

ATTACHMENT 12

DECLARATION OF RONALD J. McMURTRIE

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Verizon Communications Inc. and)	
MCI, Inc.)	WC Docket No. 05-75
Applications for Approval of)	
Transfer of Control)	

DECLARATION OF RONALD J. McMURTRIE

1. My name is Ronald J. McMurtrie. I am Senior Vice President, Business Marketing and Marketing Services, for MCI. My responsibilities include overseeing marketing and channels for MCI retail business segments in the United States and for Global Accounts. In that capacity, I am responsible for channel management and field support, product marketing and employee communications, and sales and service training and education. My business address is 6 Concourse Parkway, Atlanta, GA, 30328.

Purpose of Declaration

2. This declaration describes MCI's commercial and institutional customers; explains how such customers will benefit from the combination of Verizon and MCI; and describes MCI's competitors for commercial and institutional accounts. Commercial and institutional customers include large communications-intensive enterprises – such as Fortune 1000 companies, federal government customers, and large state government customers – and medium-sized business and government customers.

MCI's Commercial and Institutional Customers

3. MCI obtains the bulk of its commercial and institutional customer revenue from large enterprise customers, which include large businesses, federal government and large state government customers, and large public institutions. These customers have national or global operations and high levels of communications spending, often require sophisticated packages of services, and generally procure their services through a competitive bidding process. The business customers that MCI considers to be within this category include Fortune 1000 companies, and generally have more than 1,000 employees and spend more than \$2 million per year on communications services (in total, not necessarily with MCI alone).¹ Large enterprise customers represent over **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** percent of MCI's revenue from commercial and institutional customers.²
4. MCI also provides service to medium business customers, which MCI considers to be any customer other than a large enterprise customer or its very smallest business customers, which are served by MCI's mass-market unit. These customers vary widely

¹ These parameters characterize what MCI calls "corporate" and "global" customers. Global customers differ from "corporate" customers primarily in the geographic scope of their operations. Corporate customers' operations are concentrated in the United States, while global customers have as much of their operations outside the United States as inside the United States.

² MCI's total commercial and institutional revenue in the 4th quarter of 2004 was \$2.157 billion, which consisted of \$1.2 billion in revenue for its Enterprise market segment and \$957 million in revenue for the commercial markets segment. The Enterprise segment includes MCI's largest global customers and its government customers. For the purpose of this declaration, the term "large enterprise customer" includes, in addition to MCI's Enterprise segment, MCI commercial markets customers that MCI classifies as "corporate" customers (but not those commercial markets customers that MCI classifies as "mid-market" or "small and medium business" customers).

in their requirements: some require relatively simple, standard services, while others require more sophisticated packages. Such medium business customers represent only a minority of MCI's commercial and institutional customer revenue – about **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** percent. For the purpose of this declaration, the term “medium business” encompasses those customers within MCI's commercial markets segment that are not considered to be “corporate” customers, i.e., those customers that MCI classifies as “mid-market” and “small and medium business” customers.

5. In addition to high levels of communications spending, large enterprise customers have several key characteristics. First, large enterprise customers typically have multiple business locations. For example, a large financial services firm may have a headquarters building, several satellite offices, data centers, and hundreds or even thousands of branch locations. Large enterprise customers typically have operations across the United States and, often, in many countries around the world. In fact, a significant fraction of MCI's “global” enterprise customers, such as DaimlerChrysler, are headquartered outside the United States.
6. Second, large enterprise customers' networking requirements are generally complex and individualized:
 - Large enterprise customers typically require a broad range of services, including local and long distance (both inbound and outbound) voice services, frame relay services, ATM services, wireless, IP services, call center services, and web hosting. A bank may, for example, use private line, frame relay, or IP services to

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link together its bank branches and data centers, inbound and outbound voice services at a call center, and web hosting. Enterprise customers also require an array of advanced features, such as intelligent call routing and integrated voice response systems.

- Large enterprise customers are sophisticated customers, and often have large in-house Information Technology (IT) departments with substantial technical expertise. They readily adopt new communications technologies that make their business more efficient or support new business initiatives. In particular, MCI is seeing a rapid shift away from voice services and older data services such as private line and frame relay to new services that rely on IP. Voice is now only a minority of MCI's large enterprise revenue – less than **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** percent – and voice, private line, and frame relay are all declining as a share of large enterprise customer revenue, while IP's share is increasing.
- Each large enterprise customer has unique requirements, requiring services that are tailored to the customer's business objectives. Not only does each large enterprise customer require a different mix of services, but enterprise customers often require customization of individual services and the integration of multiple services and applications. Furthermore, a large enterprise customer may have unique service level guarantee requirements or unique billing requirements.

7. The procurement process employed by large enterprise customers reflects both their sophistication and their diverse needs. Large enterprise customers generally procure

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services for multiyear periods through a formal Request for Proposals or “RFP,” which is a lengthy and detailed document that describes the package of services that the customer is seeking and any specific requirements such as service level guarantees. Proposals submitted by bidders in response to the RFP are reviewed in a months-long process by the customer’s IT department and ultimately by the customer’s Chief Information Officer or even Chief Financial Officer.

The Combination Will Benefit Commercial and Institutional Customers

8. Verizon and MCI have complementary network assets, areas of technical expertise, and customer relationships. By combining MCI’s and Verizon’s respective strengths, the merged company will be able to provide more advanced services to commercial and institutional customers at higher quality and lower cost.
9. Verizon’s strengths include its extensive in-region local facilities and expansive wireless network. By contrast, MCI’s assets and capabilities reflect its intense focus on large enterprise customers. Those assets and capabilities include the following:
 10. First, MCI has a high-capacity **global fiber optic network** designed to meet large enterprise customers’ need for connectivity between business locations across the United States and around the world. MCI’s global network spans more than 98,000 miles and links more than 140 countries and over 2,800 cities. By owning and operating its own network, MCI has greater ability to control network reliability on a global basis.
 11. Second, MCI has **IP capabilities and expertise**. MCI has made multibillion dollar investments in the IP technologies and applications necessary to support large enterprise customers’ shift to IP-based services. MCI’s global IP network has 4,500 points of

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presence around the world, and MCI continues to expand the reach of its IP network and upgrade it to higher capacities. MCI also has value-added capabilities, including value-added security services, such as email filters for spam, viruses, and inappropriate images; firewalls (both hardware and software based); intrusion detection and protection services; denial-of-service mitigation; and security scans.

12. Finally, MCI has strong **enterprise customer relationships**. MCI supports its large enterprise customers with account teams that have developed in-depth understanding of their customers' businesses and the role that communications services play in their businesses. The account teams are in turn supported by technical specialists who have deep experience in customizing services and applications to meet the requirements of large enterprise customers.
13. The benefits that will accrue to corporate and institutional customers from the combination of MCI and Verizon fall primarily into two broad categories: (1) more rapid innovation and deployment of new services; and (2) higher quality and lower cost services.
14. ***Deployment of New Services*** The combined companies will be able to develop and deploy new services for commercial and institutional customers more rapidly than either company could on its own. For example, the combined company would have the capability to more rapidly develop and deploy mobile IP services. Mobile IP services are poised to show significant growth. After all, mobile IP represents the combination of the two key trends in communications today: the shift to IP and the shift to wireless services. For large enterprise customers, mobile IP services would enable "corporate mobility,"

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allowing existing applications and data to be accessed by mobile workers and also enabling new applications that exploit mobility. MCI has been exploring the development of mobile IP services for large enterprise customers, but has made little progress because it lacks a wireless network.

15. By combining MCI's IP network with Verizon's wireless network, the combined company will have the necessary infrastructure to deploy mobile IP services. The combined company will also have the in-house technical expertise necessary to overcome the technical challenges associated with deploying mobile IP services, which include security issues, the adaptation of IP services for the mobile environment, and the integration of mobile IP services into existing large enterprise networks. In overcoming the challenges of integrating mobile IP services into existing enterprise networks, the combined company will also be able to draw on MCI's deep understanding of large enterprise customers' existing networks and applications
16. Finally, the combined company's strong financial position will support innovation and the deployment of new technologies. For example, the combined company would likely be able to invest in the IP network at a lower cost of capital than MCI could alone, potentially accelerating investments that would increase network capacity, expand the reach of the network, or add new capabilities such as IPv6. Furthermore, because the combined company will be able to recover product development costs and network investments across a larger base of customers than MCI could alone, it will increase the attractiveness of such investments.

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17. ***Higher Quality and Lower Cost.*** The combination will also benefit commercial and institutional customers by enabling higher quality services and reducing the cost of providing such services. First, the combination will benefit business customers by allowing customers to obtain, through a single point of contact, a broader range of service offerings than either Verizon or MCI could provide alone. The combined company will be able to offer the long-haul voice, data, and IP services that are MCI's strengths, as well as the local, wireless, and DSL services that are Verizon's strengths. Although business customers have demonstrated that they can work with multiple communications vendors, or engage systems integrators to integrate services from several carriers, many enterprise customers may elect to work with a single provider that has strengths across a broad portfolio of products.
18. For example, large enterprise customers would be able to reduce transaction costs by obtaining both wireless and wireline services on a national basis from a single provider. MCI is beginning to see large enterprise customers issue RFPs that combine both wireless and wireline services.
19. Second, the combination of Verizon and MCI will benefit customers by streamlining network management. Today, because MCI's network does not have ubiquitous connections to enterprise customer locations, MCI has to work with other carriers in order to meet enterprise customers' requirement for reliable service. The combined company will still need to work with other carriers, in most instances, because large enterprise customers have locations across the nation, not just in Verizon territory. But the combined company will be able to use a common approach to network management

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for the local and long-haul portions of the network in those areas where Verizon has local facilities, thereby reducing costs, incrementally simplifying network management, and making the resolution of some service quality issues more transparent to customers.

20. Finally, the combined company will be able to operate at lower cost because of the efficiencies gained by eliminating overlapping functions. For example, the combined company will be able to consolidate network operations centers over time. Similarly, Verizon's long distance traffic could be moved onto the MCI network, reducing transport costs and gaining cost savings from the combined companies' traffic volume for out-of-region access service purchases.

Competition for Commercial and Institutional Customers

21. The combination of MCI and Verizon will not reduce competition for commercial and institutional customers. Verizon and MCI today compete only to a limited extent in some portions of the commercial and institutional customer market. Moreover, in addition to Verizon and MCI, there are a large number of other service providers targeting commercial and institutional customers. Commercial and institutional customers will continue to be able to choose among multiple competing providers with high-capacity fiber networks, IP capability, and a broad range of service offerings.
22. As noted, MCI obtains the bulk of its commercial and institutional customer revenue from large enterprise customers – government agencies and businesses with national or even international operations, more than 1,000 employees, and over \$2 million in total annual telecommunications spending. Verizon, however, competes with MCI for this business only to a very limited extent.

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23. Verizon's limited role is demonstrated by MCI's experience in competitive bidding situations. In MCI's experience, Verizon is only rarely a bidder on large enterprise RFPs and, even when Verizon does bid, it is rarely successful.
24. In competing for these contracts with large enterprise customers, MCI faces multiple competitors that are more significant than Verizon. MCI's competitors include not only AT&T and Sprint, which have global fiber networks and offer the full range of services required by large enterprise customers, but systems integrators and other domestic and international carriers.
25. MCI competes with such international carriers as Equant, British Telecom, and Deutsche Telecom in Europe, and with NTT and SingTel in Asia.
26. Enterprise customers have also been targeted by other carriers that possess national or global IP networks, including Level 3, Qwest, Broadwing, Global Crossing, Savvis and Wiltel. Although these carriers may, to varying degrees, be less likely than AT&T, Sprint, or the international carriers to win large enterprise customer RFPs for broad packages of services, they have made substantial inroads with large enterprise customers for particular services such as switched voice or long-haul private line. Level 3, for example, has been particularly aggressive in its pricing of high-capacity long haul high-capacity private line circuits. Savvis, similarly, is a significant competitor for web-hosting services. Moreover, because these carriers have advanced IP-based networks, they are well-positioned to take advantage of enterprise customers' shift to IP-based services.

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27. Furthermore, MCI is seeing growing competition from system integrators such as EDS, IBM, Accenture, and others. System integrators sell from the top down — that is, they propose to take over the entire range of computing platforms as well as a customer's network. System integrators have submitted numerous successful bids to provide services for enterprise business clients and have steadily become more successful vis-à-vis the traditional carriers. Recently, a longstanding MCI customer – a large bank – scaled back MCI's role after selecting a systems integrator to manage its networks.
28. Because of the significant amount of revenue at stake with each RFP issued by a large enterprise customer, and because there are usually several competitors bidding for each contract, competition for each RFP is intense. The highly competitive nature of the enterprise market is reflected in pricing trends. The prices for voice, frame relay, private line, ATM, and IP services – the major categories of services purchased by enterprise customers – continue to fall at a rapid pace. In fact, some of the most rapid price declines are being seen in the most advanced services, including Internet access services and high-speed private lines at DS3 and above.
29. Competition is equally intense for medium-sized business customers. In addition to MCI and Verizon, competitors include all of the carriers listed above – AT&T, Sprint, Qwest, Broadwing, and others – as well as several additional carriers. Among the carriers that have targeted medium-sized business customers are carriers generally identified as CLECs, including XO and Time Warner Telecom and regional CLECs such as NuVox.

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SkyTel

30. MCI's SkyTel unit offers wireless messaging services such as one-way paging and two-way paging. These services are provided over three nationwide networks, a ReFLEX two-way messaging network and two FLEX networks supporting one-way text and numeric paging. SkyTel's customers are primarily commercial and institutional customers; currently, SkyTel has approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** two-way paging units in service and approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** one-way paging units in service. Maps of SkyTel's one-way and two-way paging coverage areas are provided in the Exhibit.

Conclusion

31. The combination of Verizon and MCI would thus provide significant benefits to business customers without reducing the competition that these customers now enjoy. The merged company would continue to face the same formidable competition from the companies with which MCI now competes. And sophisticated enterprise customers would continue to be able to drive hard bargains with these competitors. The only difference is that the combined company will be able to provide more innovative services at lower cost.

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I declare under the penalty of perjury that the foregoing is true and correct.

Executed on March 9, 2005

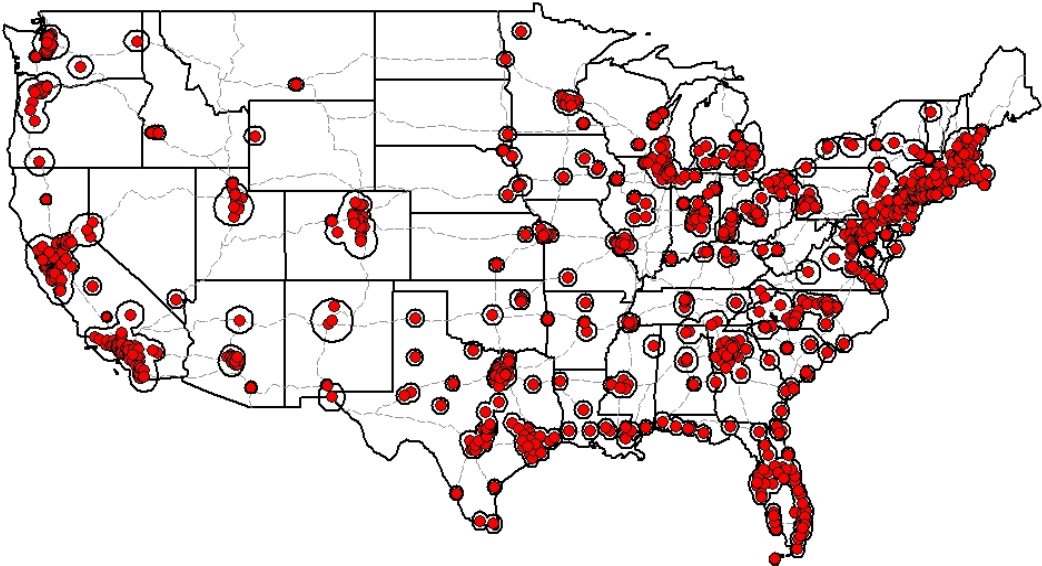


Ronald J. McMurtrie

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EXHIBIT

SkyTel Coverage: Call Sign KNKV205



SkyTel 940.200M - 940.250M
Red Dots Equal Transmitter Locations
Black Rings Equal Coverage Area In Accordance With FCC Reg 24.103 (e) (1)