TECHNOLOGICAL AND MARKET DEVELOPMENTS SINCE THE *TRIENNIAL REVIEW* FURTHER DEMONSTRATE THAT COMPETITORS ARE NOT IMPAIRED WITHOUT ACCESS TO UNBUNDLED MASS MARKET SWITCHING

Introduction and Summary

In response to reports that the Commission is considering interim and permanent rules to replace the unbundling requirements that were vacated when the D.C. Circuit issued its mandate in *USTA v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) (*"USTA II"*), Verizon previously submitted market-specific information, including detailed maps, that is directly responsive to the Court's decision. This White Paper supplements that previous filing with additional detail and supporting evidence. Taken together, these two filings demonstrate that competing providers can and are serving mass market customers nationwide without unbundled switching. In particular, the evidence provided here focuses on the market facts the Court required the Commission to consider in making an impairment evaluation for mass market switching.

During the course of the *Triennial Review* proceeding, Verizon and others submitted voluminous evidence demonstrating the extensive deployment of competitive switching equipment and the emergence of intermodal alternatives. Since that time, the widespread deployment of competing voice telephone services by cable companies and Voice over Internet Protocol ("VoIP") providers, as well as increasing competition from wireless and other intermodal providers, has rendered much of the debate at the time of the *Triennial Review* proceeding academic. These developments conclusively show that competition is not impaired without access to unbundled mass market switching. And this is true as a general matter and in the specific areas served by Verizon.

As a general matter, developments since the time of the *Triennial Review* proceeding further demonstrate the absence of impairment on a nationwide basis. At the end of 2003, cable

companies already offered circuit-switched voice telephone service to 15 percent of homes nationwide, and already offer VoIP service to millions more. By the end of 2004, cable companies plan to offer VoIP to more than 24 million homes over their networks, and they plan to offer it to at least 20 million more the following year. (Of course, the number of lines is even larger because many homes have more than one line.) Furthermore, regardless of whether cable companies offer VoIP, the 85-90 percent of U.S. homes that have access to cable modem service also have access to VoIP from multiple competitors ranging from the major long distance carriers to national VoIP providers like Vonage.

Wireless carriers also are aggressively competing with voice telephone services, both for local access lines and traffic. Since the time of the *Triennial Review* proceeding, the number of wireless lines has grown from 137 million to 155 million, while the number of wireline access lines has declined. The percentage of users giving up their landline phones has grown from 3-5 percent to 7-8 percent. Wireless has already replaced over 19 million wireline access lines, and that number is expected to reach 34 million by 2007. Moreover, in addition to substituting for entire lines, wireless service is carrying calls that would otherwise be carried on wireline networks, and is therefore directly substituting to an even greater extent for incumbent carriers' switching services, in particular. Since the *Triennial Review* proceeding, wireless traffic has grown from 16 to 29 percent of all voice traffic and to 40 percent of long distance traffic.

Finally, competing carriers have deployed some 10,000 circuit and packet switches nationwide. These competitors have used them to provide voice telephone service in wire centers that contain 86 percent of the Bell companies' access lines.

These competitive developments are particularly pronounced in the areas served by Verizon, as demonstrated below and in the accompanying declarations. Cable companies already

offer voice telephone service, either circuit-switched or VoIP, to more than 12 million homes in Verizon's service areas. Regardless of whether cable companies themselves offer VoIP, approximately 92 percent of the population in Verizon's 25 top MSAs now have access to cable modem service, and therefore also have access to VoIP from numerous alternative VoIP providers at competitive prices. Wireless service is available from multiple competing providers in Verizon's 25 top MSAs at prices that are directly competitive with wireline voice telephone service. Facilities-based carriers are using their own switches to serve at least 2.1 million mass market lines in Verizon's 25 top MSAs, and, as demonstrated in the accompanying declarations, are capable of and are serving mass market customers throughout these MSAs.

Verizon previously filed an ex parte that had a summary of this evidence, along with accompanying maps. *See* Verizon Ex Parte, *Technological and Market Developments Since the Triennial Review Further Demonstrate that Competitors Are Not Impaired Without Access to Unbundled Mass Market Switching*, CC Docket Nos. 01-338, 96-98 and 98-147 (filed June 24, 2004) ("Verizon June 2004 Ex Parte"). This paper and accompanying declarations provide additional detail in support of that filing.

Thus, even absent unbundling, competing carriers are not impaired in their ability to provide voice telephone service to the mass market, and consumers have a large range of competitive choices. As a result, the Commission should not require unbundling of mass market switching.

BACKGROUND

a. In the *Triennial Review Order*, the Commission imposed a nationwide unbundling obligation for mass market circuit switching. *See Review of the Section Report 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition*

Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, ¶¶ 464-75 (2003) ("*Order*"). In doing so, the Commission made five key determinations.

First, the Commission predicated its nationwide impairment finding on the need to obtain "hot cuts" to connect unbundled loops to competitive switches. *See, e.g., id.* ¶ 422.

Second, the *Order* established "triggers" for removing unbundling obligations for mass market switching where there are multiple providers in a given market, and delegated to the states the responsibility to define the relevant market and to determine where the triggers are met (and where carriers therefore are not impaired). *See, e.g., id.* ¶¶ 498-505.

Third, the *Order* recognized that there are other instances where, even though the triggers are not satisfied, competition is possible (and therefore there is no impairment), and it delegated to states the task of determining where that is the case. *See, e.g., id.* ¶¶ 506-20.

Fourth, the *Order* downplayed the significance of competition from intermodal competitors such as cable companies and wireless on the grounds that, at the time, it was "difficult to predict at what point cable telephony will be deployed on a more widespread basis," and that it lacked evidence at the time showing that wireless "act[ed] broadly as an intermodal replacement for traditional circuit switches." *See, e.g., id.* ¶¶ 444-45.

Fifth, the *Order* concluded that there is no impairment (and therefore no unbundling obligation) with respect to circuit switching to serve enterprise level customers, or with respect to packet switching or the packet switching capabilities of hybrid loops. *See, e.g., id.* ¶¶ 537-541, 451-458.

b. In *USTA II*, the D.C. Circuit vacated the rules requiring unbundling of mass market switching. *See USTA v. FCC*, 359 F.3d 554, 568-71 (2004) ("*USTA II*"). The Court reached six key conclusions that are relevant to switching facilities.

First, the Court held that issues related to "hot cuts" did not provide a lawful predicate for the Commission's impairment finding, and that any such issues could be addressed directly through more narrowly tailored alternatives that did not impose all the costs associated with unbundling. *USTA II*, 359 F.3d at 568-71.

Second, the Court "vacate[d] the Commission's scheme for subdelegating mass market switching determinations" to the states, including "crucial decisions regarding market definition and application of the FCC's general impairment standard to the specific circumstances of those markets." *Id.* at 567-68.

Third, the Court specifically noted that as to "mass market switching . . . the evidence indicated the presence of many markets where CLECs suffered no impairment in the absence of unbundling." *Id*. at 587.

Fourth, the Court reiterated that the critical impairment inquiry is whether competing providers are *capable* of competing without UNEs – that is, whether "competition is possible," not whether one or more competitors are already competing in a given market. *See id*. at 575; *see also id*. at 571 (issue is "whether a market is suitable for competitive supply"). Thus, the Commission must consider competitive deployment in one market in determining whether competition is impaired in a "similarly situated" market where competitors have not yet deployed (or have deployed to a lesser extent). *Id*. at 575.

Fifth, the Court expressly noted that "we reaffirm *USTA I's* holding that the Commission cannot ignore intermodal alternatives," and found that it "need not decide" whether the

Commission had assigned appropriate weight to this factor because it vacated the rules on other grounds. *Id.* at 572-73.

Sixth, the Court affirmed the Commission's determinations that there is no unbundling obligation for enterprise level switching or for the packet switching capabilities of hybrid loops (which is the only aspect of the Commission's packet switching determinations that was challenged). *Id.* at 570.

I. Cable Company Deployment of Competing Voice Telephone Services Has Expanded Exponentially Since the *Triennial Review* Proceeding.

At the time of the *Triennial Review* proceeding, cable companies already offered circuit-switched voice telephone services to approximately 10 million homes across the country. Since that time, the deployment of competing voice telephone services by cable companies has expanded exponentially as cable companies both increased the scope of their circuit switched offerings and began to aggressively roll out VoIP service over their cable networks. This increased competition is evident both nationally and in Verizon's 25 top MSAs.

a. As a general matter, cable companies have aggressively expanded the reach of their own voice telephone services across the country. Cable companies initially began providing voice telephone service through their own circuit switches and are now aggressively rolling out VoIP service to their customers. As of the end of 2003, cable companies already offered voice telephone service to approximately 15 percent of home nationwide. Declaration of Michael K. Hassett and Vincent J. Woodbury ¶ 6 ("Hassett/Woodbury Decl."). Cable companies now offer voice telephone service to millions of additional homes using VoIP, and have announced plans to offer VoIP to more than 24 million homes by the end of 2004 and at least 20 million more the following year. And the number of lines is even greater because many homes

have more than one line. The result is that, within two years, "roughly 82% of total US households" will have access to voice telephone service from their cable operators. *Id.* ¶ 17.

b. While cable companies are aggressively competing for mass market customers across the country, this competition is particularly advanced in the areas where Verizon provides local telephone services as the incumbent. Cable companies already offer voice telephone service to more than 12 million homes in Verizon's service territory, either circuit-switched or VoIP, and have announced that they will offer service on a much wider basis by the end of this year. This information is provided in more detail in the Hassett/Woodbury Declaration and Attachment 1 to that declaration. Each of the major cable companies has major concentrations of customers in Verizon's service areas, and either already is offering or is in the process of rolling out voice telephone service to large numbers of customers. *Id.* ¶ 18, Attachment 1.

Cablevision was the first cable operator to offer VoIP service throughout its service area in New York and New Jersey. It now offers VoIP to the 4 million homes it passes in the New York metropolitan area and New Jersey and is now adding 3,200 subscribers per week. *Id.* ¶ 19. Cablevision offers unlimited local and long distance telephone service for $34.95. *Id.* ¶ 20. It also recently rolled out a new bundled offering that includes unlimited local and long distance telephone calls plus digital cable and high speed Internet access for $89.85, about the same amount many of its customers already pay just for digital cable and high speed Internet access. *Id.* Customers "are essentially receiving their voice service for free," according to Cablevision. *Id.*

Time Warner now offers VoIP service in 16 markets and will deploy VoIP to "essentially all" of its markets nationwide – which pass a total of 19 million homes – "by the end of 2004." *Id.* ¶ 21. Time Warner's systems pass at least 8 million homes in the Verizon's service areas. *Id.*

Time Warner has introduced a package of unlimited local and long distance telephone service for $39.95, when purchased with other services. *Id.* It also has entered into deals with the major long distance carriers who will assist Time Warner with "provisioning . . . , termination of IP voice traffic to the public switched network, delivery of enhanced 9-1-1 service, local number portability and carrying long distance traffic." *Id.*

Comcast offers circuit-switched voice service to more than nine million homes nationally and will offer VoIP to half of the 40 million homes it passes by the end of 2005 and to all of those homes by the end of 2006. *Id.* ¶ 22. Comcast is already offering circuit-switched voice telephone services to approximately 6 million homes throughout eastern Massachusetts and in Pittsburgh, Richmond, Alexandria, Portland, Dallas, Seattle, Los Angeles and Orange County. *Id.* ¶ 23. Comcast offers local and long distance telephone service for $49.99 or less. If its VoIP roll out in Verizon's service areas reflects the national average, Comcast also will offer VoIP to 7.5 million homes in Verizon's service areas by the end of next year and to approximately 15 million homes by the end of 2006.

Cox already offers circuit-switched voice service to more than half of the 10 million homes it passes nationally and is now moving to roll out VoIP services in additional markets. *Id.* ¶ 25. In Verizon's service areas, Cox already offers circuit-switched voice service to approximately 1.7 million homes, including the entire state of Rhode Island and in its service areas in the Tidewater region of Virginia and Orange County, California, and Cox recently added service in Fairfax County, Virginia. *Id.* ¶ 26. It offers local and long distance telephone service for $49.95. Cox also offers VoIP to approximately 77,000 homes in Roanoke, Virginia, and has announced plans to offer VoIP in additional markets this year. *Id.* ¶ 25-26.

In Verizon's service areas, Charter has announced that it plans to offer VoIP this year in Massachusetts, where it passes 284,000 homes. *Id.* ¶ 27. Starpower/RCN offers circuit-switched voice telephone service in its service areas in eastern Massachusetts and in the metropolitan Washington DC area. *Id.* ¶ 28. RCN offers its Megaphone service with unlimited local and long distance service for $55.00 or less. *Id*.

c. Cable companies are aggressively targeting both residential and business customers. For example, "[Cablevision] Lightpath has become the preferred provider of voice, data, and Internet services for more than 4,000 businesses throughout Long Island, Westchester County, New York City, Connecticut, and New Jersey." *Id.* ¶ 29. Cox Business Services provides data, voice, and transport services to more than 100,000 business customers and more than 320,000 businesses lie within 100 feet of Cox's network, providing Cox a "significant opportunity." *Id.* ¶ 30. RCN has "signed several agreements to expand its business" to provide "voice, video, data, business cable, Internet access, transport," to "customers including universities, hospitals, and the financial and legal industries." *Id.* ¶ 31. And Time Warner has "an infrastructure there that is just ripe for commercial services . . . . We pass 1.2 million businesses . . . ." *Id.*

II. VoIP Is Now Widely Available To Any Customer That Has Access to Cable Modem or Other Broadband Services.

Regardless of whether the cable companies themselves offer voice telephone service in a particular area, any customer who has access to cable modem or other broadband services also has access to VoIP from multiple providers. VoIP expands the number of competitors that can offer mass market telephone service because they can offer VoIP over any type of broadband facility provided by any other company.

a. VoIP is either already available from or is now being deployed by a wide range of companies, including major long distance companies, such as AT&T and MCI, national VoIP providers, such as Vonage, and numerous other national or regional providers.

For long distance carriers, VoIP appears to be the chosen method for serving the mass market. For example, AT&T already is offering VoIP to consumers in at least 72 metropolitan markets throughout the country and plans to expand to 100 metropolitan markets by September 2004. Hassett/Woodbury Decl. ¶ 33. AT&T projects that it will have at least one million mass market customers by 2005. *Id*. MCI plans to launch a consumer VoIP initiative in 2004. Sprint is also looking to partner with cable companies to support VoIP, similar to its arrangement with Time Warner. And Level 3 recently launched a wholesale service that provides carriers with all the building blocks needed to provide residential VoIP service. This service is currently available in 50 U.S. markets, and will reach over 300 markets by the end of this year. *Id*. ¶ 35.

b. Cable modem service and other broadband services that provide a delivery platform for VoIP are widely available both nationally and in Verizon's service areas in particular. Between 85 and 90 percent of U.S. homes have access to broadband service from a provider other than the incumbent local telephone company, principally cable modem service. *Id.* ¶ 36. In the 25 top MSAs where Verizon provides local telephone service as an incumbent, cable modem service is available to roughly 92 percent of the population throughout these MSAs. *See id.* ¶ 37, Attachment 3. Verizon identified the cable systems offering cable modem service from Warren Communication's Cable Factbook and publicly available information and then mapped the areas served by those systems within each MSA. These maps are included in Verizon's June 2004 Ex Parte and are the maps labeled A that are included for each of the 25 top MSAs included in that filing. In the states where Verizon provides local telephone service as an

incumbent, there already were nearly 10 million cable modem subscribers by the end of 2003 – a 44 percent increase since the previous year alone. *Id.* ¶ 39.

c. VoIP is not only available from numerous providers, but it competes directly with traditional telephone service and reflects the future of voice telephone service. For each of Verizon's 25 top MSAs, Verizon has prepared charts that compare the prices and features of the voice telephone service offerings of several leading competitors, including VoIP offerings. These charts are found in Attachment 2 to the Hassett/Woodbury Declaration. The service packages listed on the charts are those most prominently featured in advertising materials, and include prices for packages that are comparable between service providers. These charts show that VoIP offerings are very competitive in terms of the services and features included. The information on the prices for these competitive offerings was obtained from websites, tariffs and other publicly available sources. Indeed, VoIP service is typically priced 30-40 percent or more below comparable circuit-switched offerings. *Id.* ¶ 42. In New York, for example, AT&T offers VoIP service for $34.99 per month, compared to $54.95 per month for its comparable UNE-P-based offering. *Id.* Time Warner offers a bundled package of local and long distance service for $39.95. *Id.* ¶ 43. Cablevision offers a similar package for $34.95. *Id.* ¶ 44. Cablevision also recently introduced a bundled package of local and long distance, high speed Internet access, and digital cable for $89.85 – about the same price it previously charged for high speed Internet access and digital cable alone. *Id.* The result, according to Cablevision, is that customers "are essentially receiving their voice service for free." *Id.* Vonage offers an unlimited local and long distance package for only $29.99. *Id.* ¶ 45. And BroadVoice and Packet8 offer similar packages for $19.95. *Id.* .

Even for customers who have not subscribed to broadband service, the combination of cable modem service and VoIP is competitive with what customers pay for a narrowband bundle of local, long distance and dial-up Internet access. A cable modem broadband connection equipped with VoIP service typically now sells for between $70 and $95 per month. *Id.* ¶ 46. This is comparable to the price for dial up Internet access plus a bundled local and long distance plan. *Id.* This comparison is set out in greater detail in Attachment 5 to Verizon's June 2004 Ex Parte and the Hassett/Woodbury Declaration. Thus, VoIP offerings are competitive for the 32 percent of U.S. households that still use dial up access. *Id.*

Even at these low rates, VoIP providers are reporting huge profit margins. Cablevision estimates that its margins are 40-45 percent, with a capital payback of 10 months. *Id.* ¶ 47. Vonage has reported its margins at 70 percent, headed to 80 percent. *Id.* Wall Street analysts and other observers estimate that a cable company VoIP provider will have cash flow margins of approximately 40 percent. *Id.*

VoIP has rapidly gained acceptance as a replacement for traditional local telephone service. For example, 86 percent of Time Warner's VoIP customers keep their old phone number, as do 50 percent of Vonage customers. *Id.* ¶ 48. More generally, in a recent Gallup Poll, "[r]oughly 34% of respondents that do not have VoIP [said they] would switch from their existing landline service to VoIP for cost savings." *Id.* ¶ 49.

III. Wireless Carriers and Other Intermodal Competitors Are Competing Extensively Both For Lines and For Minutes.

Wireless carriers compete with incumbent wireline carriers both for local access lines and, even more extensively, for local and long distance calls.

a. As a general matter, wireless service competes directly with landline telephone service. Since the *Triennial Review* proceeding, the number of wireless subscribers has grown

from 137 million to 155 million, and the number is continuing to grow at 20 million subscribers per year. This information is set forth in greater detail in Attachments 6 and 7 to Verizon's June 2004 Ex Parte and the Hassett/Woodbury Declaration. By contrast, the number of wireline access lines has declined. *Id.* ¶ 51. An increasing share of wireless subscribers are abandoning their wireline phones. Wireless has already replaced over 19 million wireline access lines, and that number is expected to reach 34 million by 2007. *Id.* ¶ 52. Since the *Triennial Review* proceeding, the percentage of wireless users that have given up wireline service has grown from 3-5 percent to 7-8 percent. *Id.* ¶ 53. Approximately 2-3 million additional wireless subscribers are now giving up their wireline phones each year. *Id.* In addition, at least 14 percent of U.S. consumers now use their wireless phone as their primary phone. *Id.*

b. In addition to competing for access lines, wireless carriers are competing even more extensively to displace telephone calls (thereby displacing revenue producing minutes) that previously used the switched wireline network. This means that wireless service is a direct substitute for the incumbent carriers' switching even where the entire line is not displaced, and is therefore particularly relevant to the issue of whether switching must be unbundled. Wireless service packages include "long distance calling, which has directly contributed to wireline traffic substitution and historically increasing average minutes of use (MOUs) among the wireless carriers." *Id.* ¶ 55. One Wall Street analyst estimates that "approximately 23% of voice minutes in 2003 were wireless," and that for 2004 "wireless could make up approximately 29% of voice minutes in the US." *Id.* ¶ 56. The increase in wireless long-distance calls is even greater. Another analyst estimates that 43 percent of long-distance calls are now made on wireless phones. *Id.* ¶ 57. By contrast, the FCC's own data show that average residential wireline toll minutes have declined rapidly for the industry as a whole – from an average of 149 per month in

1997, down to only 90 per month in 2002. *Id.* ¶ 58. In total, consumers have reduced the number of long-distance minutes of use on landline phones by 40 percent over the past five years. *Id.* . Wireless carriers also now offer a variety of data services that compete for data traffic as well.

c. In Verizon's service areas, wireless service is widely available from multiple providers. For each of Verizon's 25 top MSAs, Verizon has identified the areas served by wireless carriers by examining wireless carriers' coverage maps listed on their websites and then mapped these areas by MSA. These maps are included in Verizon's June 2004 Ex Parte and are the maps labeled B that are included for each of the 25 top MSAs included in that filing. In these MSAs, virtually all portions of Verizon's service areas have wireless service available from several carriers.

As these market changes suggest, wireless service is fully competitive with wireline service. For each of Verizon's 25 top MSAs, Verizon has prepared a series of charts that compare the prices and features of the voice telephone service offerings of several leading competitors, including wireless offerings. Hassett/Woodbury Decl. ¶ 63, Attachment 2. These charts show that wireless offerings are fully competitive with wireline service respect to price. Indeed, wireless carriers were the first to offer rate packages that included local and long distance calls, and wireline and cable companies then introduced their own bundled rate packages to respond to those wireless rate packages. One Wall Street analyst notes that "[w]ireless pricing dropped below wireline pricing in 2003 for the first time." *Id.* ¶ 64. Many other analysts and the Commission have reached the same conclusion. In its 2003 CMRS Competition Report, the FCC said that "[t]he long distance, local, and the payphone segments of

wireline telecommunications have all been losing business to wireless substitution . . . due to the declining cost and widespread use of wireless service." *Id.* ¶ 65.

In addition to competitive pricing, wireless service is competitive with the quality of wireline service. For example, a GAO survey found that 83 percent of wireless users were satisfied with the call quality of their cell phones, while only 9 percent were dissatisfied. *Id.* ¶ 67. Analysts similarly report that "[c]ultural awareness and acceptance of wireless as an acceptable/preferred communication medium is growing." *Id.*

d. Other sources of intermodal competition such as e-mail and instant messaging ("IM") also now substitute for a large amount of traffic on switched wireline networks. A large and growing portion of this traffic originates and/or terminates on competitive networks, but even when carried over the incumbents' network, such traffic displaces significant usage-sensitive (*e.g.*, per-minute or per call) revenues that incumbents otherwise would earn. Customers are sending approximately 25 billion person-to-person e-mail messages and IM messages per day. *Id.* ¶ 69. If only 2 percent of the 25 billion daily e-mail and instant messages substitute for a voice call, that is equivalent to about 900 billion minutes per year, or roughly one-third of all voice traffic that passes through the incumbents' networks. *Id.*

IV. Competition from Competitors with Their Own Switches.

Competing carriers also continue to use their own circuit and packet switches to provide competitive voice telephone service to the mass market without using incumbent carriers' unbundled switching. As of year-end 2003, facilities-based CLECs had deployed approximately 10,000 switches nationwide, including approximately 1,200 circuit switches and 8,700 packet switches. Declaration of Ronald H. Lataille ¶ 6. Competitive carriers' switches are now so

geographically widespread that they have been used to serve local customers in wire centers that contain approximately *86 percent* of the Bell companies' access lines. *Id.* ¶ 7.

a. Competitive switches are widely deployed in Verizon's service areas and are used extensively to serve mass market lines. According to the FCC, "voice-grade analog loops, DS0 loops, and loops that deploy xDSL services, are used to serve customers typically associated with the mass market." TRO n.624. Verizon therefore identified the DS-0 loops served by competitive switches in Verizon's 25 top MSAs through its wholesale loop records. In addition, Verizon examined residential cable companies' E911 records to identify the mass market lines that are being served by cable companies entirely over their own facilities. In Verizon's 25 top MSAs, competitors are serving at least 2.1 million mass market lines using at least 133 of their own switches. *Id.* ¶ 8. These numbers therefore include only lines that competitors serve using their own switch and an unbundled DS-0 loop, plus lines that they serve using their own switch and loop and for which they have a residential E911 listing. *Id.* For each of Verizon's 25 top MSAs, Verizon has prepared maps showing the number of competitive switches, the number of mass market lines served by each switch and the wire center area where those mass market customers are located. These maps are included in Verizon's June 2004 Ex Parte and are the maps labeled C that are included for each of the 25 top MSAs included in that filing. In the New York MSA, for example, competitors are serving approximately 415,000 mass market lines using at least 28 of their own switches within the MSA. *Id.* ¶ 9, Attachment 1. In the Boston MSA, competitors are serving approximately 392,000 mass market lines using at least 12 of their own switches within the MSA and 5 switches located outside the MSA. *Id.* And in the Buffalo MSA, competitors are serving approximately 51,000 mass market lines using at least 4 of their own switches within the MSA. *Id.*

Moreover, competing carriers' switches are *capable* of serving, and being used to serve, customers located throughout Verizon's 25 top MSAs. Indeed, CLECs already are using their own switches to serve lines in Verizon wire centers that have the vast majority of the access lines in the MSA. In the New York MSA, for example, CLECs are serving lines in Verizon's wire centers that contain 93.3 percent of all access lines in the MSA. *Id.* ¶ 11. In the Providence MSA, CLECs are serving lines in Verizon's wire centers that contain 99.7 percent of all access lines in the MSA. *Id.* And in the Virginia Beach MSA, CLECs are serving lines in Verizon's wire centers contain 88.9 percent of all access lines in the MSA. *Id.*

The evidence also demonstrates the extensive geographic reach of competitive switches. For each switch deployed by a competitor in one of Verizon's 25 top MSAs, Verizon determined the most distant mass market lines served by that switch and used that distance as the radius for a circle drawn around each switch to show the geographic area that could be served by that switch. Verizon prepared maps for each of Verizon's 25 top MSAs showing the geographic areas that could be served by each competitive switch and color-coded those areas to show the number of competitors that are or could reasonably serve each area in the MSA. These maps are included in Verizon's June 2004 Ex Parte and are the maps labeled D that are included for each of the 25 top MSAs included in that filing. For example, there are five competitive carriers that are or could reasonably serve virtually the entire Boston MSA. In addition, the average reach of the competitive switches in the Boston MSA is over 40 miles. These maps provide further evidence that competitive switches are capable of serving customers throughout Verizon's 25 top MSAs.

V. Current Market Fact Show That Competing Providers Are Not Impaired Nationwide.

During the course of the Triennial Review proceeding, Verizon and others submitted voluminous evidence demonstrating that competing providers were capable of entering and

providing service without access to unbundled switching nationwide. As explained in detail above and in Verizon's June 24 Ex Parte, this is all the more true today. Indeed, cable companies are aggressively rolling out competing voice telephone services in markets all across the country and cable modem service and therefore VoIP is already available to nearly 90 percent of homes nationwide, multiple wireless service providers are competing directly with wireline service in markets across the country, and competing carriers have used their own switches to serve local customers in wire centers all across the country that contain some 86 percent of Bell company access lines.

Moreover, while the Commission declined in its Triennial Review Order to define the appropriate geographic market for conducting an impairment analysis with respect to switching, the evidence set out above and in Verizon's June 2004 Ex Parte demonstrates that, under no circumstances, could it adopt a market definition that is smaller than an MSA. The Court explained, in conducting an impairment analysis, the Commission must employ "a sensible definition of the markets in which deployment is counted." *USTA II* at 574. As demonstrated above, competing providers not only are capable of, but are in fact, providing service on an MSA-wide basis. Cable modem service is available to nearly all mass market customers throughout Verizon's 25 top MSAs, making VoIP available to them as well. Wireless service is likewise available from multiple service providers throughout Verizon's 25 top MSAs and it is rapidly displacing both wireline access lines and minutes. Competing providers also have used their own switches to serve mass market customers throughout Verizon's 25 top MSAs and their switches are capable of reaching even more customers. And where competing services can be

and are deployed on an MSA-wide basis, that necessarily is the smallest geographic market that can sensibly be defined.[1]

Finally, as demonstrated here and in Verizon's June 2004 Ex Parte, competing providers are entering and providing service throughout the 25 top MSAs where Verizon provides service as the incumbent. Accordingly, under no circumstances could the Commission find that impairment exists, or that switching should be unbundled in these MSAs, either on an interim or permanent basis.

Conclusion

Market developments since the close of the record in the *Triennial Review* proceeding, and in particular the rapid growth in mass market competition from cable companies, independent VoIP providers, wireless carriers and other intermodal competitors, and competitors using their own switches, demonstrate that competitors already are providing voice service to mass market customers without access to incumbent switches. As a result, there is no basis to impose an unbundling requirement for mass market switching.

[1] The FCC itself has previously found that an MSA is the appropriate geographic market (when it granted ILECs price flexibility for certain interstate services) precisely because "MSAs best reflect the scope of competitive entry, and therefore are a logical basis for measuring the extent of competition." *See Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers,* Fifth Report and Order and Notice of Proposed Rulemaking, 14 FCC Rcd 14221 ¶ 72 (1999).

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers	)	**CC Docket No. 01-338**
Implementation of the Local Competition Provisions of the Telecommunications Act of 1996	)	**CC Docket No. 96-98**
Deployment of Wireline Services Offering Advanced Telecommunications Capability	)	**CC Docket No. 98-147**

DECLARATION OF MICHAEL K. HASSETT AND VINCENT J. WOODBURY

1. My name is Michael K. Hassett. My business address is 13100 Columbia Pike, Silver Spring, Maryland. I am employed by Verizon Communications as Senior Vice President – Product Management. In this capacity, I am responsible for life-cycle management and product standardization of traditional mass-market wireline products, including traditional voice telephone services.

2. I have more than 23 years of experience in the telecommunications industry in a variety of marketing and sales positions. Prior to my current position, I served as Vice President – Business Marketing, where I was responsible for developing marketing strategies and customer loyalty, acquisition and winback strategies. My education background includes a MBA from Selinger School at Loyola College and a BA from Adelphi University.

3. My name is Vincent J. Woodbury. My business address is 1095 Avenue of the Americas, 36th Floor, New York, New York. I am employed by Verizon Services Corporation as Director, Regulatory Support for Retail Markets Group. In this capacity, I am responsible for providing support and oversight to Consumer and Small Business services provided in state and federal jurisdictions throughout the Verizon footprint.

4. I have more than 25 years of experience in the telecommunications industry in a variety of retail marketing and sales channel positions. My educational background includes a Masters Degree in Liberal/Social Sciences received in 1977 and a Bachelors Degree received in 1972.

I. Purpose of Declaration

5. The purpose of our declaration is to describe the recent technological and market developments that further demonstrate that competitors are not impaired without access to unbundled switching. Since the *Triennial Review* proceeding, there has been widespread deployment of competing voice telephone services by cable companies and Voice over Internet Protocol ("VoIP") providers, as well as increasing competition from wireless and other intermodal providers. As explained in greater detail in the sections that follow, these developments conclusively show that competition is not impaired without access to unbundled mass market switching.

6. As a general matter, competition is not impaired without unbundled switching nationwide. At the end of last year, cable companies already offered voice telephone service to 15 percent of homes nationwide, and were rolling out VoIP to many more. By the end of 2004, cable companies plan to offer VoIP to more than 24 million homes over their networks, and plan to offer it to at least 20 million more the following year.

7. Regardless of whether cable companies themselves offer VoIP, the 85-90 percent of U.S. homes that have access to cable modem service also have access to VoIP from multiple providers ranging from the major long distance carriers, like AT&T, to national VoIP providers, like Vonage.

8. Wireless carriers are also aggressively competing both for lines and for traffic. During the last two years, the number of wireless lines has grown from 137 million to 155 million, while the number of wireline lines has declined. The percentage of users giving up their landline phones has grown from 3-5 percent to 7-8 percent. In addition, wireless traffic has grown from 16 to 29 percent of all voice traffic and to 43 percent of long distance traffic.

9. These developments are particularly pronounced in the areas served by Verizon as the incumbent carrier. Cable companies already offer voice telephone service, either circuit-switched or VoIP, to more than 12 million homes in Verizon's service areas. Regardless of whether cable companies themselves offer VoIP, approximately 92 percent of the population in Verizon's top 25 MSAs (based on number of access lines) now have access to cable modem service, and therefore also have access to VoIP from numerous alternative VoIP providers at competitive prices.

10. Wireless service is available from multiple competing providers in Verizon's top 25 MSAs. And wireless prices are directly competitive with wireline voice telephone service.

11. These developments show that competitors are already providing significant and widespread competition for mass market local telephone services without using Verizon's unbundled local switching services. In fact, competitors are providing voice telephone services to mass market customers without using circuit switches at all. Accordingly, competing carriers

can provide voice service to the mass market and are not impaired without access to incumbent carriers' local switches.

12. Our declaration, the attachments to our declaration and Verizon's June 2004 Ex Parte, *Technological and Market Developments Since the Triennial Review Further Demonstrate that Competitors Are Not Impaired Without Access to Unbundled Mass Market Switching*, contain information collected from publicly available sources as well as information collected from internal Verizon databases. The sources of publicly available information used are identified in these documents. In his declaration, Mr. Lataille describes the information collected from internal Verizon databases.

II. Rapid Growth of Competition from Intermodal Sources.

13. Cable companies, independent VoIP providers and wireless carriers are aggressively competing for mass market voice telephone customers. They are doing so by using their own facilities and are not using the incumbent carriers' unbundled switching.

Cable Companies.

14. Two years ago, cable companies already offered circuit switched voice telephone service to approximately 10 million homes across the country.[1] Since that time, the deployment of competing telephone services by cable companies has expanded exponentially as cable companies roll out VoIP service over their cable networks.

[1] J. Bazinet & D. Pinsker, JP Morgan H&Q, *The Cable Industry* at Table 22 (Nov. 2, 2001); NCTA, *Cable Telephony: Offering Consumers Competitive Choice* at 2 (July 2001).

15. As of the end of 2003, cable companies already offered circuit-switched voice telephone service to 15 percent of homes nationwide.[2] The number of lines for which cable telephony was available is even greater because many homes have more than one line.

16. Cable companies now offer voice telephone service to millions of additional homes using VoIP, and have announced plans to offer VoIP to more than 24 million homes by the end of 2004 and at least 20 million more the following year.

17. Analysts expect all the major cable companies to offer VoIP to nearly 100 percent of their cable homes passed over the next two to three years.[3] Within two years, "roughly 82% of total US households" will be able to obtain VoIP from their cable operator.[4] Analysts project that cable operators will capture as much as 7 percent of current residential telephone lines by the end of 2005,[5] and more than 15 percent of primary residential telephone lines within 4 years.[6]

18. While cable companies are aggressively competing for mass market customers across the country, this competition is particularly advanced in the areas where Verizon provides local telephone services. Verizon estimates that cable companies already offer voice telephone

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[2] *See, e.g.*, J. Halpern, *et al.*, Bernstein Research Weekly Notes, *US Telecom and Cable: Faster Rollout of Cable Telephony Means More Risk for RBOCs, Faster Growth for Cable*, at Exh. 1 (Jan. 9, 2004) (estimating 15 percent of U.S. households as of year-end 2003) ("*Bernstein Cable Telephony Report"*).

[3] *Bernstein Cable Telephony Report* at 3; *see also* J. Hodulik, *et al.*, UBS, *High-Speed Data Update for 3Q03* at 12 (Dec. 1, 2003) ("By the end of 2005/2006" the four major "cable operators will have rolled out a cable telephony service across substantially all of their respective footprints, representing total homes of approximately 70 million").

[4] *Bernstein Cable Telephony Report* at 4.

[5] F. Governali, *et al.*, Goldman Sachs, *Telecom Services: Qualifying the VoIP Threat, an Eye-Opening Exercise* at 1 (Dec. 23, 2003).

[6] J. Halpern, *et al.*, Bernstein Research Call, *US Telecom & Cable: Faster Roll-Out of Cable Telephony Means More Risk to RBOCs; Faster Growth for Cable* at 1 (Dec. 17, 2003).

service – either circuit-switched or VoIP – to more than 12 million homes in Verizon's service areas,[7] and have announced that they will offer service on a much wider basis by the end of this year. Each of the major cable companies has major concentrations of customers in Verizon's service areas, and either already is offering or is in the process of rolling out voice telephone service to large numbers of customers. *See* Attachment 1.

19. Cablevision was the first cable company to offer VoIP service throughout its service area in New York and New Jersey. Verizon estimates that Cablevision now offers VoIP to 4.4 million homes it passes in metropolitan New York, southern Connecticut, and New Jersey.[8] Cablevision claims that it is adding 3,200 VoIP customers in the New York metropolitan area per week.[9]

20. Cablevision offers unlimited local and long distance telephone service for $34.95.[10] Cablevision also recently rolled out a new bundled offering that includes unlimited local and long distance telephone calls plus digital cable and high speed Internet access for

[7] Verizon's calculations of the number of homes passed by cable companies in Verizon's service areas are based on the aggregate of the number of homes passed by a cable company in each county that is part of the MSA in Verizon's service area in which that company is offering telephony. Homes passed data were obtained from Media Business Corp., *Top 10 MSOs by County* (Mar. 2004). Verizon included only those counties within an MSA that are within its service area.

[8] *See* Cablevision News Release, *Cablevision Completes Network Rebuild* (Dec. 3, 2003).

[9] *See* Remarks of Cablevision COO Tom Rutledge at CableLabs' annual media briefing, Comm. Daily (May 24, 2004) *Cablevision Is Adding 3200 Consumer VoIP Lines per Week in New York*, Converge! Network Digest (May 10, 2004), *available at* http://www.convergedigest.com/DSL/lastmilearticle.asp?ID=11068.

[10] *See* Optimum Voice, *Pricing*, http://www.optimumvoice.com/index.jhtml?pageType=pricing.

$89.85.[11] This is about the same amount many of its customers already pay just for digital cable and high speed Internet access. As a result, Cablevision says that customers "are essentially receiving their voice service for free."[12]

21. Time Warner now offers VoIP in 16 markets, and is "on track" to deploy service to "essentially all" of its cable systems – which pass a total of 19 million homes – "by the end of 2004."[13] Verizon estimates that Time Warner's systems pass at least 8 million homes in the Verizon's service areas including nearly 3.5 million homes in New York; 2.6 million homes in Texas; 771,000 homes in California; 236,000 homes in Pennsylvania; 169,000 homes in North Carolina; 157,000 homes in Maine; 77,000 homes in New Jersey; 56,000 homes in Florida; 34,000 homes each in Massachusetts and West Virginia; and 22,000 homes in New Hampshire. *See* Attachment 1.

22. Comcast already offers circuit-switched voice telephone service to more than nine million homes.[14] Comcast will offer VoIP to half of the 40 million homes it passes by the end of 2005 and to all of the homes it passes by the end of 2006.[15]

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[11] *See Cablevision Promotional Offer for New Customers Features Digital Video, High-Speed Internet and Voice Services for the Monthly Price of $29.95 Each for First 12 Months If Taken Together*, PR Newswire (June 21, 2004).

[12] *Cablevision to Offer Internet Phone-Call Bundle*, Wall St. J. at B5 (June 21, 2004) (quoting Patricia Gottesman, Senior Vice President, consumer product management and marketing, Cablevision).

[13] *See* Time Warner News Release, *Time Warner Reports First Quarter 2004 Results* (Apr. 28, 2004); A. Breznick, *Cable MSOs Pick Up VoIP Pace, Shrug Off Vonage*, Comm. Daily at 3 (May 24, 2004); Time Warner Inc., 2004 Trending Schedules (Apr. 28, 2004), http://www.timewarner.com/investors/trending_schedules/xls/04_28_04.pdf.

[14] *See* Comcast Corp. Financial Tables at Table 5, *attached to* Comcast Press Release, Comcast Reports First Quarter 2004 Results (Apr. 22, 2004) (Comcast telephony is available to 9.7 million homes).

[15] P. Grant, *Comcast Pushes into Phone Service*, Wall St. J. at A3 (May 26, 2004).

23. In Verizon's service areas, Verizon estimates that Comcast already offers circuit-switched voice telephone services to approximately 6 million homes throughout eastern Massachusetts, in Pittsburgh, Richmond, Alexandria, Portland, Dallas, Seattle, Los Angeles, and Orange County.[16] Comcast offers local and long distance telephone service for $49.99 or less. *See* Attachment 2.

24. Comcast has not announced publicly the order in which it will roll out VoIP service over its systems. If its VoIP rollout in Verizon's service areas reflects the national average, Comcast will offer VoIP to 7.5 million homes in Verizon's service areas by year end 2005. Comcast will offer VoIP to about 15 million homes it passes in Verizon's service areas by the end of 2006.

25. Cox already offers circuit-switched voice telephone service and VoIP to more than half of the 10 million homes it passes nationally, covering 13 of its major markets.[17] Cox is now moving to roll out VoIP service in additional markets.[18]

26. In Verizon's service areas, Verizon estimates that Cox already offers its circuit-switched voice telephone service to approximately 1.7 million homes, including the entire state of Rhode Island and its service areas in the Tidewater region of Virginia and Orange County,

[16] CED inDEPTH, *Advanced Services Deployment Handbook* at 14 (Mar. 2004); Comcast Phone of Massachusetts, Inc., Massachusetts Tariff No. 1; Comcast Phone of California, LLC, Schedule Cal. P.U.C. No. 1.

[17] Cox Communications Inc. Operating Statistics, *attached to* Cox News Release, *Cox Communications Announces First Quarter Financial Results for 2004* (Apr. 29, 2004).

[18] *See* Cox Communications, *White Paper: Voice over Internet Protocol: Ready for Prime Time* at 14 (May 2004).

California.[19] Cox also offers VoIP to approximately 77,000 homes in the Roanoke MSA.[20] Cox offers local and long distance telephone service for $49.99. *See* Attachment 2.

27. Charter has announced that it plans to offer VoIP services to at least one million of the homes it passes nationally in 2004.[21] In Verizon's service areas, Charter plans to begin providing VoIP service in Massachusetts, where its network passes 284,000 homes, in the fourth quarter of this year.[22]

28. Starpower/RCN offers circuit-switched voice telephone service in its service areas in eastern Massachusetts, Philadelphia, Lehigh Valley, and in the metropolitan Washington DC area.[23] RCN offers its Megaphone service with unlimited local and long distance service for $55.00 or less. *See* Attachment 2.

29. Cable companies are aggressively targeting both residential and business customers. For example, "[Cablevision] Lightpath has become the preferred provider of voice, data, and Internet services for more than 4,000 businesses throughout Long Island, Westchester County, New York City, Connecticut, and New Jersey."[24]

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[19] Cox News Release, *Cox Communications Brings Digital Telephone Service to Northern Virginia; Northern Virginia Marks Cox's 13th Telephone Market* (Apr. 30, 2004) *at* http://www.coxenterprises.com/corp/viewPressRelease.asp?articleid=524 ("*Cox Digital Service News Release*").

[20] *Id.*; Media Business Corp., *Top 10 MSOs by County* (Mar. 2004).

[21] Charter Communications, *1Q04 Results* at 11 (May 10, 2004) (presentation of Charter president and CEO Carl Vogel) at http://media.corporate-ir.net/media_files/nsd/chtr/presentations/chtr_051004.pdf).

[22] *Id*.

[23] RCN Corp., Form 10-K (SEC filed Mar. 30, 2004).

[24] Lightpath, *About Lightpath*, http://www.lightpath.net/Interior7.html.

30. Cox Business Services provides data, voice, and transport services to more than 100,000 customers.[25] More than 320,000 businesses lie within 100 feet of Cox's network, providing Cox a "[s]ignificant opportunity."[26]

31. RCN has "signed several agreements to expand its business" to provide "voice, video, data, business cable, Internet access, transport," to "customers including universities, hospitals, and the financial and legal industries."[27] And Time Warner has "an infrastructure there that is just ripe for commercial services . . . . We pass 1.2 million businesses . . . .'"[28]

VoIP Providers.

32. Regardless of whether cable companies themselves offer voice telephone service in a particular area, any customer who has access to cable modem or other broadband services also has access to VoIP from multiple providers. VoIP vastly expands the number of competitors that can offer mass market voice telephone service because they can offer VoIP over any type of broadband facility provided by any other company. This allows customers to bypass the incumbent local exchange carrier's telephone services wherever cable modem service is deployed.

33. For long distance carriers, VoIP appears to be the chosen method for serving the mass market. AT&T is already providing service in at least 72 metropolitan markets in Arizona, California, Colorado, the District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Minnesota, Missouri, Nebraska, New Jersey, New York,

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[25] Cox News Release, *Cox Communications Announces First Quarter Financial Results for 2004* (Apr. 29, 2004).

[26] Jim Robbins, President and CEO, Cox Communications, Presentation to the Sanford Bernstein 19th Annual Strategic Decisions Conference (June 5, 2003).

[27] *See* Comm. Daily at 7-8 (Feb. 2, 2004).

[28] A. Figler, *Turning Businesses into Customers*, CableWorld (Dec. 9, 2002) (quoting Ken Fitzpatrick, senior vice president of commercial services for Time Warner Cable).

North Carolina, Oregon, Pennsylvania, Tennessee, Texas, and Washington.[29] AT&T has made a "commitment" to deploy mass-market VoIP service in the top 100 markets by September 2004.[30] AT&T projects it will have one million VoIP subscribers by the end of 2005.[31]

34. MCI likewise plans to launch a consumer VoIP initiative in 2004.[32] Sprint is also looking to partner with cable companies to support VoIP, similar to its arrangement with Time Warner.[33]

35. Level 3 recently launched a wholesale service that provides carriers with all the building blocks needed to provide residential VoIP service. Level 3's wholesale service is currently available in 50 U.S. markets, and will reach over 300 markets by the end of 2004.[34]

36. Cable modem service and other broadband services are widely available both nationally and in Verizon's service areas in particular. Between 85 and 90 percent of U.S. households are now able to obtain a broadband connection from a provider other than their incumbent local telephone company, principally cable modem service.[35]

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[29] *See* AT&T CallVantage, *Market Availability,* https://www.usa.att.com/callvantage/order/upcoming_markets.jsp.

[30] AT&T News Release, *AT&T Continues National Deployment of AT&T CallVantage Service* (June 30, 2004).

[31] AT&T News Release, *AT&T's CallVantage Service Expands To Serve the Western United States* (May 17, 2004).

[32] MCI News Release, *MCI Updates 2004 Earnings Guidance* (Apr. 29, 2004).

[33] *See* F. Governali, *et al.*, Goldman Sachs, *Sprint FON Group (FON)* at 10 (June 4, 2004).

[34] *See* Level 3 Press Release, *Level 3 Launches Residential VoIP Service in More than 50 U.S. Markets* (May 3, 2004).

[35] *See* NCTA, *Broadband Services, at* http://www.ncta.com/Docs/PageContent.cfm?pageID=37; *see also* J. Halpern, *et al.*, Bernstein Research Call, *Broadband Update: DSL Share Reaches 40% of Net Adds in 4Q . . . Overall Growth Remains Robust,* at 7, Exh. 6 (Mar. 10, 2004).

37. In the top 25 MSAs where Verizon provides local telephone service as an incumbent, cable modem service is available to roughly 92 percent of the population. *See* Attachment 3. The areas where cable modem service is available in Verizon's top 25 MSAs is shown on Maps A attached to Verizon's June 2004 Ex Parte, *Technological and Market Developments Since the Triennial Review Further Demonstrate that Competitors Are Not Impaired Without Access to Unbundled Mass Market Switching*. Verizon identified the cable systems offering cable modem service from Warren Communications' Cable Factbook and publicly available information and then mapped the areas served by those systems within each MSA.

38. Mass market customers are buying broadband service at a remarkable rate. About 24 million customers – 22 percent of U.S. households – currently subscribe to broadband service; 30 percent will by the end of 2004, and almost 40 percent by the end of 2005.[36] In addition, the FCC reported a 26 percent nationwide increase in residential and small business broadband lines during the six month period between June 2003 and December 2003.[37]

39. Customers are subscribing to cable modem service even more rapidly in Verizon's service areas. In states served by Verizon, according to the FCC's numbers, there were more than 10 million cable modem subscribers by the end of 2003, which reflects a 44 percent increase in cable modem subscribers in the last year alone. *See* Attachment 4.

40. Voice telephone service offered through VoIP competes directly with traditional telephone service. It reflects the future of voice telephone service.

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[36] *See* J. Halpern, *et al.*, Bernstein Research Call, *Broadband Update: DSL Share Reaches 40% of Net Adds in 4Q . . . Overall Growth Remains Robust* at Exhibit 1 (Mar. 10, 2004).

[37] *See* Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *High-Speed Services for Internet Access: Status as of December 30, 2003* at Table 4 (released June 8, 2004).

41. For each of Verizon's top 25 MSAs, Verizon has prepared a chart that compares the prices and features of voice telephone service offerings of several leading competitors, including VoIP providers. *See* Attachment 2. The service packages listed on these charts are those most prominently featured in advertising materials and are most comparable between service providers. Verizon obtained the information for these charts from the service providers' websites, tariffs and other publicly available information. These charts show that VoIP offerings are very competitive.

42. VoIP service is typically priced 30-40 percent or more below comparable narrowband (circuit-switched) offerings.[38] In New York, for example, AT&T offers VoIP service for $34.95 per month, compared to $54.95 per month for its comparable UNE-P-based offering. *See* Attachment 2. Moreover, AT&T and other VoIP providers also are now offering significant promotional discounts to attract new subscribers.[39]

43. Time Warner offers a bundled package of local and long distance service for $39.95. *See* Attachment 2.

44. Cablevision offers a similar package for $34.95. *See* Attachment 2. In addition, Cablevision also recently introduced a bundled package of local and long distance, high speed

[38] *See generally* J. Halpern, *et al*., Bernstein Research, *U.S. Telecom and Cable: Flat-Rate Pricing Signals Telephony Voice ARPU Compression* at 3 (Apr. 8, 2004) ("By entering with pricing that is 30%+ below prevailing RBOC rates, cable operators are setting benchmarks that will be difficult for incumbent telcos to match.").

[39] *See*, *e.g.*, AT&T, *CallVantage*, http://www.usa.att.com/callvantage/home.jsp? (AT&T offers consumers that sign up before August 31 receive a $15 discount each month for the first six months); VoicePulse, *Plans*, http://www.voicepulse.com/plans/default.aspx (VoicePulse offers a savings of $120 for the first year with a one-year contract); *This Just In*; *Circuit City Dials Vonage for VoIP Phone Service*, Multichannel News (Mar. 8, 2004) (Circuit City offers customers two months of free service and activation when they purchase starter kits and sign up for Vonage service).

internet access, and digital cable for $89.85 – about the same price it previously charged for high speed access and digital cable alone.[40]

45. Vonage offers an unlimited local and long distance package for only $29.99.[41] BroadVoice and Packet 8 offer similar packages for $19.95. *See* Attachment 2.

46. For customer who have not yet subscribed to broadband service, the combination of broadband service and VoIP is competitive with what customers pay for a narrowband bundle of local, long distance and dial up Internet access. As shown in Attachment 5, the price for cable modem service plus VoIP typically is in the range of $70 to $95 per month. For example, a customer in New York City could obtain cable modem service from Time Warner for $45 (for standard cable subscribers) or $60 (for non-cable subscribers),[42] and VoIP service from a number of providers including Packet8 for $20, or AT&T, for $35.[43] This is comparable to the price for dial up Internet access plus a bundled local and long distance plan. The same customer in New York City could spend $10 to $22 for dial-up service depending on the ISP,[44] and $50-$60 for the bundled voice plan,[45] which may incur taxes and surcharges of up to $13. For the some 36 million U.S. households[46] (32 percent) using dial up Internet access, VoIP is competitive.

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[40] *See* ¶ 20, *supra*.

[41] Vonage Press Release, *Vonage Drops Residential Premium Unlimited Plan by $5 to $29.99* (May 17, 2004).

[42] Time Warner Cable, *Road Runner: Rates*, http://www3.twcnyc.com/NASApp/CS/ContentServer?pagename=twcnyc/internet&mysect=internet/rates.

[43] *See* Attachment 2.

[44] *See* Attachment 5, n.2.

[45] *See* Attachment 2.

[46] R. Bilotti, *et al.*, Morgan Stanley, *Broadband Update – Tiering Strategies* at Exhibit 10 (Apr. 12, 2004) (excluding dial-up subscribers that also use broadband).

47. Even at these low rates, VoIP providers are reporting spectacular profit margins. Cablevision has reported its margins at 40-45 percent, with a capital payback of 10 months.[47] Vonage has reported its margins at 70 percent, headed to 80 percent.[48] Kagan estimates that a cable company VoIP providers will have cash flow margins of 40 percent.[49] Wall Street analysts are making similar projections.[50]

48. VoIP is rapidly gaining acceptance as a replacement for primary telephone service. The majority of customers purchasing VoIP from their cable operator are purchasing it as a primary line replacement. For example, some 86 percent of Time Warner's Digital Phone subscribers reportedly bring their old phone number with them when they sign up.[51] Approximately, 50 percent of Vonage customers bring their old phone number when they sign up.[52]

49. In addition, consumer surveys report a very high interest in VoIP service. In a recent Gallup Poll, "[r]oughly 34% of respondents that do not have VoIP [said they] would

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[47] *See, e.g.*, Tom Rutledge, Chief Operating Officer, Cablevision, presentation at the Deutsche Bank Media Conference at 29 (June 7, 2004).

[48] *See* D. Barden, *et al.*, Banc of America Securities, *Straight Talk on VoIP* at 2, 5 (Apr. 15, 2004).

[49] Kagan, *Cable VoIP Outlook:Q1 '04 Sector Update* at 9 (Jan. 2004).

[50] *See, e.g.*, G. Campbell, *et al*., Merrill Lynch, *Everything over IP: VoIP and Beyond* at 17 (Mar. 12, 2004) ("We believe that margins on VoIP service could be very high (depending on where pricing and regulation end up) . . . . For cable operators, we believe that incremental service margins on VoIP can be comparable to HSD service margins (i.e., 60%-plus at scale, assuming current pricing) and significantly better than cable TV margins.").

[51] Glenn Britt, Chairman & CEO, Time Warner Cable, Presentation to UBS Media Week Conference at slide 24 (Dec. 11, 2003); *see also* C. Moffett, *et al.*, Bernstein Research Call, *Cable and Telecom: Bernstein Study Finds Consumers Ready and Willing To Switch to Cable Telephony* at 4 (Dec. 9, 2003) ("80-90% of Time Warner's customers in Portland are opting to keep their existing number.").

[52] *See UBS Vonage Story* at 5; A. Quinton, *et al.*, Merrill Lynch, *US VoIP Update: Competitive, Regulatory, and Other Issues* at 9 (Nov. 25, 2003).

switch from their existing landline service to VoIP for cost savings."[53] In addition, AT&T's Customer Insights Group indicated that "three out of four adults have heard of [VoIP] technology," and "[a]mong current 'non users' aware of VoIP services, 76 percent would consider actually implementing the service in the next year, depending on the price and package offering."[54] Of that 76 percent of respondents, 63 percent would consider VoIP to replace a primary line.[55]

Wireless Carriers.

50. Wireless carriers are now competing with wireline carriers both for local access lines and, even more extensively, for local and long distance calls. As a general matter, wireless service is a replacement for landline telephone service.

51. Since the *Triennial Review* proceeding, the number of wireless subscribers has grown from 137 million to 155 million, and the number is continuing to grow at 20 million new wireless subscribers each year. *See* Attachment 6. By contrast, there are approximately 181 million wireline access lines, and that number is declining each year.[56] Analysts accordingly expect that "the number of cell phone users will exceed the number of US wireline access lines some time during 2005."[57]

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[53] J. Hodulik, *et al.*, UBS, *Gallup Survey Highlights VoIP Potential* at 1 (Apr. 8, 2004).

[54] AT&T News Release, *AT&T-Sponsored Survey Highlights Consumer Interest and Awareness in Voice over the Internet Services (VoIP)* (Mar. 2, 2004); AT&T Customer Insights Group, *VoIP PR Research: Public Opinion on VoIP* at 6, 12 (Jan. 2004).

[55] *Id*. at 12.

[56] *See, e.g.*, Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of June 30, 2003* at Table 1 (Dec. 2003) (End-user switched access lines have declined steadily since their peak in December 2000).

[57] Adam Quinton, Managing Director & First VP, Co-Head of Global Telecom Services Research, Merrill Lynch, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004).

52. An increasing share of wireless subscribers are abandoning their wireline phones. Analysts estimate that over 19 million wireline access lines have already been displaced by wireless, and that number is expected to reach 34 million by 2007. *See* Attachment 7.

53. Growing numbers of wireless subscribers are abandoning their wireline service in favor of their wireless service. Since the *Triennial Review* proceeding, the percentage of wireless users that have given up wireline service has grown from 3-5 percent to 7-8 percent. *See* Attachment 6. Approximately 2-3 million additional wireless subscribers are now giving up their wireline phones each year.[58] At least 14 percent of U.S. consumers now use their wireless phone as their primary phone.[59]

54. And even larger percentages of young consumers – which will make up the next generation of homeowners – are disconnecting their wireline service, which make it likely that the rate of substitution will increase even further in the future.[60] Analysts accordingly predict

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[58] *See* B. Bath, Managing Director, Equity Research, Lehman Brothers, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 5, 2003).

[59] C. Wheelock, In-Stat/MDR, *Cutting the Cord: Consumer Profiles and Carrier Strategies for Wireless Substitution* at 1 (Feb. 2004) ("14.4% of US consumers currently use a wireless phone as their primary phone").

[60] Frank Louthan, Vice President, Equity Research, Raymond James, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004) ("We believe the roughly 9.6% of the population that are single between the ages of 20 and 34 are the most likely to disconnect their wireline phone for a wireless phone (with a significant proportion of this age group having already done so). As young consumers between 15 and 19 (another 6.6% of the U.S. population) become households, we believe these households could become prime wireless substitution candidates."); A. Quinton, *et al.*, Merrill Lynch, *Telecom Services: Unraveling Revenues* at 5 (Nov. 20, 2003) ("[W]e believe that demographic trends favor wireless. . . . So, as the US population ages, more young people are likely to become wireless subscribers – and either displace the purchase of a wireline service with wireless or cut the cord on an existing line."); S. Ellison, IDC, *U.S. Wireline Displacement of Wireline Access Lines Forecast and Analysis¸2003-2007* at 7 (Aug. 2003) ("The first communications services purchased by youth and young adults are now often wireless services. Adoption of wireless by teenagers is

that within three years, more than 33 million access lines – approximately 18 percent of total access lines – will be displaced by wireless.[61]

55. In addition, wireless carriers are competing even more extensively to displace telephone calls that previously used the switched wireline network. Wireless service packages include unlimited long distance calling, which has contributed to wireline traffic substitution and increasing average minutes of use among wireless carriers. As one 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."[62] As a result, wireless service is particularly competitive for incumbent carriers' mass market switching.

56. Still greater amounts of traffic are migrating from wireline to wireless networks. Merrill Lynch estimates that "approximately 23% of voice minutes in 2003 were wireless," and that for 2004 "wireless could make up approximately 29% of voice minutes in the US."[63] Wireless voice minutes are currently rising at 36 percent per year.[64] *See* Attachment 8. By contrast, minutes on landline networks have declined.[65]

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increasingly being translated into forgoing traditional primary access lines when such wireless users go to college or otherwise establish their own households.").

[61] *See* S. Ellison, IDC, *U.S. Wireless Displacement of Wireline Access Lines Forecast and Analysis¸ 2003-2007* at Table 9 (Aug. 2003); *see also* C. Wheelock, In-Stat/MDR, *Cutting the Cord: Consumer Profiles and Carrier Strategies for Wireless Substitution* at 4 (Feb. 2004) (In-Stat/MDR predicts, in its "base scenario forecast", which is the "most likely outcome," that 29.8% of wireless subscribers will not have a landline by 2008.).

[62] W. Mossberg, *The Mossberg Solution: Turning Your Home Phone into a Cellphone – Call-Forwarding Devices Let You Use Cellular Service on a Traditional Phone*, Wall St. J. at D6 (Dec. 3, 2003).

[63] D. Janazzo, *et al.*, Merrill Lynch, *The Next Generation VIII: The Final Frontier?* at 5 (Mar. 15, 2004); *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, Eighth Report, 18 FCC Rcd 14783, ¶ 102 (2003) ("One analyst estimates that wireless has now displaced about 30 percent of total wireline minutes.") ("*Eighth CMRS Report*").

[64] Adam Quinton, Managing Director & First VP, Co-Head of Global Telecom Services Research, Merrill Lynch, prepared witness testimony before the Subcommittee on

57. The increase in wireless long-distance calls is even greater. The Yankee Group estimates that 43 percent of long-distance calls are now made on wireless phones.[66]

58. By contrast, the FCC's own data show that toll minutes have declined rapidly for the industry as a whole. Average residential toll minutes per line reached a peak of 149 minutes per month in 1997, and declined to only 90 minutes per month in 2002. *See* Attachment 9. In total, consumers have reduced the number of long-distance minutes of use on landline phones by 40 percent over the past five years. *Id*.

59. The long distance carriers themselves have acknowledged that wireless service is displacing long distance traffic and constraining prices. For example, AT&T said that "Consumer long distance voice usage is declining as a result of substitution to wireless services, internet access and e-mail/instant messaging services, particularly in the 'dial one' long distance, card and operator services segments."[67] MCI made the same observation: "Wireless telephone companies, such as Verizon Wireless, Cingular, Sprint PCS, AT&T Wireless, Nextel and T-Mobile…have increased their network coverage, improved service quality, started to provide bundled wireless products and lowered prices to end users. As a result, customers are beginning to substitute wireless services for basic wireline service causing these companies to gain market

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Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004).

[65] *See*, *e.g.*, Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Trends in Telephone Service* at Table 10.1 (May 2004); S. Flannery, *et al.*, Morgan Stanley, *Telecom Services: Trend Tracker: Spring Break! Some Temporary Telecom Relief* at 23 (Mar. 18, 2004).

[66] Yankee Group News Release, *U.S. Consumer Long Distance Calling Is Increasingly Wireless, Says Yankee Group* (Mar. 23, 2004), *at* http://www.yankeegroup.com/public/news_releases/news_release_detail.jsp?ID=PressReleases/news_03232004_cts_2.htm.

[67] AT&T Corp., Form 10-K (SEC filed Mar. 15, 2004).

share from providers of wireline voice communications."[68] In addition, Gary Forsee, Chairman and Chief Executive Officer of Sprint, conceded that wireline rates will not increase: "There is so much competition for the consumer dollar, it is hard for me to imagine a scenario where the local service component goes up, and certainly not the long-distance component. The RBOCs don't have that flexibility, given that cable is trying to come in."[69]

60. Wireless carriers also now offer a variety of data services that compete for data traffic. For example, narrowband wireless data capabilities that offer speeds of between 50-130 kbps are now available nearly every place wireless voice service is available, which is to say the vast majority of the country.[70] A large and increasing share of wireless subscribers are now using phones that are capable of using these new data capabilities[71] as well as actually subscribing to the data services they make possible.[72] In addition, wireless carriers are now beginning to deploy broadband capabilities that are comparable to cable and DSL.[73]

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[68] MCI Inc., Form 10-K (SEC filed Apr. 29, 2004).

[69] P. Howe, *Sprint CEO Discusses Changes in Telephone Industry*, Boston Globe at 1 (June 27, 2004).

[70] *See Eighth CMRS Report* ¶ 80 ("CDMA 1xRTT/1xEVDO has been launched in at least some portion of counties containing 260 million people, or roughly 91 percent of the U.S. population, while GPRS has been launched in at least some portion of counties containing 227 million people, or almost 80 percent of the U.S. population.").

[71] M. McCormack, *et al.*, Bear Stearns, *Verizon Communications: Growth Businesses Highlight in Line Quarter* at 8 (Apr. 27, 2004) (Verizon "reported that 63% of the customer base has 1X-enabled phones compared with 52% in 4Q03."); Sprint, *Investor Update 1Q2004* at 15 (Apr. 20, 2004) (Sprint reports that 80% of the "post-paid retail customer base" is using 1xRTT handsets and 48% of the same base are using PCS Vision handsets.).

[72] C. Fleming, *et al.*, UBS Investment Group, *AT&T Wireless Group Inc.: Weak, But Not Disastrous 1Q04 Results* at 4 (Apr. 26, 2004) ("[AT&T Wireless] said that more than 40% of its GSM customers sign up for GPRS service (i.e., mMode). This compares to the "over 35%" figure cited last quarter. AWE said that these customers pay, on a monthly basis, in the $6.50 - $7 range (versus the about $7 - $8 monthly range cited last quarter) for mMode services. Also, AWE said that it is collecting over $3.75 of SMS revenue monthly from almost one quarter of its total customer base."); Sprint Press Release, *Sprint Reports First Quarter Results* (Apr. 20, 2004) ("At the end of the period more than six million customers were subscribing to Sprint PCS

61. Wireless service is available from multiple providers throughout Verizon's service areas. Verizon identified the areas served by wireless carriers in each Verizon's top 25 MSAs by examining wireless carriers' coverage maps listed on their websites and then mapped these areas by MSA. These maps were labeled Map B and attached to Verizon's June 2004 Ex Parte. These maps show that wireless service is widely available from multiple providers throughout the top 25 MSAs where Verizon provides local telephone services as the incumbent.

62. Wireless service is directly competitive with wireline service. As explained above, Verizon has prepared charts that compare the voice telephone service offerings of several leading competitors, including wireless offerings, for each of Verizon's top 25 MSAs. *See* Attachment 2. The service packages listed on the charts are those most prominently featured in advertising materials and are most comparable between service providers.

63. Wireless carriers were the first to offer rate packages that included local and long distance calls. Wireline and cable companies then responded to those wireless rate packages. As the attached charts show, wireless service is now fully competitive with wireline service with

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data services, including more than four million Sprint PCS Vision customers."); *id.* (55% of gross adds in the first quarter were PCS Vision customers.); Cingular Wireless News Release, *Cingular Wireless Reports First-Quarter Results: Solid Subscriber Growth, Improved Margins, Continued GSM Success* (Apr. 20, 2004) ("Cellular/PCS data revenue increased 53 percent year-over-year, largely due to the rising popularity of text messaging. . . . Cingular delivered more than 1.3 billion text messages during the quarter, almost double the volume in the first quarter of 2003.").

[73] *See* Verizon News Release, *Verizon Wireless Makes Strides with Planned BroadbandAccess 3G Network Expansion* (Mar. 22, 2004) (Verizon is "on target" to expand its EV-DO offering to cover one-third of its network (approximately 75 million Americans) by the end of 2004. Verizon has committed to invest $1 billion over the next two years to rollout the service nationwide.); Sprint Press Release, (June 22, 2004) (Sprint will deploy EV-DO in select markets in second half of 2004, and launch in the majority of top metropolitan markets in 2005); C. Larsen, *et al.*, Prudential Equity Group, LLC, *Telecom Services: Wireless Broadband Channel Checks and Outlook* ("Nextel is currently selling wireless broadband service in the Raleigh/Durham area"); *id.* ("AT&T Wireless is expected to deploy 3G technology (WCDMA/UMTS) in four markets by year-end 2004 . . . . Cingular will begin wireless broadband (UMTS) trials in Atlanta this summer and 'could begin rolling out UMTS in 2005'").

respect to price. *See* Attachment 2. One Wall Street analyst notes that "[w]ireless pricing dropped below wireline pricing in 2003 for the first time."[74]

64. The FCC itself and many other analysts have reached the same conclusion. In its 2003 CMRS Competition Report, the FCC said that "[t]he long distance, local, and the payphone segments of wireline telecommunications have all been losing business to wireless substitution . . . due to the declining cost and widespread use of wireless service."[75]

65. Wireless prices have declined – by as much as 10 to 20 percent a year in recent years.[76] Wireless providers also have increased the number of off-peak minutes they make available on their plan. As a result, many consumers now view wireless long distance service as effectively "free."[77]

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[74] V. Grover, Needham, *New Year's Resolution – Avoid the Bells* at 1 (Dec. 29, 2003).

[75] *See Eighth CMRS Report* ¶¶ 103-104 (citing Blake Bath, Merrill Lynch, UBS Warburg).

[76] D. Barden, *et al.*, Banc of America, *Verizon Communications Inc.: Raising Target to $41 on Wireless Consolidation, Valuation* at 4 (Feb. 25, 2004) (Banc of America reports that wireless pricing (on a price per minute basis) declined by greater than 10% every year between 1997 and 2000 (1997: 20%; 1998: 18%; 1999: 20%; 2000: 14%) and continued to decline in 2001 (down about 8% over 2000 prices)); FCC Presentation, *Report to Congress: Eighth Annual CMRS Competition Report* (June 26, 2003), http://wireless.fcc.gov/statements/030626cmrsDivision_slides.pdf (showing average revenue per minute declining from 37 cents in 1997 to 11 cents in 2002); M. Morin, Merrill Lynch, *Global Wireless Matrix 2Q03* at 89 (Sept. 22, 2003) (showing US wireless revenue per minute declining from 25 cents in 1Q00 to 10 cents in 2Q03 (declining from 14 cents in 1Q02 to 10 cents in 2Q03)).

[77] F. Louthan, Vice President, Equity Research, Raymond James Financial, Inc., prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Committee on Energy and Commerce, Washington, DC (Feb. 4, 2004) ("We believe consumers now view wireless long distance as free and are therefore more likely to use their wireless phone to make long distance calls."); V. Shvets, *et al.*, Deutsche Bank, *AT&T Corporation: Irrational Exuberance, Rating Downgraded* at 2 (Jan. 9, 2004) ("The aggressive bundling by the RBOCs and nationally based wireless pricing has essentially killed consumer long-distance as a stand-alone product. It is no longer a question of whether but rather how quickly consumer long-distance revenue will essentially disappear.").

66. In addition to competitive pricing, consumers now report high levels of satisfaction with the quality of their wireless service. For example, a GAO survey found that 83 percent of wireless users were satisfied with the call quality of their cell phone, while only 9 percent were dissatisfied.[78] Analysts similarly report that "[c]ultural awareness and acceptance of wireless as an acceptable/preferred communication medium is growing."[79] Wireless has gained a general level of acceptance among consumers.

Other Sources of Intermodal Competition.

67. E-mail and instant messaging (IM) also now substitute for a large fraction of traffic switched on wireline networks.[80] A large and growing fraction of this traffic originates and/or terminates on competitive networks, but even when carried over the incumbents' network, such traffic displaces significant usage-sensitive (*e.g.*, per-minute or per call) revenues that incumbents otherwise would receive.

68. According to various research firms, more than 25 billion person-to-person e-mail and instant messages are sent daily worldwide.[81] If only 2 percent of the 25 billion daily e-mail and instant messages substitute for a voice call (of 5 minutes average duration), that is equivalent

[78] General Accounting Office, *FCC Should Include Call Quality in Its Annual Report on Competition in Mobile Phone Services* at 27, Report No. GAO-03-501 (Apr. 2003).

[79] S. Ellison, IDC, *U.S. Wireless Displacement of Wireline Access Lines Forecast and Analysis, 2003-2007* at 4 (Aug. 2003).

[80] *See* D. Schoolar, In-Stat/MDR, *State of the US Carrier Market* at 6 (Oct. 2003) ("Consumers are using e-mail and instant messaging in place of a phone call."); C. Golvin, *et al.*, Forrester, *Sizing U.S. Consumer Telecom*, at 19 n.5 (Jan. 2002) ("[a]lternate forms of communications, such as email and instant messaging, []reduce long-distance minutes of use.").

[81] AXS-One News Release, *MONY Group Implements SEC and NASD Compliant Instant Messaging and E-mail Archival Solution from AXS-One and EMC* (Jan. 26, 2004).

to about 900 billion minutes per year, or roughly 40 percent of all voice traffic that passes through the incumbents' networks.[82]

III. Conclusion

69. Recent technological and market developments demonstrate that competitors are not impaired without unbundled access to local switching. Competitors have significantly deployed their own facilities and are already providing significant and widespread competition for mass market local telephone services without using Verizon's unbundled local switching services. In fact, competitors are providing such competitive services without using circuit switches at all. Accordingly, competing carriers can provide voice service to the mass market and are not impaired without access to incumbent carriers' local circuit switches.

[82] Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Trends in Telephone Service* at Table 10.1 (Aug. 2003) (Total 2001 Dial Equipment Minutes of 4.8 trillion divided by 2 yields 2.4 trillion conversation minutes; 913 billion/2.4 trillion = 38%).

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

Executed on July 1, 2004

Michael K. Hansen

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

Executed on July 1, 2004

Vincent J Woodbury

ATTACHMENT 1

Cable Telephony Deployment in Verizon's Service Areas
in States in Verizon's Top 25 MSAs

Provider	State	Homes Passed in Counties Served by Verizon*	Cable Telephony Currently Available in Counties Served by Verizon by Numbers of Homes Passed*
Comcast	California	3.1 million	Circuit-Switched (1.2 million in Los Angeles Co., 84,000 in Orange Co.)
	District of Columbia	289,000	
	Delaware	206,000	
	Florida	267,000	
	Massachusetts	2.2 million	Circuit-Switched (1.6M in Boston MSA)
	Maryland	1.8 million	
	New Hampshire	n/a	Circuit-Switched
	New Jersey	1.6 million	
	Oregon	730,000	Circuit-Switched (648,000 in Portland MSA)
	Pennsylvania	2.4 million	Circuit-Switched (730,000 in Pittsburgh MSA)
	Texas	660,000	Circuit-Switched (660,000 in Dallas MSA)
	Virginia	523,000	Circuit-Switched (170,000 in Richmond MSA, 348,000 in Northern VA)
	Washington	1.2 million	Circuit-Switched (689,000 in Seattle MSA)
	West Virginia	58,000	
Time Warner	California	771,000	
	Florida	56,000	
	Maine	157,000	VoIP (145,000 in Portland MSA)
	Massachusetts	34,000	
	New Hampshire	22,000	
	New Jersey	77,000	
	New York	3.5 million	VoIP (367,000 in Albany MSA, 82,000 in Rochester MSA, 257,000 in Syracuse MSA)
	North Carolina	169,000	VoIP (55,000 in Charlotte MSA, 104,000 in Durham MSA)
	Pennsylvania	236,000	
	Texas	2.6 million	
	West Virginia	34,000	
Cablevision	Connecticut	232,000 (Fairfield Co.)	VoIP (232,000 in Fairfield Co.)
	New Jersey	1.2 million	VoIP (1.2 million statewide)
	New York	2.4 million	VoIP (2.4 million statewide)

Provider	State	Homes Passed in Counties Served by Verizon*	Cable Telephony Currently Available in Counties Served by Verizon by Numbers of Homes Passed*
Charter	California	1.2 million	
	Delaware	9,200	
	Maryland	55,000	
	Massachusetts	284,000	
	New Hampshire	6,900	
	New York	37,000	
	North Carolina	95,000	
	Oregon	111,000	
	Texas	560,000	
	Vermont	25,000	
	Virginia	109,000	
	Washington	143,000	
	West Virginia	279,000	
Cox	California	537,000	Circuit-Switched (306,000 in Orange Co.)
	Massachusetts	1,300	
	North Carolina	800	
	Rhode Island	356,000	Circuit-Switched (356,000 statewide)
	Texas	317,000	
	Virginia	1.1 million	VoIP (77,000 in Roanoke MSA) Circuit-Switched (377,000 in Northern VA, 621,000 in Virginia Beach MSA)
	Total for 5 MSOs	**nearly 32 million**	**more than 12 million**

*Homes passed in counties served by Verizon. Data for MSAs where cable telephony is available also reflect only counties served by Verizon.

Sources: Media Business Corp., *Top 10 MSOs by County* (Mar. 2004) (homes passed). ***Comcast.*** Media Business Corp., *Top 10 MSOs by County* (Mar. 2004) (states); Kagan, *Future of Cable Telephony* at 13 (Oct. 2003) (telephony availability) ("*Kagan Future of Cable Telephony*"); Comcast State Tariffs, *available at* http://www.comcast.com/Products/Telephony/Policies.ashx?LinkID=63 (telephony availability); Financial Tables *attached to* Comcast Press Release, *Comcast Reports First Quarter 2004 Results* (Apr. 28, 2004) (cable modem availability). ***Time Warner.*** Time Warner Cable, *About Us*, http://www.timewarnercable.com/corporate/aboutus/?menu=Aboutus (states); Time Warner Cable News Release, *Time Warner Cable Launches Phone Service in Charlotte* (June 4, 2004) (telephony availability); Time Warner Cable Raleigh-Durham-Fayetteville, *Digital Phone: New Residential Phone Service*, http://www.twcnc.com/digital_phone/index.cfm (telephony availability); Time Warner Cable, *Time Warner Cable Albany Plan Details*, http://www.twcdigitalphone.com/albany/friendlies/plandetails.htm (telephony availability); Time Warner Cable, *Time Warner Cable Rochester NEW Residential Phone Service*, http://www.twcdigitalphone.com/rochester/ (telephony availability); Time Warner Cable, *Digital Phone: Time Warner Cable NEW Residential Phone Service*, http://twcny.com/digitalPhone/index.cfm?ThankYou=One (telephony availability); J. Halpern, *et al.*, Bernstein Research Call, *Broadband Update: DSL Share Reaches 40% of Net Adds in 4Q . . . Overall Growth Remains Robust* at Exh. 6 (Mar. 10, 2004) (cable modem availability) ("*March 2004 Bernstein Broadband Update*"). ***Cablevision.*** Cablevision Systems, *Corporate: Cable and Communication*, http://www.cablevision.com/index.jhtml?pageType=cable_comm. (states); *March 2004 Bernstein Broadband Update* at Exh. 6 (cable modem availability). ***Charter.*** Charter Communications, *Our Markets*, http://www.charter.com/aboutus/ourstory/markets.asp (states); Charter Communications, Form 10-K (SEC Filed Mar. 15, 2004) (cable modem availability). ***Cox.*** Cox Communications, *Cox Communications*, http://www.cox.com; Cox Communications, Form 10-K (SEC Filed Feb. 27, 2004) (states); *Kagan Future of Cable Telephony* (telephony availability); *March 2004 Bernstein Broadband Update* at Exh. 6 (cable modem availability).

ATTACHMENT 2

Competitive Prices for Mass Market Voice Telephone Service

There are many competitors offering mass market voice telephone service in Verizon's top 25 MSAs without using unbundled local switching and their offerings are priced at levels that are comparable to or below Verizon's voice telephone package rate. For each of these MSAs, Verizon has prepared a table that compares the prices and features of the voice telephone service offerings of several leading competitors, including VoIP offerings, wireless offerings and circuit switched offerings. Verizon prepared these tables by examining the competitors' websites and other publicly available information. These comparisons show that mass market customers can obtain voice telephone service from several competitors at rates that are comparable to or lower then Verizon's rates.

NEW YORK

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched			VoIP[1]						Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Cablevision Optimum Voice	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$54.95	$49.99	$34.95[2]	$29.99	$34.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	6	13	9	6	16	6	4	5	4	4
Relies on UNE-P	No	Yes		No									

[1]Requires broadband connection at additional cost.

[2]Cablevision also offers this package bundled with high-speed Internet and digital cable service for $89.85 a month. Customers "are essentially receiving their voice service for free," according to Cablevision.

WASHINGTON, DC

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched							VoIP[1]					Wireless			
	Verizon Freedom	StarPower Ultra Unlimited Long Distance	Cox Unlimited Connections (Fairfax)	Comcast Connections Any Distance	AT&T One Rate USA	MCI Neighbor-hood Complete	Cavalier Unlimited	Vonage Premium Unlimited	AT&T CallVantage	Phonom	voiceglo Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.95	$51.80	$49.95	$48.95	$49.95	$49.99	$44.95	$29.99	$34.99	$34.99	$29.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited												Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited												Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited												Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	5	11	3	4	5	10	13	9	11	6	6	4	5	4	4
Relies on UNE-P	No				Yes		No									

[1]Requires broadband connection at additional cost.

PHILADELPHIA

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]						Wireless			
	Verizon Freedom	RCN Megaphone	AT&T One Rate USA	MCI Neighbor-hood Complete	Cavalier Unlimited	Vonage Premium Unlimited	AT&T CallVantage	Phonom	VoicePulse America Unlimited	Packet8 Freedom Unlimited	voiceglo Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$50.00	$49.95	$49.99	$44.95	$29.99	$34.99	$34.99	$34.99	$19.95	$29.99	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited											Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited											Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited											Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	5	10	13	9	11	16	6	6	4	5	4	4
Relies on UNE-P	No		Yes		No										

[1]Requires broadband connection at additional cost.

BOSTON

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]					Wireless			
	Verizon Freedom	RCN Megaphone	Comcast Connections Any Distance	AT&T One Rate USA	MCI Neighbor-hood Complete	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$55.00	$48.95	$49.95	$55.99	$29.99	$34.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	4	5	13	9	6	16	6	4	5	4	4
Relies on UNE-P	No			Yes		No								

[1]Requires broadband connection at additional cost.

LOS ANGELES

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	Comcast Connections Any Distance	AT&T One Rate USA	MCI Neighbor-hood Complete	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$48.95	$54.95	$49.99	$29.99	$34.99	$29.99	$34.99	$19.95	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	5	13	9	6	16	6	5	5	4	4
Relies on UNE-P	No		Yes										

[1]Requires broadband connection at additional cost.

BALTIMORE

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched			VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.95	$49.95	$55.99	$29.99	$34.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	13	9	6	16	6	4	5	4	4
Relies on UNE-P	No	Yes		No								

[1]Requires broadband connection at additional cost.

TAMPA

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]					Wireless			
	Verizon Freedom	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	Packet8 Freedom Unlimited	voiceglo Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 500 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.95	$64.99	$29.99	$34.99	$34.99	$19.95	$29.99	$49.99	$54.99	$49.99	$39.99
Local Calling	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	7	13	9	16	6	6	4	5	4	4
Relies on UNE-P	No	Yes	No								

[1]Requires broadband connection at additional cost.

RIVERSIDE

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	Packet8 Freedom Unlimited	voiceglo Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$49.95	$49.99	$49.99	$29.99	$34.99	$34.99	$19.95	$29.99	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	13	9	16	6	6	5	5	4	4
Relies on UNE-P	No	Yes			No								

[1]Requires broadband connection at additional cost.

PITTSBURGH

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]			Wireless			
	Verizon Freedom	Comcast Connections Any Distance	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	Packet8 Freedom Unlimited	VoicePulse America Unlimited	Verizon Wireless America's Choice 500 mins.	Leap Cricket Unlimited	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.95	$49.95	$49.99	$49.99	$30.00	$19.95	$35.00	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	5	7	13	6	16	4	3	4	4
Relies on UNE-P	No		Yes			No						

[1]Requires broadband connection at additional cost.

PROVIDENCE

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]			Wireless			
	Verizon Freedom	Cox Unlimited Connection	AT&T One Rate USA	MCI Neighbor-hood Complete	Vonage Premium Unlimited	voiceglo Unlimited	VoicePulse America Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.95	$54.95	$55.99	$29.99	$29.99	$34.99	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited							Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	6	4	5	13	6	16	4	5	4	4
Relies on UNE-P	No		Yes		No						

[1]Requires broadband connection at additional cost.

VIRGINIA BEACH

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]			Wireless			
	Verizon Freedom	Cox Connection Unlimited (Hampton Roads)	AT&T One Rate USA	MCI Neighbor-hood Complete	Cavalier Unlimited	Vonage Premium Unlimited	Phonom	Packet8 Freedom Unlimited	Verizon Wireless America's Choice	ALLTEL National Freedom	SunCom UnPlan	T-Mobile Get More (National)
									400 mins.	600 mins.		600 mins.
Price	$49.95	$49.95	$49.95	$49.99	$44.95	$29.99	$34.99	$19.95	$39.99	$45.00	$50.00	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	6	4	5	10	13	11	6	4	5	5	4
Relies on UNE-P	No		Yes		No							

[1]Requires broadband connection at additional cost.

RICHMOND

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]			Wireless			
	Verizon Freedom	Comcast Connections Any Distance	AT&T One Rate USA	MCI Neighbor-hood Complete	Cavalier Unlimited	Vonage Premium Unlimited	Phonom	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	ALLTEL National Freedom 600 mins.	SunCom UnPlan	T-Mobile Get More (National) 600 mins.
Price	$49.95	$49.95	$49.95	$49.99	$44.95	$29.99	$34.99	$19.95	$39.99	$45.00	$50.00	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	5	10	13	11	6	4	5	5	4
Relies on UNE-P	No		Yes		No							

[1]Requires broadband connection at additional cost.

DALLAS

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]						Wireless			
	Verizon Freedom	Comcast Connections Any Distance	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	BroadVoice Unlimited U.S.A.	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.99	$29.99	$34.99	$29.99	$34.99	$19.95	$19.95	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	13	9	6	16	6	17	4	5	4	4
Relies on UNE-P	No											

[1]Requires broadband connection at additional cost.

BUFFALO

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	Packet8 Freedom Unlimited	BroadVoice Unlimited U.S.A.	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$54.95	$49.99	$49.99	$29.99	$34.99	$34.99	$19.95	$19.95	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	13	9	16	6	17	4	5	4	4
Relies on UNE-P	No	Yes			No								

[1]Requires broadband connection at additional cost.

SEATTLE

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]						Wireless			
	Comcast Connections Any Distance	MCI Neighbor-hood Complete	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Nuvio Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.99	$55.99	$29.99	$34.99	$29.99	$34.99	$19.95	$34.99	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	4	5	13	9	6	16	6	7	5	5	4	4
Relies on UNE-P	No	Yes	No									

[1]Requires broadband connection at additional cost.

WORCESTER

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.95	$55.99	$55.99	$29.99	$34.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	13	9	6	16	6	4	5	4	4
Relies on UNE-P	No	Yes			No								

[1]Requires broadband connection at additional cost.

SARASOTA

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]						Wireless			
	Verizon Freedom	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	voiceglo Unlimited	BroadVoice Unlimited U.S.A.	Nuvio Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 500 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.95	$64.99	$29.99	$34.99	$34.99	$29.99	$19.95	$34.99	$49.99	$54.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	7	13	9	16	6	17	7	4	5	4	4
Relies on UNE-P	No	Yes	No									

[1]Requires broadband connection at additional cost.

ALBANY

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]						Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Time Warner Cable Digital Phone[2]	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	Packet8 Freedom Unlimited	BroadVoice Unlimited U.S.A.	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$54.95	$49.99	$49.99	$39.95	$29.99	$34.99	$34.99	$19.95	$19.95	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	2	13	9	16	6	17	4	5	4	4
Relies on UNE-P	No	Yes			No									

[1]Requires broadband connection at additional cost. [2]Reflects the $10 discount for customers subscribing to Digital Cable and High-Speed Internet service.

SPRINGFIELD

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]				Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.95	$55.99	$55.99	$29.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	13	6	16	6	4	5	4	4
Relies on UNE-P	No	Yes			No							

[1]Requires broadband connection at additional cost.

ALLENTOWN

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched					VoIP[1]					Wireless			
	Verizon Freedom	RCN Megaphone	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$55.00	$49.95	$49.99	$49.99	$29.99	$34.99	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited										Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	4	5	7	13	9	6	16	6	4	5	4	4
Relies on UNE-P	No		Yes			No								

[1]Requires broadband connection at additional cost.

PORTLAND, OR

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]						Wireless			
	Comcast Connections Any Distance	MCI Neighbor-hood Complete	Vonage Premium Unlimited	AT&T CallVantage	voiceglo Unlimited	Packet8 Freedom Unlimited	BroadVoice Unlimited U.S.A.	Nuvio Unlimited	Verizon Wireless America's Choice 500 mins.	Qwest Choice Wireless Cross Country 500 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.99	$55.99	$29.99	$34.99	$29.99	$19.95	$19.95	$34.99	$49.99	$44.99	$49.99	$39.99
Local Calling									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	4	5	13	9	6	6	17	7	5	4	4	4
Relies on UNE-P	No	Yes	No									

[1]Requires broadband connection at additional cost.

TRENTON

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	BroadVoice Unlimited U.S.A.	Nuvio Unlimited	Verizon Wireless America's Choice 400 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$49.95	$49.99	$49.99	$29.99	$34.99	$34.99	$19.95	$34.99	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	13	9	16	17	7	4	5	4	4
Relies on UNE-P	No	Yes			No								

[1]Requires broadband connection at additional cost.

LAKELAND

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched		VoIP[1]						Wireless			
	Verizon Freedom	Z-Tel Z-Line HOME Unlimited	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	voiceglo Unlimited	BroadVoice Unlimited U.S.A.	Nuvio Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 500 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$49.95	$64.99	$29.99	$34.99	$34.99	$29.99	$19.95	$34.99	$49.99	$54.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	7	13	9	16	6	17	7	4	5	4	4
Relies on UNE-P	No	Yes	No									

[1]Requires broadband connection at additional cost.

SYRACUSE

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]					Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Time Warner Cable Digital Phone[2]	Vonage Premium Unlimited	AT&T CallVantage	VoicePulse America Unlimited	Packet8 Freedom Unlimited	Verizon Wireless America's Choice 500 mins.	Cingular Nation 600 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$59.95	$54.95	$49.99	$49.99	$39.95	$29.99	$34.99	$34.99	$19.95	$49.99	$49.99	$49.99	$39.99
Local Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited									Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	2	13	9	16	6	4	5	4	4
Relies on UNE-P	No	Yes			No								

[1]Requires broadband connection at additional cost. [2]Reflects the $10 discount for customers subscribing to Digital Cable and High-Speed Internet service.

PORTLAND, ME

Comparison of Competitive Calling Bundle Prices and Features

	Circuit-Switched				VoIP[1]				Wireless			
	Verizon Freedom	AT&T One Rate USA	MCI Neighbor-hood Complete	Z-Tel Z-Line HOME Unlimited	Time Warner Cable Digital Phone[2]	voiceglo Unlimited	VoicePulse America Unlimited	BroadVoice Unlimited U.S.A.	Verizon Wireless America's Choice 400 mins.	Sprint PCS Free & Clear Nationwide 700 mins.	AT&T Wireless (National) 600 mins.	T-Mobile Get More (National) 600 mins.
Price	$54.95	$54.95	$49.99	$59.99	$39.95	$29.99	$34.99	$19.95	$39.99	$49.99	$49.99	$39.99
Local Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Local Toll Calling	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Long Distance	Unlimited								Included within Plan Minutes (plus unlimited nights and weekends)			
Calling Features	5	4	5	7	2	6	16	17	4	4	4	4
Relies on UNE-P	No	Yes			No							

[1]Requires broadband connection at additional cost. [2]Reflects the $10 discount for customers subscribing to either Digital Cable or High-Speed Internet service.

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AT&T Wireless. AT&T Wireless, *GSM America National* , http://www.attwireless.com/personal/plans/plans.jhtml?planpage=gnation. Calling features: Call Waiting, Caller ID, Call Forwarding, Voicemail.

T-Mobile. T-Mobile, *Select a Plan* , http://www.t-mobile.com/plans/?tab=national. Calling features: Caller ID, Conference Calling, Call Waiting, Voicemail.

Sprint PCS. Sprint, *Sprint PCS Free & Clear – Nationwide* , http://www1.sprintpcs.com/explore/servicePlansOptionsV2/FreeClearFairFlexiblePlans.jsp?FOLDER%3C%3Efolder_id=1567897&CURRENT_USER%3C%3EATR_SCID=ECOMM&CURRENT_USER%3C%3EATR_PCode=None&CURRENT_USER%3C%3EATR_cartState=group&bmUID=1087688766327. Calling features: Caller ID, Call Waiting, 3-Way Calling, Voicemail.

ALLTEL. ALLTEL, *National Freedom* , http://www.alltel.com/estore/wireless/products/national/. Calling features: Caller ID, Call Waiting, 3-Way Calling, Call Forwarding (incl. No Answer Transfer), Voicemail.

Cricket. Cricket, *Buy Cricket* , http://cricket.letstalk.com/product/promo.htm?depId=2&pgId=101&brandId=195&cmpId=166&tNav=4&to=3610&setZip=15237. Calling features: Caller ID, Call Waiting, Voicemail.

ATTACHMENT 3

Broadband Service Availability in Verizon's Top 25 MSAs

Broadband service is widely available throughout Verizon's top 25 MSAs. Table No. 1 shows the percentage of the population in each MSA for which cable modem service is available. This information was obtained from Warren Communication's Cable Factbook and supplemented with publicly available information. The areas where cable modem service is available were also graphically depicted in maps included in Verizon's June 2004 Ex Parte. In these areas, customers have access to VoIP from an independent supplier, such as AT&T or Vonage.

Table No. 1
Cable Modem Service Availability by MSA in Verizon's Top 25 MSAs

MSA	Percentage of the Population Within the MSA That Has Access to Cable Modem Service
New York-Northern New Jersey-Long Island, NY-NJ-PA	95-100%
Washington-Arlington-Alexandria, DC-VA-MD-WV	85-89%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	90-94%
Boston-Cambridge-Quincy, MA-NH	95-100%
Los Angeles-Long Beach-Santa Ana, CA	90-94%
Baltimore-Towson, MD	85-89%
Tampa-St. Petersburg-Clearwater, FL	95-100%
Riverside-San Bernardino-Ontario, CA	75-79%
Pittsburgh, PA	90-94%
Providence-New Bedford-Fall River, RI-MA	90-94%
Virginia Beach-Norfolk-Newport News, VA-NC	75-79%
Richmond, VA	55-59%
Dallas-Fort Worth-Arlington, TX	90-94%
Buffalo-Niagara Falls, NY	95-100%
Seattle-Tacoma-Bellevue, WA	85-89%
Worcester, MA	85-89%

MSA	Percentage of the Population Within the MSA That Has Access to Cable Modem Service
Sarasota-Bradenton-Venice, FL	85-89%
Albany-Schenectady-Troy, NY	95-100%
Springfield, MA	95-100%
Allentown-Bethlehem-Easton, PA-NJ	95-100%
Portland-Vancouver-Beaverton, OR-WA	85-89%
Trenton-Ewing, NJ	95-100%
Lakeland-Winter Haven, FL	95-100%
Syracuse, NY	95-100%
Portland-South Portland, ME	95-100%
Weighted Average	**92%**

ATTACHMENT 4

Cable Modem Subscribers in States Served by Verizon in Verizon's Top 25 MSAs

State	YE 2000	YE 2001	YE 2002	YE 2003
California	476,544	786,789	1,179,204	1,706,217
Connecticut	78,234	137,003	192,155	260,415
Delaware	*	*	*	*
Dist. of Columbia	*	*	*	*
Florida	255,978	486,977	741,426	1,050,062
Maine	*	*	*	*
Maryland	65,668	143,174	241,264	385,408
Massachusetts	210,019	339,244	453,473	638,441
New Hampshire	*	*	*	118,456
New Jersey	*	375,362	578,337	781,898
New York	377,521	780,473	1,185,233	1,597,556
North Carolina	73,092	239,107	406,024	559,276
Oregon	*	*	165,343	233,737
Pennsylvania	85,104	190,915	376,611	621,381
Rhode Island	*	*	*	*
Texas	227,070	427,324	740,469	1,019,623
Vermont	*	*	*	*
Virginia	78,585	182,591	320,154	517,924
Washington	*	*	246,627	367,321
West Virginia	*	*	65,542	78,018
Total	1,927,815	4,088,959	6,891,862	9,936,733

* Data withheld by FCC to maintain confidentiality.

Source: Industry Analysis & Technology Division, Wireline Competition Bureau, FCC, *High-Speed Services for Internet Access: Status as of December 31, 2003* at Table 10 (June 2004).

ATTACHMENT 5

Price Comparison of Voice Service Bundles (Broadband v. Narrowband)

	Narrowband	Broadband (VoIP)
Unlimited local and long distance voice services plus vertical features	$55-$60/month[1]	$30-$40/month[1]
Internet Access	$10-$22/month[2]	$42-$50/month[3]
Taxes, fees, surcharges, etc.	$5-$13/month[4]	$0-$5/month[4]
Total	$70-$95/month	$72-$95/month

[1] *See* Attachment 4 containing price comparisons of leading voice service competitors in Verizon's top 25 MSAs.

[2] MSN, EarthLink, and SBC Yahoo! charge $21.95 per month for dial-up service. MSN, *MSN 9 Dial-Up*, http://join.msn.com/?page=dept/dialup&pgmarket=en-us&ST=1&xAPID=1983&DI=1402; Earthlink, *Earthlink Dial-Up Internet Access*, http://www.earthlink.net/home/dial/; SBC Yahoo! Dial, *SBC Yahoo! Dial: Getting Started*, http://promo.sbcglobal.net/sbcyahoo_myhome/. AOL charges $23.90 for dial-up service. AOL, *Price Plans*, http://www.aol.com/price_plans/index.adp. United Online (which includes NetZero, Juno, and BlueLight) charges $9.95, with $14.95 for high-speed dial-up service. United Online, *United Online Home*, http://www.unitedonline.net/. Netscape, *Netscape FAQ*, http://www.getnetscape.com/more_info.adp?promo=NS_2_11_8_2003_12_1; PeoplePC, *PeoplePC Online Details*, http://www.peoplepc.com/connect/ppc_online.asp; *Bernstein March 2004 Broadband 2004 Update* at Exhibit 5.

[3] *See* J. Atkin, RBC Capital Markets, *Cable/RBOC/DBS: Telephony, Data, and Video Pricing Comparisons*, at Exhibit 2 (Feb. 3, 2004) (estimating $50 for cable broadband and $42 for DSL). Cable companies routinely offer broadband for less.

[4] Taxes, fees and surcharges are approximate. *See Goldman Sachs Cable Telephony/VoIP Analysis* at 24 (estimating "avoided connection fees for VoIP providers" at $5.45, which includes federal USF contribution, LNP, E911, state telecommunications relay, federal excise tax, and utility user tax); *see UBS Vonage Story* at 3 (voice over broadband providers benefit from having "much lower taxes," whereas "regulatory fees and other taxes [] typically increase the price for the Bells by $10-$15."); Vonage, *Top Questions*, http://www.vonage.com/learn_center.php (Vonage subscribers incur no more than $2.55 to cover the Federal excise tax and regulatory recovery fee; customers in New Jersey are also charged a state sales tax); Optimum Voice, http://www.optimumvoice.com/index.jhtml (VoIP service is priced at "$34.95, all inclusive").

ATTACHMENT 6

Wireless Substitution for Landline Voice Telephone Lines – Then and Now

	Then	Now
Wireless Subscribers	137 million[1]	155 million[2]
Total Cumulative Wireline Lines Displaced*	15.7 million (2002)[3]	23.2 million (2004E)[3]
% of users with Wireless as their only phone	3-5 percent[4]	7-8 percent[5]
Wireless voice traffic as a % of all voice traffic	16 percent (2002)[6]	29 percent (2004)[7]
Wireless long distance traffic as a % of all long distance traffic		43 percent (2003)[8]
Average Wireless Minutes of Use (per Month)	384 (2002)[9]	525 (2004E)[10]

*Primary and secondary access lines displaced since 1995.

[1] Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of December 31, 2003* at Table 13 (June 2004).

[2] *Id.*

[3] S. Ellison, IDC, *U.S. Wireless Displacement of Wireline Access Lines, Forecast and Analysis, 2003-2007* at 16, Table 9 (Aug. 2003).

[4] *Triennial Review Order* ¶ 445.

[5] Adam Quinton, Managing Director & First VP, Co-Head of Global Telecom Services Research, Merrill Lynch, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004); Michael Balhoff, Managing Director, Telecommunications Group, Legg Mason, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004).

[6] D. Janazzo, *et al*., Merrill Lynch, *The Next Generation VIII: The Final Frontier?* at 42, Table 33 (Mar. 15, 2004).

[7] *Id.*

[8] Yankee Group News Release, *U.S. Consumer Long Distance Calling Is Increasingly Wireless, Says Yankee Group* (Mar. 23, 2004).

[9] N. Zachar, *et al*., Thomas Weisel Partners, *Wireless Carrier Consolidation: Setting the Record Straight for the Tower Industry* at 3, Fig. 1 & at 4, Fig. 2 (Apr. 6, 2004).

[10] *Id.*

ATTACHMENT 7

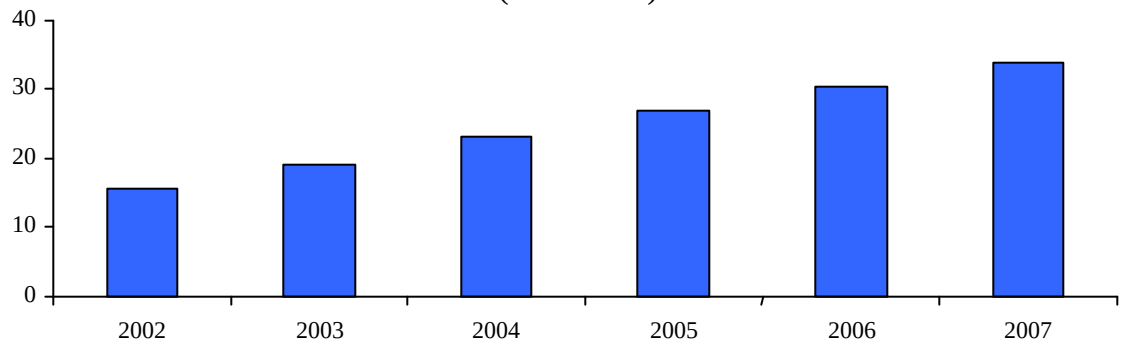
U.S. Household Voice Telephone Lines Displaced by Wireless
(in millions)

	2002	2003	2004	2005	2006	2007
Secondary Access Lines Displaced	11.1	13.4	16.1	18.5	20.7	22.9
Primary Access Lines Displaced	4.6	5.7	7.2	8.5	9.8	10.9
Total Access Lines Displaced	15.7	19.1	23.2	27.0	30.5	33.9

Source: S. Ellison, IDC, *U.S. Wireless Displacement of Wireline Access Lines, Forecast and Analysis, 2003-2007* at 16, Table 9 (Aug. 2003) (cumulative lines displaced since 1995).

U.S. Household Voice Telephone Lines Displaced by Wireless

(in millions)



ATTACHMENT 8

Wireless Use

	Analyst	2000	2001	2002	2003	2004E
Wireless MOUs (in billions)	Thos. Weisel Partners (Apr. 2004)	259	457	620	803	1,052
	Merrill Lynch (Mar. 2004)	259	456	620	837	1,054
Monthly MOUs per Subscriber	Thos. Weisel Partners (Apr. 2004)	221	320	384	444	525

Sources: N. Zachar, *et al.*, Thomas Weisel Partners, *Wireless Carrier Consolidation: Setting the Record Straight for the Tower Industry* at 3, Fig. 1 & at 4, Fig. 2 (Apr. 6, 2004); D. Janazzo, *et al*., Merrill Lynch, *The Next Generation VIII: The Final Frontier?* at 42, Table 33 (Mar. 15, 2004).

ATTACHMENT 9

Average Wireline Residential Monthly Toll Minutes (excluding wireless)

1995	1996	1997	1998	1999	2000	2001	2002
143	143	149	144	131	116	105	90

Source: Industry Analysis & Technology Division, Wireline Competition Bureau, *Statistics of the Long Distance Telecommunications Industry* at Table 20 (May 2003) (includes: IntraLATA-Intrastate, InterLATA-Intrastate, IntraLATA-Interstate, InterLATA-Interstate, International, Others (toll-free mins. billed to residential customers, 900 mins., and mins. for calls that could not be classified)).

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers	)	**CC Docket No. 01-338**
Implementation of the Local Competition Provisions of the Telecommunications Act of 1996	)	**CC Docket No. 96-98**
Deployment of Wireline Services Offering Advanced Telecommunications Capability	)	**CC Docket No. 98-147**

DECLARATION OF RONALD H. LATAILLE

1. My name is Ronald H. Lataille. My business address is 1095 Avenue of the Americas, 41st Floor, New York, New York. I am employed by Verizon Communications as Vice President – Financial Planning and Analysis for Domestic Telecom Finance. In this capacity, I am responsible for wholesale and retail revenue booking, analysis and reporting functions and the implementation of standardized financial business processes and systems platforms within Verizon's domestic telephone operating companies.

2. I have more than 23 years of experience in the telecommunications industry in a variety of finance, accounting and auditing positions. I became a Certified Public Accountant in 1988. My education background includes a Master's Degree with a concentration in Finance received in 1979 from the University of Rhode Island and a Bachelor's Degree in Accounting received in 1977 from Providence College.

I. Purpose of Declaration

3. The purpose of my declaration is to show that competitors have widely deployed their own switches and are using them extensively to serve mass market lines. As I explain in further detail below, competing carriers have approximately 10,000 circuit switches and packet switches nationwide, and have used their switches to provide voice telephone service in wire centers that contain 86 percent of Bell company access lines nationwide. In Verizon's 25 top MSAs alone, ranked by number of Verizon access lines, competing carriers are using their own switches to serve at least 2.1 million mass market lines. They are capable of and are serving mass market customers throughout these MSAs.

4. These recent developments show that competitors are already providing significant and widespread competition for mass market local telephone services without using Verizon's unbundled local switching services. Accordingly, competing carriers can provide voice telephone service to the mass market and are not impaired without access to incumbent carriers' local switches.

5. My declaration, the attachments to my declaration and Verizon's June 2004 Ex Parte, *Technological and Market Developments Since the Triennial Review Further Demonstrate that Competitors Are Not Impaired Without Access to Unbundled Mass Market Switching*, contain information collected from publicly available sources as well as information collected from internal Verizon databases. The sources of publicly available information used are identified in these documents. I supervised the collection of all data presented in these documents that was collected from Verizon's internal databases. These documents accurately reflect the data contained in those internal databases.

Facilities-Based Carriers.

6. Competitive carriers have a large number of switches that are being used to provide mass market voice telephone service. As of year-end 2003, facilities-based carriers have deployed approximately 10,000 switches nationwide, including 1,177 circuit switches and 8,744 packet switches.[1]

7. Competitive carriers' switches have been used on a widespread basis throughout the country. They are being used to serve customers in wire centers that contain approximately 86 percent of the former Bell companies' access lines.[2]

8. In Verizon's 25 top MSAs, competitive carriers are serving at least 2.1 million mass market lines using at least 133 of their own switches. According to the FCC, "[m]ass market customers consist of residential customers and very small business customers." *TRO* ¶ 127. Since DS-0 loops are used almost exclusively to serve residential customers and very small business customers, Verizon reviewed its wholesale records to identify the unbundled DS-0 loops provided to competitors and the competitive carrier's switch associated with each such loop in each of Verizon's 25 top MSAs. This is a conservative approach because it does not include the high capacity loops used to serve residential customers in apartment buildings or very small business customers in office buildings. Verizon also reviewed residential cable companies' E911 listings to identify the mass market lines served by competitive carriers using their own switch and loop, and then associated the competitive switch serving each such line in each of Verizon's 25 top MSAs. The results of this analysis are shown in Attachment 1.

[1] New Paradigm Resources Group, Inc., CLEC Report 2004, Ch. 4 at Tables 17 & 19 (18th ed. 2004).

[2] *See* UNE Fact Report 2002, I-2, filed in CC Docket No. 01-338 (April 2002).

9. Competitive carriers' switches are serving significant numbers of mass market lines in each of Verizon's 25 top MSAs. In the New York MSA, for example, competitive carriers are serving approximately 415,000 mass market lines using at least 28 of their own switches within the MSA. *See* Attachment 1. In the Boston MSA, competitive carriers are serving approximately 392,000 mass market lines using at least 12 of their own switches within the MSA and 5 switches located outside the MSA. *Id*. In the Buffalo MSA, competitive carriers are serving approximately 51,000 mass market lines using at least 4 of their own switches within the MSA. *Id*.

10. In nearly all of Verizon's 25 top MSAs, multiple competitive carriers' are capable of and are being used to serve mass market lines. *See* Attachment 2. For each of Verizon's 25 top MSAs, Verizon has prepared maps showing the number of competitive switches, the number of mass market lines served by each switch and the wire center area where those mass market customers are located. *See* Maps C attached to Verizon's June 2004 Ex Parte. In order to fit the large number of lines on the maps (and to avoid identifying specific customer locations), these maps show the competing carriers' lines as disbursed throughout that wire center, and do not represent the exact customer location. Map C for each MSA is a composite showing the competitive carriers' switches serving the MSA and the mass market lines served by those switches. These maps demonstrate that competitive carriers' switches are capable of and are being used to serve customers located in wire centers throughout nearly all of Verizon's 25 top MSAs.

11. In Verizon's 25 top MSAs, competing carriers are using their own switches to serve lines in Verizon's wire centers that contain the vast majority of Verizon's access lines. In the New York MSA, for example, competitive carriers are serving lines in Verizon's wire centers

that contain 93.2 percent of all access lines in the MSA. *See* Attachment 3. In the Providence MSA, competitive carriers are serving lines in Verizon's wire centers that contain 99.7 percent of all access lines in the MSA. *Id*. In the Virginia Beach MSA, competitive carriers are serving lines in Verizon's wire centers that contain 88.9 percent of all access lines in the MSA. *Id*.

12. Competitive carriers' switches have extensive geographic reach and are capable of serving nearly all portions of Verizon's service areas in Verizon's 25 top MSAs. *See* Maps D attached to Verizon's June 2004 Ex Parte. For each switch deployed by a competitor in one of Verizon's 25 top MSAs, Verizon determined the most distant mass market lines served by that switch. Verizon used that distance as the radius for a circle drawn around each switch. That circle represents the geographic area that could be served by that competitive switch based upon the furthest distance currently served by that switch. The geographic areas that could be served by each competitive switch were color-coded on Maps D to show the number of competitors that are or could serve each area in the MSA. *See* Maps D attached to Verizon's June 2004 Ex Parte.

13. For switches located outside the MSA that do not serve any lines within the MSA, Verizon only considered those competitive switches that are located within 20 miles of the MSA border and that serve at least 10 percent of their customers at a greater distance than their location to the MSA border. For example, if a switch was located 15 miles from the border of the MSA and 20 percent of the lines served by that switch were more than 15 miles away, that switch would be shown on the map because it could reasonably serve mass market lines in the MSA.

14. This is a conservative analysis in at least two respects. First, Verizon based the radius for each switch on the furthest mass market lines actually served by that competitive switch, rather than the furthest mass market lines of any switch in serving the MSA. For

example, in the Washington MSA, there is a competitive switch that is serving mass market lines that are 50 miles away. All of the other competitive switches serving the Washington MSA could likewise serve mass market lines that are 50 miles away. However, in order to provide a conservative analysis, Verizon only considered the furthest mass market lines served by each particular switch to show the area that could be served by that switch.

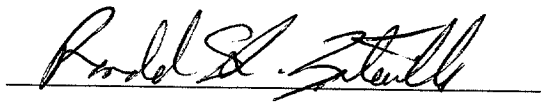
15. Second, Verizon's analysis does not include any of the many competitive switches outside the MSA that are not currently serving mass market customers within the MSA, but could easily do so. For example, there is a switch located 57.4 miles outside the Washington MSA border (near Philadelphia). That switch is serving over 3,000 mass market lines that are more than 57.4 miles away within the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA. That switch could therefore serve mass market lines in the Washington MSA, but is not included in Verizon's analysis.

II. Conclusion

16. Recent technological and market developments demonstrate that competitors are not impaired without unbundled access to local switching. Competitors have significantly deployed their own facilities and are already providing significant and widespread competition for mass market local telephone services without using Verizon's unbundled local switching services. Accordingly, competing carriers can provide voice service to the mass market and are not impaired without access to incumbent carriers' local circuit switches.

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

Executed on July 1, 2004



ATTACHMENT 1

Attachment 1

Mass Market Lines Served By CLEC Switches
In Verizon's Top 25 MSAs

MSA	NO. OF CLECs SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF CLEC SWITCHES IN VZ'S PORTION OF THE MSA SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF CLEC SWITCHES OUTSIDE VZ'S PORTION OF THE MSA SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF MASS MARKET LINES SERVED BY CLEC SWITCHES
New York-Northern New Jersey-Long Island, NY-NJ-PA	10	28	0	415,000
Washington-Arlington-Alexandria, DC-VA-MD-WV	6	8	0	108,000
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	10	14	1	119,000
Boston-Cambridge-Quincy, MA-NH	10	12	5	392,000
Los Angeles-Long Beach-Santa Ana, CA	8	2	9	91,000
Baltimore-Towson, MD	5	6	0	52,000
Tampa-St. Petersburg-Clearwater, FL	6	6	0	28,000
Riverside-San Bernardino-Ontario, CA	*	1	1	*
Pittsburgh, PA	6	5	1	178,000
Providence-New Bedford-Fall River, RI-MA	7	6	2	179,000
Virginia Beach-Norfolk-Newport News, VA-NC	4	6	0	177,000
Richmond, VA	3	3	0	81,000

Attachment 1

MSA	NO. OF CLECs SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF CLEC SWITCHES IN VZ'S PORTION OF THE MSA SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF CLEC SWITCHES OUTSIDE VZ'S PORTION OF THE MSA SERVING MASS MARKET CUSTOMERS IN VZ'S PORTION OF THE MSA	NO. OF MASS MARKET LINES SERVED BY CLEC SWITCHES
Dallas-Fort Worth-Arlington, TX	6	1	8	42,000
Buffalo-Niagara Falls, NY	4	4	0	51,000
Seattle-Tacoma-Bellevue, WA	3	3	1	6,000
Worcester, MA	6	4	2	27,000
Sarasota-Bradenton-Venice, FL	*	1	0	*
Albany-Schenectady-Troy, NY	4	4	0	26,000
Springfield, MA	4	4	0	13,000
Allentown-Bethlehem-Easton, PA-NJ	5	5	1	67,000
Portland-Vancouver-Beaverton, OR-WA	5	5	1	28,000
Trenton-Ewing, NJ	*	2	0	*
Lakeland-Winter Haven, FL	0	0	0	0
Syracuse, NY	4	4	0	21,000
Portland-South Portland, ME	4	4	0	8,300
TOTAL		**133**		**2,122,350**

* Data withheld to maintain confidentiality.

ATTACHMENT 2

REDACTED – FOR PUBLIC INSPECTION

REDACTED – FOR PUBLIC INSPECTION

ATTACHMENT 3

Attachment 3

Mass Market Lines Served By CLEC Switches
In Verizon's Top 25 MSAs

MSA	Percentage of Verizon Wire Centers in MSA that have one or more CLEC switches serving mass market lines	Percentage of access lines contained within Verizon Wire Centers in MSA that have one or more CLEC switches serving mass market lines
New York-Northern New Jersey-Long Island, NY-NJ-PA	81.7%	93.2%
Washington-Arlington-Alexandria, DC-VA-MD-WV	56.9%	84.8%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	70.7%	88.4%
Boston-Cambridge-Quincy, MA-NH	81.9%	93.1%
Los Angeles-Long Beach-Santa Ana, CA	83.8%	92.0%
Baltimore-Towson, MD	43.2%	72.5%
Tampa-St. Petersburg-Clearwater, FL	65.3%	77.4%
Riverside-San Bernardino-Ontario, CA	*	45.9%
Pittsburgh, PA	67.7%	90.3%
Providence-New Bedford-Fall River, RI-MA	97.7%	99.7%
Virginia Beach-Norfolk-Newport News, VA-NC	71.2%	88.9%
Richmond, VA	51.9%	76.5%
Dallas-Fort Worth-Arlington, TX	57.4%	87.5%

Attachment 3

MSA	Percentage of Verizon Wire Centers in MSA that have one or more CLEC switches serving mass market lines	Percentage of access lines contained within Verizon Wire Centers in MSA that have one or more CLEC switches serving mass market lines
Buffalo-Niagara Falls, NY	50.0%	86.5%
Seattle-Tacoma-Bellevue, WA	51.9%	77.7%
Worcester, MA	50.0%	80.8%
Sarasota-Bradenton-Venice, FL	*	47.9%
Albany-Schenectady-Troy, NY	42.5%	85.2%
Springfield, MA	41.3%	83.3%
Allentown-Bethlehem-Easton, PA-NJ	65.2%	85.5%
Portland-Vancouver-Beaverton, OR-WA	74.2%	94.7%
Trenton-Ewing, NJ	*	80.1%
Lakeland-Winter Haven, FL	0%	0%
Syracuse, NY	50.0%	86.9%
Portland-South Portland, ME	25.0%	58.3%
Weighted Average	**63.0%**	**85.8%**

* Data withheld to maintain confidentiality.