

March 22, 2005

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*Via Hand Delivery*Federal Communications Commission
Office of SecretaryMarlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554**RE: In the Matter of Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control, WC Docket No. 05-75**

Dear Ms. Dortch:

Verizon Communications Inc. ("Verizon") and MCI, Inc. ("MCI") are filing additional information to supplement and amend the parties' application to transfer control of MCI's domestic section 214 authorizations to Verizon, filed in the above-referenced docket on March 11, 2005. Specifically, Verizon and MCI (the "Applicants") are filing a revised Exhibit 2 to the Application for Consent to Transfer Control of Domestic Section 214 Authority listing all of MCI's subsidiaries and affiliates holding domestic section 214 authority. In addition, the Applicants are filing a revised version of page 64 of the Public Interest Statement and of page 22 of the Declaration of Robert W. Crandall and Hal J. Singer (Attachment 2 to the Public Interest Statement), correcting minor typographical errors in one number on each of those pages. Finally, in response to requests from staff, the Applicants are filing a list of all of Verizon's subsidiaries and affiliates holding domestic section 214 authority.

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Respectfully submitted,

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Exhibit 2

MCI Affiliates and Subsidiaries Holding Domestic Section 214 Authority¹

Bittel Telecommunications Corporation
Intermedia Communications LLC
Intermedia Communications of Virginia, Inc.
MCI Communications Corporation
MCI, Inc.
MCI International, Inc.
MCI WORLDCOM Communications of Virginia, Inc.
MCI WORLDCOM Communications, Inc.
MCI WORLDCOM International, Inc.
MCI WORLDCOM Network Services of Virginia, Inc.
MCI WORLDCOM Network Services, Inc.
MCImetro Access Transmission Services LLC
MCImetro Access Transmission Services of Virginia, Inc.
Metropolitan Fiber Systems of New York, Inc.
Metropolitan Fiber Systems of St. Louis, Inc.
MFS CableCo U.S., Inc.
MFS Globenet, Inc.
MFS Telephone of Missouri, Inc.
Military Communications Center, Inc.²
Mtel Latin America, Inc.
networkMCI, Inc.
SkyTel Corp.
Southernnet, Inc.
Telecom*USA, Inc.
Teleconnect Company
Teleconnect Long Distance Services & Systems Co.
TTI National, Inc.
WorldCom Broadband Solutions, Inc.
WorldCom International Mobile Services, Inc.

¹ MCI holds a 100% direct or indirect ownership interest in each of these entities.

² Military Communications Center, Inc. ("MCC"), a wholly-owned subsidiary of MCI, is likely to be sold to a third party prior to the consummation of this transaction (subject, of course, to FCC approval). If this sale occurs, the parties will later amend this application to delete MCC's section 214 authorization from the list of section 214 authorizations being transferred to Verizon.

Whether measured in terms of revenue, traffic, or the number of connections, the decrease in concentration and the decline in MCI's relative position are evident. Although there are problems in developing reliable revenue data, available information indicates that the total revenue of MCI and Verizon from backbone operations in 2003 was less than the revenues of the company with the largest revenue share. *See Kende Decl.* ¶ 4. Data provided by RHK likewise indicate that MCI is not the largest Internet connectivity provider, but rather is one of seven providers with traffic shares between 5 percent and 12.5 percent. *See id.* ¶ 5.

MCI's share as measured by the number of Autonomous System ("AS") connections also has declined substantially, from 22 percent in 2000 to 12 percent in 2004.¹⁰⁰ The same data also show a substantial decrease in concentration for the market as a whole: the combined share of the top five backbone providers fell to 39 percent of all connections in 2004 from 58 percent in 2000, and the number of connections for each of the top four providers declined from 2003 to 2004. *See Kende Decl.* ¶ 7. Moreover, the peering policies of at least five other Internet connectivity providers suggest that they have backbone networks similar in size and reach to MCI's. *See id.* ¶ 11.

Another indication of strong and increasing competition for Internet connectivity services is the sharp decline in the prices for Internet bandwidth. Between the second quarter of 2003 and the second quarter of 2004, transit prices in major U.S. cities fell 55

¹⁰⁰ *See Telegeography Research, Global Internet Geography, Fig. 4 (2004) ("Telegeography Report").* As Telegeography notes, AS connections are at best a proxy for market share, as they only show who is "likely" to have the most customers, and this measure does not weight connections for traffic flows or revenues. *See Kende Decl.* ¶ 6.

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Variations Freedom + DSL, the most comparable Verizon service bundle.”⁴⁵ In June 2004, Cablevision rolled out a bundled offering that includes cable telephony, cable modem service, and digital cable for \$89.85⁴⁶—approximately the same amount that many customers already pay for digital cable and cable modem service alone. As a result, Cablevision says that customers “are essentially receiving their voice service for free.”⁴⁷ Cablevision has been adding VoIP subscribers at a rate of 1,000 per day,⁴⁸ and has signed up 273,000 subscribers within the first 14 months of making the service available across its service area.⁴⁹

- **Time Warner:** Using VoIP, Time Warner offers unlimited monthly local and long-distance calling in several Verizon markets including New York City, Bergen, and Hudson Counties in New Jersey, Albany, Binghamton, Syracuse, and Portland, ME for \$49.95 on an *a-la-carte* basis, but charges only \$39.95 if the customer also subscribes to Time Warner for television service.⁵⁰ Time Warner passes 19 million homes nationwide and has launched VoIP in all of its 31 markets.⁵¹ Furthermore, Time Warner is adding 11,000 new VoIP customers per week.⁵² Time Warner’s VoIP service has seen great success in Portland, ME, where 40 percent of its cable modem customers also subscribe to VoIP service.⁵³ Time Warner has approximately 220,000 customers even though it only launched in the latter part of 2004.⁵⁴

Many of the cable telephony plans offered by cable operators—both circuit-switched and VoIP—are integrated offerings that include long distance, local calling, and other features. Time

45. CABLEVISION, UBS WARBURG MEDIA CONFERENCE, Dec. 11, 2003, at 39. Cablevision’s bundle of voice and high-speed data is nearly identical to Verizon’s. The only differences are that Cablevision offers 3 Mbps broadband service compared to 1.5 Mbps for Verizon, and two of the five calling features offered by each company differ. *Id.*

46. 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.

47. *Cablevision To Offer Internet Phone-Call Bundle*, WALL ST. J., June 21, 2004, at B5 (quoting Cablevision senior vice president, consumer product management and marketing, Patricia Gottesman).

48. R. Black, Blaylock & Partners, *4Q04 Wireline Preview – The Telecom Landscape Is Evolving, Tread Carefully*, Jan. 20, 2005, at 2.

49. Cablevision News Release, *Cablevision Systems Corporation Reports Fourth Quarter and Full Year 2004 Results 2005 Outlook Provided*, Feb. 23, 2005.

50. Time Warner Cable, *Plan Details*, available at: <http://www.twcdigitalphone.com>.

51. Thomson StreetEvents, *TWX – Q4 2004 Time Warner Inc. Earnings Conference Call*, Conference Call Transcript, Feb. 4, 2005, at 6 (Time Warner Inc. CFO Wayne Pace: “Our newest service, digital phone, as we promised at the beginning of the year, is now commercially available in all 31 of our divisions, and we ended the year with about 220,000 subscribers.”).

52. N. Gupta, *et al.*, Citigroup Smith Barney, *CMCSK: Potential Adelpia Win a Positive*, Feb. 1, 2005, at 3.

53. See Matt Stump, *Technology’s Creative Master*, MULTICHANNEL NEWS, Sept. 27, 2004.

54. Thomson StreetEvents, *TWX – Q4 2004 Time Warner Inc. Earnings Conference Call*, Conference Call Transcript, Feb. 4, 2005, at 6.

C R I T E R I O N E C O N O M I C S , L . L . C .

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Affiliates of Verizon Holding Domestic Section 214 Authority

Bell Atlantic Communications, Inc. (d/b/a/ Verizon Long Distance)
CODETEL International Communications Incorporated
Contel of the South, Inc. (d/b/a Verizon Mid-States)
GTE Pacifica Incorporated
GTE Southwest Incorporated (d/b/a Verizon Southwest)
NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions)
OnePoint Communications – Colorado, LLC
OnePoint Communications – Georgia, LLC
OnePoint Communications – Illinois, LLC
PRT Larga Distancia, Inc.
Puerto Rico Telephone Company
The Micronesian Telecommunications Corporation
Verizon Avenue Corp. (f/k/a OnePoint Communications Corp.)
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Hawaii International Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon Select Services Inc.¹
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.
VIC-RMTS-DC, LLC

¹ Effective March 1, 2005, Verizon Global Solutions Inc. merged into Verizon Select Services Inc. (“VSSI”). VSSI is the surviving entity.