony, began offering IP telephony in Roanoke, Virginia in 2003, has a “keen interest in rolling out VOIP to all [its] homes passed,” and “could launch commercial service in other mid-sized and smaller markets anytime in 2004.” *See Cox Communications Delivers Cox Digital Telephone to 12th Market; Roanoke, Va. Marks Cox’s First Market Launch of VoIP Technology*, Business Wire (Dec. 15, 2003); P. Bernier, Cablecos Set Sights on VoIP,” *Xchange Mag.* (Feb. 1, 2004) (quoting Cox Director of Product Development, Dianna Mogelgaard). Charter likewise plans to deploy VOIP in three of its markets in 2004. *See* Charter Communications, presentation at the Smith Barney Citigroup Entertainment, Media & Telecommunications Conference at 22 (Jan. 7, 2004) (presentation of Tom Cullen, Senior Vice President of Advanced Services). And Comcast – another leading provider of circuit-switched cable telephony – is testing VoIP in suburban Philadelphia and launch service in Indianapolis, Springfield, Massachusetts, and Hartford, Connecticut in 2004. A Comcast executive recently stated that “beyond the shadow of a doubt, . . . the IP phone business should have very attractive economics and could be a very large business for us.” Comcast, presentation at the UBX 31st Annual Media Week Conference (Dec. 11, 2003), http://media.corporate-ir.net/media_files/irol/11/118591/presentations/cmcsk_121103c/sld016.htm.

Cable telephony is not limited to residential customers. There are currently more than half a million business lines served by cable modem service, and upgraded cable networks undoubtedly are available to millions more. With cable modem service available, it takes relatively little for a cable company to provide voice service. In fact, a recent survey of 300

Chief Technical Officers found that 13 percent of medium-sized enterprises (50-249 employees) and 19 percent of large enterprises (more than 250 employees) use cable modem service for at least some portion of their data communications needs. *Annual Telecom Services Survey Part 3: Competition* (Morgan Stanley June 17, 2003), Exhibit 24.

Other competitors are using VOIP to provide competitive long distance service over both cable networks and other broadband platforms. IP telephony deployment is not limited to cable companies, of course. Anyone with a broadband connection (including both cable modem and DSL subscribers) can obtain VOIP capabilities from a wide range of competitors – none of whom needs a carriage agreement with the underlying platform owner. Accordingly, any of the 85 million-plus customers with access to cable modem service can get VOIP from a number of providers, including Vonage, 8x8, VoicePulse and others, and the same holds true for the additional millions of customers with access to DSL. Those companies have enjoyed remarkable success offering cheap, high-quality local and long distance calling over any broadband connection. See Will Wade, “A Game of Phone Catch-Up on the Net,” *New York Times*, Dec. 18, 2003, at E8. Vonage, for example, already has offers a \$35 per month unlimited local and long distance calling plan, which is available to any of the tens of millions of customers with access to a broadband connection, and it just signed an agreement with Texas Instruments to provide IP telephony capability integrated into both cable and DSL modems, in a bid to enhance its appeal. Jesse Drucker, “Vonage, TI Plan a Web Phone Deal,” *Wall St. J.*, Jan. 9, 2004, at A8. Moreover, if a call originates and terminates over a broadband connection, the provider avoids paying switched access charges.

And AT&T itself – notwithstanding its assertion in this proceeding that it is captive to the BOCs – has just announced plans to deploy IP telephony in the top 100 metropolitan areas within the next three months over a variety of broadband platforms. As one analyst just noted, “AT&T’s new offering is platform-agnostic; that is, it assumes that a consumer will provide their own broadband access instead of requiring AT&T-provided DSL.” Bernstein Research Note, Jan. 9, 2004, at 6. Indeed, one of AT&T’s primary reasons for deploying VOIP is to bypass ILEC access charges; its Chief Technology Officer just stated that the company will use WiMAX to replace landline access within a year, and powerline access with 2-3 years. In the interim, it will use cable modem service and DSL. *Communications Daily*, Jan. 14, 2004, at 6.

C. Wireless Services Compete Directly Against Wireline Long Distance Offerings.

Wireless services are siphoning billions of long distance minutes away from wireline networks. AT&T has admitted to the SEC that “the rapid expansion of usage of wireless and e-mail services has contributed to an overall decline in traffic volume on traditional wireline networks,” AT&T Corp. SEC Form 10-K, at 17 (Mar. 28, 2003). This is putting it mildly: as one recent article explained, “[t]hanks to unlimited night and weekend minutes ... cellphone plans are the method of choice when it comes to long-distance calling from home.” Walter S. Mossberg, “Slip the Surly Bonds of Your Landline,” *Wall Street J Online.*, Dec. 3, 2003, available at http://online.wsj.com/article_print/0,,SB107041229754885500,00.html (“Mossberg”); see also Raymond James, “Assessing the Potential for Wireless Substitution,” Nov. 18, 2003, at 5 (“consumers now view wireless long distance as free and are therefore more likely to use their wireless phone to make long distance calls”). In fact, even the principal study

relied on by AT&T to claim that the BOCs can gain market power in the long distance market acknowledges that average long distance minutes of use per subscriber have declined from 180 to 100 (44%) because of substitution by wireless and e-mail. CIBC, *Opportunities for Flat Rate Pricing and Bundling*, June 26, 2003, at 20. And another study concluded that 70 percent of the \$3.5 billion decline in AT&T's consumer long distance revenues between 2001 and 2002 was due to wireless (and Internet) substitution. Carlton/Sider/Shampine Decl., ¶ 34 (citing a Lehman Brothers report).

In addition to siphoning long distance traffic that would have traveled over wireline phones, wireless service is completely replacing wireline service for many customers. At least 10 million lines have migrated from wireline to wireless, accounting for some 25 percent of total RBOC line loss. Deutsche Bank, "Wireline – 3Q03 Preview," Oct. 8, 2003, at 25. Indeed, as the Commission noted in its most recent CMRS Competition Report, "wireless substitution [is] a significant factor" in the BOC's significant decline of both business and residential lines. *Eighth Annual CMRS Report*, WT Docket No. 02-379, rel. July 14, 2003, at ¶ 103. In September 2003, Dow Jones Newswire reported that six percent of consumers in the top 35 markets have canceled landline service at some point, up from 3.4 percent a year earlier, and Lehman Brothers estimates that eight million households have wireless but not wireline service, and that 25 million more are candidates for giving up their wireline connections.⁵ And a Legg Mason analyst recently testified before Congress that "wireless-only customers may be 8% of the total consumer market today" and that "*It appears to me that the higher losses [of RBOC primary access lines] are due to an acceleration in the movement toward wireless services and away from wireline telephony.*" Statement of Michael J. Balhoff, CFA, Legg Mason Wood Walker, Inc., before the House Committee on Energy and Commerce Subcommittee on Telecommunications and the Internet, "In the Matter of 'The State of Competition in the Communications Industry,'" Feb. 4, 2004 (emphasis in original).

Given the ability of wireless services to substitute for both minutes and lines on the wireline network, ILECs have no incentive or ability to attempt to shift costs from their long distance services to their local operations. Even if they could do so – which they cannot, given intense regulatory scrutiny of their cost allocations and pricing – they would have no ability to recover the shifted costs through higher prices for local services. If measured service rates were increased, consumers would use their wireless phones for even more traffic. And if flat, per-line rates were increased, consumers would drop even more wireline connections in favor of their cell phones. As Fulcrum Global Partners concluded in an October 14, 2003 report, wireless substitution, combined with cable telephony and VOIP, would make it impossible for average consumer phone rates to increase. Fulcrum Global Partners, "Wireline Communications: Random Thoughts on UNE-P and the Industry," Oct. 14, 2003, at 6.

AT&T's criticisms of wireless service are unpersuasive and irrelevant. None of AT&T's arguments for dismissing the competitive impact of wireless in the long distance market can withstand scrutiny. Although we will respond to AT&T's specific claims below, the Commission should step back and recognize just how strained they are. Every service has its advantages and disadvantages – but that does not mean that they are not substitutes. For

⁵ Dow Jones News Service, "Americans Cut Their Wires, Threatening Carriers" (Sept. 24, 2003).

instance, wireless service offers the same type of local and long distance calling function as a wireline phone, with the added advantage of mobility as well as new features such as picture phones and Internet access. Whether a particular customer will find one feature more attractive than another does not change the fact that a wireless phone provides a competitive alternative to a wireline phone for long distance calls. Moreover, the supposed disadvantages of wireless posited by AT&T have no significant bearing on the ability of wireless to substitute for wireline minutes of use, which itself means that BOCs cannot gain market power in the long distance market. Plainly, wireless is an effective constraint against efforts by any long distance competitor to drive its rivals out of the market and then recoup its foregone profits through inflated rates.

AT&T's principal argument is that wireless is not a constraint in households with more than one person, and that (for a multi-person household) one would need to compare the price of a wireline bundle with a (supposedly more expensive) wireless family plan. Neither of these assertions is correct.

With respect to the number of phones, there is no reason that every person in a household would require a wireless phone, any more than there is a need for an extension landline phone for every member of the family.⁶ Nor is AT&T's cost comparison persuasive. Wireless customers normally guard against excess minutes by making sure they purchase a calling plan with sufficient minutes to cover their anticipated usage. If their wireless usage increases considerably (as it certainly would if a BOC raised the price for wireline service, whether bundled or not), they could readily switch to a wireless plan including more minutes; usually hundreds of minutes of additional usage can be obtained for a relatively small incremental price. In reality, wireless calling is now *less expensive* than wireline calling: for a typical wireless bucket of 1000 minutes, the average rate per minute is 9-12 cents, compared to 10-15 cents for wireline calls including all fees and usage. KBRO, *supra*, at 10.

Finally, AT&T contends that wireless services do not constrain the BOCs' market power because (1) wireless carriers supposedly are dependent on ILEC facilities to expand their networks, and (2) the "two largest nationwide wireless carriers, Verizon Wireless and Cingular, both are BOC affiliates." AT&T Feb. 3 *ex parte* at 10. AT&T's first point is grossly overstated; wireless carriers have a choice of providers for special access-type links, and the Commission has found – in a decision endorsed by the D.C. Circuit – that there is sufficient competition for the BOCs' special access services to merit substantial deregulation. The second point fares no better. There are six nationwide wireless carriers, and the market is so competitive that no wireless carrier could afford to pull its competitive punches just because it is affiliated with a

⁶ Moreover, "docking stations" permit customers to "re-route[] incoming cellular calls so they ring on a landline telephone" and "allow[] you to make an outgoing cellular call from a standard landline extension phone." Mossberg, *supra*. Indeed, some of these devices even allow the customer to "eliminate landline service altogether, yet still have the convenience of extension phones throughout a home." *Id.*; see also KBRO, *supra*, at 12 ("the introduction of new docking stations that allow cell phones to ring wireline phones in customers' homes when there is an incoming cellular call is a disruptive technology that could worsen this trend [wireless substitution] for the Bells.").

BOC. This even more true today, now that wireless number portability enables customers to switch wireless carriers with ease.⁷

D. E-Mail and Instant Messaging Further Assure that the Long Distance Market Will Remain Robustly Competitive.

Internet-based services such as e-mail and instant messaging also compete directly against traditional landline long distance services. *See Sizing U.S. Consumer Telecom*, The Forrester Report, at 19 n.5 (2002) (“[a]lternate forms of communications, such as email and instant messaging, [r]educe long-distance minutes of use.”). The extent of this substitution is staggering:

Consumers in the U.S. are sending approximately 3.2 billion e-mail messages and approximately 1 billion IM messages per day. If only 10 percent of the 4.2 billion daily e-mail and instant messages substitute for a voice call, that is equivalent to about 750 billion minutes per year, or roughly one-third of all voice traffic that passes through ILEC networks. 2002 UNE Fact Report at I-10 (attached to Verizon’s comments in CC Docket No. 01-338, filed April 5, 2002).

The competitive effect of e-mail and IM extends to business customers as well. E-mail is ubiquitous in the business world, and it is routinely used as a substitute for both long distance and local calling. IM also is taking hold in the enterprise market; companies such as IBM, Oracle, Sun Microsystems, Microsoft, AOL, and Yahoo! are aggressively promoting the use of IM in business applications. *See, e.g.*, <http://enterprise.yahoo.com/products/msg> (stating that its enterprise IM product allows companies to “reduce ... phone and network costs”); Jim Hu, “Is Ma Microsoft Calling?,” http://news.com.com/2102-1037_3-1-16355.html?tag=ni_print (June 12, 2003) (new Microsoft enterprise IM produce “allows many different forms of real-time data exchange, such as [VOIP] voice calls, video conferences, and instant messaging to interact with one another” and listing similar products from IBM, Sun, Oracle, AOL, and Yahoo!).

E-commerce also substitutes for long distance communications. The ability of consumers to order products on line is replacing substantial portions of 800 traffic. *See AT&T Corp.*, Jefferies Telecom Services Group, at 2 (June 13, 2003). Similarly, the use of owned and third-party Internet-based reservation services (such as Orbitz and Travelocity) is causing a sharp decline in 800 usage by airlines and hotels

These non-traditional forms of competition further assure that no provider of long distance services could either drive out all existing competitors through predatory pricing, nor recover its foregone profits if it did so.

⁷ AT&T likewise argues that bundles offered by wireless carriers do not compete against bundles offered by wireline customers. Independent industry analysts disagree. For example, noted analyst Jeff Kagan, reacting to a new AT&T bundled service promotion, has observed that “AT&T needs to stand out from a host of other companies -- from telecom operators to cable and wireless providers -- which are all moving to offer integrated communications and network services. In the interim, consumers will find it hard to tell them apart.” *See* http://www.marketwatch.com/news/print_story.asp?print=1&guid={38864007-87CD-476F-A73E-66843FA4CDBA}&siteid=yahoo.

E. Inter-Modal Competition Directly Disciplines Rates and Precludes any Effort to Manipulate Pricing.

As the foregoing discussion makes clear, the long distance market is subject to intense intra-modal and inter-modal competition. To put this in concrete terms, one need only consider the variety of pricing options available to an individual customer. As one illustrative example, which is typical of other metropolitan areas, a customer in eastern Massachusetts can choose from numerous alternatives, seven of which are highlighted in the chart below:

	Verizon Freedom	RCN MegaPhone	Comcast Digital Phone Complete 300	Vonage Premium Unlimited	Cingular Preferred Nation 500 with Rollover	AT&T mLife National Next Generation	T-Mobile Get More (National)
Price per month	\$54.95	\$55.00	\$46.00	\$34.99	\$49.99 for 500 anytime and 5,000 night/week-end minutes	\$49.99 for 700 anytime minutes	\$39.99 for 600 anytime, and unlimited night/week-end minutes
Local	Yes – Unlimited	Yes – Unlimited	Yes- Unlimited	Yes – Unlimited	Yes	Yes	Yes
Local Toll	Yes – Unlimited	Yes- Unlimited	Yes – up to 6 hours, shared with LD	Yes – Unlimited	Yes	Yes	Yes
Long Distance	Yes – Unlimited	Yes – Unlimited	Yes – up to 6 hours, shared with local toll	Yes – Unlimited	Yes	Yes	Yes
Vertical Services	Yes (4 plus voicemail)	Yes (User chooses 4 out of 9)	Yes (12 plus voicemail)	Yes (6 plus voicemail)	Yes (4 plus voicemail)	Yes (6 plus voicemail)	Yes (4 plus voicemail and 50 incoming text messages)

II. ECONOMIC REALITIES AND REGULATION EFFECTIVELY CONSTRAIN ANY THEORETICAL ABILITY TO OBTAIN MARKET POWER IN THE PROVISION OF LONG DISTANCE SERVICES.

Given the robust competition in the provision of long distance services, there is no way that a BOC, or any competitor, could hope to gain market power in the provision of long distance services. Existing, non-structural regulation provides a further, albeit unnecessary, assurance that no BOC has either the incentive or the ability to engage in anticompetitive conduct.

The BOCs have no economic incentive to engage in predatory pricing because access charges are a real source of revenue. Setting aside for the moment the impossibility of driving out all the well-entrenched long distance competitors, a BOC would have no incentive even to attempt to achieve such a goal through predatory pricing. Even without any imputation requirement, access charges are a real source of revenue for the BOCs. Foregoing that revenue in pursuit of speculative monopoly profits in long distance at some undetermined point in the future would be wholly irrational. Quite simply, the presence of intra- and inter-modal competitors and the ability of firms rapidly to reenter the market and make use of in-place assets would prevent recoupment. And, even if all competitors were forced to exit and barred from re-entering, an ILEC still could not make itself whole because its rates undoubtedly would be re-regulated. *See also* Verizon Reply Comments, Appendix A (rebutting Dr. Selwyn's specific price squeeze claims).

For this reason, the Commission correctly has been skeptical of predatory pricing claims. The Commission has long recognized that predatory pricing and price squeezes are not serious threats in the long distance market. *See, e.g., LEC Classification Order*, ¶¶ 107 (“even if a BOC were able to allocate improperly the costs of its affiliate’s interLATA services, we conclude that it is unlikely that a BOC interLATA affiliate could engage successfully in predation”), 129 (“a price squeeze strategy would give a BOC interLATA affiliate the ability to raise price by restricting its own output only if it is able to drive competitors from the market,” which is “unlikely”). Indeed, as the Commission noted, the Supreme Court has observed that “predatory pricing schemes are rarely tried, and even more rarely successful.” *Id.* at n.293, quoting *Matsushita Elec. Ind. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 589 (1986). This is particularly so in an industry such as telecommunications, where “[m]uch industry investment consists of fixed assets” that will “remain available to a new entrant, even if existing long distance companies are driven from the market.” Carlton/Sider/Shampine Decl., ¶ 55.

Price cap regulation strongly deters cost-shifting. With intense competition in both the long distance and the local market, regulation is not necessary to guard against cost-shifting and predatory pricing. Nonetheless, even if there were no competition, price cap regulation would assure that the BOCs have no incentive to shift costs in an effort to engage in predation in the long distance market. *See LEC Classification Order*, ¶¶ 106 (price cap regulation “reduces the BOCs’ incentive to allocate improperly the costs of their affiliates’ interLATA services”), 126 (“price cap regulation of the BOCs’ access services sufficiently constrains a BOC’s ability to raise access prices to such an extent that the BOC affiliate would gain, upon entry or soon thereafter, the ability to raise prices of interLATA services above competitive levels.”). Indeed, since adoption of the *LEC Classification Order*, the deterrent effect of price cap regulation has become even stronger because the price cap scheme no longer includes a sharing requirement,

and implementation of the CALLS plan has dramatically reduced switched access charges. *See id.*, ¶ 126 (“[t]o the extent that access charges are reformed to more closely reflect economic cost ... the potential for a price squeeze should be further mitigated.”). The deterrence effect of price cap regulation, moreover, is equally strong regardless of whether an ILEC provides interLATA services through a separate affiliate: “if shifting costs from long distance to local operations does not enable firms to generate higher revenue through higher prices of regulated services, there is no incentive to do so,” whatever the corporate structure. Carlton/Sider/Shampine Decl., ¶ 64.

III. AT&T’S CLAIMS THAT THE BOCS CAN ENGAGE IN PREDATORY PRICING, NOTWITHSTANDING VIGOROUS COMPETITION AND PRICE CAP REGULATION, ARE COMPLETELY MERITLESS.

AT&T presses several make-weight arguments in an effort to establish that the BOCs could somehow drive out all existing sources of long distance competition and then recover their foregone revenues through monopoly pricing. We rebut those arguments below.

There is no separate bundled services market. AT&T has failed to establish that there is a separate bundled services market, and there is no reason to think that such a market exists. Standalone long distance services plainly provide the same functionality as long distance services included in service bundles, and therefore any effort to obtain market power in the provision of bundled long distance services would simply drive consumers to substitute standalone long distance.

Vigorous competition in the provision of bundled services precludes exclusionary conduct. Even aside from the fact that there is no separate bundled services market, there is no basis for finding that BOCs could gain market power in the provision of bundled services. As the table on page 11 shows, there is too much competition in the provision of service bundles from too many diverse rivals. While that table focuses on eastern Massachusetts, the same holds true virtually across the country, because each of the six nationwide wireless competitors bundles unlimited long distance with its wireless services, and all the major cable operators either already offer telephony or are now rolling it out. Representative bundles from cable competitors include Cox’s “Value Bundle” (which includes cable service, high-speed Internet, and telephony) and RCN’s “Essentials” package (also including cable, unlimited phone service, and high-speed Internet). *See* <http://www.rcn.com/essentials/index.php>, http://www.cox.com/Corp/FYH_CorpBase1.asp. Other examples of cable-company provided bundles are noted in the table on page 11 and in the discussion of cable telephony competition on pages 5-6, above. Moreover, also as noted above, many of these competitors assert that they have lower costs than Verizon and they price their bundles accordingly.

Because local/long distance bundles themselves are available from a multitude of sources other than the BOC, no BOC could profitably “institute a potentially large price increase” for the bundle. In particular, AT&T errs in suggesting that, because bundled service prices are “substantially less than the aggregate of the *a la carte* prices of [the bundle’s] various components,” a BOC could raise prices for the bundle without triggering *a la carte* substitution.⁸

⁸ AT&T offers no support for this assertion, however; the quoted language from the CIBC report merely explains why bundles can be used to maximize revenues and says nothing about the size of bundled service discounts.

Competition prevents such price increase and, as a practical matter, any carrier would be foolish to price bundles any lower than it had to in order to maximize revenues. Accordingly, there is no reason to believe that there is any room for a BOC significantly to raise prices for its bundles without losing demand to other providers' bundles or unbundled services. AT&T also has provided no basis for assuming the demand for bundles is inelastic, and any such claim would be untenable.⁹ Nor, contrary to AT&T's implication, is there any basis for concluding that the BOCs have selected a low initial rate for their bundles with the intent of raising it in order gain or exercise market power. The initial market price for bundles was set by the companies that first introduced service packages – the nationwide wireless providers – and is determined today by fierce competition. The BOCs' bundled services prices are competitive with those of other bundled service providers. Indeed, some service providers have priced their bundled service offerings far below those of the BOCs, as detailed above.¹⁰

Dr. Selwyn's claims of price squeezes are unsupported and untenable. AT&T claims that an "analysis" by Dr. Selwyn shows the BOCs already are engaging in price squeezes. As an initial matter, it is hard to credit arguments from AT&T about allegedly supra-competitive access rates when AT&T's own access rates are higher than Verizon's. See Motion to Dismiss, Answer, and Affirmative Defenses of Defendants Verizon Virginia Inc. *et al.*, Va. S.C.C. Case No. PUC-2003-00091, filed June 6, 2003 at 10-11 & n.21 (*citing* AT&T Tariff – S.C.C.-VA.-No. 10, Section 17, Original Page 24). In any event, Verizon already has demonstrated that Dr. Selwyn's analysis is fundamentally flawed. Even if his various assumptions were correct, that is not evidence of predation: "below-cost pricing for only one of multiple dimensions of service (e.g., intrastate long-distance calls in one state) does not imply that a firm is engaged in predation. Instead, predation requires first that prices be set at a sufficiently low level that rival firms are driven from the industry." Carlton/Sider/Shampine Reply Decl., ¶ 24; *see also id.* ¶¶ 19, 21. Put another way, one cannot make a persuasive price squeeze argument based on a showing (even if true) that an individual service does not cover its costs -- what matters is whether services overall cover aggregate costs. Finally, the "unlimited" calling plans of the interexchange carriers also include unlimited local toll calls with long distance at the same rates,

⁹ AT&T further asserts that Verizon does not offer an unlimited long distance plan to customers who do not subscribe to its all distance plan and does not "market or promote" the local portion of its all distance plans so that a customer would be able to call and order it. This is irrelevant. Verizon offers a wide variety of long distance and local pricing plans, both inside and outside of bundles. The "components" of a bundle are services – local or long distance, for example – not particular pricing options. AT&T also contends that some carriers do not include call detail in their bundled service bills and that the lack of such detail "further differentiates bundled from *a la carte* services." Even if AT&T's premise is correct, there is no marketplace impact if a carrier does not include call detail. The content and price of service bundles are competitively determined, and their popularity confirms that consumers value them and are fully capable of deciding whether they are better off with a bundled or a standalone long distance pricing plan.

¹⁰ AT&T further asserts that, under Bolton's theory of "reputation effect predation," a predation strategy can be funded by shifting profits from competitive services to "monopoly segments" of a firm, and that predation can deter entry by harming competitor's access to capital. The plain truth, once again, is that the BOCs have no incentive or ability to engage in cost misallocations, let alone that they have done so. They cannot raise local rates, which are heavily regulated and disciplined by competition; they cannot foist excessive costs on competitors through UNE rates, which are egregiously non-compensatory, and through access charges, which have been reduced dramatically in recent years; and they cannot either drive competitors from the market or keep others from entering.

despite the fact that access charges differ for different types of calls and may provide little or no margin for some calls. A comparison of those rates to individual calls says nothing about the overall profitability of the package.

IXCs are not dependent on BOC access services in order to offer local/long distance bundles. There is also no basis for AT&T's claim that it is dependent on the BOCs for access to local services and thus faces discrimination, price squeezes, and cost misallocation that supposedly has been demonstrated in various proceedings. First, what AT&T characterizes as harm is simply competition – both from the BOCs and other providers – and AT&T already is protected from discrimination and price squeezes by regulation in any event, even though competition is so intense that regulation is at best superfluous and, in reality, is harmful. AT&T and other long distance carriers are only “dependent” on the BOCs for access to local services to the extent they have chosen not to invest in their own facilities. In addition, AT&T's recent announcement that it will aggressively deploy VOIP over a variety of broadband platforms undermines its argument here. *See* AT&T News Release, “AT&T Unveils Major Voice over Internet Initiative: Will Expand Business and Launch Consumer Offers in 2004 (Dec. 11, 2003), <http://www.att.com/news/item/0,1847,12627,00.html> (“Unlike many of our competitors, who are constrained by geographic reach or broadband access technologies, our voice over IP offer will be available in cities across America to customers with different kinds of broadband access.”).

To the extent that AT&T offers a VOIP service that originates and terminates on a broadband connection, whether cable modem or DSL, it can avoid BOC access charges. Of course, AT&T also could strike a commercial agreement with a cable company, as MCI and Sprint have done with Time Warner, or with a wireless carrier. But AT&T has no basis to impose intrusive regulatory barriers on the BOCs just because it sold its wireless and cable businesses.¹¹

AT&T ignores advantages enjoyed by non-ILEC providers of local/long distance bundles. While AT&T makes much of the ILECs' supposed advantages in offering local/long distance bundles, it is silent regarding the considerable advantages enjoyed by non-ILECs. For example, AT&T nowhere acknowledges the benefits inherent in not having to act as the carrier of last resort, not having to price services in accordance with government mandates rather than marketplace imperatives, not having to offer competitors cut-rate access to network capabilities, and not having to comply with the multitude of burdensome federal and state regulations under which ILECs labor. AT&T also ignores the fact that it and other CLECs often “are aided by the introduction of new technologies and leaner cost structures that *allow them to have pricing power versus the RBOCs.*” KBRO, *Verizon Communications, Inc.*, July 14, 2003, at 8 (emphasis added).¹² In addition, wireless carriers offer customers mobility, cable companies have existing

¹¹ In any event, the record in this proceeding and the Section 272 Sunset docket hardly reveals discrimination and price squeezes. AT&T has made such allegations, but Verizon has demonstrated convincingly that they are unsubstantiated. *See, e.g.*, Appendix A to Verizon's Reply Comments (“Rebuttal of Specific Claims of Anticompetitive Behavior”).

¹² AT&T further claims that wireless carriers have limited capability to add local and long distance to their wireless offerings in order to create competitive bundles. This ignores the fact that the wireless service itself *is* the local/long distance bundle. Unlike the BOCs, which need to package in a separate mobility offering, wireless carriers do not need to package in separate landline local and long distance offerings. For this same reason, there is no merit to

broadband capable networks and dominant video positions, and e-mail and instant messaging do not have infrastructure costs.

AT&T improperly belittles imputation requirements as a safeguard against predatory pricing. As Verizon explained above, ILECs have no incentive or ability to create price squeezes and engage in predatory pricing of long distance services because they could never hope to drive out competitors (or to recover foregone profits even if they did), and because access is a real expense for the BOCs (as well as a real source of revenue), not simply a transfer from one pocket to another. AT&T's claim that imputation requirements fail to prevent exclusionary conduct thus entirely misses the point: there is no need for any regulatory cost accounting for either rate-setting or market protection; such requirement impede rather than advance competition. And, in any event, AT&T's principal criticism of imputation requirements – that they apply only to access expenses, not to other elements of providing service, is nonsensical. Access is the only aspect of providing long distance service that applies equally to both affiliated and non-affiliated carriers. Congress recognized this when it applied imputation requirements only to access in Section 272(e)(3). All other costs are subject to each competitor's individual control. Other expenses referenced by AT&T (such as retailing costs) are unrelated to use of the BOCs' local facilities and may well be lower for other providers, who may pay lower wages and benefits than the BOCs and who may have newer back-office systems.

The re-evaluation of state price cap plans does not invite misallocation of costs. Finally, AT&T contends that "re-evaluation of state price cap plans is common," supposedly raising the potential for BOCs to misallocate costs in an effort to conceal potentially excessive earnings and secure rate adjustments. AT&T further alleges that low reported intrastate rates of return confirm "the likely effectiveness of their cost-shifting efforts," that the states have permitted this to happen by setting productivity factors lower than the 6.5 percent adopted by the FCC, and that BOCs can simultaneously engage in predation while raising competitors' costs for UNEs and access services. This is undistilled nonsense.¹³

Contrary to AT&T's Alice-in-Wonderland view of the world, the BOCs' low intrastate rates of return confirm that the states closely regulate the BOCs' intrastate rates. AT&T would

(Continued . . .)

AT&T's assertion that BOCs are not providing local, long distance, and wireless bundles out of region and are unlikely to do so. All-distance wireless calling plans *are* local/long distance/wireless bundles, and Verizon Wireless offers such plans in every state except Alaska, whether or not it has an ILEC presence. In-region, Verizon includes wireless services in its bundles because doing so reduces overall marketing costs and helps control churn. There is no imperative to do the same out-of-region.

¹³ AT&T claims that all-distance bundles evade price cap regulation because they are not subject to price cap regulation in many states. As explained above, however, marketplace discipline prevents any competitor from unilaterally raising the rates for its bundled service offerings. There is no need for rate regulation under these circumstances. Second, any local service component of the bundle for which a BOC even arguably might retain market power will be subject to price regulation. This provides a further check against efforts to raise rates for bundled services. Third, regardless of whether bundled service packages are subject to price caps, a BOC still must impute access charges under Section 272(e). Accordingly, as explained above, a BOC would not rationally reduce its bundled service price below cost, because it would forego access charge revenues with no prospect of ever recovering them.

have the Commission believe that the BOCs have managed to fool each and every state into believing that their costs of providing intrastate services are far higher than they actually are. This is an insult to the intelligence and capabilities of the states as well as the Commission.¹⁴

Moreover, as plans have come up for review, Verizon has continued to advocate moves away from basing prices on arbitrary, regulatorily-defined costs. Indeed, none of the Verizon states that AT&T claims have reviewed or are currently reviewing their price cap plans has even considered Verizon's return:

- The New Jersey price cap proceeding (Plan for Alternative Regulation 2, or "PAR-2") did not involve the examination of costs. In fact, in the regulatory regime adopted by the Board of Public Utilities, allocation of costs is of no consequence because of price caps and because there is no sharing of revenues (as there was under PAR-1). The Board actually abolished reliance upon the previous cost allocation methodology, precisely because it served no function under the new regulatory scheme. *In the matter of the Application of Verizon New Jersey Inc. for Approval (i) of a New Plan for an Alternative Form of Regulation and (ii) to Reclassify Multi-line Rate Regulated Services as Competitive Services, and Compliance Filing*, N.J. Bd. of Pub. Util. Dkt. No. TO01020095, Order of Aug. 19, 2003, at 84.
- In Massachusetts, the Department of Telecommunications and Energy (DTE) concluded a proceeding to consider the form of regulation that should apply to Verizon following expiration of the standard price cap regime. In that review, the DTE did not examine earnings or conduct any cost of service analysis. Indeed, the DTE explained at length that a cost of service analysis would be inherently arbitrary and meaningless. *Investigation by the Department of Telecommunications and Energy on its own Motion into the Appropriate Regulatory Plan to succeed Price Cap Regulation for Verizon New England, Inc. d/b/a/ Verizon Massachusetts' intrastate retail telecommunications services in the Commonwealth of Massachusetts*, D.T.E. 01-31 Phase II, April 11, 2003, at 68-72.
- In Maryland, there is a pending proceeding to reexamine the Public Service Commission's price cap plan for Verizon, but none of the PSC's proposals involves a reexamination or any other analysis of Verizon's costs. Case No. 8918, *In the matter of the Review of Verizon Maryland Inc.'s Price Cap Regulatory Plan*.

* * *

For all of these reasons, AT&T is wrong in claiming that BOCs enjoy a substantial cost advantage over interexchange carriers in offering service bundles. And, in any event, there are a multitude of competitors – cable companies, wireless companies, and new VOIP providers –

¹⁴ AT&T's argument that the productivity factors adopted in many states allow excessive rates is ridiculous. The Commission's productivity calculation has been rejected as arbitrary and capricious. *USTA v. FCC*, 188 F.3d 521, 525 (D.C. Cir. 1999). It is thus not surprising that states chose, based on the records before them, to adopt different numbers in the context of their own plans.

who do not pay access charges to the BOCs. Thus, the BOCs have no ability to use access charges to impair long distance competition.

IV. AT&T'S REMAINING ARGUMENTS ARE NOT EVEN REMOTELY PLAUSIBLE.

In what can only be viewed as grasping at straws, AT&T makes a shotgun blast of other arguments supposedly showing that the BOCs have manifold ways of monopolizing the long distance market. None of these arguments can withstand even superficial scrutiny.

The BOCs gain no advantage from the national do-not-call list. There is no basis to AT&T's unsupported claim that the national Do-Not-Call registry somehow favors the BOCs, and there is certainly no basis to AT&T's implication that the list would enable the BOCs to gain market power. In fact, notwithstanding its statements to the Commission, AT&T elsewhere has downplayed concerns that the list would adversely affect its marketing: "We're not worried," said spokesman Bob Nersesian. "Anyone who is a good marketer will have a variety of ways to reach customers." Andrea Walker, "'No-call' Backed by Bush and FCC," *The Baltimore Sun*, Sept. 30, 2003, 2003 WL 64867370. AT&T's spokesman also said that AT&T "make[s] hundreds of millions of calls a year and we're very confident that even with the do-not-call list, we'll continue to reach our customers." See Caroline Mayer, "Door to Door and More," *Washington Post*, Aug. 1, 2003, 2003 WL 61568823. In any event, there is no reason to think that the registry will confer on BOCs an undue marketing advantage. AT&T is a national competitor that is free to market to all of its millions of customers. The same holds true for many other CLECs, wireless carriers, and cable MSOs.

Customers fully appreciate that they have competitive choices for local service. AT&T asserts that the reference to a BOC in a Postal Service relocation flyer "indicates that CLECs have had little success in modifying consumer perceptions as to who provides local telephone service." This is absurd, considering that CLECs have captured more than 15 million mass market customers, cable telephony providers have more than 3 million customers – and have gained 30-40 percent of the market where they offer telephony – and billions of local calling minutes now go over wireless networks, instant messaging, and e-mail rather than the ILECs' networks. It is also irreconcilable with the December 11, 2003 statement of AT&T's CEO, David Dorman, that AT&T has "the most trusted and proven name in voice services." AT&T News Release, "AT&T Unveils Major Voice over Internet Initiative: Will Expand Business and Launch Consumer Offers in 2004," <http://www.att.com/news/item/0,1847,12627,00.html>.

The BOCs properly allocate joint marketing costs. AT&T claims that BOCs (both currently and after sunset of the separate affiliate requirement) can provide interLATA service at a lower incremental cost than competitors because (1) they allocate "the vast majority of joint costs" to their local operations, (2) they can charge their long distance operations only the incremental costs of joint billing (and supposedly might not allocate any costs once the § 272(b)(5) disclosure obligation sunsets), and (3) allocated joint marketing costs do not include "the value of the customer contact" that derives from the BOC's purported "first mover"

advantage” gained from their local customer base.¹⁵ The short, and complete, answer to AT&T’s allegations is that the BOCs have been complying with all applicable cost allocation requirements, as the Commission is well aware. The Commission’s Rules currently require the BOCs to allocate costs to their interLATA operations based on fully distributed – not incremental – costing principles.¹⁶

The BOCs’ customer base gives them no unique advantage. AT&T maintains that BOCs have a greater ability to sell bundles because, as the purportedly dominant local exchange carriers in their territories, they have an existing relationship with most customers and can use customer-initiated contacts to sell long distance services and bundles. Such joint marketing, of course, is expressly permitted by Section 272(g) of the Act; Congress recognized that joint marketing creates significant consumer benefits. Contrary to AT&T’s implication, however, joint marketing does not avoid the need for Verizon to conduct “extensive and expensive advertising campaigns.” In addition, AT&T (as well as MCI and Sprint) undoubtedly reaps significant economies of scale with respect to advertising, given its national customer base. *See also* Carlton/Sider/Shampine Reply Decl., ¶ 44 (successful joint marketing is a “pro-competitive efficiency”). And the BOCs are hardly alone in having large customer bases; AT&T, MCI, and Sprint have tens of millions of customers nationwide, as do cable companies and wireless providers. Even aside from these considerations, AT&T’s protestations lack credibility given the rapid growth of its own bundled service offerings.

The BOCs’ rapid loss of intraLATA toll market share shows that they cannot exercise market power. AT&T states that the BOC LD affiliate’s intraLATA share will never exceed its interLATA share because customers would not specify the LD affiliate as the intraLATA PIC while selecting a nonaffiliated IXC for interLATA service. The significance of this argument is not readily apparent, since it has no bearing on whether the BOCs could gain market power in the long distance market. The distinction between intraLATA toll and interLATA toll is artificial, as is shown by AT&T’s own all-distance pricing plans. The relevant fact is that ILECs lost as much intraLATA toll market share in the five years following the 1996 Act as AT&T lost in the almost 20 years following divestiture, compellingly demonstrating that they have no ability to leverage with or without structural separation of their long distance offerings.

¹⁵ This third complaint has nothing to do with non-compliance with any cost allocation requirements and everything to do with AT&T’s disagreement with the fact that Congress permitted the BOCs to joint market interLATA services on an exclusive basis.

¹⁶ AT&T acknowledges that cost allocation requirements are unnecessary in a competitive industry, but claims that the BOCs remain dominant in the local market and thus can shift costs. As explained in the text, this view of the world is untenable. There is no evidence that the BOCs have any ability or incentive to shift costs, access charges have been driven down by competition and CALLS, and the states’ implementation of TELRIC pricing has allowed competitors to use the ILECs’ networks without paying for even half of the costs of providing such access. In reality, there is more than enough competition in the provision of both bundled services and standalone local and long distance services to do away with cost allocation requirements altogether – and, indeed, to eliminate or sharply scale back retail rate regulation as well. Discontinuation of these requirements, moreover, would reduce significant, unwarranted costs and thus directly benefit consumers through lower prices for the whole range of communications services.

V. CONCLUSION

The Commission must not be swayed by AT&T's Chicken Little act. Regardless how often and how vigorously AT&T repeats the same empty, tired claims, the gap between its rhetoric and marketplace reality has never been wider. The BOCs are and will remain non-dominant in the provision of long distance services, and the Commission should officially state that conclusion as rapidly as possible.

UBS Warburg Media Conference

December 11, 2003

James Dolan

President & CEO

Safe Harbor Disclosure

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Cablevision defines adjusted operating cash flow as operating income (loss) before depreciation and amortization, excluding charges or credits related to its employee stock plan, including those related to the vesting of restricted shares, variable stock options and stock appreciation rights, and restructuring charges or credits. The company believes that the exclusion of such amounts allows investors to better track the performance of the various operating units of our business without regard to the distortive effects of a fluctuating stock price (in the case of variable stock options and stock appreciation rights expense) or, in the case of restricted shares, the settlement of an obligation that will not be made in cash.

"Adjusted operating cash flow" is presented as a measure of the company's ability to service its debt and make continuing investments, including in our capital infrastructure. The company believes adjusted operating cash flow is an appropriate measure for evaluating the operating performance of its business segments and the company on a consolidated basis. Adjusted operating cash flow and similar measures with other titles is a common performance measure used by investors, analysts and peers to compare performance in our industry. Internally, the company uses revenue and adjusted operating cash flow measures as the most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators. Adjusted operating cash flow should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows, and other measures of performance presented in accordance with generally accepted accounting principles ("GAAP"). Since adjusted operating cash flow is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with other titles used by other companies. Please refer to the company's third quarter 2003 earnings press release for a reconciliation to the comparable GAAP measures.

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- Achieving Free Cash Flow

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- HD Focused DBS Business Plan
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- Adequately Capitalized
- More Speculative

Asset Realignment

CVC



Regional Focus

NewCo



National Focus

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Unlocks Value for Shareholders

Cablevision's Pure Play Opportunity

- **Unique Combination of Regional Programming and Distribution Assets in #1 DMA**
- **Best Network in Most Demographically Attractive and Densely Clustered Market**
- **Delivering on Traditional and Advanced Products and Services**
- **Strong Execution by Seasoned Operating Management**
- **Simplified Capital and Business Structure**

Delivering on Cablevision's Business Objectives

- ✓ **Delivering on Digital Platform Opportunities**
 - 1 Million + HSD Customers
 - 750,000+ Digital Video Customers
 - VoIP Launched
- ✓ **On Plan to Achieve Free Cash in 4Q04**
- ✓ **Strengthened Balance Sheet & Improved Liquidity**

Fox Sports Net Partnership Extended

Repurchased MGM's 20% interest in AMC, IFC, WE

Spin-Off Plan Finalized

Dec 2002

Dec 2003

Bravo Sold \$1.25B

THE WIZ Sold

Northcoast Sold \$750MM

Delivering on the Digital Promise

Digital

High Speed Data

VoIP

100%

HDTV

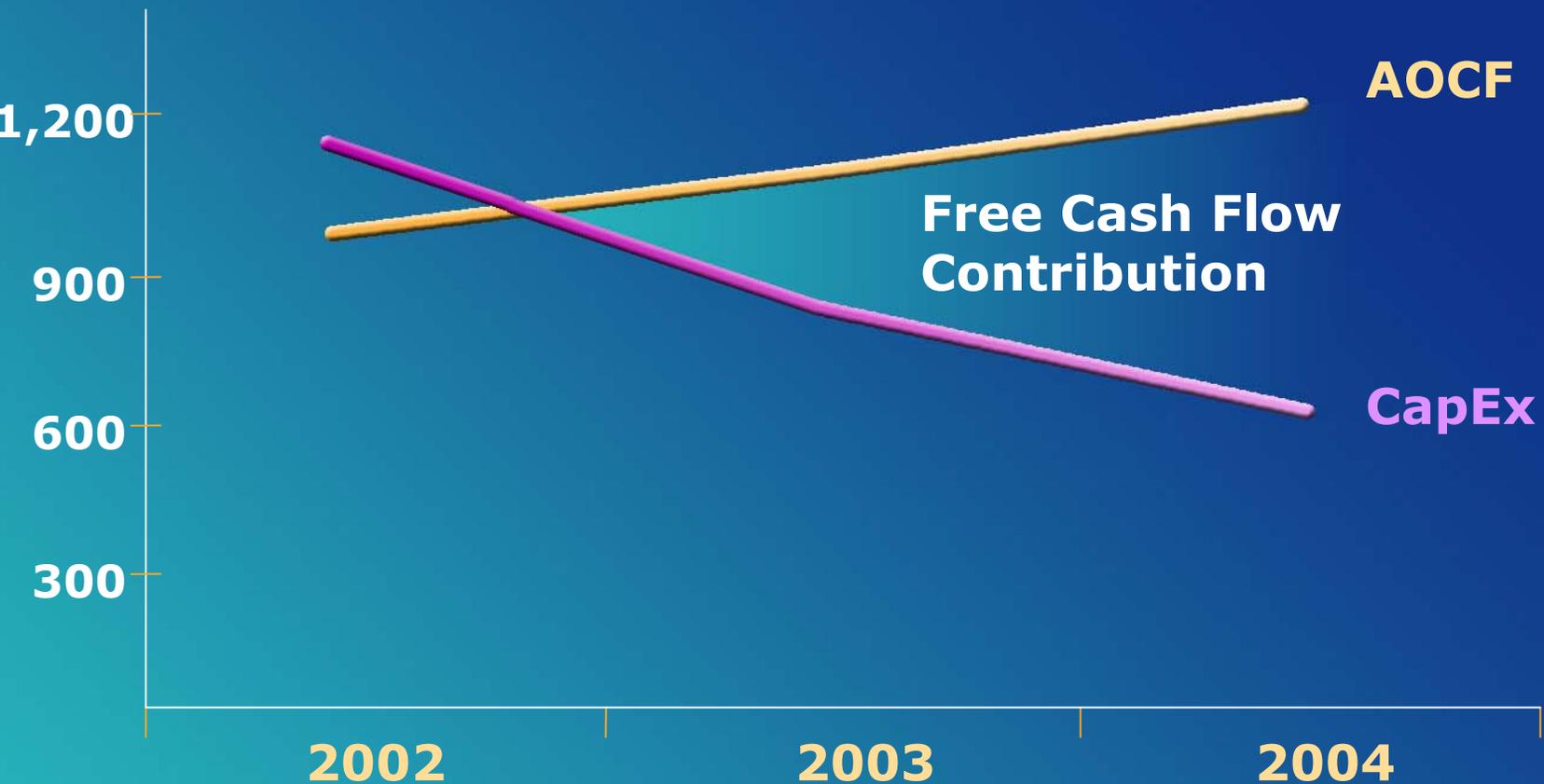
VOD

SVOD

IMAX VOD

2004 System Free Cash Flow From Operations

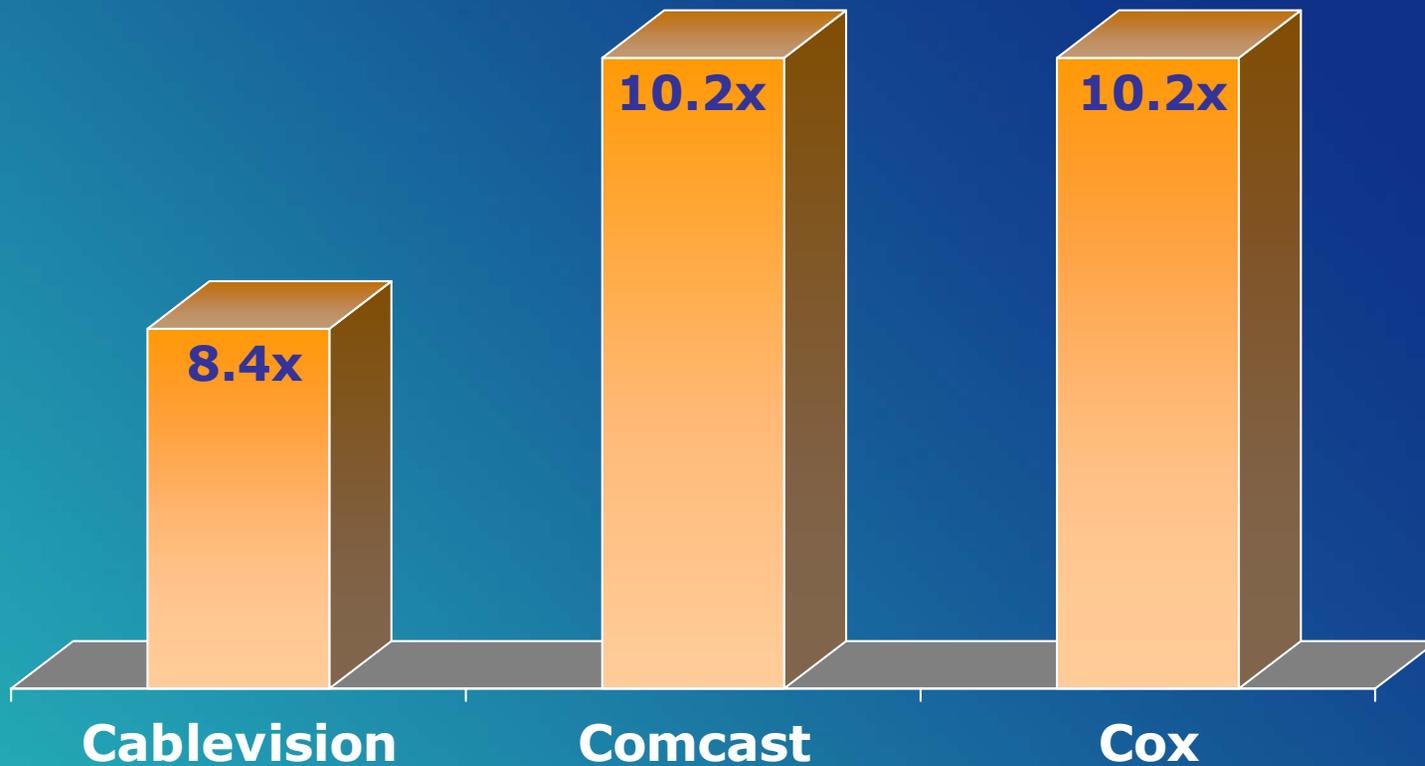
TELECOM



AOCF - Adjusted Operating Cash Flow
\$ in Millions

Closing the Valuation Gap

EV/2004E EBITDA



Source: UBS Estimates as of December 5, 2003

Growth Drivers – 2004 and Beyond

- **CVC At the Early Stages of Capitalizing on its Advantages:**
 - Inherent in our Market
 - Afforded by our Network
- **CVC's Future**
 - Strong Revenue & Cash Flow Growth Through New Product Deployments
 - Free Cash Flow Leading to Lower Leverage

Tom Rutledge

President, Cable and Communications

2003 Operating Strategy

- **Complete Network Upgrade**
- **Simplify the Business**
- **Gain Operating Efficiencies**
- **Accelerate New Product Deployments**
 - Digital Video
 - HSD
 - VoIP

3Q03 RGU's

- **Strong Customer Growth Continues**
 - 4.7 Million RGU's Up 26% Year over Year
 - Digital Subs Up 158,000 to 755,000
 - HSD Subs Up 64,000 to 985,000
 - VoIP Subs - 5,000
 - Basic Cable Subs Down 8,900 in NYC

December Update

- **Entire 40,000 Miles of Network Plant & 4.4 Million Homes Upgraded to 750/860MHz**
- **High Speed Data** 
 - More than 1,025,000 HSD Customers
 - Achieved Year End Guidance
- **Digital Video** 
 - Will Exceed Guidance of 900,000 Digital Customers by Year End
 - 30% Penetration of Video

Consumer RPS Trend

Monthly Revenue
Per Subscriber



Consumer EBITDA Trend

EBITDA Per Subscriber
Per Year

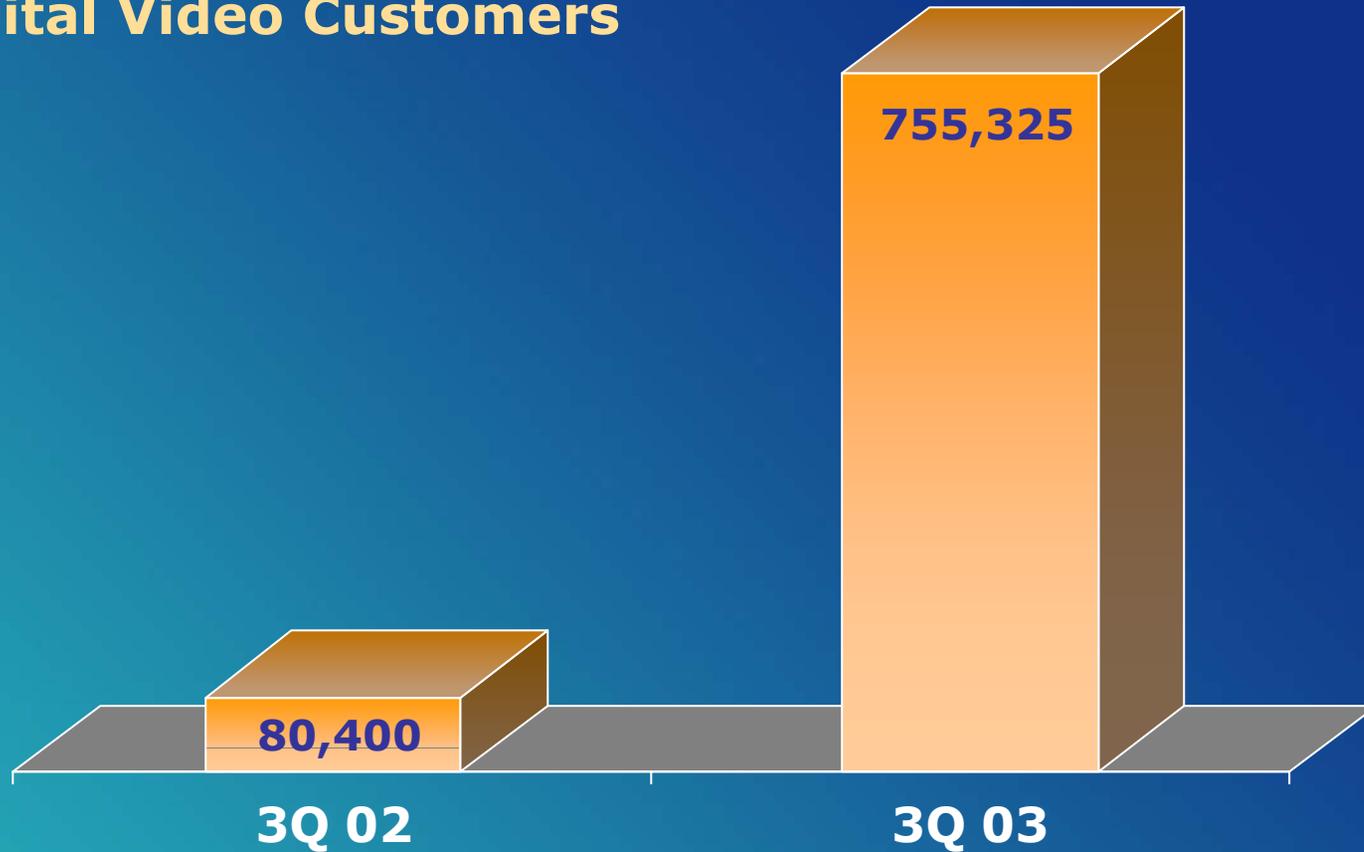


Digital Video



Strong Digital Growth Continues

Digital Video Customers



Competitive Positioning

	Cablevision Digital Offering		Total Choice Premier	America's Everything Pak
	iO Silver	iO Gold		
Price	\$ 65	\$ 85	\$ 88	\$ 80
Channels	190	213	209	216
Multiplexes	24	48	29	38
Music Channels	45	45	36	52
VOD	1,040 titles including MagRack		-	-
PPV	-		70 titles	50+ titles

Total Choice Premier + Locals - DirecTV (Hughes)

America's Everything + Locals - DISH (EchoStar)

iO Offerings

HDTV – 11 Channels

- HBO, Showtime, MSG Network, Fox Sports Net New York
- 3Q Additions – CBS, Fox, PBS
- 4Q Additions – TMC, Max, Starz and InHD
- Video On Demand
 - 10 HDTV and IMAX Films

SVOD

- HBO
- Cinemax
- Playboy
- IFC Unsensored
- Showtime
- Disney
- Anime

Digital Video

- iO Espanol
- 25 International Networks

Targeting Specific Demographics

- **Digital Video**

- iO Espanol

- 30 Spanish-Language Networks
 - Spanish-Language VOD – 20 Hours of Programming

- 25 International Networks

- Indian/Asian 4 Networks
 - Korean 2 Networks
 - Japanese 1 Network
 - Russian 4 Networks
 - Portuguese 1 Network
 - German 1 Network
 - Italian 1 Network
 - Polish 1 Network
 - Chinese 3 Network

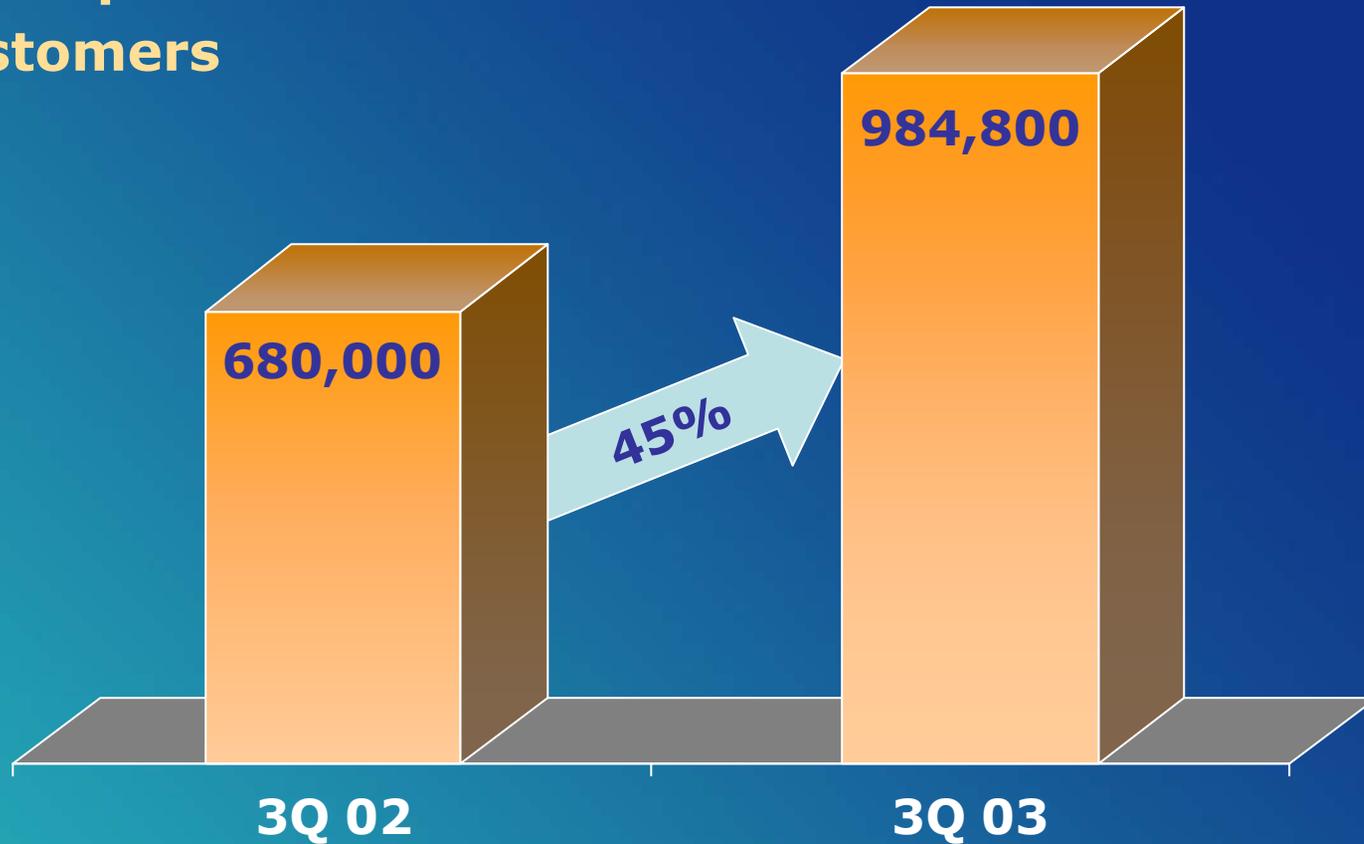


High Speed Data Update

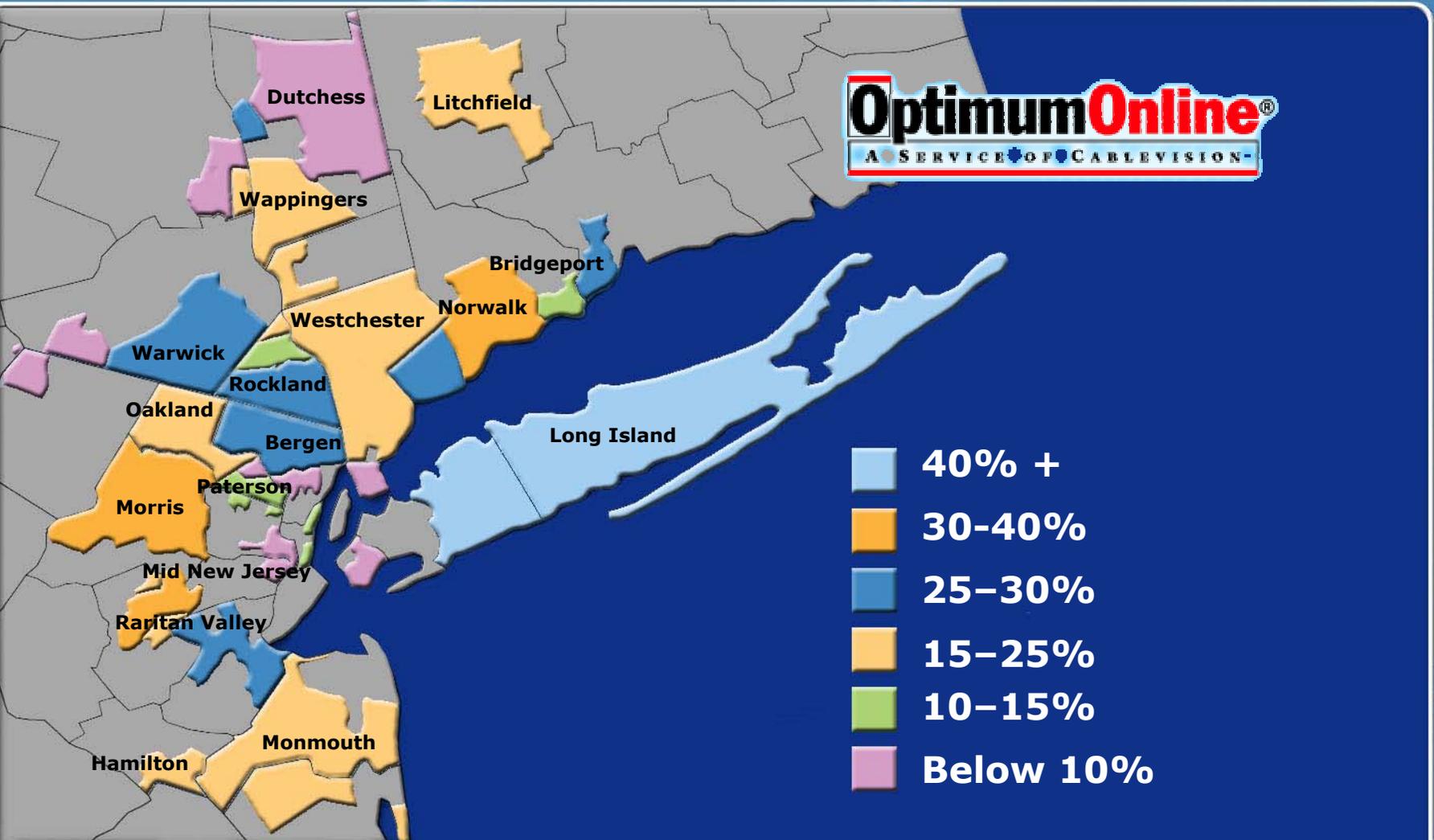
- **August 1st New Offer**
 - \$29.95 Per Month for 6 Months w/Self Install
- **3Q03 Best Sales Quarter in OOL History**
- **Low Churn Rate**
- **Highly Satisfied Customer Base**

Strong HSD Growth Continues

High Speed Data Customers

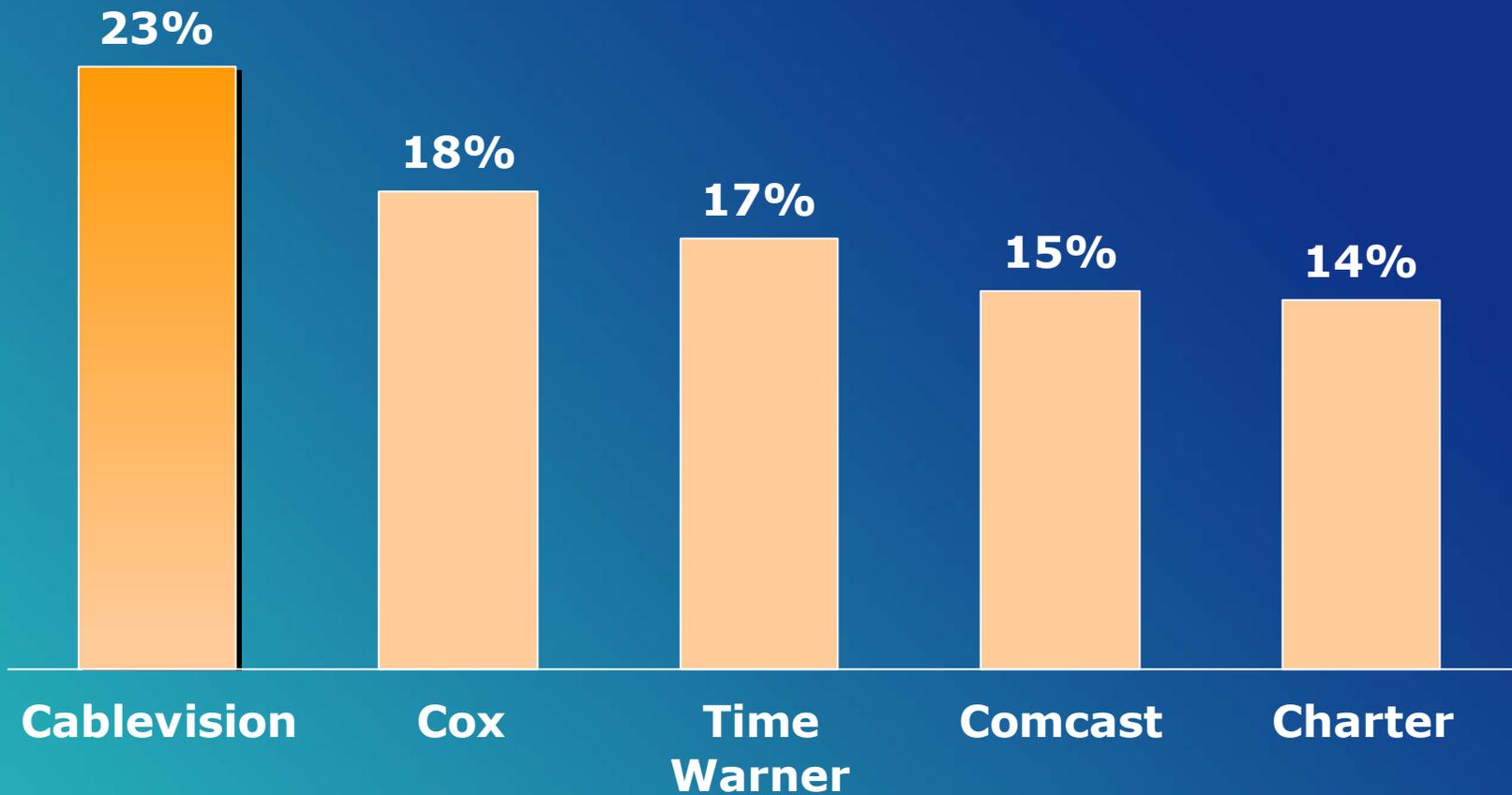


HSD – Penetration by Region



* As of 11/30/03

Highest HSD Penetration in Industry



Source: Company reports 3Q03 results

Retail Distribution

- **Selling at Best Buy and Circuit City**
 - Optimum Online and iO Digital Service
 - Offered Throughout NY Metro Area
- **Dell and Gateway**

OptimumVoiceSM
A SERVICE OF CABLEVISION

Strategy

- **Create an IP Voice Application that when Used in Conjunction with HSD is Superior and Differentiated from RBOC's Services**
- **Strengthen Price/Value Relationship of HSD & Voice with Customer**
- **Enhance Customer Satisfaction**
- **Leverage Success of Optimum Online**
 - >1,000,000 OOL Subs
 - Penetration Rate Nearing 25% - Highest in the Industry
- **Leverage Expertise from Lightpath & Residential Switched Service**

Premier Network

Why is CVC Able to Offer VoIP?

- Only 395 Homes Per Node (average)
- Never more than 500 Homes Per Node
- 100% of Network Built to 750/860 MHz by Year-End
- State-of-the-Art Network Operations Center
 - Enables 24/7 Digital Network Monitoring

Premier Market

- **New York Area, One of the Best Consumer Markets in U.S.**
- **High Appetite for Entertainment, Information and Communication Services**

	<u>NYMA</u>	<u>U.S.</u>
2002 Median HH Income	\$64,738	\$47,065
HH Income of \$75k+	41%	27%
Home Value of \$300k+	38%	12%

* Source: Claritas Compass System; 2000 Census

Optimum Voice

- **A Voice Product Exclusively for Optimum Online HSD Customers**
- **Siemens Soft-Switch Deployed in 3Q03**
 - 100,000 Lines Purchased
 - Scalable and Interoperable as Demand Requires
- **Launched September 2003**
- **Runs on Same 6 MHz Channel as Optimum Online**

Now Available Throughout Entire Footprint

Optimum Voice Offer

- **Flat Rate of \$34.95 Per Month**
- **Unlimited Local, Regional and Long Distance Calling (Including Canada)**
- **No Hidden Charges or Add-On Fees**
- **Five Custom Calling Features Included at Launch:**
 - Caller ID
 - Call Return (*69)
 - Three-Way Calling
 - Call Waiting
 - Call Forwarding
- **Free Professional Installation**

Features to Come in 2004

- **Number Porting (Optional)**
- **Enhanced Voice Mail**
- **Advanced Operator Assist/Directory Assist, Directory Listing**
- **Whole House Wiring Available**
- **Customer Portal w/ Call Detail**
- **Wireless Phone System**
- **Voice Over Instant Messaging**
- **Joint OOL/OV Self-Install with Web-Purchase/ Direct Ship**
- **Credit Card Billing (E-Bill)**
- **Conference Calling**

Optimum Online and Optimum Voice

	OV + OOL	Variations Freedom + DSL
Monthly ResTel Price	\$34.95	\$59.95
Monthly HSD Price	\$44.95	\$29.95
Total Monthly Cost	\$79.90	\$89.90
HSD Speed (down/up)	3 Mbps/1 Mbps	1.5 Mbps/128 Kbps
Unlimited Local, Regional & Long Distance	✓	✓
5 Calling Features	✓	✓
	<ul style="list-style-type: none"> - Call Waiting - 3-Way Calling - Caller ID - Call Return - Call Forward 	<ul style="list-style-type: none"> - Call Waiting - 3-Way Calling - Caller ID - Speed Dial - Voice Mail

Cablevision Customers will Save at least \$10 Per Month / \$120 Per Year VS. Variations Freedom +DSL, the Most Comparable Verizon Service Bundle

Incremental Capital Costs

Modem Cost (Incremental) = \$50

Price per Port on Soft Switch = \$50

Truck Roll = \$50

Total Incremental Capital Cost \$150

Estimated Return on Investment

Revenue Per Month	=	\$35
Estimated Margin	=	40%-45%
Monthly Cash Flow	=	\$15
Payback Period	=	10 Months

Looking Ahead

- **Focus will be on Marketing and Enhancing Customer Service**
- **Highlight Digital Services that Competitors Cannot Replicate**
- **Introduce More Bandwidth Intensive Applications to Further Differentiate Our Services**
- **Focus on Customer Retention Helped by Bundling Services**



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Caution Concerning Forward-Looking Statements and Non-GAAP Financial Measures

Today's presentation includes forward looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995; particularly statements regarding future financial and operating results of the Company and its businesses. These statements are based on management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances.

Actual results may vary materially from those expressed or implied by the statements, due to changes in economic, business, competitive, technological, strategic or regulatory factors, and factors affecting the operations of the businesses of Time Warner.

More detailed information about these factors may be found in filings by Time Warner with the SEC, especially its most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q in the section entitled "Risk Factors and Caution Concerning Forward-Looking Statements." Time Warner is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Today's presentation also includes information regarding the historical financial performance through September 30, 2003 of Time Warner and its reporting segments and its expectations regarding future performance, including historical financial performance as reflected in non-GAAP financial measures such as Operating Income before Depreciation and Amortization, Adjusted Operating Income before Depreciation and Amortization and Free Cash Flow. Please note that schedules setting out the reconciliation of these historical non-GAAP financial measures to operating income and cash provided by operating activities are included in the trending schedules posted on the Company's website at www.timewarner.com/investors and also are included in the Company's earnings release for the quarter ended September 30, 2003, which also can be accessed from the Company's website. A reconciliation of the expected future financial performance is included in a press release issued on October 22, 2003, which also can be accessed from the Company's website, as well as in the trending schedules posted on the Company's website.



UBS Media Week Conference

Glenn Britt

Chairman & CEO

December 11, 2003



Today's Presentation

- Company Profile
- Financial Snapshot
- Three Lines of Business: Video, Data and Digital Phone
- Q & A

Key Take-Aways

- Leader in deploying new services
- Accelerating OIBDA growth in 2004
- Free cash flow positive and growing

Highly Advanced and Clustered Systems



Highly Advanced and Clustered Systems

- **2nd largest MSO**
 - 18.8 million homes passed
 - 10.9 million basic video subs
- **Fully upgraded fiber backbone**
 - 97% of passings at 750 MHz or above
- **Clustering drives economies of scale**
 - 75% of subscribers in >300,000 sub clusters
 - Attractive advertising platform
- **Rollout of new products and services**

Note: Managed operations



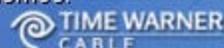
Leader in New Products & Services

As of September 2003

<u>Video</u>	<u>Subs*</u>	<u>Penetration**</u>	<u>Y/Y Sub Growth</u>
Digital	4,213,000	38.6%	22.1%
Subscription Video-On-Demand	750,000	17.8%	NM
Digital Video Recorders	251,000	6.0%	NM
High Definition TV	157,000	3.7%	528%
<u>High Speed Data</u>			
Residential	3,046,000	16.5%	41.3%
Commercial	115,000	N/A	72.0%

*Managed operations

**Penetration: digital to basic subscribers; SVOD, DVR and HDTV to digital subscribers; and Residential HSD to HSD-ready homes.



Financial Snapshot

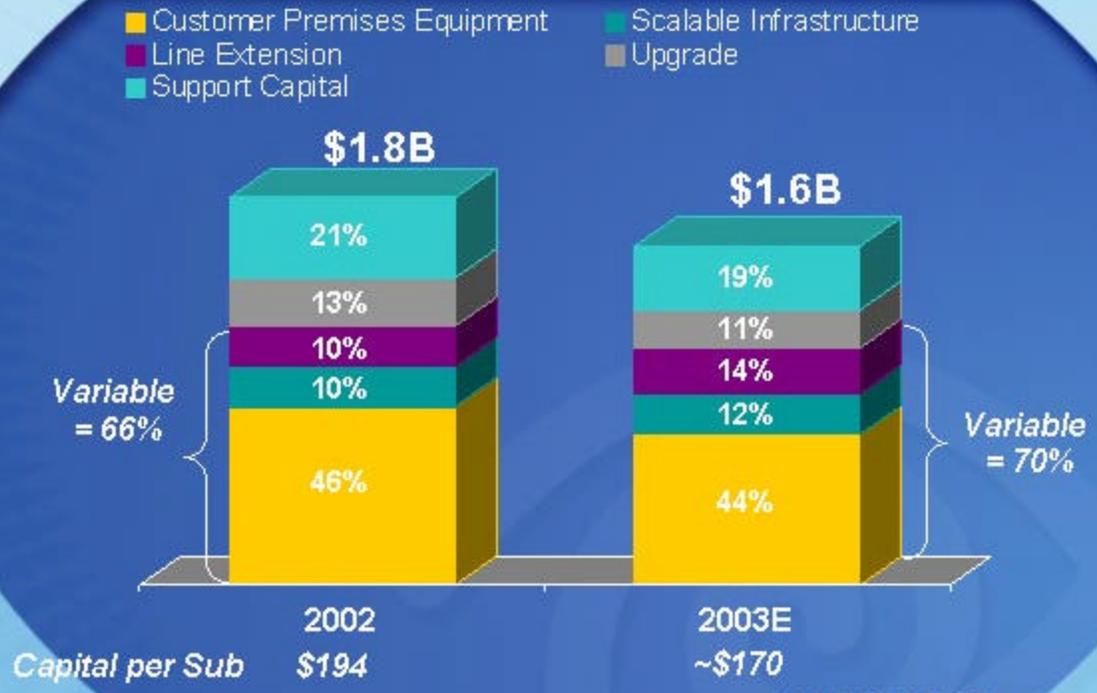
As of September 2003

	<u>Year to Date</u>	<u>Growth</u>
Subscription Revenue	\$5,361	14%
Advertising Revenue	<u>335</u>	<u>(30%)</u>
Total Revenue	\$5,696	10%
OIBDA	\$2,195	9%
Capital Expenditures	\$1,132	(8%)

Note: Includes the results of Interactive Personal Video



Positive Trends in Capital Expenditures



Significant Free Cash Flow Generator

Per Subscriber Amounts



* Road Runner's results are consolidated in 2001 metrics for purposes of pro forma comparisons

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Triple Play Offering

Video

Data

Customer Service

Marketing

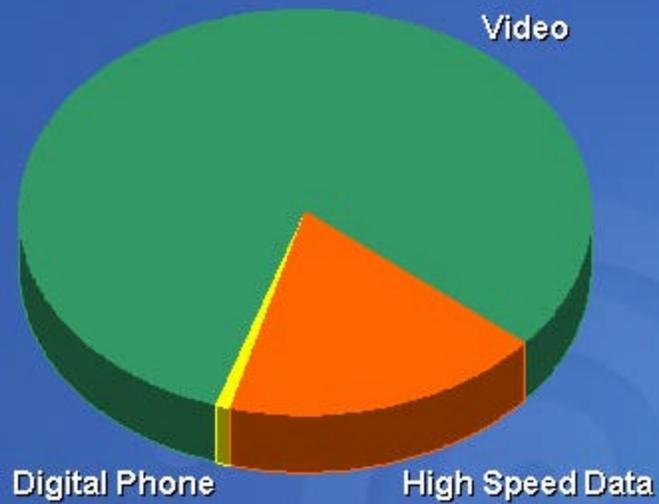
New Products

Digital Phone

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Video: The Foundation of the Business

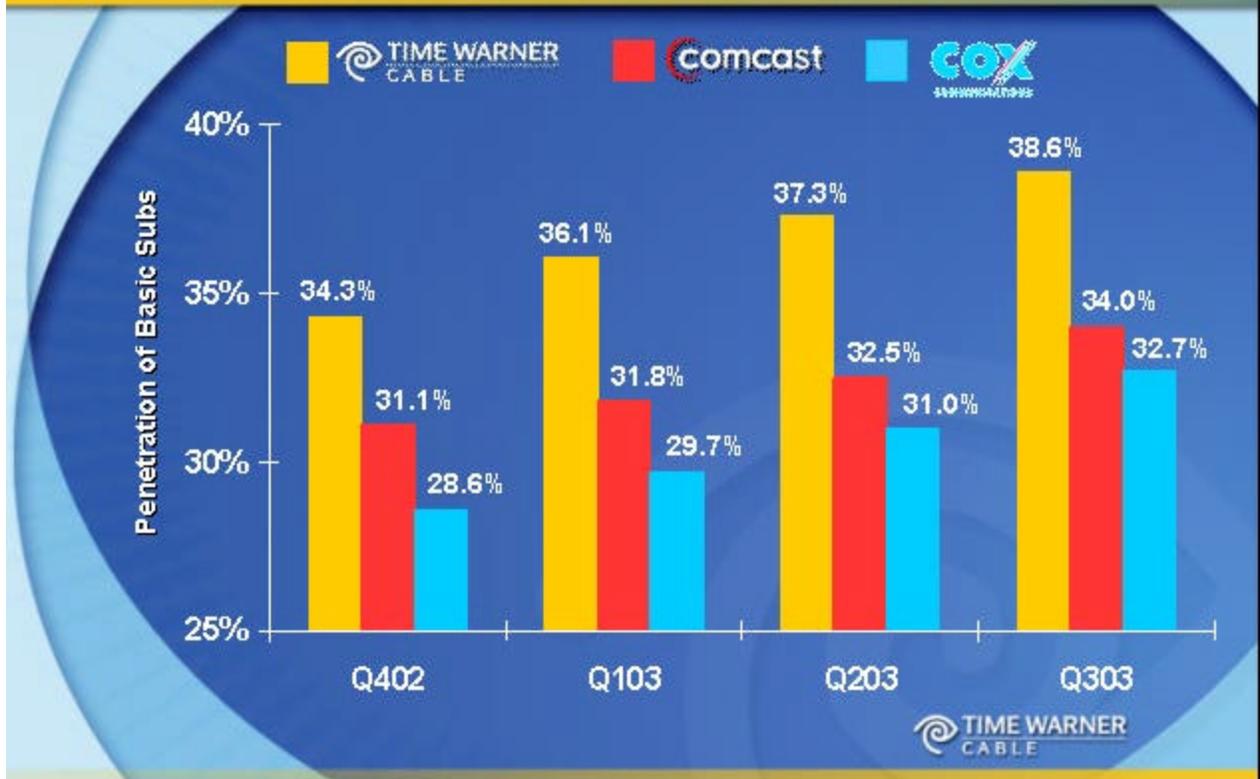
Revenue Sources



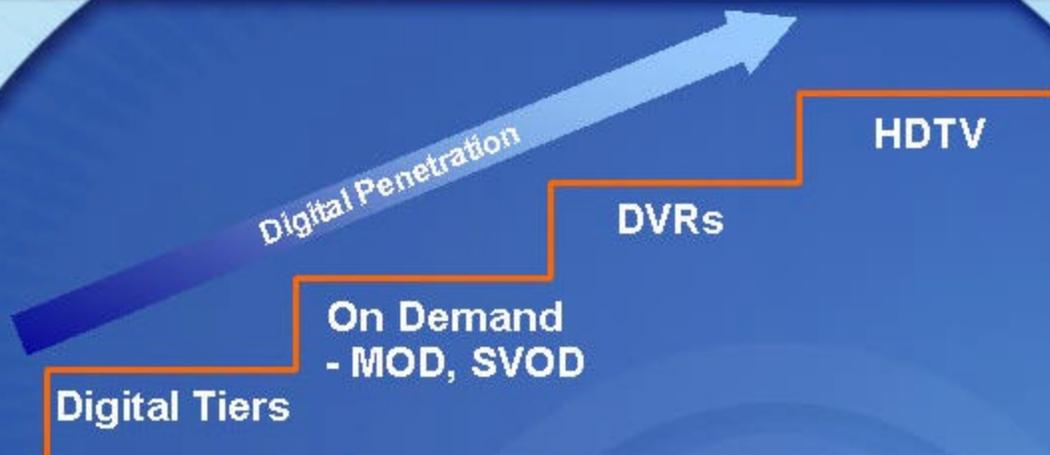
Video: The Foundation of the Business

- **Maturing base business**
- **Programming costs vs. rate increases**
- **Satellite competition**
- **Focus on sale of new digital products**

Video: Digital Penetration Leader



Video: Driving ARPU Growth



- YTD Pay-Per-View revenue growth of 30%
- 892,000 Subscription-On-Demand (SVOD) subs
- 338,000 Digital Video Recorder (DVR) subs
- 185,000 High Definition TV (HDTV) subs

Statistics as of 11/03.

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New York City: An Example of ARPU Lift

- > 50% digital penetration
- ~ 45% SVOD penetration of digital
- ~ 50% growth in YTD PPV revenue
- Strong demand for DVR and HDTV
- **> 20% increase in digital ARPU to over \$17 per month (full year projection)**

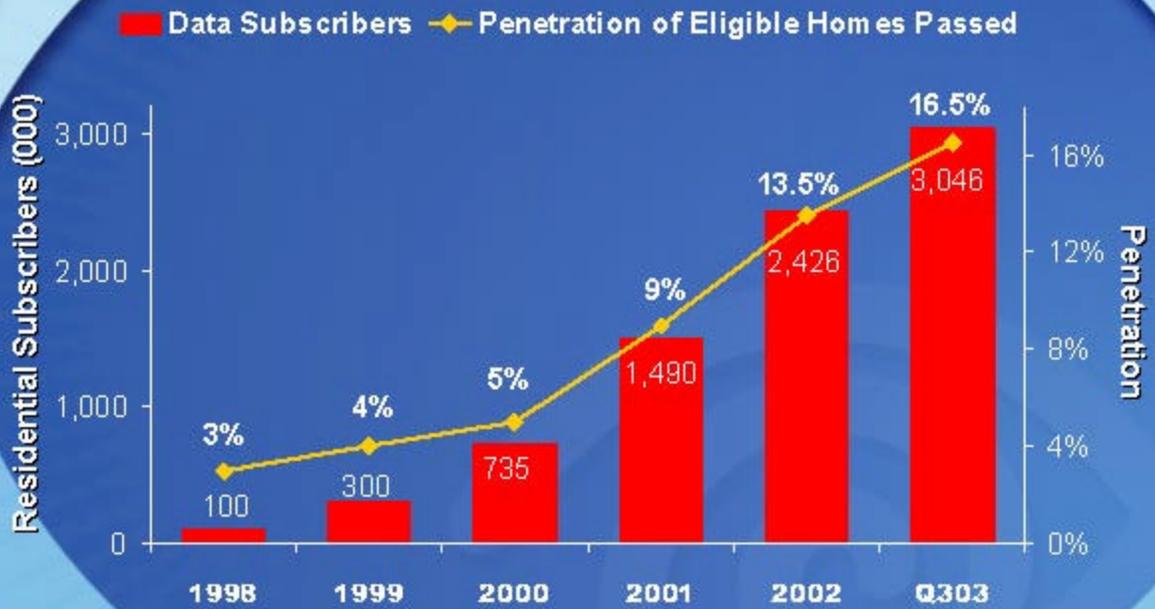
Statistics as of Q303.



Data: Fastest Growing Business



Data: A Leading Residential Provider



Managed Subscribers

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Data: There Is Still Growth Ahead

Strong Correlation Between Penetration and Length of Deployment



Source: Company reports, as of 9/30/03



Data: Competitive Response

- Competing on product
 - Increased speed to 3 mbps
 - Launch of an improved Road Runner in Q104.
- Increased focus on customer care and save initiatives
- Bundling
 - NYC: Double-play lowers churn by 50%

Voice: The Next Big Business Opportunity

Video

Customer Service

Marketing

Data

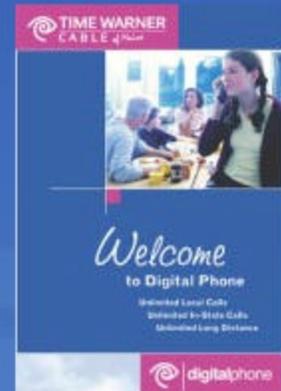
New Products

Digital Phone

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Digital Phone: A Great Value Proposition

- Residential service only
- “All-In” monthly triple-play pricing of \$39.95
 - Unlimited local, in-state and domestic long distance calls
 - Standard call features including call waiting, caller ID and call waiting ID
- 911 and CALEA compliant
- One comprehensive bill



Digital Phone: Initial Results Encouraging

Portland, ME Digital Phone results

- Sales Performance
 - Over 8,000 customers by year end; 18.5% penetration of HSD subs
 - Telemarketing close rates - 6%
 - Direct sales close rates – 35%
- Customer satisfaction is high
 - 76% rated experience “good” to “excellent”
- 86% port their phone number as primary service

New Residential Phone Service From
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Unlimited
Local Calls

Unlimited
In-State Calls

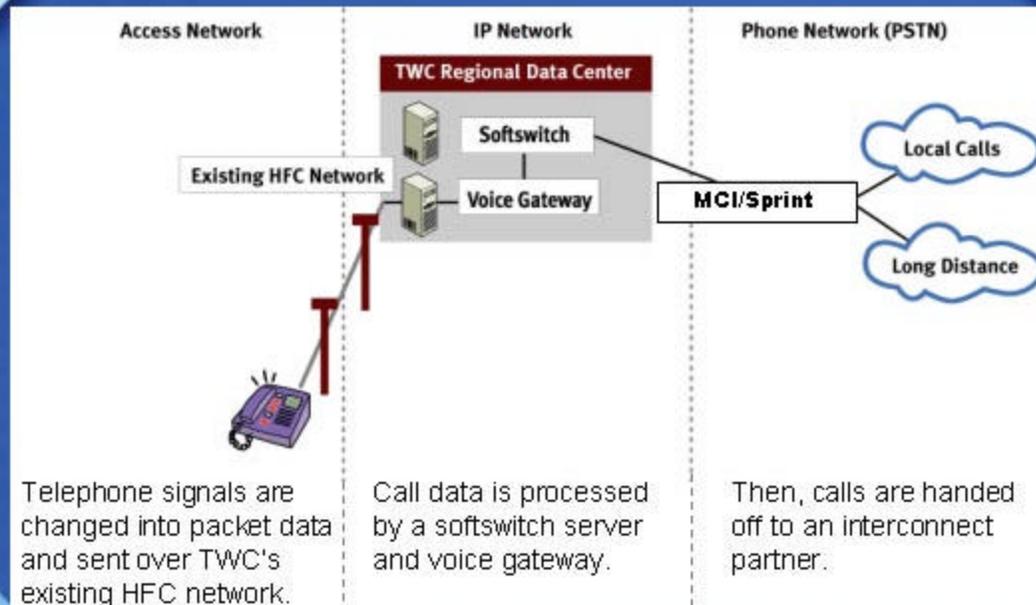
Unlimited
Long Distance

as low as
\$39⁹⁵
month
plus tax

digitalphone

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Digital Phone: Whole-House Primary Line Service



Digital Phone: Attractive Capital Costs

Digital Phone Cost per Sub	
Modem	\$120
Distribution	\$47
Softswitch & Gateway	\$50
Battery	\$50
Other	\$33
Total	\$300

*VoIP is over
50% cheaper
than traditional
circuit switched
architecture*

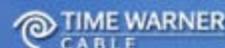
Digital Phone: Attractively Priced

Digital Phone price positioning is competitive against average consumer phone bills...

	TWC	US Avg HH*	Verizon	SBC
	Digital Phone	Local + LD Avg.	Freedom	All Distance Connections
Price	\$39.95	\$45.00	\$59.95	\$48.95
+Line Fee	n/a	\$4.50 - \$6.00	\$4.50 - \$6.00	\$4.50 - \$6.00
+Taxes & Other Fees	\$5.50 - \$12.00	\$5.50 - \$12.00	\$5.50 - \$12.00	\$5.50 - \$12.00
Total	\$45.45 - \$51.95	\$55.00 - \$63.00	\$69.95 - \$77.95	\$58.95 - \$66.95
Savings		\$10 to \$11	\$25 to \$26	\$14 to \$15

...and even against other "All In" packages from companies such as Verizon and SBC

*Source: Forrester Research



Digital Phone: A Typical Division's Plan

- OIBDA breakeven in Year 2
- Free cash flow positive in Year 3

Digital Phone: The Next Growth Opportunity

- Good Business Opportunity
- Triple Play
- 2004 Rollout

Key Take-Aways

- **Leader in deploying new services**
 - Digital penetration leader
 - Fully deployed VOD/SVOD
 - Near universal DVR deployment
 - Aggressive voice rollout
- **Accelerating OIBDA growth in 2004**
 - Includes impact of voice rollout
- **Free cash flow positive and growing**
 - Largest contributor to TWX free cash flow



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Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related
Requirements
WC Docket No. 02-112
Verizon Response To FCC Staff Request For Data

1. Number of Verizon local service access lines, residence and business, by quarter for 2003. See Attachment. The data in number 5 below on resale and UNE lines should be subtracted from the data in Attachment to derive the number of retail lines.

The number of Verizon local service access lines does not begin to measure the extent of the market for local telephone service. As shown in the attached memo, the market for local service includes multiple sources of intermodal competition, including cable telephony, wireless, platform-independent VOIP, and functional substitutes for voice such as instant messaging and e-mail, all of which have contributed to the erosion in demand for wireline telephone lines and for usage on wireline systems.

2. Number of lines presubscribed to Verizon's long distance service by quarter for 2003 (numbers are nationwide).

First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003
13, 191	14, 606	15,900	16,600

These data cannot be compared to Verizon's local service access lines to measure Verizon's "share" of the long distance market, for the same reason shown above that the number of Verizon local service access lines does not comprise the market for local telephone service. In addition, even where customers are presubscribed to Verizon's long distance service, many of them use dial-around service to obtain service from other long distance carriers, and as shown in the attached memo, many of them also use their wireless phones to make long distance calls.

3. Number of customers that purchase Verizon bundles of local and long distance services.

Verizon Freedom¹ – 3 million residence customers
Verizon Five Cents Plans² – 1.2 million residence customers

As is shown in the attached memo, these bundles are a response to a variety of bundled offerings by other carriers, including wireless carriers and cable companies, who offer a combination of local telephone service, long distance, and other services at package discounts.

¹ Freedom plans offer a package of unlimited local, toll and long distance services.

² The Verizon Five Cents plan waives the monthly recurring charge for customers that purchase a qualifying Verizon local package plan.

4. Number of Verizon DSL lines in service by quarter for 2003.

First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003
1.8 M	1.9 M	2.1 M	2.3 M

These DSL lines are sold primarily to information service providers, including Verizon Online, who use these lines to provide Internet access services to retail customers. The market for broadband services includes offerings by cable companies, satellite companies, Wi-Fi, and new wireless services. Indeed, cable companies already have about twice as many broadband customers as wireline telephone companies, and their lead is growing. Even where a customer has a DSL line on Verizon's network, it can avoid using Verizon's switched network by using VOIP to obtain long distance service.

5. Number of resale and UNE lines by quarter for 2003.

First quarter 2003	Second quarter 2003	Third quarter 2003	Fourth quarter 2003
4, 571,000	4,999,000	5,378,000	5,762,000

6. Description of Verizon Enterprise Services.

Verizon serves the Enterprise market through Verizon Enterprise Solutions Group, which is one of dozens of participants in this market. Local and long distance carriers, equipment providers, integrators, Internet Protocol applications providers, and other emerging players compete for a share of the estimated \$90–100B that Enterprise customers spend on telecommunications products and services in the United States each year. Verizon has a small share of the Enterprise market, which is dominated by interexchange carriers such as AT&T, MCI, and Sprint, who together control more than two thirds of the Frame Relay and ATM market. *See* UNE Fact Report 2002, CC Docket No. 01-338, at p. II-24 (filed April 2002). Verizon ESG has approximately 10,000 Enterprise customers

The specific definition of what constitutes an Enterprise customer varies from company to company, but generally involves one of the following criteria:

- Fortune 1000 company
- Large Business with over 500 employees
- Federal, State, or large Local Government entity
- Educational institution (larger school system or college/university)

In addition to traditional Local and Long Distance Voice services, Enterprise customers require an ever-growing array of Data services (such as Private Line, Frame Relay, ATM, SONET, and Ethernet), IP services (such as Internet Access, Voice over IP, Web Hosting, IP-VPN, and Security), Network Integration services, and supporting Equipment (Voice and Data CPE).

Enterprise customers have higher-level telecommunications requirements that Verizon ESG and our competitors must meet to gain or maintain their business. Among these requirements are:

- Greater scale/geographic reach (generally national)
- Ubiquity
- Extensive bandwidth
- Network reliability
- Network redundancy
- Scalable transition to IP convergence
- Ability to provide customized solutions
- Volume discounts
- Service level agreements

These Enterprise customer requirements have fostered the following types of customer applications:

- Corporate voice & data networking
- LAN interconnection
- Business continuity & recovery
- Storage networking
- Information security & reliability
- Collaboration & videoconferencing
- Remote access
- E-business

Verizon Summary (Restated for 2002 Access Line Sales)
Switched Access Lines In-Service (end of period)

		2001				2002				2003			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
ARIZONA	Business	2,571	2,599	2,562	2,539	2,495	2,465	2,507	2,504	2,522	2,528	2,539	2,567
	Public	191	189	188	184	177	156	153	147	136	136	130	129
	Residence	6,377	5,842	5,640	6,228	6,294	5,722	5,682	6,215	6,252	5,675	5,615	6,194
	Total	9,139	8,630	8,390	8,951	8,966	8,343	8,342	8,866	8,910	8,339	8,284	8,890
CALIFORNIA	Business	1,614,536	1,612,571	1,603,120	1,577,611	1,566,367	1,543,650	1,527,812	1,529,010	1,507,753	1,483,611	1,476,732	1,467,254
	Public	49,972	49,191	45,710	44,600	43,479	41,641	40,444	38,679	37,296	36,479	35,435	34,726
	Residence	3,185,639	3,179,817	3,164,764	3,182,875	3,176,854	3,164,435	3,146,022	3,135,484	3,121,162	3,104,509	3,087,009	3,064,008
	Total	4,850,147	4,841,579	4,813,594	4,805,086	4,786,700	4,749,726	4,714,278	4,703,173	4,666,211	4,624,599	4,599,176	4,565,988
DELAWARE	Business	227,240	225,431	224,106	223,369	222,232	212,709	215,621	213,031	210,790	209,168	202,553	201,318
	Public	5,438	5,334	5,246	5,083	4,956	4,768	4,574	4,453	4,198	4,130	3,983	3,854
	Residence	381,814	382,747	383,322	382,004	382,128	381,306	379,967	378,259	377,581	375,841	373,337	369,681
	Total	614,492	613,512	612,674	610,456	609,316	598,783	600,162	595,743	592,569	589,139	579,873	574,853
FLORIDA	Business	737,838	723,650	712,761	689,057	676,128	660,013	664,255	657,518	653,591	635,393	627,675	622,825
	Public	19,577	18,823	17,990	17,314	16,463	15,388	14,613	14,651	13,645	13,307	12,832	12,407
	Residence	1,728,318	1,702,933	1,693,808	1,697,261	1,708,371	1,676,504	1,666,201	1,668,272	1,675,508	1,639,284	1,626,334	1,628,817
	Total	2,485,733	2,445,406	2,424,559	2,403,632	2,400,962	2,351,905	2,345,069	2,340,441	2,342,744	2,287,984	2,266,841	2,264,049
HAWAII	Business	273,991	273,199	273,769	272,165	270,263	270,581	271,439	269,305	267,882	262,107	259,692	258,540
	Public	8,208	8,144	7,928	7,824	7,596	7,394	7,226	7,071	6,947	6,756	6,686	6,576
	Residence	476,118	473,809	472,349	471,671	470,162	466,764	464,185	462,492	460,171	454,966	451,750	449,657
	Total	758,317	755,152	754,046	751,660	748,021	744,739	742,850	738,868	735,000	723,829	718,128	714,773
IDAHO	Business	49,005	48,557	48,206	47,809	47,866	47,515	46,529	46,846	46,407	45,963	46,405	46,450
	Public	953	951	927	863	848	772	755	736	706	698	694	673
	Residence	95,259	94,698	94,735	94,116	93,236	92,289	93,070	92,224	91,899	91,061	91,759	91,326
	Total	145,217	144,206	143,868	142,788	141,950	140,576	140,354	139,806	139,012	137,722	138,858	138,449
ILLINOIS	Business	269,049	272,378	272,780	271,601	273,138	274,480	276,207	273,354	271,133	263,055	262,418	259,180
	Public	6,475	6,444	6,239	6,058	5,833	5,563	5,432	5,132	4,553	4,297	4,166	4,071
	Residence	614,755	611,033	610,970	609,274	608,994	603,875	603,149	596,807	593,518	584,862	580,063	573,721
	Total	890,279	889,855	889,989	886,933	887,965	883,918	884,788	875,293	869,204	852,214	846,647	836,972
INDIANA	Business	330,682	330,001	329,261	326,623	320,990	319,952	323,812	320,042	316,754	305,146	304,035	300,839
	Public	9,143	9,064	8,902	8,766	8,506	8,264	8,103	7,822	7,547	7,450	7,280	7,068
	Residence	721,898	718,397	716,141	714,383	716,319	712,544	711,306	708,844	708,063	702,279	698,120	694,389
	Total	1,061,723	1,057,462	1,054,304	1,049,772	1,045,815	1,040,760	1,043,221	1,036,708	1,032,364	1,014,875	1,009,435	1,002,296
MAINE	Business	242,380	249,392	241,644	234,714	232,027	233,008	233,491	228,846	226,188	225,278	220,884	216,456
	Public	6,334	6,235	6,088	5,955	5,785	5,411	5,089	4,693	4,603	4,645	4,534	4,416
	Residence	506,218	510,094	509,366	504,191	504,861	506,853	505,553	500,198	500,540	501,305	493,906	483,612
	Total	754,932	765,721	757,098	744,860	742,673	745,272	744,133	733,737	731,331	731,228	719,324	704,484
MARYLAND	Business	1,581,333	1,573,364	1,559,905	1,529,519	1,500,848	1,483,838	1,475,501	1,485,154	1,502,975	1,492,356	1,489,540	1,483,386
	Public	36,470	37,654	37,055	36,426	35,378	35,779	31,833	36,556	35,239	34,642	33,531	33,120
	Residence	2,508,991	2,501,602	2,497,202	2,491,969	2,491,858	2,459,147	2,459,626	2,428,785	2,437,027	2,423,644	2,392,285	2,374,890
	Total	4,126,794	4,112,620	4,094,162	4,057,914	4,028,084	3,978,764	3,966,960	3,950,495	3,975,241	3,950,642	3,915,356	3,891,396

Verizon Summary (Restated for 2002 Access Line Sales)
Switched Access Lines In-Service (end of period)

		2001				2002				2003			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
MASSACHUSETTS	Business	1,770,280	1,747,246	1,721,299	1,681,810	1,656,508	1,633,589	1,613,613	1,585,207	1,561,366	1,531,018	1,514,630	1,487,503
	Public	48,407	47,408	46,074	44,682	43,047	40,034	39,065	36,644	35,024	34,227	33,135	32,356
	Residence	2,816,652	2,787,066	2,762,690	2,727,778	2,711,833	2,680,318	2,639,931	2,593,703	2,567,283	2,539,058	2,501,825	2,461,335
	Total	4,635,339	4,581,720	4,530,063	4,454,270	4,411,388	4,353,941	4,292,609	4,215,554	4,163,673	4,104,303	4,049,590	3,981,194
MICHIGAN	Business	205,908	206,047	206,901	208,844	208,607	208,518	210,709	208,630	207,434	204,252	202,935	200,983
	Public	6,706	6,739	6,615	6,105	5,506	5,421	5,323	4,910	4,715	4,757	4,643	4,374
	Residence	610,825	611,596	611,161	606,349	604,119	604,621	602,385	594,554	591,237	590,090	585,643	577,348
	Total	823,439	824,382	824,677	821,298	818,232	818,560	818,417	808,094	803,386	799,099	793,221	782,705
NEVADA	Business	14,562	14,491	14,452	13,950	14,154	14,245	13,997	14,097	14,149	13,185	13,385	13,413
	Public	402	402	364	348	347	317	293	280	271	255	272	265
	Residence	28,028	28,072	28,347	28,459	28,599	28,756	28,829	28,883	28,879	28,858	28,863	28,978
	Total	42,992	42,965	43,163	42,757	43,100	43,318	43,119	43,260	43,299	42,298	42,520	42,656
NEW HAMPSHIRE	Business	269,072	266,398	261,880	256,594	252,413	249,802	243,017	226,387	225,055	221,830	216,113	213,415
	Public	6,896	6,833	6,627	6,451	6,303	5,896	5,930	5,642	5,483	5,442	5,278	5,102
	Residence	556,061	550,769	547,778	542,470	540,243	534,610	527,507	520,351	515,966	511,018	507,290	501,388
	Total	832,029	824,000	816,285	805,515	798,959	790,308	776,454	752,380	746,504	738,290	728,681	719,905
NEW JERSEY	Business	2,614,611	2,583,099	2,551,450	2,522,413	2,484,845	2,427,418	2,371,210	2,343,789	2,312,835	2,271,344	2,252,626	2,220,456
	Public	86,629	85,346	82,906	80,047	78,276	75,870	69,648	67,432	61,418	60,074	58,424	56,739
	Residence	4,361,599	4,356,946	4,341,886	4,323,754	4,315,513	4,279,777	4,241,694	4,205,265	4,171,886	4,124,748	4,069,842	4,016,227
	Total	7,062,839	7,025,391	6,976,242	6,926,214	6,878,634	6,783,065	6,682,552	6,616,486	6,546,139	6,456,166	6,380,892	6,293,422
NEW YORK*	Business	4,373,409	4,313,480	4,238,546	4,165,548	4,094,205	3,999,785	3,942,000	3,865,376	3,775,513	3,724,122	3,691,837	3,643,181
	Public	159,198	158,070	155,446	153,100	149,797	146,011	140,919	136,947	133,130	130,436	127,834	125,042
	Residence	7,827,561	7,788,526	7,744,680	7,694,587	7,678,224	7,614,242	7,538,903	7,471,601	7,410,145	7,319,784	7,202,370	7,105,173
	Total	12,360,168	12,260,076	12,138,672	12,013,235	11,922,226	11,760,038	11,621,822	11,473,924	11,318,788	11,174,342	11,022,041	10,873,396
NORTH CAROLINA	Business	139,015	135,119	132,950	129,696	128,733	122,448	128,816	126,053	123,549	119,007	117,432	116,439
	Public	2,622	2,612	2,527	2,443	2,357	2,323	2,245	2,040	1,939	1,959	1,909	1,808
	Residence	253,421	253,137	253,660	252,899	253,078	252,460	253,212	251,305	250,444	248,445	248,005	246,073
	Total	395,058	390,868	389,137	385,038	384,168	377,231	384,273	379,398	375,932	369,411	367,346	364,320
OHIO	Business	261,671	263,097	260,940	265,170	263,198	261,812	272,215	269,084	269,209	266,626	261,706	259,182
	Public	6,816	6,763	6,612	6,365	6,150	6,052	5,852	5,551	5,413	5,369	5,254	5,115
	Residence	708,415	707,605	706,091	706,736	707,270	705,255	705,503	703,273	702,191	697,087	692,807	688,817
	Total	976,902	977,465	973,643	978,271	976,618	973,119	983,570	977,908	976,813	969,082	959,767	953,114
OREGON	Business	162,810	160,183	157,462	154,412	150,335	148,230	147,372	144,687	143,459	138,702	137,165	134,490
	Public	3,378	3,317	3,273	3,097	3,164	3,010	2,760	2,600	2,549	2,471	2,394	2,354
	Residence	348,767	347,066	345,255	343,159	339,851	336,454	330,807	324,323	321,955	320,599	319,469	317,968
	Total	514,955	510,566	505,990	500,668	493,350	487,694	480,939	471,610	467,963	461,772	459,028	454,812
PENNSYLVANIA (fBA)	Business	2,377,762	2,315,101	2,271,440	2,224,114	2,171,271	2,086,927	2,046,517	1,996,561	1,947,982	1,896,703	1,863,634	1,826,971
	Public	67,685	66,576	64,764	62,975	61,344	58,799	55,454	53,205	50,158	47,763	45,914	44,548
	Residence	4,202,698	4,186,383	4,177,064	4,127,450	4,103,517	4,045,630	4,013,783	3,985,130	3,960,145	3,912,144	3,870,756	3,832,991
	Total	6,648,145	6,568,060	6,513,268	6,414,539	6,336,132	6,191,356	6,115,754	6,034,896	5,958,285	5,856,610	5,780,304	5,704,510

Verizon Summary (Restated for 2002 Access Line Sales)
Switched Access Lines In-Service (end of period)

		2001				2002				2003			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
PENNSYLVANIA (fGTE)	Business	197,192	196,309	195,807	196,087	196,785	196,447	196,963	197,652	193,184	188,130	185,036	183,842
	Public	4,973	4,936	4,805	4,686	4,570	4,428	4,314	4,476	3,939	3,881	3,865	3,755
	Residence	506,847	506,594	506,287	506,272	506,736	505,830	505,233	505,664	503,187	500,217	497,889	495,427
	Total	709,012	707,839	706,899	707,045	708,091	706,705	706,510	707,792	700,310	692,228	686,790	683,024
RHODE ISLAND	Business	218,842	216,323	211,065	207,328	200,600	197,964	191,968	185,280	181,241	174,893	174,083	171,713
	Public	6,792	6,859	6,465	6,221	6,083	5,783	5,782	5,412	5,203	5,126	4,864	4,707
	Residence	467,704	457,556	449,694	441,323	434,216	425,126	417,673	407,725	401,048	391,772	382,641	370,652
	Total	693,338	680,738	667,224	654,872	640,899	628,873	615,423	598,417	587,492	571,791	561,588	547,072
SOUTH CAROLINA	Business	75,286	74,424	74,051	70,767	70,769	69,696	71,916	70,941	70,332	67,707	66,228	65,236
	Public	3,031	3,007	2,876	2,757	2,623	2,603	2,486	2,348	2,246	2,187	2,107	1,917
	Residence	154,345	154,197	153,002	151,873	151,295	151,032	149,475	147,008	146,409	145,207	143,439	141,228
	Total	232,662	231,628	229,929	225,397	224,687	223,331	223,877	220,297	218,987	215,101	211,774	208,381
TEXAS	Business	643,509	643,298	642,173	635,142	631,421	623,097	618,505	611,286	604,959	586,104	580,552	572,313
	Public	15,131	14,562	14,102	13,755	13,367	12,591	11,718	10,703	10,218	9,823	9,411	8,997
	Residence	1,167,490	1,156,144	1,148,583	1,144,977	1,143,185	1,129,583	1,123,307	1,109,243	1,105,084	1,088,570	1,078,677	1,069,857
	Total	1,826,130	1,814,004	1,804,858	1,793,874	1,787,973	1,765,271	1,753,530	1,731,232	1,720,261	1,684,497	1,668,640	1,651,167
VERMONT	Business	126,611	127,130	126,231	125,000	123,883	123,018	121,684	118,516	117,271	114,700	113,754	112,459
	Public	3,406	3,318	3,245	3,121	3,060	2,928	2,783	2,599	2,531	2,495	2,451	2,394
	Residence	244,643	246,235	246,164	245,721	246,986	247,144	247,103	245,652	244,890	244,593	243,045	241,736
	Total	374,660	376,683	375,640	373,842	373,929	373,090	371,570	366,767	364,692	361,788	359,250	356,589
VIRGINIA (fBA)	Business	1,518,416	1,500,939	1,483,039	1,458,811	1,428,165	1,387,162	1,372,091	1,443,059	1,430,081	1,431,365	1,417,359	1,412,664
	Public	34,797	33,526	32,188	31,470	30,844	30,409	32,324	31,933	30,498	30,079	29,271	28,887
	Residence	2,260,237	2,234,303	2,217,041	2,192,433	2,173,799	2,128,095	2,093,980	2,080,484	2,081,226	2,057,630	2,034,020	2,011,640
	Total	3,813,450	3,768,768	3,732,268	3,682,714	3,632,808	3,545,666	3,498,395	3,555,476	3,541,805	3,519,074	3,480,650	3,453,191
VIRGINIA (fGTE)	Business	191,687	197,780	197,008	195,284	193,779	184,220	200,333	204,487	205,901	205,890	209,294	210,734
	Public	5,845	5,848	5,748	5,627	5,474	5,510	5,481	5,358	5,357	5,444	5,310	5,141
	Residence	478,095	477,981	476,640	476,518	476,766	472,961	474,903	477,586	474,082	473,237	467,348	468,057
	Total	675,627	681,609	679,396	677,429	676,019	662,691	680,717	687,431	685,340	684,571	681,952	683,932
WASHINGTON	Business	314,083	311,502	308,216	301,838	295,138	290,878	291,716	283,050	278,190	267,702	265,673	263,112
	Public	5,780	5,725	5,584	5,462	5,347	5,032	4,839	4,602	4,465	4,442	4,326	4,252
	Residence	650,184	648,544	647,223	646,080	643,626	640,647	638,875	635,639	633,657	628,388	624,973	621,327
	Total	970,047	965,771	961,023	953,380	944,111	936,557	935,430	923,291	916,312	900,532	894,972	888,691
WASHINGTON, D.C.	Business	727,067	730,895	732,193	727,827	714,851	709,596	704,785	729,723	706,598	702,734	703,131	683,132
	Public	8,943	8,845	8,349	8,001	7,816	8,128	8,375	8,518	8,009	7,786	7,459	7,239
	Residence	312,740	306,506	299,320	296,830	293,653	288,964	285,707	282,210	280,744	277,613	271,919	267,698
	Total	1,048,750	1,046,246	1,039,862	1,032,658	1,016,320	1,006,688	998,867	1,020,451	995,351	988,133	982,509	958,069

Verizon Summary (Restated for 2002 Access Line Sales)
Switched Access Lines In-Service (end of period)

		2001				2002				2003			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
WEST VIRGINIA	Business	258,798	256,900	254,066	246,432	240,558	233,629	232,887	229,749	224,610	225,903	222,222	227,482
	Public	9,489	9,295	9,061	8,807	8,461	8,465	8,551	8,278	7,913	7,820	7,540	7,466
	Residence	633,671	627,713	627,604	625,466	629,398	624,407	625,191	616,810	617,536	610,686	606,998	602,581
	Total	901,958	893,908	890,731	880,705	878,417	866,501	866,629	854,837	850,059	844,409	836,760	837,529
WISCONSIN	Business	111,070	111,418	112,600	113,359	112,373	113,757	114,793	114,537	114,103	112,963	112,796	112,973
	Public	3,036	2,904	2,891	2,759	2,667	2,572	2,534	2,330	2,203	2,156	2,116	2,039
	Residence	301,399	302,578	302,655	301,042	299,283	299,183	297,979	294,344	292,017	291,532	289,767	286,261
	Total	415,505	416,900	418,146	417,160	414,323	415,512	415,306	411,211	408,323	406,651	404,679	401,273
VERIZON TOTAL	Business	21,900,286	21,682,321	21,421,883	21,075,433	20,744,945	20,330,449	20,144,281	19,993,761	19,713,016	19,389,485	19,214,064	18,990,508
	Public	632,723	624,920	606,795	591,352	575,624	557,318	534,898	521,748	497,552	486,532	473,048	461,537
	Residence	39,116,769	38,916,489	38,741,122	38,536,148	38,440,267	38,064,534	37,776,741	37,458,333	37,271,732	36,884,702	36,467,764	36,089,057
	Total	61,649,778	61,223,730	60,769,800	60,202,933	59,760,836	58,952,301	58,455,920	57,973,842	57,482,300	56,760,719	56,154,876	55,541,102

* Includes access lines in Connecticut