



Federal Communications Commission
Washington, D.C. 20554

May 5, 2005

Via Facsimile and First Class Mail

DOCKET FILE COPY ORIGINAL

Mr. Michael Glover
Senior Vice President and Deputy General Counsel
Verizon Communications Inc.
1515 North Court House Road
Arlington, VA 22201

Mr. Richard Whitt
Vice President of Federal Law and Policy
MCI, Inc.
1133 19th St., NW
Washington, DC 20036

**Re: Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control
(WC Docket No. 05-75)**

Dear Messrs. Glover and Whitt:

On March 11, 2005, the Commission received applications seeking consent for the transfer of control to Verizon of licenses and authorizations held directly and indirectly by MCI.¹ In order for the Commission to complete its review of the applications and make the necessary public interest findings under sections 214 and 310(d) of the Communications Act of 1934, as amended (the Act) and section 2 of the Cable Landing License Act, we require additional information and clarification of certain matters discussed in the applications.

Accordingly, pursuant to sections 214 and 308(b) of the Act, and section 2 of the Cable Landing License Act, we request that you provide written responses and supporting documentation for each request set forth in the attached Initial Information and Document Request and, where appropriate, amend the lead application to reflect such responses. In order to expedite consideration of your application, please respond to the following requests pertaining to this proposed merger by May 26, 2005.

Your responses should be filed with Marlene H. Dortch, Secretary, Federal Communications Commission, under reference number WC Docket No. 05-75. The Wireline Competition Bureau also should receive, at a minimum, two copies of all filings.²

¹ The applications were submitted pursuant to sections 214 and 310(d) of the Communications Act, and section 2 of the Cable Landing License Act. 47 U.S.C. §§ 35, 214, 310(d); *see also Commission Seeks Comment on Applications for Consent to Transfer of Control Filed by Verizon Communications Inc. and MCI, Inc.*, WC Docket No. 05-75, Public Notice, DA 05-762 (rel. Mar. 24, 2005).

² If you submit information pursuant to the Protective Order issued in this proceeding, you should follow the filing procedures specified therein. *Verizon Communications Inc. and MCI, Inc., Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Order Adopting Protective Order, DA 05-647 (rel. Mar. 10, 2005).

If you have any questions regarding this matter, please contact Gail Cohen or Bill Dever, Wireline Competition Bureau, at (202) 418-0939 or (202) 418-1578, respectively.

Sincerely,



Thomas Navin
Acting Chief, Wireline Competition Bureau

Attachment

ATTACHMENT
INITIAL INFORMATION AND DOCUMENT REQUEST

May 5, 2005

I. Definitions

1. The term "affiliate" means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this definition, the term "own" means to own an equity interest (or the equivalent thereof of more than 10 percent).
2. The terms "and" and "or" have both conjunctive and disjunctive meanings.
3. The term "MCI" means MCI, Inc. and its subsidiaries.
4. The term "bundle" means the marketing of different types of services as a package, either by a carrier itself or by entering into commercial arrangements with other service providers.
5. The term "business customers" means end-user business customers, and does not include carriers.
6. The term "documents" means written or graphic materials in the possession, custody, or control of the company or companies identified in the particular specification. The term "documents" includes hardcopy and electronic copies of correspondence, spreadsheet and database analyses, analyses, reports, memos, and presentations created, revised, prepared for, or distributed within the company or companies identified in the particular specification.
7. The term "franchise area" means all geographic areas within a state in which a person provides local exchange services pursuant to franchise or other authority granted by a relevant government or government agency and in which that person is the incumbent local exchange carrier as that term is used in the Telecommunications Act of 1996.
8. The term "incumbent LEC franchise area" means a Bell Operating Company (BOC), GTE, or Sprint franchise area within a given state.
9. The term "Internet backbone provider" means a provider that transports and routes packets between and among ISPs and regional backbone networks.
10. The term "local exchange service" means telephone exchange service or exchange access, whether offered with or without vertical features.
11. The term "Merger Guidelines" means the United States Department of Justice and Federal Trade Commission Horizontal Merger Guidelines (revised 1997).
12. The term "MSA" means metropolitan statistical area as defined by the U.S. Census Bureau.
13. The term "person" includes MCI and Verizon, and means any actual person, corporate entity, partnership, association, joint venture, government entity, or trust.
14. The term "responses" means documents or other information submitted in response to a particular specification.
15. The term "revenues" means billed amounts for goods or services without any allowance for uncollectibles, commissions or settlements. Revenues should not include settlement receipts for terminating foreign traffic billed by foreign carriers. Revenues should not include any amounts corresponding to taxes levied on your customers by any governmental body but include

any pass-through charges that you levy on customers to recover taxes, regulatory fees or other assessments placed on you.

16. The term "Verizon" means Verizon Communications, Inc. and its subsidiaries, as well as Verizon affiliates that provide domestic interLATA services or Internet access services, except for Verizon Wireless, Inc.

17. The term "Verizon Wireless" means Verizon Wireless, Inc. and its subsidiaries.

18. The term "specification" means a particular numbered request for documents or other information specified in section III below.

19. The term "wholesale customers" means carrier customers, resellers, and Internet access providers.

II. Instructions

20. Responses to this Initial Information and Document Request shall be submitted in the following manner:

- a. MCI and Verizon each should respond separately to each specification, except for those specifications listed below that apply only to one of the applicants. For example, in response to specification 3.a, MCI should provide the requested revenues and number of customers for MCI and its best estimate for competitors, and Verizon separately should provide the requested revenues and number of customers for Verizon and its best estimate for competitors. Only MCI needs to respond to specifications 6.a, 6.b, 6.c, 6.e, 10.e, 12.a-b, 17.d, 24.a. Only Verizon needs to respond to specifications 7, 8.d, 8.e, 10.a-d, 17.e, 18.c, 24.b.
- b. Responses shall be complete and, unless privileged, unredacted. Documents shall be submitted as found in the company's files. Only the final version of documents, or the last draft if unfinalized, shall be provided. Individual documents shall be separated from one another by a divider (such as a colored sheet of paper). An electronic mail message and any responsive attached files (to the extent that the attached files are the final draft of the product) shall be treated as a single document.
- c. MCI and Verizon should submit photocopies (with color photocopies where necessary to interpret the document), in lieu of original hardcopy responses of all documents.
- d. MCI and Verizon should submit electronic copies in lieu of original electronic responses. Responses requiring the submission of data or spreadsheets should be submitted in Microsoft Excel format, and other electronic responses shall be submitted in a searchable format, formatted in Microsoft Word or PDF, or such other format as may be approved by the Wireline Competition Bureau.
- e. Each page of the responses shall be marked with a corporate identification and consecutive document control numbers.
- f. Responses to interrogatories and data requests shall be grouped based on the particular specification to which they are responsive. For example, all responses to specification 1.a shall be so marked and separated from the responses to other specifications.
- g. Responses to document requests requiring a search of individuals' documents shall be grouped based on the individual from whom the documents were obtained. Place all documents produced in file folders. Mark each file folder with corporate identification

and the name of the person whose documents are in the folder; provide equivalent information for any documents provided in electronic form.

- h. All documents, written responses, and supporting documentation should be provided in both hard copy as well as electronic format, except as noted in instruction 20.d. Electronic copies should be provided in CD-ROM. The electronic copies should be sorted into the following categories: (1) responses to interrogatories; (2) document requests and data requests. Please provide 15 copies of the interrogatory responses and 5 copies of the document and data requests.

21. Provide a master index listing: (a) each specification; (b) with respect to interrogatories, the corresponding consecutive document control number(s) for each response; (c) with respect to data requests, the file name of the electronic document, and where it can be found; and (d) with respect to document requests, the name of the individual(s) from whom responsive documents are most likely to be submitted in response to the particular specification.

22. Unless otherwise specified, each request for documents is limited to documents created from January 1, 2004, to the present, and each request for data is limited to quarterly data for each quarter of 2004 through the most recent quarter of 2005.

23. For specifications that seek documents, MCI and Verizon shall search the files of the specified individuals for documents responsive to these requests. However, where we have requested a specifically identified document or set of documents, the parties should provide it, regardless of the custodian (e.g., specification 3.e).

III. Initial Information Request Regarding Material Contained in Application

A. Enterprise Services

1. On pages 19 and 20 of the Public Interest Statement, Verizon states that the Commission should not distinguish between large and medium business customers because they “share many relevant characteristics” – they “tend to be served under individual contracts and marketed through direct sales contracts” and both “often demand advanced . . . features” and “greater volumes of minutes.” (Citations omitted.) In order to better understand the characteristics of enterprise customers, provide the following:

- a. Define “enterprise market” and “mass market,” as well as “small business customer,” “medium-sized business customer,” and “large business customer.” Explain the specific characteristics that distinguish each class of business customers from the others (e.g., revenue size; employee size; telecom needs; other criteria).
- b. Explain whether there are similar distinctions among classes of wholesale customers based on particular characteristics (e.g., size; type of wholesale services; other criteria). If so, define those classes of wholesale customers.
- c. Separately for MCI and Verizon, list the number of your customers to which you provided \$5 million or more in services during 2004 and the percentage of your revenues accounted for by these customers, and the number of your customers to which you provided \$1 million - \$4,999,999 in services during 2004 and the percentage of your revenues accounted for by these customers.

2. The Public Interest Statement at page 22, identifies types of domestic services that can be provided to various enterprise and wholesale customers, and these services can be generalized as follows: (1) local voice; (2) local data; (3) interexchange and international voice; (4) interexchange and international data; (5) converged voice and data; (6) systems

integration/managed services; and (7) equipment (including, but not limited to, value-added resellers). The application appears to claim at page 24 of the Public Interest Statement that providers of these services (IXCs, international carriers, competitive LECs, cable companies, equipment providers, value-added resellers, and systems integrators and IP applications providers) are all competitive alternatives for business and wholesale customers to varying degrees, but does not clearly demonstrate which services are in the same product market.

- a. Using the Merger Guidelines methodology for defining product markets, explain which of these services are in the same product market as one another (*i.e.*, which services are reasonable substitutes for one another in the eyes of customers).

3. The Public Interest Statement, at pages 24-34, cites a number of companies that the applicants contend compete for enterprise customers in various geographic regions with respect to some or all of the services listed in specification 2.

- a. Provide the revenues and number of customers, separately for MCI and Verizon, separately for each type of service identified in specification 2, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.
- b. Provide the number of DS0 equivalent lines, separately for MCI and Verizon, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.
- c. Provide the number of data lines by capacity, separately for MCI and Verizon, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.
- d. Provide the market shares analyzed by any appropriate metric separately for MCI, Verizon, and each of the competitors cited in pages 22-34 of the Public Interest Statement, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA.
- e. Provide all competitive analyses or studies prepared expressly for MCI or Verizon (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business or wholesale customers in the possession of MCI employees Vinton Cerf, John Dziak, Philip G. Meeks, Jarrett Appleby, Nancy Gofus, Linda Mills, Thomas Ikegami, Ralph R. Montfort, Jr., Janel Crabtree, Suleiman Hessami, John Vasina, Jacqualyann A. Whiting, Pavan Bhalla, Ronald J. McMurtrie, Nicholas Ridolfi, David C. Gray, Blair Crump, Joseph Cook, Charles (Jack) Norris, John Krummel, John Nunziata, Craig Venable, Rick Wells, and Stephen Young; and Verizon employees Michael Boches, Caroline Galand Ward, Michelle Russey McCarthy, Michael Hassett, Kathy Koelle, John Havens, Judy Verses, Ronald H. Lataille, Michael Daigle, Harry J. McMahon, Scott Pierce, Veronica Pellizzi, Anthony Recine, Kathleen Sullivan, Shelley Murphy, Shawne Angelle, Jeffrey E. Taylor, Eric J. Bruno, Jay A. Behrens, Kimberly G. Lessner, Joseph Lucatoro, Steven G. McCully, Claire Beth Nogay, David Small, Mark C. Griffith, Quintin Lew, Thomas D. Maguire, Jeffrey A. Masoner, Susan Fox, Mark L. Heinold, Kathryn Kalajjian, and John D. Pricken.

4. According to page 25 of the Public Interest Statement, "with respect to the large enterprise contracts on which MCI bids, Verizon is rarely, if ever, a competing bidder." For situations since October 1, 2004 in which MCI or Verizon has submitted a proposal to provide any service to a business customer as defined in 1.a, and in which MCI or Verizon is aware or believes that the other applicant also submitted a proposal, identify:

- a. The service(s) which was or were the subject of the proposal;
- b. The month the proposal was submitted;
- c. The class of customer as defined in response to specifications 1.a and 1.b;
- d. The revenues that would have been generated, separately within Verizon's region and outside Verizon's region, under the proposal;
- e. Any other person which your company is aware or believes also submitted a proposal;
- f. The location(s) in which the service was or is scheduled to be provided; and
- g. The person awarded the contract to provide the relevant service(s).

B. Special Access and Private Line Services

5. Page 34 of the Public Interest Statement states that "more than 100 different providers have deployed competitive fiber" in Verizon's serving area. Paragraph 14 of the Declaration of Quintin Lew and Ronald H. Lataille indicates many competitors for Verizon wholesale special access circuits have deployed high-capacity access facilities in Verizon's service territory as well as where Verizon and MCI's access facilities overlap.

- a. For each incumbent LEC franchise area and MSA where MCI or Verizon provide special access service, provide the special access revenues billed and number of circuits for MCI and Verizon, separately for each type of special access service, and separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Provide definitions for each type of special access service (which, cumulatively, should encompass all special access services offered by the company). For MCI, please indicate the underlying facility ownership.
- b. For each incumbent LEC franchise area and MSA within Verizon's region where MCI or Verizon provide special access service, identify the five major special access competitors (based on market share), and provide an estimate of the special access revenues billed and number of circuits for each competitor, separately for each type of special access service identified in response to specification 5.a. Provide an explanation of how this estimate was determined, and provide supporting documentation.
- c. For each incumbent LEC franchise area where MCI or Verizon provide private line service, provide the private line revenues billed and number of circuits for MCI and Verizon, separately for each type of private line service, and separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Provide definitions for each type of private line service (which, cumulatively, should encompass all private line services offered by the company).
- d. For each incumbent LEC franchise area within Verizon's region where MCI or Verizon provide private line service, identify the five major private line competitors (based on market share), and provide an estimate of the private line revenues billed and number of circuits for each competitor, separately for each type of private line service identified in

response to specification 5.c. Provide an explanation of how this estimate was determined, and provide supporting documentation.

6. According to paragraph 19 of the Declaration of Quintin Lew and Ronald H. Lataille, MCI owns local facilities in 39 different wire center clusters within Verizon's region. In paragraphs 20-25, Lew and Lataille declare that there are, generally, numerous providers of high-capacity local access services and that the "combination of MCI and Verizon does not change the competitive landscape." In paragraph 7 of the Declaration of Jonathan P. Powell and Stephen M. Owens, state that in these 39 clusters, "MCI's local fiber networks span only a small part of each metropolitan area."

- a. Separately for each MSA within Verizon's franchised territory in which MCI owns or leases facilities used to provide telephone exchange or exchange access service, provide in the form of lists and network maps of sufficiently precise detail a description of MCI's facilities, including the capacity of lit and number of strands of unlit fiber and the geographic area that practically can be reached by the network, via either (1) direct fiber connection or (2) special access loops or EELs. Please indicate the underlying facility ownership.
- b. Describe the retail and wholesale services that MCI provides using the facilities identified in response to specification 6.a.
- c. Separately for each MSA identified in response to specification 6.a and separately for each service identified in response to specification 6.b, identify the types of customers to which MCI offers any of the services described in response to specification 6.b separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Please indicate the underlying facility ownership.
- d. With respect to MCI, for each MSA identified in response to specification 6.a, and with respect to Verizon, for each MSA within Verizon's franchise area where MCI is collocated, identify and describe the facilities deployed by carriers that compete with Verizon and/or MCI. Describe the retail and wholesale services that each competing carrier provides using those facilities, and identify the types of customers to which each service is provided separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b.
- e. Provide the address of each building within Verizon's region that is "on net" for MCI, *i.e.*, connected to MCI's local network by facilities owned by MCI. Provide the address of each additional building that MCI plans to bring "on net" within the next two years (by May 1, 2007).

7. For each state in which Verizon operates as an incumbent LEC, describe the state regulations, if any, that apply to special access and private line services.

C. Internet Services

8. On page 61 of the Public Interest Statement, Verizon claims that its backbone is not comparable to MCI's, and that the combination of MCI's and Verizon's backbones therefore would not be anticompetitive.

- a. Separately for MCI and Verizon, provide the following information regarding the amount and type of traffic that traverses Verizon's and MCI's existing Internet backbones:
 - (1) The number, type, and size of the customers obtaining access to the Internet backbone.

- (2) The number and type of circuits provided by MCI or Verizon connecting those customers to the Internet backbone.
 - (3) Each person with which MCI or Verizon has a peering relationship, and indicate whether the peering is on a paid or settlement-free basis.
 - (4) The volume of traffic exchanged with each person with whom the carrier peers on a paid or settlement-free basis, listed separately by peering partner.
 - (5) The volume of traffic exchanged on an aggregated basis and with each of the top 20 customers by revenue (i) for whom the carrier provides transit service, and (ii) who provide transit services to the carrier. Additionally, indicate what percentage of total revenues the top 20 customers comprise.
 - (6) The total number of routes announced or advertised on the carrier's Internet backbone network, and the number of IPv4 addresses associated with those routes.
- b. With respect to Verizon, separately for each state where Verizon provides non-Tier 1 Internet backbone services: (1) identify Verizon's non-Tier 1 Internet backbone provider competitors, (2) provide Verizon's share of Internet backbone revenues, (3) provide the estimated revenue shares of Verizon's Internet backbone provider competitors, (4) provide Verizon's share of Internet backbone traffic, (5) provide the estimated shares of traffic of Verizon's Internet backbone provider competitors. With respect to MCI, separately for each state where MCI believes that Verizon provides non-Tier 1 Internet backbone services, respond to (1), (3), and (5) above. Provide an explanation of how the estimates in subsections (3) and (5) above were determined, including a summary of the underlying data utilized in preparing the estimates.
 - c. Separately for MCI and Verizon, provide any engineering capacity planning documents or marketing analyses that discuss the anticipated change in the number of transit customers and/or the volume of associated traffic for the years 2005 and 2006.
 - d. Paragraph 17 of the Lack/Pilgrim Declaration states that Verizon "has its own limited IP backbone network that rides on Verizon's long distance network." Provide further details about Verizon's IP backbone network and clarify what it means that Verizon's IP backbone network rides on its long distance network and discuss whether, when, and the extent to which Verizon's efforts to convert its long distance network to packet-switching technology would expand its IP backbone.
 - e. Paragraph 18 of the Lack/Pilgrim Declaration states that Verizon expanded its IP backbone network outside of the Northeast and Mid-Atlantic regions last year by adding eight points of presence: (1) identify the states and/or cities where this expansion occurred and explain why Verizon pursued the expansion; and (2) provide Verizon's analyses and other planning documents (both those generated internally and by outside consultants) that discuss the rationale for this out of region expansion of Verizon's IP backbone network.
 - f. Paragraph 2 of the Kende Declaration indicates that "based on the available data, it is reasonable to assume that [Tier 1 providers] today includes at least MCI, AT&T, Level 3, Sprint, Quest, and SAVVIS." Provide the data supporting this claim.
9. Describe the varying kinds of peering arrangements, interconnection agreements, or transit agreements that MCI and Verizon have with other Internet backbone providers. Explain the differences, if any, between private interconnection to a backbone versus interconnection at a public network access point (NAP) (e.g., the quality or capacity of interconnection, etc.).

10. Paragraph 3 of the Kende declaration states that Verizon is “primarily a customer of two of the larger Internet connectivity providers, has limited peering with such providers, and provides transit services to other [ISPs] only to a limited extent.”

- a. Identify the two larger Internet connectivity providers from which Verizon purchases transit and specify the average volume of traffic Verizon exchanges under these two transit arrangements.
- b. Explain in detail what is meant by “limited peering with such providers,” and provide the average volume of traffic under these “limited peering” arrangements. Explain whether Verizon has settlement-free peering arrangements with any Internet backbone providers and describe Verizon’s plans to obtain settlement-free peering.
- c. List Verizon’s annual payments to other Internet backbone providers by Internet backbone provider separately for 2004 and year-to-date 2005.
- d. Describe Verizon’s plans to obtain settlement-free peering. Identify the providers with which Verizon is negotiating peering agreements.
- e. As a Tier 1 Internet backbone provider, list MCI’s annual payments from other Internet backbone providers on an aggregate basis as well as for the top 20 providers by revenue separately for 2004 and year-to-date 2005. Calculate the percentage of aggregate revenues comprised by the top 20 customers.
- f. Specify the fees MCI and Verizon charge for transit, separately for 2004 and year-to-date 2005, and describe the competitive consequences associated with changes (decreases or increases) in such transit arrangement charge(s). Indicate whether MCI or Verizon assesses different transit charges for ISPs and comparable enterprise customers.

11. Describe MCI’s and Verizon’s current policies, including any typical contractual requirements, for permitting unaffiliated Internet service providers to access that carrier’s Internet backbone or other broadband transmission facilities or services (such as peering, transit, and xDSL).

12. Paragraph 1 of the Kende Declaration states that MCI “operates” several network access points (NAPs), but claims that NAPs have become less significant in general and that MCI faces new sources of competition. Paragraph 3 of the Cerf Declaration identifies the NAPs that MCI operates and asserts that a small percentage of Internet traffic is exchanged at these NAPs.

- a. Explain what “operate” involves in this context and discuss MCI’s financial interest in each NAP.
- b. Specify the percentage of traffic that is exchanged at NAPs that MCI operates.

13. Separately for each state in which Verizon and MCI both own facilities used to provide Internet backbone services, and separately for Verizon and MCI, provide in the form of lists and network maps of sufficiently precise detail a description of each company’s Internet backbone facilities, including the capacity of the lit or unlit fiber, and each NAP (whether active or inactive) it controls. Identify and describe the partner(s), if any, for each NAP and their relative interests in the NAP and the relative amounts of traffic traversing the NAP.

14. Paragraphs 3-6 of the Cerf Declaration identifies MCI’s value-added Internet services but does not provide market share information for these Internet-related services. In addition, the Public Interest Statement references “other IP services” that Verizon provides but does not describe these offerings or provide market share information. Separately for Verizon and MCI:

- a. Identify and describe each type of Internet service and Internet-related product (excluding Internet backbone services) *e.g.*, broadband Internet access services, narrowband Internet access services, voice over IP services (VoIP) provided by MCI and Verizon.
- b. For each service identified in response to request 14.a, using the Merger Guidelines methodology, define the relevant geographic market, identify the competitors within that geographic market, and calculate Verizon's, MCI's, and each competitor's market shares analyzed by subscribership and revenue.
- c. Separately for each service identified in response to request 14.a and separately for each geographic market identified in response to request 14.b, identify: (1) the elements of its network that MCI or Verizon, respectively, lease from an unaffiliated provider to offer each Internet or Internet-related service; (2) the percentage of the total cost of providing each Internet or Internet-related service attributable to such leased element; and (3) the unaffiliated provider of each such element.

D. Wholesale Interexchange Services

15. According to pages 30-31 of the Public Interest Statement, there are multiple competing long-haul providers besides MCI with substantial fiber networks, including AT&T, Sprint, Qwest, Level 3, Global Crossing, and WilTel, among others.
 - a. Using the Merger Guidelines methodology for defining geographic markets, explain what the proper geographic market is for long-haul service.
 - b. For long-haul service provided to competitive LECs, interexchange carriers, and wireless providers, provide the revenues that MCI and Verizon billed and an estimate for each long-haul competitor identified in the Public Interest Statement, separately by the following geographic categories: (1) incumbent LEC franchise area and (2) the geographic market identified by the applicants in response to specification 15.a. Identify which geographic markets are within Verizon's region. Provide an explanation of how the estimate was determined, and provide supporting documentation. For purposes of this specification, revenues includes amounts received for handling foreign originated traffic if another carrier brings that traffic into the United States before handing the traffic off to the long-haul service provider.
 - c. For long-haul service provided to competitive LECs, IXCs, and wireless providers, provide the number of wholesale minutes for 2004 that MCI and Verizon wholesaled and an estimate for each long-haul competitor identified in the Public Interest Statement, separately by the following geographic categories: (1) incumbent LEC franchise area and (2) the geographic market identified by the applicants in response to specification 15.a above. Identify which geographic markets are within Verizon's region. Provide an explanation of how the estimate was determined, and provide supporting documentation.
 - d. Identify each state where, respectively, MCI, Verizon, and each long-haul competitor identified in the Public Interest Statement owns long-haul facilities. Explain whether MCI or any long-haul competitor offers long-haul services in state(s) where it does not own long-haul facilities, and if so, how it does so.
16. The Public Interest Statement, at pages 56-57, states that there are multiple wholesale long haul carriers and concludes that there is a "vibrant wholesale market for long-haul capacity".
 - a. Describe the plans of MCI and Verizon with respect to offering long-haul capacity, including with respect to offering wholesale minutes, if the merger is approved.

17. According to page 5 of the Cerf Declaration, MCI Converged Cable Solutions wholesale product supports VoIP offerings of numerous cable operators, including long-haul transport and Class 5 switches.

- a. Separately for MCI and Verizon, describe the wholesale services and facilities provided by MCI or Verizon that enable a competitive LEC to provide local telephony to residential consumers via traditional circuit switched technology or VoIP and a list of companies that purchase VoIP support from MCI.
- b. For each independent LEC franchise area, provide: (1) by competitive LEC, including cable operators, a description of the wholesale services and facilities MCI and Verizon provide to these carriers to enable these carriers to provide telephony services to residential customers; (2) revenues for these services; (3) an estimate of the total market for these services; and (4) the names of five alternative providers for these wholesale services and facilities. Provide an explanation of the method used to provide the estimate and identify each geographic area within Verizon's region.
- c. Describe the plans of MCI and Verizon with respect to the offering of MCI's Converged Cable Solutions if the merger is approved. Submit documents which describe these plans in the possession of MCI employees Claire Shields, James Myers, and Jarrett Appleby; and Verizon employees Michael Boches, David Small, Eric Bruno, and Claire Beth Nogay.
- d. Submit documents which discuss competition for MCI's Converged Cable Solutions product in the possession of MCI custodians Claire Shields and James Myers.
- e. Submit any documents which discuss competition between MCI's Converged Cable Solutions product and Verizon's products in the possession of Michael Boches, David Small, Eric Bruno, and Claire Beth Nogay.

E. Residential and Small Business Services

18. According to pages 37-51 of the Public Interest Statement, the most significant competition for mass-market customers will come from facilities-based intermodal competitors that do not rely on the traditional wireline network, but instead use intermodal technologies such as cable and wireless.

- a. For each Verizon franchise area provide: (1) the number of residential resold lines; (2) the number of residential UNE-P lines; (3) the number of residential UNE-L lines; (4) an estimate of the number of competitively deployed access lines used to serve residential customers by a competitive local exchange carrier (including, but not limited to, cable telephony providers) (*i.e.*, using E-911 listings); (5) an estimate of the number of residential customers that exclusively subscribe to wireless service instead of wireline local exchange and long distance service; and (6) an estimate of the residential customers relying upon VoIP for all of their voice telecommunications needs. Of the residential customers identified in response to specification 18.a (5)-(6) identify the number of customers of MCI and Verizon. Provide an explanation of how the estimates for the responses to specification 18.a (4)-(6) were determined.
- b. For each incumbent LEC franchise area, provide: (1) the number of residential presubscribed interstate carrier access lines regardless of whether MCI or Verizon is the residential customer's local exchange carrier; (2) the number of residential originating intrastate toll minutes and originating domestic interstate toll minutes, separately for MCI, Verizon, and an estimate for all minutes; (3) total revenues for intrastate toll and

domestic interstate toll services provided to residential customers separately for MCI, and Verizon, and an estimate for all revenues; and (4) the total number of residential access lines for which MCI or Verizon is a local exchange carrier, and the number of these lines for which the presubscribed interstate long distance carrier is MCI, Verizon, AT&T, SBC, Sprint, BellSouth, Qwest, or another long distance carrier.

- c. For each state in which Verizon operates as an incumbent LEC, describe the state regulation, if any, that applies to a residential local and long distance service bundle.
- d. For each incumbent LEC franchise area, state separately for MCI and Verizon the number of residential customers that subscribe to a combined local and interexchange plan at a flat monthly rate, separately for plans with unlimited interexchange minutes and plans with a bucket of interexchange minutes.

19. According to page 47 of the Public Interest Statement, "MCI's participation in the mass market will consist largely of serving its dwindling legacy customer base and managing its decline as a provider of mass market services." Describe Verizon's plans with respect to residential customers that currently subscribe to MCI's services outside of Verizon's region if the merger is approved. Provide documentation to support the response.

- a. Explain how the merged entity would comply with applicable rate integration and geographic rate averaging requirements of section 254 if the merger is approved.
- b. Explain how MCI will be operated in those states within Verizon's region where section 272 obligations have not yet sunset, if the merger is approved.
- c. According to page 68 of the Public Interest Statement, Verizon has made a decision to discontinue or not expand its offering of long distance prepaid calling cards. For prepaid calls sold to residential customers, provide separately for Verizon and MCI intrastate toll and domestic interstate toll resellers of MCI or Verizon, and an estimate for all providers: (a) originating intrastate toll and domestic interstate toll minutes and (b) revenues. For purposes of this specification, revenues should represent the amounts paid by the end-user customers and should correspond to amounts reported to the IRS for federal excise tax purposes. Provide documents in the possession of MCI employees David Skogen, Patricia K. Proferes, and Melina Formisano; and Verizon employees John D. Broten and John Havens which discuss competition for prepaid calling cards, pricing strategies for prepaid calling cards, and MCI's market share of prepaid calling card minutes or revenues.

F. Asserted Public Interest Benefits

20. Pages 10-18 of the Public Interest Statement and paragraphs 31-35 of the Bamberger, Carlton, and Shampine Declaration discuss the general benefits, savings, and efficiencies that will result from the merger, including, but not limited to: (1) providing a full range of communications services to enterprise customers nationwide and around the globe at an accelerated pace; (2) the reinforcement of assets that play a critical role in national defense and homeland security; (3) new products for mass market customers arising from the integration of MCI's global IP network and products and Verizon's deployment of fiber-to-the-premises; (4) enabling the combined company to provide wholesale services more efficiently; (5) cost reductions stemming from the elimination of duplicative network facilities, staff, information and operation systems, lower procurement costs, etc.; (6) increased enhancement and innovation; and (7) the development and deployment of "seamless mobility" services.

- a. Separately describe each of these asserted benefits or efficiencies, as well as any efficiencies from any and all other sources arising from the integration of MCI's and Verizon's network and operations not specifically identified above, including:
 - (1) The steps that MCI and Verizon anticipate taking to achieve the benefit or efficiency, the risks involved in achieving the benefit or efficiency, and conditions for achieving it, and the time and costs (to your company or any other person) required to achieve it;
 - (2) A quantification of the benefit or efficiency and a detailed explanation of how that quantification was calculated;
 - (3) A detailed explanation of how the proposed transaction would allow the merged company to achieve the benefit or efficiency;
 - (4) A description of why the merger is necessary to achieve this benefit or efficiency.
 - b. For efficiencies that involve cost savings, state separately the one-time fixed costs savings (in total dollars), recurring fixed cost savings (in dollars per year), and variable cost savings (in dollars per unit, *e.g.*, minutes of use, subscribers). Explain in detail how these cost savings are aggregated up to the \$7 billion net present value cost saving estimate as discussed, *e.g.*, on page 15 of the Public Interest Statement.
 - c. Explain whether the research and development ("R&D") (*e.g.*, investment in critical network infrastructure or advanced IP services) will be at least as large as the sum of R&D spending of the applicant firms before the merger, and whether the combined output from the combined R&D programs of the merged firm will be increased or un-reduced.
 - d. Provide all documents and an electronic copy of all data used in calculating Verizon's \$7 billion estimate of the net present value of the savings which would be achieved through the merger, as stated on page 15 of the Public Interest Statement. Explain the extent to which the \$7 billion estimate is dependent upon the transition to a converged, IP-based broadband network as discussed, *e.g.*, on page 17 of the Public Interest Statement.
21. Pages 15-18 of the Public Interest Statement discuss how the merger will increase the incentive of the merged company to "... bring increased investment to critical network infrastructure and accelerate the delivery of innovations to all consumers." The Public Interest Statement claims: "The combined companies' integrated IP network and expertise will not only enable the combined company to provide services more efficiently, but also to add new features and functions more quickly, and ultimately to deliver them faster and more efficiently to mass-market and larger business customers alike."
- a. Quantify the benefits to residential, small business, large business, wholesale, and government customers of developing an integrated IP network, and provide a detailed explanation of how the quantifications were calculated.
 - b. Describe why the merger is necessary for MCI or Verizon to achieve these benefits for residential, small business, large business, wholesale, and government customers.
22. Please explain how the asserted synergies resulting from the merger are likely to affect national security and homeland defense.

G. General Information

23. Provide all documents cited in the Public Interest Statement and the Bamberger *et al.*, Crandall & Singer, Bruno & Murphy, Taylor, Lew & Lataille, Hassett *et al.*, Lataille, Smith, Buchanan, Lack & Pilgrim, Huyard, McMurtrie, Powell & Owens, Cerf, Tarazi, and Kende declarations, as well as any data or competitive analyses relied upon in preparing those documents, grouped by declaration/Public Interest Statement.
24. To the extent not otherwise provided in response to this Information and Document Request:
- a. Submit the following MCI documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers, as well as any competitive analyses or studies prepared expressly for MCI (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business, wholesale, or residential customers in the possession of Vinton Cerf, John Dziak, Philip G. Meeks, Jarrett Appleby, Nancy Gofus, Linda Mills, Thomas Ikegami, Ralph R. Montfort, Jr., Janel Crabtree, Suleiman Hessami, John Vasina, Jacquallynn A. Whiting, Pavan Bhalla, Patricia Proferes, Thomas Graham, Paul Bobeczko, Margaret Hallbach, James Myers, Michelle Fautleroy, Melina Formisano, Ronald J. McMurtrie, Nicholas Ridolfi, David C. Gray, Blair Crump, Joseph Cook, Charles (Jack) Norris, John Krummel, John Nunziata, Craig Venable, Rick Wells, Stephen Young, and Claire Shields.
 - b. Submit the following Verizon documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers, as well as any competitive analyses or studies prepared expressly for Verizon (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business, wholesale, or residential customers in the possession of Michael Boches, Caroline Galand Ward, Michelle Russey McCarthy, Stephen W. Micciche, Michael Hassett, Kathy Koelle, John D. Broten, John Havens, Marilyn O'Connell, Judy Verses, John Killian, Ronald H. Lataille, Michael Daigle, Harry J. McMahon, Scott Pierce, Veronica Pellizzi, Anthony Recine, Kathleen Sullivan, Shelley Murphy, Shawne Angelle, Jeffrey E. Taylor, Eric J. Bruno, Jay A. Behrens, Kimberly G. Lessner, Joseph Lucatorto, Steven G. McCully, Claire Beth Nogay, David Small, Mark C. Griffith, Quintin Lew, Thomas D. Maguire, Jeffrey A. Masoner, Susan Fox, Mark L. Heinold, Kathryn Kalajjian, and John D. Pricken.