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September 14, 2005

Ex Parte

VIA HAND DELIVERY

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

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

Dear Ms. Dortch:

Some parties continue to argue in their ex partes in this proceeding that the Commission should examine competition for retail business customers by calculating market shares on a disaggregated basis for each different customer segment, service, and geographic area. As we have previously explained, such an approach is misguided in the marketplace of today and tomorrow and would not alter the conclusion in any event. This transaction does not harm competition for any segment of business customers or services, and the combining companies are not "among a small number of . . . most significant market participants" for any relevant customer group or for any relevant service.[1]

In past merger reviews, the Commission has examined a single market for large enterprise and medium business customers and has found that the relevant geographic market for these customers is a single national market. As we have previously explained, it should continue to do so in this case as well. In addition, we explained that, in light of dramatic industry changes, it no longer makes sense to analyze local services separately from long-distance services, as the Commission has done in past mergers. Indeed, large enterprise customers and

[1] *Bell Atlantic/GTE Order* ¶ 98.

medium businesses often purchase any-distance packages of services, and it accordingly does not make sense to partition those packages into artificial categories that are no longer relevant in the marketplace.[2] But, even if the Commission were to analyze this transaction using those traditional categories, we also showed that the combination of Verizon and MCI would not result in any diminution of competition for these customers.

In contrast, the Commission also has recognized that, whereas large and medium-sized business often purchase services that are customized to their needs, small business customers typically purchase off-the-shelf services, and therefore have more in common with residential customers than with larger business customers.[3] The Commission has accordingly treated small business customers as part of the mass market, and we have explained that the Commission should take the same approach here. And, as with other customer segments, we explained that it no longer is meaningful to analyze local and long distance services separately for these customers, but even if the Commission were to do so, this transaction would not adversely affect competition for these customers.

Accordingly, as we have previously shown, even if the Commission were to look separately at different segments of enterprise or business customers, or at different product types and geographies, the outcome would be the same.

1. <u>Large Enterprise Customers</u>. As we have previously explained, and as independent analysts have confirmed, large enterprise and medium business customers (which for present purposes we will refer to simply as enterprise customers) often purchase broad packages of any distance products and services to serve their operations nationwide.[4] We have also demonstrated that a combined Verizon/MCI will be just one among many other competitors in what is widely recognized as the most competitive segment of the industry. According to independent analyst studies and Verizon's own internal market-share analysis, therefore, Verizon and MCI's combined share of large enterprise and mid-sized business revenues will be no more than 16-22 percent following the transaction.[5] Although large enterprise customers form the core of MCI's business, Verizon is a minor player with respect to such customers. Indeed, the two

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[2] *See* Bruno et al. Reply Decl. ¶¶ 30-32; *see also* Public Interest Statement at 21; Bruno/Murphy Decl. ¶ 12; McMurtrie Decl. ¶ 6.

[3] *See*, *e.g.*, *Triennial Review Order* ¶ 127 & n.432 ("Very small businesses typically purchase the same kinds of services as do residential customers, and are marketed to, and provided service and customer care, in a similar manner. Therefore, we will usually include very small businesses in the mass market for our analysis."); *Bell Atlantic/GTE Order* ¶ 102 & n.253; *see also* Huyard Decl. ¶ 21.

[4] *See* Bruno et al. Reply Decl. ¶¶ 30-32; *see also* Public Interest Statement at 21; Bruno/Murphy Decl. ¶ 12; McMurtrie Decl. ¶ 6.

[5] *See* R. Dale Lynch & Blake Bath, Lehman Brothers, *Enterprise Telecom Services; A Comeback Begins* at 15, Fig. 12 (Nov. 11, 2003) (attached as Exhibit 1 to Bruno/Murphy Decl.); *See* Taylor Decl. ¶¶ 4-6; *see also* Crandall/Singer Decl. ¶ 36.

companies' businesses are highly complementary: MCI has focused on the largest business customers that operate on a national and global basis, while Verizon's efforts to enter this business segment have focused on small, regional players.[6] And there are a large number of competitors to serves these customers, including traditional interexchange carriers such as AT&T, Sprint, and Qwest; CLECs like XO and Level 3; systems integrators and managed service providers like IBM, EDS, Accenture, Northrop Grumman, and Lockheed Martin; and major global telecommunications providers such as Equant, British Telecom, Deutsche Telekom, COLT, KPN Telecom, and NTT.[7]

Some parties have nonetheless claimed that the Commission should analyze competition for enterprise customers on a disaggregated basis, either in terms of different types of services or in terms of geography. As Verizon and MCI have explained, however, this argument fundamentally misconstrues the nature of enterprise customers, which are nationwide or global in scope, as well as the manner in which they purchase services.[8] But even if the enterprise business were evaluated on a further disaggregated basis, it is readily apparent that the combination of MCI and Verizon raises no competitive concerns.

The applicants also have previously submitted data that looks at the individual services that enterprise customers purchase. For example, a comprehensive analysis of the enterprise and medium business segment prepared by Lehman Brothers shows that the share of a combined Verizon and MCI would not exceed 22 percent, and that there are a large number of other competitors vying for this business. That report also addresses several of the principal types of services purchased by these customers, such as voice, packet services, private line, managed services, and network integration, and some of the leading providers of those services.[9] Although the report does not calculate revenue shares for these segments, it nonetheless demonstrates that Verizon and MCI are not among a small number of most significant competitors for any individual service category.[10]

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[6] *See* Public Interest Statement at 25-26; Bruno/Murphy Decl. ¶¶ 14-26, 29; McMurtrie Decl. ¶ 23.

[7] *See* Public Interest Statement at 24-30; Bruno/Murphy Decl. ¶¶ 14-30; McMurtrie Decl. ¶¶ 8-20; *see also* Bruno et al. Reply Decl. ¶¶ 9-13, 33-35.

[8] *See* Bruno et al. Reply Decl. ¶ 21 & Attach. 3.

[9] *See* Lehman Brothers Report at 18.

[10] Some parties have argued publicly that the enterprise market is highly concentrated based on an analyst report showing AT&T with a 48 percent share and MCI with a 31 percent share of long-distance voice and data sold to large enterprise customers. *See* Jeffrey Halpern, Bernstein Research Call, *Superior Growth Prospects Make Enterprise Market a Key Battleground for U.S. Service Providers* at 12 (Jan. 6, 2005). As we have explained, these figures ignore the wide variety of telecommunications services that such customers purchase, and are based on decades-old regulatory lines that no longer apply given the convergence in the market. In any event, this same report shows SBC, Verizon, and BellSouth *combined* with just a 3 percent market share, *see id.*, which itself shows that combining Verizon and MCI would result in no significant additional concentration for that market segment.

Verizon's own internal data are consistent with what Lehman Brothers reports. As we have previously demonstrated, Verizon's own internal analysis shows that the combined MCI and Verizon would have only a minority position in the enterprise and medium business market, with approximately 16 percent.[11] This also is true with respect to the various types of services purchased by these customers. This same internal analysis, which is conducted for ordinary business purposes, shows that the combined company likewise will have a minority share of the principal services in the national market for large enterprise and medium business customers, and will not be the largest provider of any of them (let alone be dominant). *See* Attachment 1.[12] This analysis likewise provides further confirmation that for each individual service there are multiple other competing providers.

Because it is widely recognized that the enterprise business is national in scope, data on enterprise revenues are typically not compiled on a geographically disaggregated basis. We have nonetheless performed a number of analyses that show that the transaction does not raise concerns even if the transaction is analyzed on such a basis, rather than at a national level.

First, Verizon and MCI have demonstrated that they rarely, if ever, are competing prime bidders on enterprise contracts.[13] In more than 94 percent of the instances in which Verizon submitted bids between October 1, 2004, and April 20, 2005, MCI did not appear as a competitor.[14] As we have previously explained, this analysis was compiled by comparing instances in which Verizon and MCI submitted bids to provide a requested service to a business customer in response to a Request For Proposal or Request For Quote. Verizon gathered information from the proposal managers that are responsible for preparing bids, which generated a total of 539 bids submitted by Verizon during the relevant period. Verizon then cross-referenced these bids with a list of 821 bids provided by MCI. Once the universe of potentially overlapping bids was compiled, Verizon began to verify whether each individual bid actually constituted an instance of direct competition.

This bid analysis demonstrates not only that Verizon and MCI do not compete for the same customers on a national level, but also that they do not compete significantly within Verizon's local service territory. As we have previously explained, Verizon generally competes for large enterprise customers that have extensive operations within Verizon's region or that are regionally focused. Thus, the bids contained in the analysis are heavily weighted toward customers that have at least a focus in Verizon's region. And the raw number of bids on which

[11] *See* Taylor Decl. ¶ 9.

[12] Attachment 1 contains a service-by-service breakdown of the internal market-share data that Verizon compiles and previously submitted on an aggregated basis. *See* Taylor Decl.

[13] *See* McMurtrie Decl. ¶ 23; Bruno et al. Reply Decl. ¶ 22; Supplemental Response of Verizon to the Commission's May 5, 2005 Initial Information and Document Request (FCC filed July 8, 2005).

[14] Supplemental Response of Verizon to the Commission's May 5, 2005 Initial Information and Document Request at 4 (FCC filed July 8, 2005).

both Verizon and MCI competed is so small that, even assuming they were all for contracts entirely within Verizon's territory, they would represent no more than a small percentage of the total business activity during the relevant period. This strongly confirms that this transaction involves a combination of complementary businesses that will not lessen competition for enterprise customers on either a national or regional basis.

Second, we have previously demonstrated that enterprise customers typically purchase customized services that rely on high-capacity circuits, rather than basic off-the-shelf services, and that within Verizon's local service areas competing providers account for a far larger share of the high-capacity circuits sold on a retail basis than Verizon itself. We demonstrated, for example, that approximately 70 percent of Verizon's special access revenues are generated from the provision of special access to other carriers, while the remaining 30 percent is generated from the provision of special access to non-carrier customers, primarily large enterprise and medium businesses.[15] Thus, even with respect to high-capacity services provided over Verizon's own network, Verizon is principally a wholesale supplier, and other carriers account for the majority of the retail services provided over these facilities. And this obviously overstates Verizon's significance as a retail supplier, because it does not take into account sales made by other carriers using their own facilities, or using wireless or other technologies.

Moreover, while this is true in the aggregate, it is also true if the analysis is performed on a disaggregated basis by state or by product type, including the specific types of high-capacity circuits on which our opponents typically focus. *See* Attachment 2. In particular, Verizon analyzed the percentage of DS1 and DS3 circuits that are sold on a wholesale and retail basis, respectively, within each of the individual states in which it operates as an ILEC, separately for 2004 and first quarter 2005. This analysis demonstrates that, in 2004, the percentage of DS1 circuits that Verizon provided on a wholesale basis in each individual state ranges from 72-95 percent, while the percentage of DS3 circuits that Verizon provided on a wholesale basis in each individual state ranges from 67-97 percent. In first quarter 2005, the percentage of DS1 circuits that Verizon provided on a wholesale basis in each individual state ranges from 74-96 percent, while the percentage of DS3 circuits that Verizon provided on a wholesale basis in each individual state ranges from 69-100 percent. In other words, the percentage of circuits sold on a wholesale basis is not only substantially larger than those sold on a retail basis, but has actually increased during this period while the percentage of sales on a retail basis has declined. Thus, regardless of whether the analysis is conducted on a broad or disaggregated geographic basis, the results are the same: Even with respect to retail sales over its own network, Verizon has a minority share, and this does not even take into account other providers sales using alternative facilities or technologies.

These data are directly relevant in two respects. First, because larger business customers typically purchase dedicated, high-capacity facilities, the data provide strong confirmation that

[15] *See* Special Access White Paper at 8.

the retail business to serve these customers is extremely competitive. Second, these circuits are frequently used to provide data-centric services to these customers (along with traditional voice services). Indeed, other carriers that purchase these high-capacity services frequently use them to deliver their own ATM and Frame Relay services to their retail customers. Accordingly, these data also provide strong evidence of the competitiveness of retail data services for these customers.

2. Small Business Customers. With respect to smaller business customers, we have explained that the telecommunications needs of these customers (typically the smaller ones) often resemble those of mass-market customers, but in some cases (typically the somewhat larger ones) resemble those of medium-sized businesses.[16] Regardless, these customers have multiple competitive alternatives and neither Verizon nor MCI is among a small number of most significant competitors.

To the extent that the needs of small business customers resemble those of other mass-market customers, the competitive alternatives available to them parallel the alternatives that are now available to the residential segment of the mass market. In particular, intermodal alternatives such as cable, wireless, and VoIP services are the most significant sources of competition today. As Verizon and MCI have demonstrated elsewhere, the rise in new technologies and the changes in the way consumers communicate have erased the distinctions between local and long distance and voice and data that once balkanized the industry. Service providers of all varieties – wireline, cable, wireless, and VoIP alike – all routinely offer bundles of any-distance services that reflect this new reality.[17]

We have also explained that it is neither necessary nor meaningful to analyze competition for small business or other mass-market customers on a geographically disaggregated basis. Many significant intermodal competitors operate on a national scale. For example, Verizon faces competition throughout its region from national wireless providers such as Cingular, Sprint/Nextel, and T-Mobile.[18] Although cable operators operate local or regional networks, cable networks themselves are ubiquitous; virtually all of these networks have been upgraded for two-way broadband services; and all major cable operators – and many smaller ones – are in the process of deploying their own telephony services, which are expected to be available to most of the homes in Verizon's region by the end of next year.[19] Further, consumers today who have purchased cable modem service can obtain telephony services from a host of national VoIP providers such as Vonage, Packet8, BroadVoice, and Lingo.[20] Thus, consumers today have

[16] Verizon 5/26/05 Response at 6-7.

[17] Public Interest Statement at 7-8; Hassett et al. Decl. ¶¶ 10-17; Joint Opposition of Verizon Communications, Inc. and MCI, Inc. to Petitions to Deny and Reply to Comments at 62-63; Mass Market White Paper at 13-15.

[18] *See* Hassett et al. Decl. ¶ 72.

[19] *See id.* ¶¶ 34-44.

[20] *See id.* ¶ 66.

similar competitive choices regardless of their geographic location, even if the identity of the particular incumbent wireline carrier or cable company differs across location. In these circumstances, the Commission should treat the geographic market as national in scope.[21]

Moreover, as Verizon and MCI have previously shown, the small business segment faces increasing competition from intermodal and other competitive providers, and MCI is not a significant source of competition for these customers today. Analysts estimate that nearly 60 percent of "small- to medium-sized businesses (SMB) are located within a few hundred feet of the local hybrid fiber/coaxial network."[22] Six of the seven largest cable system operators (which, collectively, represent over 90 percent of consumer cable modem subscribers) already offer broadband services to small businesses.[23] Each of these cable operators has developed a separately branded service for business customers (*e.g.*, Time Warner's "Road Runner Business Class" and Comcast's "Commercial Internet Service 2.0" and "Comcast Pro"), and several have formed separate business units dedicated to the provision of broadband to business customers (*e.g.*, Comcast Business Communications, Cox Business Services, and Charter Business Networks). An increasing number of small business customers – 44 percent according to one report – are now using cable modem service.[24] Every business that has access to cable modem service also can get access to VoIP services, and many cable companies have designed voice offerings specifically for small businesses.[25] Indeed, any business with access to cable modem service also can obtain telephony services from a host of national VoIP providers such as Vonage, Packet8, BroadVoice, and Lingo.[26] Small businesses, like other mass-market customers, also can obtain access to wireless voice and data services, including EvDO and other similar technologies that offer broadband capabilities that are comparable to cable and DSL.[27]

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[21] *See, e.g.*, Second Report and Order in CC Docket No. 96-149 and Third Report and Order in CC Docket No. 96-61, *Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area*, 12 FCC Rcd 15756, ¶¶ 66-67 (1997) ("*LEC Interexchange Services Order*"); Order, *Motion of AT&T Corp. To Be Reclassified as a Non-Dominant Carrier*, 11 FCC Rcd 3271, ¶ 22 (1995).

[22] J. Shim & R. Read, Credit Lyonnais Securities, *The U.S. Cable Industry – Act I*, at 196 (Nov. 20, 2002) (estimating six million SMBs within a few hundred feet); *see also* Kneko Burney, In-Stat/MDR, *The Big Comeback? Excerpts from 'Business Broadband in a Changed Economy'* at 2, 4 & Fig. 2 (May 2002) (there are an estimated 10.5 million small and medium businesses nationwide (2.2 million with 5-99 employees, 85,000 with 100-999 employees, and 8.2 million characterized as small office/home office)); Citigroup Smith Barney, *Cable: Capitalizing on the SME Opportunity; Detailed Note* (June 4, 2003) (30 to 50 percent of the small- and medium-enterprise market is located within 50 to 100 feet of existing cable modem networks).

[23] *See* Mike Lauricella, *et al.*, Yankee Group, *Cable MSOs: Ready to Take Off in the Small and Medium Business Market* at 4 (Mar. 2002).

[24] *In-Stat/MDR Private Line Report* at 19, Tables 9 & 10 (44 percent of small businesses were using cable modem service in their main offices for some high-capacity services).

[25] Hassett et al. Decl. ¶¶ 45-51.

[26] *See id.* ¶¶ 61-62, 66; Public Interest Statement at 36.

[27] *See* Hassett et al. Decl. ¶ 82.

As we have previously explained, it is these new intermodal competitors, and not carriers that rely primarily on the resale of other carrier's networks – which is how MCI served small business customers – that will be the most significant competition going forward.[28] Indeed, the effects of this rapidly rising intermodal competition can already be seen in terms of its impact on Verizon. Verizon has been losing small business lines and projects steady losses in small business lines in the coming years. In 2002 Verizon had **[BEGIN PROPRIETARY] [END PROPRIETARY]** small business customers. During the past several years, Verizon has experienced a **[BEGIN PROPRIETARY] [END PROPRIETARY]** annual loss rate in business lines. By 2008, Verizon predicts a loss of nearly **[BEGIN PROPRIETARY] [END PROPRIETARY]** of its 2002 base of small business customers. *See* Attachment 3.[29] And there is nothing about this transaction that will lessen that competition.

The same is true if the small business segment is analyzed on a more disaggregated basis, either by type of product or by geography. For example, revenue numbers analyzed separately for local and long distance services tell a similar story. At the beginning of 2002, Verizon estimated that it had approximately a **[BEGIN PROPRIETARY] [END PROPRIETARY]** share of the local services revenue from mass market small businesses in the Northeast and Mid-Atlantic regions. That share has declined steadily since then and reached **[BEGIN PROPRIETARY] [END PROPRIETARY]** for the Northeast and **[BEGIN PROPRIETARY] [END PROPRIETARY]** for the Mid-Atlantic at the end of 2004. Verizon estimates its long distance revenue share to be substantially lower – approximately **[BEGIN PROPRIETARY] [END PROPRIETARY]** in the Northeast and **[BEGIN PROPRIETARY] [END PROPRIETARY]** in the Mid-Atlantic at the end of the third quarter of 2004. *See* Attachment 4.

We have also demonstrated that MCI's sales of individual services to small business customers also continue to decline. To the extent that MCI previously offered local services to these customers, it did so on a resale basis using UNE-P arrangements, and this aspect of its business is in irreversible decline. The number of small business customers that purchase long distance service from MCI has declined by nearly a quarter in the last year alone. While MCI had approximately **[BEGIN PROPRIETARY] [END PROPRIETARY]** small business standalone long distance customers at the end of January 2005, that customer count has declined from **[BEGIN PROPRIETARY] [END PROPRIETARY]** one year ago and **[BEGIN PROPRIETARY] [END PROPRIETARY]** million six months ago, and it continues to decline today.[30]

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[28] *See* Mass Market White Paper at 74-81.

[29] *See also Transforming the Small Business Segment* (July 23, 2004), VZFCC-049-0002403 at VZFCC-049-0002404.

[30] Huyard Decl. ¶ 22.

The results are largely the same for other service that small business customers purchase, such as broadband data services. As we have previously shown, MCI is not a significant competitor for these services, but cable companies, wireless providers, and others are. With respect to broadband data services, the Commission has analyzed small business customers together with residential customers, and its data show that cable modem service is the market leader for these services, accounting for more than 61 percent of residential and small business customers receiving speeds of 200 Kbps in at least one direction (typically downstream). Cable's lead remains even larger with respect to advanced services with speeds of at least 200 Kbps in both directions, which are attractive to business customers who are typically interested in faster upstream speeds, with 83 percent of subscribers.[31] Moreover, new technologies offer the promise, and increasingly the reality, of alternative forms of broadband, including Wi-Fi, WiMax, satellite technologies, 3G wireless (which several national wireless providers now offer), fiber-to-the-home, and broadband over power lines.[32]

As this analysis shows, cable companies and other competing providers have made significant inroads in serving small business customer, and MCI is not among one of a small number of most significant competitors for these customers. Thus, the combination of Verizon and MCI will have no affect on competition for this customer segment going forward.

This is all further confirmed by survey data which demonstrates both that the small business segment is competitive and that MCI is not a significant competitor for this customer segment. *See* Attachments 5 & 6.[33]

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[31] Hassett et al. Reply Decl. ¶ 38.

[32] *Id.* ¶¶ 39-40.

[33] Verizon received permission to use this data on the express condition that it be treated as highly confidential and copying prohibited.

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The survey data confirm that this transaction does not raise significant competitive issues even when individual services and geographic areas are analyzed. For each of the three services and four geographic areas analyzed here, for example, the data show that Verizon has lost a significant share of its historic business. The data also show that MCI is not among a small number of most significant competitors for any service or in any geographic area, both because it previously primarily provided service through UNE-P and because even then its presence was small and there are lots of other players going forward.

Moreover, this is true even though the data understate the extent of competition that exists today. In particular, the data do not capture the full range of communications services that business customers are purchasing today, and instead tend to overstate the shares of legacy services and providers.

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3. Medium-Sized Business. Medium-sized business customers, as we have previously explained, may have telecommunications needs that resemble either large enterprise customers or small business customers, depending on various factors.[39] Depending on where they place in the spectrum, these customers also will have access to the same competitive alternatives as either small or large businesses, and also to competing carriers that tend to focus primarily on serving medium-sized businesses.

To the extent that medium business customers purchase communications services in the same manner as smaller businesses, they obviously have all the same alternatives available to them described above. With respect to broadband and data services, for example, these customer can obtain access to cable, mobile and fixed wireless, and satellite services. With respect to local and long distance services, they likewise can rely on intermodal alternatives such as cable, wireless, and VoIP.[40] Indeed, throughout the segment, cable companies increasingly have

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[39] Verizon 5/26/05 Response at 6-7.

[40] *See* Bruno et al. Reply Decl. ¶ 42.

become among the most successful competitors, particularly for customers with demand for broadband connectivity within a metropolitan area or region.[41]

To the extent that medium-business customers more closely resemble larger businesses, these customers likewise have the same competitive alternatives available. In the mid-range, and for upper-end customers with regional networking needs, Verizon faces competition not only from IXCs, but from cable companies, power companies, and regional CLECs, along with systems integrators and value-added resellers.[42] As we have demonstrated, traditional CLECs are particularly active throughout this segment and offer a range of voice and data products, including local and long-distance voice, broadband data, dedicated Internet access, and complex services.[43] As demonstrated above, competing providers already control the majority of retail high-capacity circuits that are provided to business customers, including the DS1 and DS3 services our opponents tend to focus on, and this true regardless of geography. Because these circuits frequently are used to provide data services, including services such as ATM and Frame Relay, these data also confirm that Verizon has a small portion of the retail data services purchased by these customers as well. And these data materially overstate Verizon's retail share of high-capacity services because they do not include services provided over other carriers' own facilities or over alternative access technologies such as cable and fixed wireless that are growing in significance.

We have also explained that this transaction will have no negative effect on competition for medium business customers because not only are there a large number of other carriers in addition to Verizon and MCI that will continue to compete for the business of these customers, but also MCI's primary focus has been on the large enterprise customer segment. Approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** percent of MCI's revenue from serving large enterprise and other commercial and institutional customers comes from large enterprise customers, with the rest from medium businesses.[44] And, in a recent survey, only 3.5 percent of medium business respondents identified MCI as their preferred provider of services.[45] Thus, the combination of Verizon and MCI will not materially lessen competition to serve the medium business segment.

This is all further confirmed by third party survey data showing that other competing providers have made significant inroads in serving medium-sized business customers and that

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[41] *See id.*

[42] *See id.* ¶¶ 33, 45 & Ex. 4.

[43] *See id.* ¶ 33.

[44] *See* McMurtrie Decl. ¶¶ 3-4; Bruno/Murphy Decl. ¶ 58.

[45] *See* Kneko Burney, InStat/MDR, *Darwin Laughs: Exploring Brand Preferences for Network and Managed Services in the US Business Market; Part Two: US Mid-sized Businesses (100 to 999 Employees)* at 39, Table 27 (Dec. 2004).

MCI s not among one of a small number of most significant competitors for these customers. *See* Attachments 5 & 6.

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In sum, as demonstrated previously and above, the Commission does not need to divide business customers into separate markets based upon their size, where they are located, or what kinds of communications products they are purchasing. But even if the Commission were to take such an approach, the result would be the same – the transaction does not harm competition for any segment of enterprise customers or services, and the combining companies are not "among a small number of . . . most significant market participants" for any relevant customer group or for any relevant service.

Sincerely,

Dee May
Verizon

Enclosures

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cc: Michelle Carey
Tom Navin
Gail Cohen
William Dever
Ian Dillner
Marcus Maher
Don Stockdale
Julie Veach

ATTACHMENT 1

REDACTED – FOR PUBLIC INSPECTION

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ATTACHMENT 2

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