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August 13, 2004

**Ex Parte**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

**RE: Section 251 Unbundling Obligations for Incumbent Local Exchange Carriers, CC Docket No. 01-338; Implementation of Local Competition Provision of the Telecommunications Act of 1996, CC Docket No. 96-98; Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147**

Dear Ms. Dortch:

Yesterday, Verizon met with Commissioner Abernathy, Senior Legal Advisor Matt Brill and Jeffrey Harris regarding the above proceeding. Representing Verizon were Ms. Virginia Ruesterholz, Mr. Mike Glover and I. The attached were reviewed at that meeting.

Please let me know if you have any additional questions.

Sincerely,

A handwritten signature in cursive script that reads "Dee May".

Attachments

cc: M. Carey  
J. Carlisle  
J. Harris  
C. Libertelli  
T. Navin

# **ATTACHMENT 1**

# *A Working Wholesale Market Exists for High Capacity Services*



- ◆ **Market Characteristics:**
  - First segment open to competition (Circa 1980s)
  - Demand highly concentrated
    - 80% in less than 8% of wire centers and majority in top 20 MSAs
    - Demand further concentrated in a limited number of buildings
  - Development of competition parallels previous LD experience
  - Competing carriers response:
    - Targeted facilities to address concentrated demand
    - Extensive use of discounted Special Access to supplement their networks.
  - Verizon's high capacity business:
    - Heavily concentrated on providing wholesale service to other carriers (80% of Verizon Special Access revenues from sales to carriers)
    - Vast majority of non-carrier sales to larger enterprise customers

# *HiCap Facility-Based Competition is Strong*



- ◆ **Facility ‘Build vs. Buy’ decisions have been occurring and will continue with continued market-based pricing:**
  - 20 competing networks deployed in each of top 50 MSAs
  - 180K route-miles of fiber in place
    - ATT = 20K route-miles
    - Time Warner = 19K route-miles; 911K fiber miles
  - Fiber deployed to 65% of buildings with >\$6M in telecom spending
    - 50% of buildings with \$2-4M in telecom spending
  - Thousands of buildings with live, alternate access networks
    - ATT = 6,400
    - Time Warner = 4,576 directly on net; 17,690 total served
  - CaTV providers used for high-capacity services in:
    - 41% of large businesses
    - 32% of medium businesses
    - 44% of small businesses

## *Special Access Market-Based Pricing*

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- ◆ **Current pricing is based on market-place competition**
  - Extensive competition for wholesale business
  - Verizon competing for this business
- ◆ **Competitors successfully compete across all market segments using Special Access, not UNEs:**
  - 3 highest-growth CLECs serving medium and small businesses showed significant year-over-year unit growth
  - Top 3 Carriers serve nearly 50% of the Enterprise market
  - 93% of DS1s purchased as special access (not UNEs)
    - 90% when the top 3 carriers are excluded
- ◆ **Wholesale business is growing while retail is not**



## ***Customer Profile: No. 1 Growth CLEC***

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- ◆ **Recognized as a premier CLEC in the Northeast**
  - Rapid expansion to other US markets
    - Target customers include hospitals, universities, financial institutions, and hospitality industry
- ◆ **Special Access used exclusively for all network requirements**
  - 6,688 DS-1s in 12/02 to 12,313 in 6/04
- ◆ **Collaboratively developed Special Access pricing plan**
  - Provides incremental discounts on top of existing discount plans
    - Additional “Total Billed Revenue” plan
- ◆ **DS-1 unit-price trend**
  - 21% price reduction per circuit over the last 18 months

# *Negative Impact of Further Price Reductions*

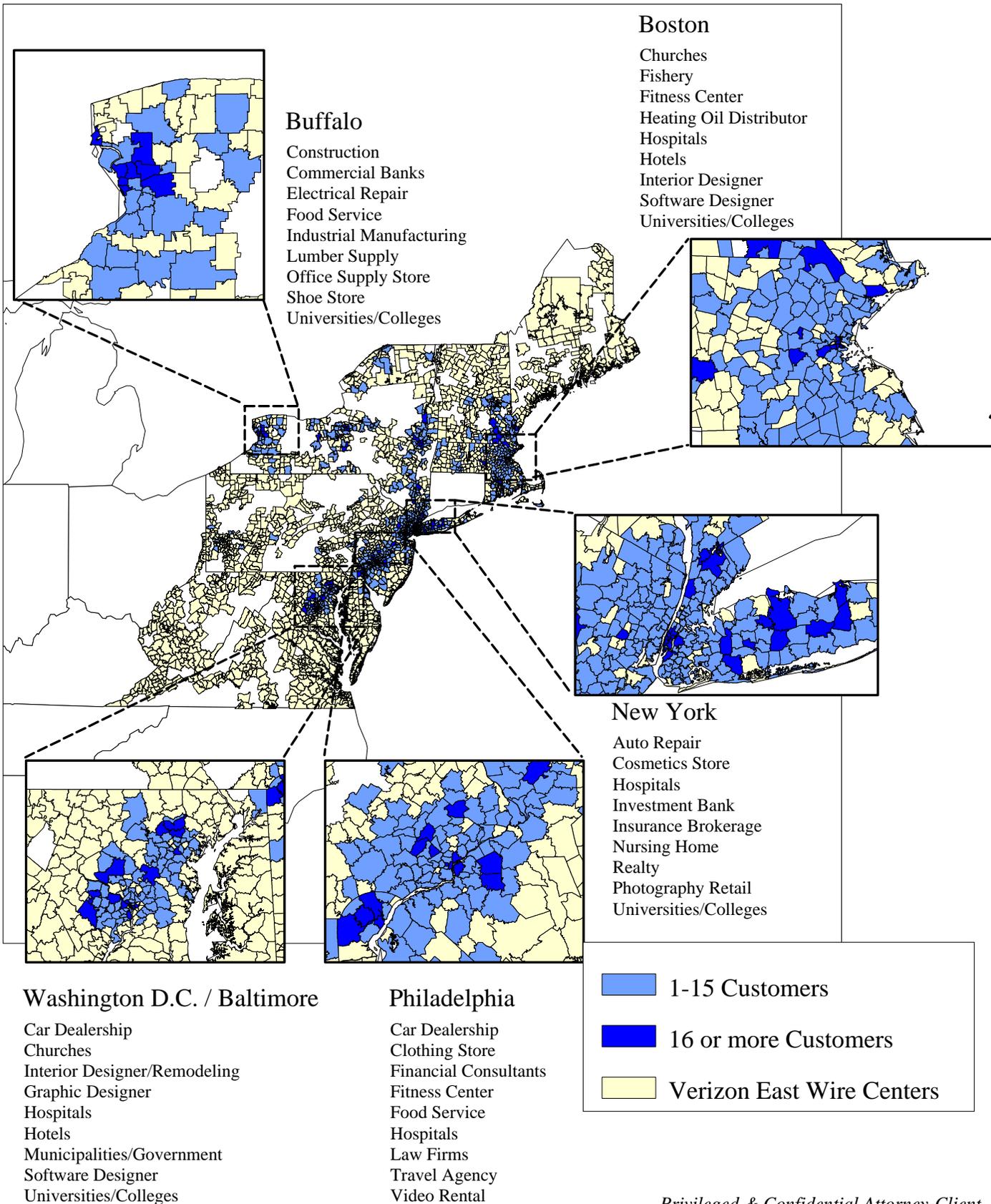


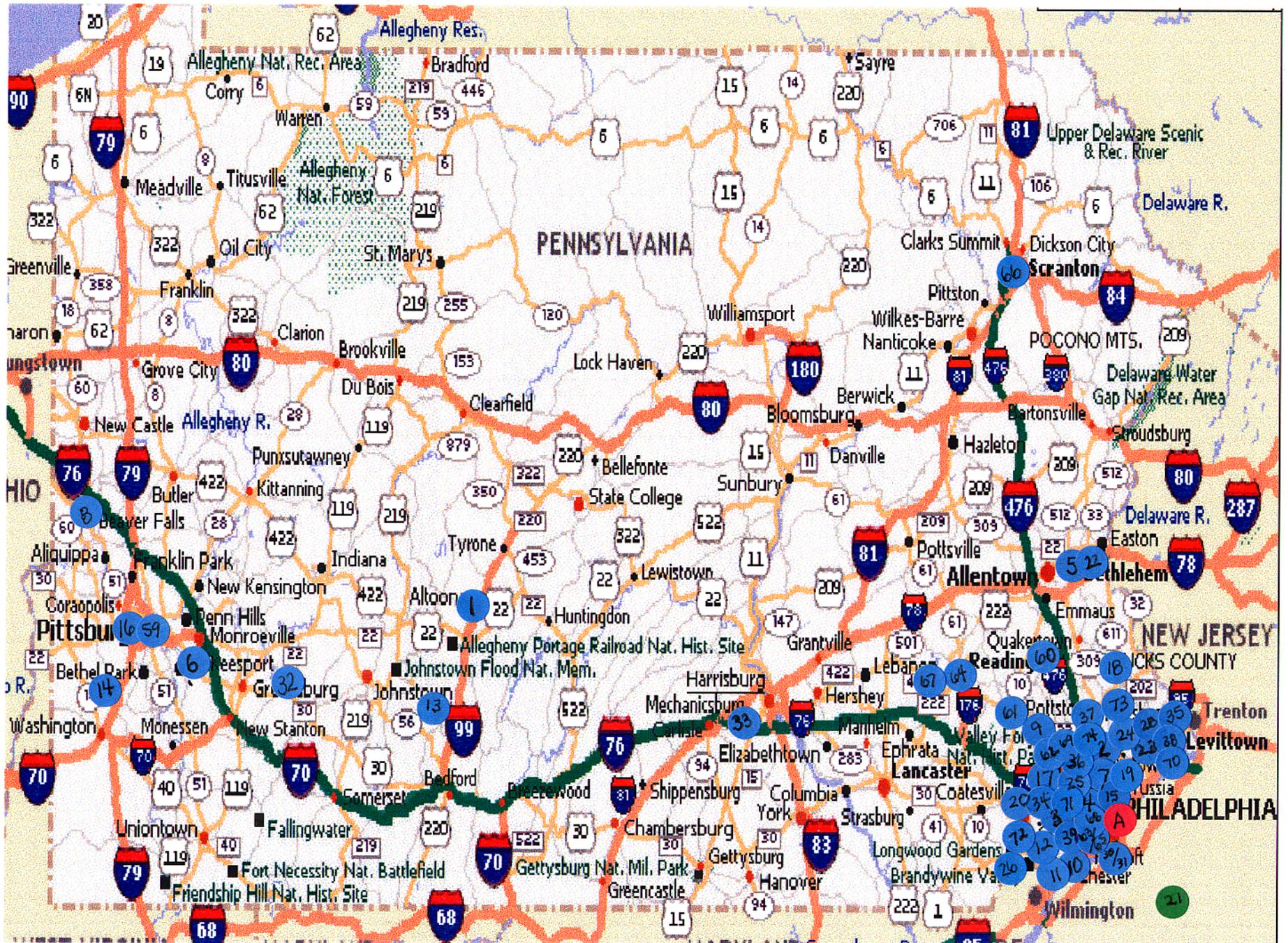
- ♦ Moving Special Access rates to existing TELRIC thresholds (i.e., a 35% price drop from \$254 to \$168) will drive negative behavior:
  - Disrupt working wholesale business
  - Less capital deployment by alternative providers

*Bottom Line: Reversal of policies that produced a working competitive wholesale market will produce less investment in infrastructure and less facility-based competition*

# **ATTACHMENT 2**

# Sample CLEC Customers in Verizon's Territory





**Sample CLEC Wire Line Service Centers  
in Pennsylvania**

Confidential

No.	Service Centers	Address	Customer(s)	Circuit Type
1	ALNAPAAL	1119 16th St, Altoona, PA	Miscellaneous Business Organization	DS1
2	AMBLPAAM	20 N. Spring Garden St., Ambler, PA	Pharmaceutical Research & Communications Co. Miscellaneous Business Accessories Supplier Miscellaneous Business Retirement Community Realtor Bridal Gown Shop Financial Consulting Firm Automated Servicing Co. Engineering Consulting Firm Alcohol Distributor Psychiatric Hospital	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
3	ARMRPAAR	116 E. Lancaster Ave, Ardmore, PA	Marking Communications Firm Private School Car Dealership Seminary	DS1 DS1 DS1 DS1
4	BCYNPABC	321 Levering Mill Road, Bala-Cynwyd, PA	Car Dealership Swimming & Fitness Facility University Advertising Co. Fine Arts School & Gallery Radio Station IT Consulting Firm Healthcare Service Org. Life Insurance Co. Accounting Firm	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
5	BHLHPABE	525 N. New Street, Bethlehem, PA	University	DS1
6	BRDDPABR	515 4th St, Braddock, PA	Glassware Designer & Distributor	DS1
7	BRYMPABM	1102 Lancaster Ave, Bryn Mawr, PA	Cert. OASIS Integrator Co. Car Dealership University University Conference Center	DS1 DS1 DS1 DS1
8	BVFLPABF	620 6th St, Beaver Falls, PA	Miscellaneous Business	DS1
9	CGVLPACL	332 Main St, New Collegeville, PA	Engineering & Consulting Firm	DS1
10	CHESPACA	512-518 Welsh Street, Chester, PA	Communications Co. Marine Terminal & Stevedoring Servicing Co. Miscellaneous Business Financial Services Consulting Firm Transportation Co.	DS1 DS1 DS1 DS1 DS1
11	CHESPACB	920 Harwick St, Chester, PA	Miscellaneous Business Public Uniform Supplier Courier Servicing Co.	DS1 DS1 DS1
12	CHTTPACT	82 Baltimore Ave, Chester Heights, PA	Investment Counselors Healthcare Placement Agency Car Dealership Convention Center Retirement Community	DS1 DS1 DS1 DS1 DS1

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No.	Service Centers	Address	Customer(s)	Circuit Type
13	CHVLPACH	1518 Bustleton Pike, Churchville (Bucks) PA	Nursing Home Healthcare Research, Consulting & Software Development Firm Retail & Food Service Brokerage Co.	DS1 DS1 DS1
14	CNBGPACA	150 N Central Ave, Canonsburg, PA	Medical Supply Supplier	DS1
15	CNSHPACN	181 North Lane, Conshohocken, PA	Pharmaceutical Co. Miscellaneous Business Lodge Miscellaneous Business Miscellaneous Business Miscellaneous Business Township Environmental Planning & Studies Co Deer Fencing Systems Manufacturers Technology Advising Co. Management Consulting Firm	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
16	CRAFPACR	11 Sidney & Union Sts, Crafton, PA	Miscellaneous Business	DS1
17	DWTWPADT	201 Whiteland Ave, Dowingtown, PA	Car Dealership	DS1
18	DYTPADB	255 Union St., Doylestown, PA	Smoked Food Distributor Engineering & Consulting Firm Shopping Center Car Dealership Nursing Home Miscellaneous Business	DS1 DS1 DS1 DS1 DS1 DS1
19	EDTNPACD	2920 Forrest Ave, Eddington, PA	Miscellaneous Business Miscellaneous Business Miscellaneous Business Hotel Crane Rental Co.	DS1 DS1 DS1 DS1 DS1
20	EXTNPAEX	Pottstown & Swedesford Rd, Exton, PA	Miscellaneous Business Hotel	DS1 DS1
21	GLBONJGB	Glassboro, NJ	Trucking Co.	DS1
22	GLLDPAGN	28 S. Chester Pike, Glenolden, PA	Healthcare Provider Realtor Packing Supplier	DS1 DS1 DS1
23	HTBOPAHB	29 E. Moreland Ave, Hatboro, PA	Watts Center & Data Collection Agency Customer Relationship Management Consulting Firm Miscellaneous Business Car Dealership Miscellaneous Business Marketing Communications Org. Retirement Community Moving & Storage Co Marketing Co. Car Dealership Financial Firm	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
24	JENKPAJK	100 Greenwood Ave, Jenkintown, PA	Miscellaneous Business Data Processing Co. Software Solutions Co. University Miscellaneous Business Car Dealership Car Dealership	DS1 DS1 DS1 DS1 DS1 DS1 DS1

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25	KGPRPAKP	540 Allendale Rd, King of Prussia, PA	Telecommunications Co. Miscellaneous Business Miscellaneous Business Concrete Co.	DS1 DS1 DS1 DS1
26	KNSQPAKS	209 W Linden St, Kennett Square, PA	Engineering & Consulting Firm	DS1
27	KRLNPAKL	9225 W Cheaster Pike, Kirklyn, PA	Residential Tenant Screening Co.	DS1
28	LANGPALA	149 N Bellevue Ave, Langhorne, PA	Air Blast Equipment Co.	DS1
29	LARCPALM	31 S. Media Line Rd, Larchmont, PA	Retirement Co. Transportation Co. Healthcare Provider Publishing Co.	DS1 DS1 DS1 DS1
30	LRDLPALB	48-58 N Lansdowne Ave, Lansdowne, PA	University	DS1
31	LNSDPALD	48-58 N Lansdowne Ave, Lansdowne, PA	Home Health Service Co.	DS1
32	LTRBPALA	1400 Ligonier St, Latrobe, PA	Lumber Co. Hardwood Flooring Manufacturer	DS1 DS1
33	MBRGPAME	14 N High St, Mechanicsburg (CMBRLO), PA	Consulting Engineering Firm Financial Advisors	DS1 DS1
34	MEDIPAME	200 W. State St., Media, PA	Marketing Research Agency Real Estate Agency Flour Milling Co.	DS1 DS1 DS1
35	MRSLPAMV	230 Stockham Ave, Morrisville, PA	Miscellaneous Business Specialty Papers & Film Manufacturer Miscellaneous Business Machinery Moving Co.	DS1 DS1 DS1 DS1
36	NRTWPANR	400 Dekalb, Norristown, PA	Car Dealership Underwriting Firm Human Resource Consulting Co. Limousine Servicing Co. Miscellaneous Business Computer Learning Center	DS1 DS1 DS1 DS1 DS1 DS1
37	NWLSPANW	216 S. Third St., North Wales, PA	Miscellaneous Business	DS1
38	NWTWPANW	369 Washington Crossing Rd, Newtown (Bucks), PA	Care giving Agency Miscellaneous Business Miscellaneous Business	DS1 DS1 DS1 DS1 DS1
39	PAOLPAPA	125 W. Circular Ave, Paoli, PA	Law Firm Environment Consulting, Retailer & Manufacturer Career Transition & Organizational Consulting Firm Educational Resources Distributor Specialty Vacuum Cleaner Manufacturer	DS1 DS1 DS1 DS1 DS1 DS1
*A-40	PHLAPABA	3429 N. 17th Street, Philadelphia, PA	Miscellaneous Business Miscellaneous Business	DS1 DS1

\* All Philadelphia Service Centers are labelled as "A" on Exhibit B.



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No.	Service Centers	Address	Customer(s)	Circuit Type
*A-50	PHLAPAMK	900 Race St, Philadelphia, PA	Museum Insurance Co. Union Relations Law Firm Convention Center Miscellaneous Business Hotel Newspaper Wireless Health Communication Service Co Snack Food Co. Communication Co. Vision Hospital Hotel Motion Analysis Firm Healthcare Office Furniture Retailer Healthcare Facility Architects	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
51	PHLAPAMY	7180 Charles St., Mayfair, PA	Miscellaneous Business Daycare Facility Advertising Co.	DS1 DS1 DS1
*A-52	PHLAPAOR	2210 Lott Ave, Philadelphia, PA	Swimming & Fitness Center Appliance and Electronics Distributor Miscellaneous Business Financial Co. Healthcare Products Food Retailer Law Firm Legal Organization Car Dealership Printing Co.	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
*A-53	PHLAPAPE	423 S. 17th St, Philadelphia, PA	Hotel Law Firm Healthcare Travel Agency Immigration Service Organization Furniture Retailer Consulting Firm Miscellaneous Business Miscellaneous Business Manufacturing Co.	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
*A-54	PHLAPAPI	7254 Rising Sun Ave, Philadelphia, PA	Mental Health & Aging Facility Miscellaneous Business	DS1 DS1
*A-55	PHLAPAPO	1601 W. Jefferson Street, Philadelphia, PA	Non-Profit Organization Sewing/Knitting/Quilting & Needlework Supplier Miscellaneous Business	DS1 DS1 DS1 DS1
*A-56	PHLAPARE	2514 Emerald St, Philadelphia, PA	Photography Co. Outerwear Retailer Community Service Co. Mental Health Service Co. Bilingual & Bicultural Service Organization Licensed Clinical Laboratory Licensed Clinical Laboratory	DS1 DS1 DS1 DS1 DS1 DS1 DS1
*A-57	PHLAPASH	5650 Chestnut St, Philadelphia, PA	Healthcare	DS1 DS1 DS1
*A-58	PHLAPATR	5152 Lancaster Ave, Philadelphia, PA	University	DS1

\* All Philadelphia Service Centers are labelled as "A" on Exhibit B.

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No.	Service Centers	Address	Customer(s)	Circuit Type
59	PITBPADT	416 7th Ave, Pittsburgh, PA	Hotel Law Firm Hotel Convention Center Miscellaneous Business Design & Technology School	DS1 DS1 DS1 DS1 DS1 DS1
60	PNBGPAPB	West Side Alley S of 5th, Pennsburg, PA	Manufacturing Co.	DS1
61	PTTWPAPT	235 King St, Pottstown, PA	Car Dealership Miscellaneous Business	DS1 DS1
62	PXVLPAPV	118 Gay St, Phoenixville, PA	Trucking Co. Busing Co.	DS1 DS1
63	RBTTPART	400 S Sellers Ave, Ridley Park, PA	Hotel	DS1
64	RDNGPARE	401-409 Washington St, Reading, PA	Snack Food Co.	DS1
65	RDPKPARP	400 S. Sellers Ave, Ridley Park, PA	Hotel Healthcare	DS1 DS1
66	SCTNPASC	121 Adams Ave, Scranton, PA	Housing Material Wholesale Distributor	DS1
67	SNSPPASS	571 Penn Ave, Sinking Spring, PA	Healthcare Billing Co.	DS1
68	SPFDPASF	900 Baltimore Pike, Springfield, PA	Insurance Co.	DS1
69	TRPRPATR	50 Brimfield Rd, Trooper, PA	Hotel Hotel Miscellaneous Business Miscellaneous Business Hotel Vocational-Technical School Process & Material Handling Equipment Telecommunications Co. Retirement Community Motor Manufacturing Co. Product Manufacturer Office Furniture Retailer Publishing Co.	DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1 DS1
70	TULYPATU	7843-7901 New Falls Rd, Tullytown, PA	Car Dealership Hotel	DS1 DS1
71	WAYNPAWY	300 W. Lancaster Ave, Wayne, PA	Car Dealership Travel Agency Medical Claim Processing Firm College Private Foundation Employment Agency	DS1 DS1 DS1 DS1 DS1 DS1
72	WCHSPAWC	401 S. High St., West Chester, PA	Drilling Product Manufacturer Bank	DS1 DS1
73	WGTPAWR	1412 Stuckert Rd, Warrington, PA	Miscellaneous Business Healthcare	DS1 DS1
74	WLGRPAWG	Null Old York Rd, Willow Grove, PA	Pharmaceutical Co. Car Dealership Life Insurance Co.	DS1 DS1 DS1

# Sample CLEC's Customers in Downtown Philadelphia

