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August 16, 2004

Ex Parte

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

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

Dear Ms. Dortch:

Attached are revised pages from Verizon's *ex parte* filed on May 19th in the above proceeding that contain corrections to the numbers of long distance lines that were presubscribed to Verizon. These data show that Verizon's market share in the in-region long distance market is even lower than previously reported. They show that, even in the mass market for long distance services, Verizon has no ability to dominate the market.

The following pages were revised to reflect the corrected Verizon presubscribed long distance lines for 2003:

1) Page 1, third paragraph, 6th sentence (beginning with "Even when only this ...."), and Footnote 2.
2) Page 13, Table 1
3) Page 30, Table 4

In addition, in response to the FCC staff's request, Verizon has updated Tables 1, 2, 3 and 4 to include data for the first half of 2004.

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A confidential version of this filing is also being made.

Sincerely,

Attachment

cc: Michelle Carey
Michael Carowitz
William Cox
Bill Dever
William Kehoe
Brad Koerner
Pamela Megna
Brent Olson
Julie Veach

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Verizon Has No Ability To Dominate The Long Distance Market

This is in response to the Commission staff's request for additional information about competition in the long distance market. Attached are data on the number of long distance lines presubscribed to the Verizon section 272 affiliates in the Verizon East region, which includes the Verizon jurisdictions subject to sections 271 and 272 of the Act, as well as the number of access lines served by incumbent local exchange carriers ("ILECs") and competitive local exchange carriers ("CLECs") in these states. These data, which show that lines served by traditional CLECs are growing rapidly while Verizon's local exchange lines and the total minutes of use on those lines are declining, provide, however, only a partial picture of the relevant markets for long distance and local services. In addition to wireline facilities-based interexchange carriers, six nationwide wireless carriers offer long distance and local service that is fully competitive with wireline service and wireless already is widely used for long distance calls in particular; cable companies already offer circuit-switched long distance and local service to 15 percent of U.S. households and are now deploying voice over Internet protocol ("VoIP") service to expand that number several-fold in the next twelve months, a new class of VoIP providers such as Vonage offer long distance and local service to any customer with a broadband connection, and e-mail and instant messaging already replace as much as one-third or more of all voice communications.

Because customers increasingly view these platforms as interchangeable, they each must be included in the relevant markets for long distance and local services. The robust competition among all of these platforms, together with regulatory safeguards such as price cap regulation, and the BOCs' status as new entrants into the long distance market, make it inconceivable that the BOCs could somehow gain market power in the provision of long distance services.

The incumbent interexchange carriers, which continue to dominate the most lucrative portion of the long distance market – the enterprise/large business segment – have tried to exaggerate the RBOCs' shares of long distance services by concentrating just on the mass market. However, even if the mass market for long distance services were viewed in isolation, it would be clear that the RBOCs have no ability to dominate the market. Table 1 provides an estimate of the percent of long distance customers presubscribed to Verizon's wireline long distance service in the mass market (residential and small business) by state. For all states but one (Vermont), wireless subscribers have been included in the analysis. The analysis nonetheless overstates Verizon's share, because it does not include all CLEC small business lines, and it does not contain cable telephony, VoIP telephony, or other means of long distance communications, for which data are not available.[1] Even when only this limited subset of competitive alternatives is considered, however, Verizon's wireline share of presubscribed long distance customers does not exceed 19 percent in any state for which wireless data are available.[2]

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[1] For example, these data do not include CLEC business E911 listings, which Verizon has excluded because the E911 listings for CLECs do not distinguish between large and small business. As is shown in Table 2, business lines are the largest part of the CLEC customer base, and undoubtedly many of the CLEC business E911 listings belong in the mass market category.

[2] For example, in New York plus portion of CT), Verizon has **[BEGIN PROPRIETARY]** [redacted]. **[END PROPRIETARY]**

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TABLE 1 [BEGIN PROPRIETARY]

State	Verizon Mass Market*	CLEC Mass Market**	Wireless	Total	Verizon LD Lines	Verizon LD % of Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]

[redacted] **[END PROPRIETARY]**

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Selected Competitive Data - East States
March 2004

TABLE 2 [REDACTED]

[redacted]

[redacted]

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Selected Competitive Data - East States
June 2004

TABLE 2 [REDACTED]

[redacted]

[redacted]

Quarterly Total Switched Access Carrier Demand
fBA States

Table 3 [REDACTED]

[redacted]

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Table 4

QUARTERLY LONG DISTANCE LINES
VERIZON AFFILIATES

[BEGIN PROPRIETARY]

[END PROPRIETARY]