

August 8, 2005

BY ECFS AND E-MAIL

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

Re: Applications for Consent to Transfer of Control Filed by Verizon Communications Inc. and MCI, Inc., WC Docket No. 05-75

Dear Ms. Dortch:

In their most recent filings in this proceeding, EarthLink and Broadwing/SAVVIS continue to claim that the transaction will harm competition for Internet services.^{1/} However, neither EarthLink nor Broadwing/SAVVIS even begin to overcome Verizon/MCI's showing that the Internet backbone business is and will remain competitive after this transaction and that the combined company will not have the ability or incentive to discriminate against unaffiliated application, content, or Internet service providers.

EarthLink does not purport to claim that Verizon/MCI will have market power over Internet backbone services. It expressly acknowledges that “[n]o major [Internet backbone provider] today controls large numbers of Internet end users.” EarthLink at 4. And it makes no effort to show that the addition of Verizon's relatively small backbone to MCI's backbone will change that fact. As we have demonstrated, the transaction will not result in the combined

^{1/} See Response of EarthLink, Inc., WC Docket No. 05-75 (July 15, 2005); Letter from Christopher J. Wright, Counsel for Broadwing Communications and SAVVIS Communications to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (July 19, 2005) (“*Broadwing/SAVVIS Letter*”).

company having anything approaching the dominant position that might give it the ability to harm competition among Internet backbone providers or retail Internet access providers. Rather, the combined company would carry less than 10 percent of North American Internet traffic, it would rank fourth in traffic share among seven larger or comparable providers, and operators other than those seven would carry approximately 35 percent of Internet traffic. *See* Reply at 70-80; Kende Reply Decl. ¶ 8.

EarthLink instead urges the Commission to adopt a new product market that it terms “end-to-end Internet connectivity.” EarthLink at 3. Although EarthLink never defines its proposed market with any precision, let alone explain why the Commission should adopt it, EarthLink’s basic premise appears to be that the combined company will be the “only player” that will be able to offer vertically integrated services using its own Internet backbone and “last mile” broadband access facilities. *See, e.g.*, EarthLink at 5, 8. Of course, Verizon already is vertically integrated in this sense because it has both a backbone (albeit a relatively small one) and last-mile facilities. Moreover, the combined company would not be the “only player” in that category: other local telephone companies, cable operators, wireless carriers, and other providers also have both backbone operations and last-mile broadband facilities. Thus, the premise of EarthLink’s argument is factually wrong.

In any event, the combination of broadband access lines and Internet backbone is not a product market – end users do not look to buy such a combination, nor do providers market services on the basis of such a combination.^{2/} Indeed, users are often unaware whether their

^{2/} EarthLink’s suggestion (at 3) that Verizon and MCI have adopted such a product market mistakenly relies on a single sentence taken out of context. As EarthLink notes, Verizon and MCI have explained that one of the benefits of the transaction will be the creation of a “strong full-service provider capable of delivering integrated, end-to-end services on a facilities basis

Internet access provider has an Internet backbone or, if not, from which provider it purchases backbone services. What users do expect when they purchase Internet access services is a type of global connectivity – that is, the ability to reach other users and content and application providers that are connected to the Internet. But if that is what EarthLink means by “end-to-end Internet connectivity,” then neither the combined company nor any other provider can offer that on an “end-to-end” basis over its facilities. Because the combined company will have only a small share of Internet traffic, the vast majority of its traffic will not be carried end-to-end on its network. Rather, the need for global connectivity will require the combined company, just as it requires all other Internet network operators, to interconnect with other network operators. In particular, as noted above, the combined company will carry only approximately 10% of North American Internet traffic, and the only way the combined company could possibly offer global connectivity to its users will be to connect with other networks on which most of its users’ traffic will originate or terminate. That, of course, will not make the combined company the “only player” in some new product market. Rather, it will leave Verizon/MCI in the same product market as all other companies that offer Internet access to retail customers.

Ultimately, EarthLink’s concern appears to be that the “vertical” combination of MCI’s backbone and Verizon’s last-mile access facilities will give it the incentive and ability to discriminate against other backbone providers, which in turn will harm EarthLink and other providers of retail Internet access that use those backbones. *See* EarthLink at 6. Although EarthLink asserts (at 2) that we “have not addressed the vertical effects of this merger,” we in

nationwide.” Reply at 9. However, that statement was made in the context of describing the benefits that will accrue to government and other enterprise customers because, for example, the combined company will be able to connect a customer’s multiple offices and installations across the country using the combined company’s own facilities. Nowhere did Verizon or MCI suggest that this capability constitutes a separate product market.

fact showed that the combined company would not have near the market share for either backbone services or broadband access that could conceivably permit it to discriminate against unaffiliated Internet access, content, or application providers. *See Reply* at 69-86. Because the combined company will not have market power in any upstream or downstream market, the merger cannot create any vertical concerns.

The Combined Company Will Not Be Able To Harm Other Providers of Internet Access Services By Refusing to Interconnect with Their Backbone Providers. EarthLink posits that the combined company will have so much market power that it will be able to deny interconnection altogether to other backbone providers (with the possible exception of a combined SBC/AT&T) that do not “submit to such terms as the merged entity may require” and thereby harm retail Internet access competitors that rely on such backbone providers. EarthLink at 9. As EarthLink concedes, any such action would harm the combined company’s own end user customers because they would be unable to reach the customers of any backbone provider with which the combined company refused to interconnect. But, it claims, such a strategy would harm the other backbone provider even more because the combined company would have more broadband and voice customers and therefore its customers would be denied access to fewer users than would the users of the other backbone provider. *Id.* at 9-13.

EarthLink’s claim is flawed in numerous respects. *First*, it ignores the fact that the combined company will carry only about 10% of all North American Internet traffic. Indeed, an even smaller percentage of traffic will be entirely “on-net” since much of the traffic that originates on the combined company’s backbone will terminate with a customer of another backbone. Accordingly, if the combined company were to cut off all other backbone providers (or all other backbones other than SBC/AT&T), it would also be cutting off its own customers

from the large majority of traffic and customers on the Internet. Thus, Verizon/MCI's customers actually would be worse off under the strategy EarthLink posits than would their competitors' customers, who would only lose access to the minority of Internet traffic that traversed the combined company's backbone. *See* Carlton et al. Reply Decl. ¶ 84. Verizon/MCI customers therefore would be more likely than customers of competing companies to switch providers because they would be able to connect to more Internet users and application and content providers if they obtained Internet access from a company other than Verizon/MCI.

Second, EarthLink's focus on the relative number of residential end user customers ignores all the other forms of traffic carried over Internet backbones. Cutting off a backbone provider would not only prevent Verizon/MCI's customers from reaching the residential customers that connect to the Internet via that backbone provider, but also all the content and application providers that connect to the Internet via that backbone. For this reason, EarthLink's example (at 10), in which it asserts that the combined company could inflict competitive harm on Cablevision by refusing to interconnect with its backbone provider Z and thereby preventing Cablevision's voice customers from reaching Verizon/MCI's end users, is fundamentally flawed. EarthLink's claim that this strategy would not significantly hurt Verizon/MCI's customers because Cablevision only has a few hundred thousand VoIP customers today ignores the fact that, by cutting off Z, the combined company would not only prevent its users from reaching Cablevision's end users, but also all of Z's *other* customers, including content and application providers.^{3/} Thus, comparing the number of mass market end users served by Verizon/MCI and

^{3/} In fact, Cablevision is likely to be multi-homed – that is, it probably connects to more than one Internet backbone provider for purposes of redundancy and load balancing. *See* Kende Reply Decl. ¶ 27. Thus, even if the combined company cut off backbone provider Z,

another provider is far too simplistic a measure of determining the relative harm of denying interconnection to a particular backbone. The more salient fact is that end users will not stay on a network that does not provide them access to the content and applications they seek, as well as other users with whom they wish to communicate, and therefore Verizon/MCI will not have the incentive to cut off other backbone providers.

Third, EarthLink wrongly suggests that the combined company would have the ability to disproportionately harm other backbone providers because a large number of Internet dial-up customers in Verizon's territory use Verizon's loop facilities. EarthLink at 12-13. As an initial matter, the numbers to which EarthLink points are irrelevant. Its reference to the total number of Verizon's end user lines (at 12) is immaterial since a significant percentage of end users choose not to subscribe to Internet access services. And its purported comparison of the total number of cable modem subscribers with the number of DSL customers and dial-up subscribers that use BOC loops (at 13 & n.27) is fatally flawed. Of course, the number of customers for BOCs other than Verizon is itself irrelevant to the analysis of this transaction. More fundamentally, EarthLink's suggestion that Verizon controls users of Internet dial-up customers because they use Verizon's loops makes no sense. In its Cablevision scenario, for example, EarthLink asserts that by cutting off backbone provider Z, Cablevision's customers automatically would be unable to reach any dial-up Internet subscriber that uses a Verizon loop. That is simply wrong. Each dial-up Internet service provider uses its own backbone provider (or more typically several backbone providers), regardless of the owner of the loop facilities. As long as Z interconnected with the backbone provider of the dial-up Internet service provider, then Cablevision customers

Cablevision customers likely still would be able to reach Verizon/MCI customers through an alternative backbone.

could reach that Internet service provider's dial-up customers, regardless of whether they were using Verizon's local loop facilities. Thus, for example, given that EarthLink connects to Level 3's backbone (EarthLink at 6), a Cablevision customer could reach a dial-up EarthLink customer as long as Z and Level 3 were interconnected, even if the EarthLink customer was using a Verizon loop and Z was not connected to the Verizon/MCI backbone.

The Combined Company Could Not Discriminate Against Unaffiliated Application and Service Providers By Degrading Their Services. EarthLink retreats to the suggestion that, even if Verizon/MCI would not have the ability to cut off other backbone providers, it could take other anti-competitive actions by selectively degrading the traffic of other service providers, such as other VoIP providers. EarthLink at 14. But, as Verizon and MCI, already demonstrated, it would be contrary to the economic interests of the combined company to do so. Reply at 82-86.

As a business matter, if the combined company engaged in such behavior, then it would harm its own end users that were attempting to use the services or applications in question, and thereby create an incentive for them to switch to another broadband access provider (such as cable modem service) that did not degrade or cut off such services and applications. EarthLink's claim (at 15-17) that there is no evidence that users have a competitive choice of broadband providers is belied by the record. Cable modem service already is the market leader for broadband services, while other technologies such as satellite, wireless, and broadband-over-powerline are emerging as rivals. Hassett et al. Decl. ¶ 58; Hassett et al. Reply Decl. ¶¶ 38-40. According to the most recent data reported by the Commission, as of the end of 2004, cable modem accounted for approximately 60 percent of residential and small business customers receiving download speeds of 200 Kbps and about 79 percent of customers that receive more

than 200 Kbps in both directions.^{4/} Moreover, new technologies offer the promise, and increasingly the reality, of alternative forms of broadband, including Wi-Fi, WiMax, satellite technologies, 3G wireless, fiber-to-the-home, and broadband-over-powerlines.^{5/} Hassett et al. Reply Decl. ¶¶ 39-40. For example, Verizon Wireless and Sprint both are in the midst of rolling out EV-DO networks that provide nearly DSL-speed connectivity, and Cingular is following suit with a GSM equivalent.^{6/}

The result is that approximately 90 percent of *all* U.S. households now have access to broadband service from a provider *other* than their local telephone company, and increasingly from more than one such provider. Hassett et al. Decl. ¶ 58. Thus, the Commission has rejected claims that “BOCs either are not subject to competition with respect to their broadband offerings,

^{4/} See Indus. Anal. & Tech. Div., WCB, FCC, *High-Speed Services for Internet Access: Status as of December 31, 2004*, Tables 3 & 4 (July 2005).

^{5/} See Fourth Report to Congress, *Availability of Advanced Telecommunications Capability in the United States*, 19 FCC Rcd 20540, 20547 (2004) (“*Fourth Report to Congress*”); see also Report and Order, *Amendment of Part 15 Regarding New Requirements and Measurement Guidelines for Access Broadband Over Power Line Systems*, 19 FCC Rcd 21265 ¶ 1 (2004) (observing that broadband-over-powerline “offers the potential for the establishment of a significant new medium for extending broadband access to American homes and businesses.”).

^{6/} See, e.g., S. Ellison, IDC, *US Wireless Consumer 2004-2008 Forecast Update: November 2004*, at 3 (Nov. 2004) (“Verizon Wireless is furthest ahead with its high-speed network buildout, with a key milestone for 2005 anticipated to be the availability of handsets that support high-speed broadband applications like streaming video. Other carriers like Sprint PCS, Nextel, and Cingular are expected to follow suit with their 3G deployment in late 2005, throughout 2006, and beyond.”); UBS Investment Research, *Sprint Corporation: Improved outlook based on strong selling wireline performance*, at 7 (July 27, 2005) (“Given the initial success of EV-DO at Verizon Wireless, we believe that Sprint PCS will likely see meaningful contributions from highspeed wireless data, which has commanded higher price points.”); Friedman Billings Ramsey, *Capital Expenditures Forecast 2005-2006: Wireless Strength Partially Offset by Consolidation Synergies*, at 3 (Apr. 13, 2005) (“Cingular plans to deploy UMTS in 15 to 20 markets by 4Q05 and in the remainder of its markets by the close of 2006.”); J. Halpern, *et al.*, Bernstein Research, *US Wireless: Accelerated growth Driven by Youth and Business Markets; Outlook Positive for Large Carriers* (May 12, 2005); Bill Draper, *Sprint Rolls Out Wireless Internet Plan*, Associated Press, July 8, 2005.

or are constrained only by a duopolistic relationship with cable operators. . . . broadband technologies are developing and we expect intermodal competition to become increasingly robust, including providers using platforms such as satellite, power lines, and fixed and mobile wireless in addition to the cable providers and BOCs.”^{7/} Instead, “the competitive nature of the broadband market, including new entrants using new technologies, is driving broadband providers to offer increasingly faster service at the same or even lower retail prices.”^{8/}

EarthLink cannot deny the presence of these significant competitive rivals. Instead, it charges that Verizon and MCI have not “provide[d] any information regarding the availability of alternative broadband providers in Verizon’s territory” specifically. EarthLink at 15-16. But this complaint betrays a lack of familiarity with the record. In fact, Verizon and MCI provided data, taken from Warren Communication’s *Cable Factbook*, showing the availability of cable modem service in each of Verizon’s top 50 MSAs. This data demonstrated that approximately 92% of the population in these MSAs have access to cable modem service. Hassett Decl. Exhibit 3. Furthermore, with respect to California – where EarthLink specifically suggests cable modem service is not widespread – the data Verizon and MCI provided showed that for the four top MSAs in which Verizon provides service in California (measured by the number of Verizon

^{7/} *Section 271 Forbearance Order* ¶ 29; see also *id.* ¶ 22 (the “broadband market is still an emerging and changing market, where . . . the preconditions for monopoly are not present”) *Inquiry Concerning the Deployment of Advanced Telecommunications Capability*, 14 FCC Rcd 2398, ¶ 48 (1999) (“The preconditions for monopoly appear absent . . . [W]e see the potential for this market to accommodate different technologies such as DSL, cable modems, utility fiber to the home, satellite and terrestrial radio”); *Triennial Review Order* ¶ 246 (“There appear to be a number of promising access technologies on the horizon and we expect intermodal competition to become increasingly a substitute for . . . wireline broadband service.”); *id.* ¶ 263 (noting that “the fact that broadband service is actually available through another network platform and may potentially be available through additional platforms helps alleviate any concern that competition in the broadband market may be heavily dependent upon unbundled access”).

^{8/} *Fourth Report to Congress*, 19 FCC Rcd at 20552.

access lines in the MSA), cable modem service was available to approximately 88% of the population in those MSAs as of August 15, 2004. Moreover, that number grew to more than 95% by July 1 of this year, further demonstrating the continuing growth of competition for broadband access services. *See* Attachment 1. Although EarthLink suggests (at 16-17) that a Morgan Stanley report cited by Verizon points to a different conclusion, the opposite is true: that report specifically notes that, among the BOCs, Verizon faces the greatest pressure from “the cable threat” in its region.^{9/} Although the report notes generally that cable modem penetration presently is lower in California than in other states, it does not purport to analyze the specific markets in California in which Verizon provides service and, as the data show, in those markets, cable modem service is available almost ubiquitously in the four top MSAs that Verizon serves.

In addition to the business and market reasons that the combined company would not engage in so-called selective degradation, significant technical obstacles make it impractical to do so. At a minimum, such a scheme would require a massive undertaking to install, at every conceivable point where traffic is exchanged, hardware and software that is capable of selectively identifying the source of individual packets, and to hire and maintain a substantial staff to constantly monitor the traffic and try to detect changes in routing patterns. Even then, such a scheme could be defeated by the same kinds of tactics successfully employed by spammers to disguise the source of their traffic and overcome the substantial efforts Internet service providers have made to block spam. And if such a scheme were to be attempted, it would only be effective if the blocking or degradation were severe enough to be apparent to

^{9/} Richard Bilotti *et al.*, Morgan Stanley, *Broadband Update: Competition Varies Dramatically across Regions*, at 5 (Apr. 15, 2005).

customers and to service providers, in which case those providers and customers would quickly complain to lawmakers, regulators and antitrust authorities seeking rapid redress. The Commission already has demonstrated that it can and will move quickly to stop such discriminatory practices.^{10/} To be sure, in a competitive market, all providers need to have the ability to develop and offer unique, proprietary services and capabilities that are new or better in order to differentiate themselves in the market. But this is very different than selectively blocking or degrading individual sites or services available over the public Internet.

Verizon's Endorsement of "Net Freedom" Principles Provides Further Evidence of that the Combined Company Will Not Discriminate Against Unaffiliated Application and Content Providers and Internet Service Providers. As Verizon has noted, it has publicly endorsed the "Net Freedoms" proposed by former Chairman Powell^{11/} and the connectivity principles set forth by the High Tech Broadband Coalition as principles with which all providers – including Internet access, content, and application providers – should abide.^{12/} These principles recognize that consumers using the public Internet generally should have the freedom to access content of their

^{10/} See Order, *Madison River Communications, LLC and affiliated companies*, File No. EB-05-IH-0110, DA 05-543 (rel. March 3, 2005) (consent order stopping telephone company from interfering with service of independent VoIP provider).

^{11/} See Reply Comments of the Verizon Telephone Companies, *IP Enabled Services, Petition of SBC Communications Inc. for Forbearance Under 47 U.S.C. § 160 from Application of Title II Common Carrier Regulation to "IP Platform Services,"* WC Docket Nos. 04-36 and 04-29, at 18-19 (filed July 14, 2004); see also Remarks of Michael K. Powell, Chairman, FCC at the Silicon Flatirons Symposium on The Digital Broadband Migration, *Preserving Internal Freedom: Guiding Principles for the Industry*, at 4-5 (Feb. 8, 2004) at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-243556A1.pdf ("*Net Freedoms Speech*").

^{12/} See Letter from Susanne Guyer to Michael Powell, Chairman, FCC (Sept. 29, 2003); Letter from High Tech Broadband Coalition to Michael Powell, Chairman, FCC (Sept. 25, 2003) (both filed in CC Docket Nos. 95-20, 98-10, 02-33, and 02-52) ("*HTBC Letter*").

choice, run their applications of choice, and attach devices of their choice to the connection in their homes. *Net Freedoms Speech* at 5; *HTBC Letter*, Att. at 1. EarthLink’s suggestion (at 20) that this endorsement is a “red herring” because it refers only to the “treatment of content once it is already being transmitted over the network” is incorrect. Consumers cannot access the content or application of their choice if their service provider blocks that content from being transmitted altogether.

EarthLink’s further objection (at 21-22) that these are only “guiding principles” and not regulatory requirements or merger conditions misses the point. As Verizon has explained, market forces – and in particular, the significant and growing competition from other broadband access providers – make adherence to these principles a matter of economic self-interest because providers will otherwise lose customers. That does not mean, however, that these principles should be imposed as regulatory requirements or merger conditions, particularly given that market-leading cable modem services are not subject to any such regulation. Prescriptive, anticipatory regulation is both unnecessary and inappropriate in a competitive market, and would only spawn a new regulatory regime that would hamper rather than promote development and deployment of new broadband services.

Cable Companies Could Switch Backbone Providers in Response to Anti-Competitive Actions or Attempts by Verizon/MCI and SBC/AT&T To Become “Mega-Peers.” As Verizon and MCI explained, if Verizon/MCI degraded service or attempted to “de-peer” with all other backbone providers other than SBC/AT&T to establish two so-called “mega-peers,” cable companies could undermine that strategy by switching to other backbone providers or self-providing backbone services. Because cable companies are the market leaders in providing broadband service, a backbone provider that provided service to one or more cable companies

would have a significant customer base, and the combined Verizon/MCI (as well as the combined SBC/AT&T) could not afford to degrade service to (or disconnect from) that backbone. Carlton et. al Reply Decl. ¶ 85; Kende Reply Decl. ¶ 26.

EarthLink's claim that cable companies could not switch (at 17-19) is unsupported by the record. As an initial matter, it asserts without explanation that switching providers raises issues of "technical compatibility" and economic practicability. EarthLink at 18. But Verizon and MCI have already explained that, as a result of advances in technology and other developments, changing backbone providers is now relatively easy. See Kende Reply Decl. ¶ 26. EarthLink's claim (at 19) that cable companies would not have another backbone provider to which to switch because "Verizon/MCI and SBC/AT&T [could] degrad[e] traffic originating from all backbone networks other than their own" simply ignores the fact that, in doing so, Verizon/MCI would degrade the majority of traffic directed toward its own users because, as explained above, very little of the traffic on Verizon/MCI's backbone is entirely "on-net."

The remainder of EarthLink's argument appears to be that switching backbone providers would be economically irrational or require some kind of "group boycott" in violation of antitrust laws. EarthLink at 18-19. But this makes no sense. It would be perfectly rational for a cable company to switch backbone providers in response to degradation of service or in order to obtain Internet connectivity at a lower price. Nor is there any reason to think, as EarthLink assumes (at 19), that the price a cable company pays for Internet backbone services would increase significantly if it changed providers. To the contrary, intense competition has forced down the price that all providers charge and, as Verizon/MCI have demonstrated, that will remain true after this transaction. In any case, if EarthLink were correct that cable companies would not leave Verizon/MCI because in doing so they would be leaving the *low-cost* provider,

that would hardly suggest that Verizon/MCI was exercising market power to increase prices for backbone services.

The Applicable “Regulatory Regime” for Broadband Services Is Not the Proper Subject of This Proceeding. Finally, EarthLink’s suggestion that the Commission should determine the “regulatory regime” that should apply to broadband services (at 22-24) misapprehends the purpose of this proceeding. As the Commission has repeatedly made clear, “merger review is limited to consideration of merger-specific effects,”^{13/} not issues of industrywide applicability. By definition, the “regulatory regime” applicable to broadband services is a matter that should be decided in industry-wide proceedings, and indeed, it already is the subject of several ongoing proceedings. EarthLink offers no basis for its suggestion that the Commission must prejudice the outcome of those proceedings here.

Contrary to the Speculation of Broadwing/SAVVIS, More Recent Traffic Data Does Not Alter the Conclusion that Internet Backbone Services Are Competitive. In its ex parte, Broadwing/SAVVIS asked that the Applicants be required to provide Internet backbone traffic information for 2005, apparently on the theory that traffic trends might suggest that the combined Verizon/MCI would have a greater share of Internet traffic going forward. *Broadwing/SAVVIS Letter* at 1. As an initial matter, of course, given that the best current estimate is that the combined company would carry only about 10% of all North American Internet traffic, its share would have to grow tremendously before the possibility of competitive harm would even arise. Moreover, as Verizon and MCI showed in their Reply, the trend is actually moving in the opposite direction of what Broadwing/SAVVIS posit: MCI’s share of

^{13/} *Comcast/AT&T Order* 17 FCC Rcd 22633 at ¶ 11; *Cingular/AT&T Wireless Order*, 19 FCC Rcd 21522, 21592 ¶ 183 (2004).

North American Internet traffic has been *declining*. For example, available data indicate that MCI's share dropped from 8.3% at the beginning of 2004 to 7.4% by year end and, based on a traffic study that MCI performed during a one week period in April 2005, the volume of traffic it carried in that month had declined even further. Kende Reply Decl. ¶¶ 7-8. Finally, while Broadwing/SAVVIS suggest that the amount of traffic on the combined company's backbone will increase as more customers move to VoIP and other IP services, that also will be true for other backbone providers as cable companies and others also increase the number of customers using VoIP and other IP services. Thus, there is no reason to believe that these trends will result in any significant increase in Verizon/MCI's proportional *share* of Internet traffic.

In any case, Verizon/MCI have already provided data of the kind Broadwing/SAVVIS request. In particular, Verizon provided data concerning the peak rate of traffic it exchanged with its peers during the peak busy hour in the first quarter of 2005 and the actual amount of traffic it exchanged with its peers for the week ending April 19, 2005. In addition, Verizon provided the same information with respect to traffic it exchanges with its two transit providers. *See* Response of Verizon to the Commission's May 5, 2005 Initial Information and Document Request, Specs. 8.a.4 & 8.a.5 (May 26, 2005). Further, pursuant to a request from staff, Verizon submitted its forecasts of the amount of traffic it expects to carry on its backbone facilities for its Internet service provider customers. Letter from Dee May, Verizon to Marlene Dortch, Secretary, FCC, WC Docket No. 05-75 (Aug. 5, 2005). As these documents show, contrary to Broadwing/SAVVIS's hypothesis, Verizon's revenues from ISP customers are *declining* as ISPs change their business models to focus on becoming content providers. MCI similarly provided data concerning the average amount of traffic exchanged with its peers on a quarterly basis beginning with the first quarter of 2004, and the same information for the final month of each

quarter in 2004 and 2005. Response of MCI to the Commission's May 5, 2005 Initial Information and Document Request, Spec. 8.a.4 (May 26, 2005); Supplemental Response of MCI to the Commission's May 5, 2005 Initial Information and Document Request, Spec. 8.a.4 (June 30, 2005).

* * *

In sum, neither EarthLink nor Broadwing/SAVVIS rebuts Verizon/MCI's showing that this transaction will not have harmful horizontal or vertical effects on competition for Internet services.

Sincerely,



Curtis Groves
MCI



Dee May
Verizon

Attachment

cc: Best Copy & Printing, Inc.
Erin McGrath
Tom Navin
Gary Remondino
David Krech
Don Stockdale
Gail Cohen
Kathleen Collins
Julie Veach
Bill Dever
JoAnn Lucanik
Michelle Carey
Mary Shultz
Jim Bird
Ian Dillner
Jeff Tobias
Jonathan Levy

Table: Cable Modem Availability of Total Households in California MSAs

MSA	Households	8.15.04	7.1.05	Net Change
		Cable Modem Availability	Cable Modem Availability	
Los Angeles-Long Beach-Santa Ana, CA	4,254,784	90-94%	95-100%	6.8%
Santa Barbara-Santa Maria-Goleta, CA	137,987	75-79%	80-84%	2.7%
Oxnard-Thousand Oaks-Ventura, CA	258,056	90-94%	95-100%	1.3%
Riverside-San Bernardino-Ontario, CA	1,150,033	75-79%	85-89%	9.7%
Total	5,800,860	88.3%	95.3%	7.0%