

market.³⁴ It follows, therefore, that even though data on business E911 listings may include small businesses, it is a reliable indicator of competition for enterprise customers as well.

According to E911 listings data as of the end of December 2005, competing carriers were using their own switches to serve business lines in **[Begin Proprietary]** **[End Proprietary]** percent of the wire centers in the Providence MSA, and these wire centers represent **[Begin Proprietary]** **[End Proprietary]** percent of Verizon's retail switched business lines in the MSA. *See* Lew/Verses/Garzillo Decl. ¶ 39. Based on these same data, competing carriers have obtained at least **[Begin Proprietary]**

[End Proprietary] business E911 listings in the Providence MSA, which represents approximately **[Begin Proprietary]** **[End Proprietary]** percent of switched business lines in the MSA. *See id.*³⁵ In the last five years alone, Verizon's retail business switched access lines have declined by approximately **[Begin Proprietary]** **[End Proprietary]** percent, even though the population in the MSA increased by approximately 2 percent during that same time. *See id.* ¶ 11.

In the *Omaha Forbearance Order*, the Commission also considered "evidence that a number of carriers . . . had success competing for enterprise services using DS1 and

³⁴ *See, e.g., Verizon/MCI Order* ¶ 56 (finding that "competition for medium and large enterprise customers . . . [is] strong . . . because medium and large enterprise customers are sophisticated, high-volume purchasers of communications services that demand high-capacity communications services, and because there [are] a significant number of carriers competing in the market.").

³⁵ These data provide an estimate of the number of business lines competitors are serving. Each E911 residential subscriber listing necessarily represents one customer access line, but in the case of business customers, a listing does not necessarily correlate one-to-one based on the manner in which the service is provided. Importantly, competitors typically do not obtain E911 listings for lines that are used to provide data services. *See* Lew/Verses/Garzillo Decl. ¶ 39.

DS3 special access channel terminations obtained from Qwest” as relevant in its analysis of enterprise competition. *Omaha Forbearance Order* ¶ 68. The Commission held that “this competition that relies on Qwest’s wholesale inputs – which must be priced at just, reasonable and nondiscriminatory rates . . . supports our conclusion that section 251(c)(3) unbundling obligations are no longer necessary to ensure that the prices and terms of Qwest’s telecommunications offerings are just and reasonable and nondiscriminatory under section 10(a)(1).” *Id.*³⁶ As in Omaha, competitors in the Providence MSA are competing extensively using special access obtained from Verizon. Based on Verizon’s wholesale billing records from December 2005, competitors are using Verizon’s special access services to serve business customers in [Begin Proprietary] [End Proprietary] in the Providence MSA in which Verizon serves switched business lines. *See Lew/Verses/Garzillo Decl.* ¶ 40. As of the end of December 2005, competitors were serving approximately [Begin Proprietary] [End Proprietary] voice-grade equivalent lines using DS3s and approximately [Begin Proprietary] [End Proprietary] voice-grade equivalent lines using DS1s, with special access service obtained from Verizon. *See id.*

III. THE FINAL PART OF THE FORBEARANCE TEST IS SATISFIED BECAUSE THE REQUESTED RELIEF IS IN THE PUBLIC INTEREST

As the Commission found in the *Omaha Forbearance Order*, evidence of competition satisfies not only the first two prongs of the forbearance test, but also

³⁶ The forbearance that Verizon seeks here will not eliminate Verizon’s obligations under sections 201 and 202 to provide traditional TDM technology on just, reasonable, and nondiscriminatory terms. In addition, the *Verizon/MCI Order* prohibits Verizon from raising its DS1 and DS3 special access rates for 30 months following the merger closing date. *Verizon/MCI Order*, Appendix G.

supports a finding that the third prong of the forbearance test (47 U.S.C. § 160(a)(3)) is met – that eliminating the regulations in question is in the public interest. *See Omaha Forbearance Order* ¶¶ 47, 75. As demonstrated above, competition in the Providence MSA is even more advanced than in Omaha. Cable voice services in the Providence MSA are just as widely available as they were in Omaha, and other types of competition are even more widespread. In the *Omaha Forbearance Order* the Commission also identified two additional reasons why forbearance of the regulations at issue was in the public interest, both of which apply with equal force here.

First, as the Commission found in Omaha, the costs of the unbundling obligations that Verizon faces in the Providence MSA outweigh the benefits. *See id.* ¶ 76. Both the Commission and the D.C. Circuit have recognized the harm to the public interest and to competition from excessive unbundling. As the Commission has explained, “excessive network unbundling requirements tend to undermine the incentives of both incumbent LECs and new entrants to invest in new facilities and deploy new technology.”³⁷ Similarly, the D.C. Circuit has recognized that mandated unbundling “imposes costs of its own, spreading the disincentive to invest in innovation and creating complex issues of managing shared facilities.”³⁸ Given the extensive facilities-based competition that already exists in the Providence MSA, and the potential for even greater facilities-based competition to emerge, any potential benefits from unbundling regulation are slim, while the costs of such regulatory intervention are significant. *See Omaha Forbearance Order*

³⁷ *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, ¶ 3 (2003) (subsequent history omitted).

³⁸ *United States Telecom Ass'n v. FCC*, 290 F.3d 415, 427 (D.C. Cir. 2002).

¶ 77. Forbearance will give both Verizon and other facilities-based competitors greater incentives to continue to invest in facilities, which will ensure the continued growth of long-lasting facilities-based competition.

Eliminating unbundling regulation also will “further the public interest by increasing regulatory parity” between telecommunications providers in the Providence MSA. *Id.* ¶ 78; *see id.* ¶ 49. As explained above, these regulations were imposed at a time when Verizon’s narrowband circuit-switched network was a dominant technology, but this is far from the case today. Verizon is now losing mass-market and enterprise lines and customers to wireless and broadband wireline competitors. As the Commission noted, it is “in the public interest to place intermodal competitors on an equal regulatory footing by ending unequal regulation of services provided over different technological platforms.” *Id.* ¶ 78. In the face of such competition, asymmetrical regulation imposes artificial price constraints that delay and impede full fair competition among providers and harms consumers.³⁹

Second, as the Commission also found in Omaha, eliminating dominant carrier regulations that apply to interstate switched access services is consistent with the public interest where vigorous local competition has emerged. *See Omaha Forbearance Order* ¶ 47. As demonstrated above, competition is more advanced in the Providence MSA as it was in Omaha. Cable voice services in the Providence MSA are just as widely available as they were in Omaha, and other types of competition are even more widespread.

Moreover, with respect to interstate switched access services, competitive wireless

³⁹ *See, e.g., Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853, ¶¶ 45, 71, 79 & n.241 (2005).

services – which are ubiquitous throughout the Providence MSA – are particularly significant because customers can use their wireless phones for long-distance calls even where they do not abandon their wireline phone entirely. In fact, large fractions of long-distance calls and minutes have already migrated to wireless. See *Lew/Verses/Garzillo Decl.* ¶¶ 27, 28.

As the Commission found in Omaha, eliminating dominant carrier regulation for interstate switched access services also will promote the public interest by eliminating the unnecessary costs such regulations impose. In particular, “[i]n these environments that are competitive for end users, applying these dominant carrier regulations to [Verizon] limits its ability to respond to competitive forces and, therefore, its ability quickly to offer consumers new pricing plans or service packages.” *Omaha Forbearance Order* ¶ 47.

The Commission has similarly recognized in other contexts that certain “regulations associated with dominant carrier classification can also have undesirable effects on competition.”⁴⁰ For example, the Commission has recognized that tariffing requirements “impose significant administrative burdens on the Commission and the [BOCs],” and “adversely affect competition.” *LEC Classification Order* ¶ 89. Such regulations reduce the incentive and ability to discount prices in response to competition and to make efficient price changes in response to changes in demand and cost. Similarly, the Commission’s price cap regulations limit Verizon’s ability to respond to market conditions and competition. Unlike other providers in the Providence MSA, to

⁴⁰ *Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC’s Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace*, Second Report and Order in CC Docket No. 96-149 and Third Report and Order in CC Docket No. 96-61, 12 FCC Rcd 15756, ¶ 90 (1997) (“*LEC Classification Order*”).

whom price cap regulation does not apply, Verizon is restricted from responding to competition with deaveraged rates and cannot respond to competitors' bundled service offerings. Competitors also can use these regulations to their advantage, both to undercut each others' pricing or to maintain artificially high prices.

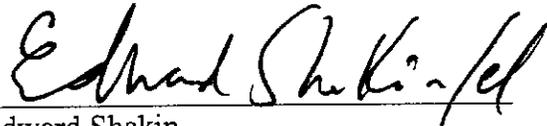
For these reasons, dominant carrier regulation of the switched-access market is not only unnecessary to ensure just, reasonable, and nondiscriminatory rates and to protect consumers, but it would be affirmatively detrimental to competition and harmful to the public interest.

REDACTED – FOR PUBLIC INSPECTION

CONCLUSION

For the foregoing reasons, Verizon requests that the Commission grant relief that is parallel to the relief granted in the *Omaha Forbearance Order* and forbear from loop and transport unbundling regulation pursuant to 47 U.S.C. § 251(c) and dominant carrier regulations for switched access services in the Providence MSA.

Respectfully submitted,



Edward Shakin
Sherry Ingram
Verizon
1515 North Court House Road
Suite 500
Arlington, Virginia 22201
(703) 351-3065

Michael E. Glover
Of Counsel

Evan T. Leo
Kellogg, Huber, Hansen, Todd, Evans &
Figel, P.L.L.C.
1615 M Street, NW
Suite 400
Washington, DC 20036
(202) 326-7930

Attorneys for Verizon

September 6, 2006



A

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

<i>In the Matter of</i>)	
)	
Petition of the Verizon Telephone)	WC Docket No. _____
Companies for Forbearance Pursuant to)	
47 U.S.C. § 160(c) in the)	
Providence Metropolitan Statistical Area)	

**DECLARATION OF QUINTIN LEW, JUDY VERSES, AND PATRICK GARZILLO
REGARDING COMPETITION IN THE
PROVIDENCE METROPOLITAN STATISTICAL AREA**

I. INTRODUCTION AND SUMMARY

1. My name is Quintin Lew. My business address is One Verizon Way, Basking Ridge, NJ 07920. I am Vice President – Marketing and Sales in the Verizon Partner Solutions Group (formerly known as Wholesale Markets) and have worked in this organization for 3 years. In this capacity, I am responsible for competitive and market analysis as well as the product management and marketing of our Special Access Products. I have over 20 years with Verizon or its predecessors in most areas of marketing, strategic planning, and business development. In this capacity, I have information and knowledge relating to the sources of data described specifically in paragraphs 4-5, 8-9, 23-30, 35-38, and 41-57 of this Declaration.

2. My name is Judy Verses. My business address is One Verizon Center, MC: VC11W403, Basking Ridge, NJ 07920. I am Sr. Vice President – Marketing Operations and have worked for Verizon for twenty-three years, including positions in Sales and Product Line Management. For the past 4 years I have had marketing responsibility for Consumer and Small Business Customers. My current responsibilities include alternate channel development, multi-cultural sales and marketing, market research and marketing analytics, as well as competitive intelligence. In this capacity, I have information and knowledge relating to the third party

sources of data Verizon has used to identify competitive local exchange carrier (“CLEC”) fiber transport and loop facilities and to determine the correlation between customer telecommunication spending and CLEC deployment of fiber facilities as described specifically in paragraphs 4-7, 12-19, 22-29, and 31-34 of this declaration.

3. My name is Patrick Garzillo. My business address is One Verizon Way, Basking Ridge, New Jersey 07920-1097. I am Vice President – Finance, Service Costs and Analysis for Verizon, and I have more than 35 years of experience with Verizon and its predecessor companies. My current responsibilities include managing and supervising the development, preparation and analysis of economic cost information, embedded costs of regulated and non-regulated services, separated costs, supporting data, cost analysis, and Universal Service Fund related issues. I also support the development of key marketing strategies, regulatory policies, and legislative positions for Verizon through financial analysis associated with a broad array of state and federal regulatory issues. In this capacity, I have information and knowledge relating to the sources of data described specifically in paragraphs 4-7, 9-11, 17, 20-21, 30, 38-41, 44, and 46-51 of this declaration.

4. The purpose of this declaration is to demonstrate that there is extensive facilities-based competition for certain geographic and product market combinations in Verizon’s region, based on the framework the Commission applied in the *Omaha Forbearance Order*.¹ We focus on the Providence-New Bedford-Fall River, RI-MA metropolitan statistical area (“Providence MSA”), and provide a competitive showing for mass-market switched access and enterprise services.

¹ *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area*, Memorandum Opinion and Order, 20 FCC Rcd 19415 (2005) (“*Omaha Forbearance Order*”).

5. Our declaration and accompanying exhibits contain information collected from publicly available sources and internal Verizon databases. We have identified the sources of all publicly available information on which we rely. We also supervised the collection of data from Verizon's internal databases. Our declaration and exhibits accurately reflect the data contained in those databases. For purposes of this declaration, all competitive data that were previously attributed to MCI (such as line counts) have been attributed to Verizon.² A summary of the data is set forth below.

6. There are approximately 670,000 households and 1.6 million people in the Providence MSA.³ Approximately two-thirds of the population live in the five counties in Rhode Island; the remaining one-third lives in Bristol County, Mass.⁴ As of the end of December 2005, Verizon was providing service to approximately **** access lines in the Providence MSA – approximately **** residential lines and approximately **** business lines.⁵

7. Cox's network passes more than 350,000 homes in the Providence MSA, and the company offers mass-market voice and broadband services to the vast majority of homes served by its network. Verizon's data show that Cox is providing mass-market voice service to customers in wire centers that account for **** percent of Verizon's residential access

² Calculations of the decline in access lines and the percentage of Verizon lines in wire centers served by competitors do not attribute MCI data to Verizon.

³ U.S. Census Bureau, *County-Level Housing Unit Dataset*, http://www.census.gov/popest/housing/files/HU-EST2005_US.CSV (2005 estimates); U.S. Census Bureau, *Annual Estimates of the Population of Metropolitan and Micropolitan Statistical Areas*, <http://www.census.gov/population/www/estimates/metropop/2005/cbsa-01-fmt.xls> (2005 estimates).

⁴ U.S. Census Bureau, *County Population Dataset*, <http://www.census.gov/popest/counties/files/CO-EST2005-ALLDATA.csv> (2005 estimates).

⁵ Data include lines served by MCI as of the end of December 2005. Verizon access line data cited throughout this declaration are based on voice-grade equivalent lines.

lines in the MSA. Comcast passes more than 210,000 homes in Bristol County, Mass., in the eastern portion of the Providence MSA. Comcast currently offers VoIP service in 11 of the 20 towns it serves in Bristol County. Verizon's data show that Comcast is providing mass-market voice service to customers in wire centers that account for at least **** percent of Verizon's residential access lines in the MSA (including some of the same wire centers served by Cox).⁶ Together, Cox and Comcast are providing mass-market voice service to wire centers that account for approximately **** percent of Verizon's residential access lines in the MSA. Competitive wireless services and over-the-top voice services also are available throughout the MSA, and there are also traditional CLECs that serve mass-market customers. As a result of this competition, Verizon's retail residential switched access lines have declined in the Providence MSA – by approximately **** percent from 2000 to 2005 – even though the number of households in the MSA increased by approximately 2 percent during this time.⁷ Based on the necessarily incomplete data available to Verizon that does not include various forms of intermodal competition, competitors currently provide service to approximately **** percent of residential lines in Verizon's service area in the Providence MSA.

8. There also is robust competition for enterprise customers in the Providence MSA.

There is a wide variety of competing providers serving these customers, including cable

⁶ This figure is presented as a range because Verizon's data do not in all cases allow an E911 listing to be associated with a specific wire center. The low end of the range is based on the E911 listings that can be directly attributed to a specific wire center (because there is only one wire center associated with the NPA-NXX code for the E911 listing), and therefore represents the minimum number of wire centers (and associated access lines) in which competing carriers are providing service. The high end of the range is derived by applying an allocation methodology to those E911 listings that cannot be directly attributed to a specific wire center (because there is more than one possible wire center associated with the NPA-NXX code for the E911 listing). This methodology proportionally assigns E911 listings to each of the possible wire centers with which the E911 listing can be associated.

⁷ U.S. Census Bureau, *County-Level Housing Unit Dataset*, http://www.census.gov/popest/housing/files/HU-EST2005_US.CSV.

companies, interexchange carriers, competitive LECs, other incumbent LECs, systems integrators, and equipment vendors. The major cable operators in the Providence MSA offers service to business customers, using both their cable networks and fiber networks that they have deployed specifically to serve business customers. Other competitors are using a combination of their own facilities, facilities obtained from third-party providers, and special access obtained from Verizon.

9. According to data from GeoTel, there are at least three known competing carriers that operate fiber networks within the Providence MSA and these networks span at least **** route miles. As GeoTel itself recognizes, its information regarding CLEC fiber routes, while extensive, is not comprehensive. GeoTel continually works to update its databases, and it provides Verizon with updates approximately every six months. Each of these updates contains new information. Moreover, GeoTel does not have complete data for every CLEC. During the course of the Verizon/MCI merger, for example, Verizon received other confidential sources of data that showed additional CLEC fiber beyond what is contained in the GeoTel data. Thus, there is reason to believe that the GeoTel information understates, perhaps significantly, the extent to which CLECs have self-provisioned fiber facilities. In the Providence MSA, GeoTel data on fiber route miles are significantly understated as they do not include data for AT&T, which operates what is likely the largest competitive fiber network in the Providence MSA. According to these data, there are at least one or more known competing fiber providers in **** percent of wire centers in the Providence MSA, and these wire centers represent approximately **** percent of Verizon's retail switched business lines in the MSA.

10. Based on Verizon's business E911 listings data as of the end of December 2005, competing carriers are serving business customers in **** percent of the wire centers in

the Providence MSA, and these wire centers account for **** percent of Verizon's retail switched business lines in the MSA. As of this same date, competitors are using special access to serve business customers in **** in the Providence MSA in which Verizon serves business lines.

11. As a result of this competition, Verizon's retail business switched access lines have declined in the Providence MSA – by approximately **** percent from 2000 to 2005 – even though the population in the MSA increased by approximately 2 percent during this time.⁸ As of the end of December 2005, competitors in the Providence MSA had obtained approximately **** business E911 listings, and were serving more than **** voice-grade equivalent lines using special access and private lines obtained from Verizon.

⁸ U.S. Census Bureau, *Annual Estimates of the Population of Metropolitan and Micropolitan Statistical Areas*, <http://www.census.gov/population/www/estimates/metropop/2005/cbsa-01-fmt.xls>.

II. COMPETITION FOR MASS-MARKET SWITCHED ACCESS SERVICES

12. The wireline telephone business has undergone and is continuing to undergo fundamental change. Cable, wireless, Voice over Internet Protocol (“VoIP”), e-mail, and instant messaging are all being used as replacements for traditional wireline services. At the end of 2005, cable companies already offered voice telephone service to approximately 57 percent of homes nationwide, and by the end of 2008, 94 percent of homes will have access to voice telephone service from a cable company.⁹ There are also multiple over-the-top VoIP providers such as Vonage, Packet8, VoicePulse, Skype, and Lingo that offer service nationwide to anyone with a cable modem or other type of broadband connection. Wireless carriers are aggressively competing both for lines and for traffic. At least 69 percent of the U.S. population now has a wireless phone,¹⁰ and at least 10 percent of wireless subscribers have given up their wireline phone while at least 14 percent use their wireless phone as their primary phone.¹¹ According to an analysis by JP Morgan, ILECs nationwide have lost approximately 9 percent of their primary access lines to wireless.¹² They have lost an additional 7 percent of their primary lines to cable

⁹ See C. Moffett, et al., Bernstein Research, *Quarterly VoIP Monitor: Six Million and Counting* at Exhibit 17 (June 12, 2006).

¹⁰ CTIA, *Wireless Quick Facts*, http://files.ctia.org/pdf/Wireless_Quick_Facts_April_06.pdf. The Yankee Group estimates that more than 70 percent of U.S. households have a wireless phone. K. Griffin, Yankee Group, *Pervasive Substitution Precedes Displacement and Fixed-Mobile Convergence in Latest Wireless Trends* at 4 (Dec. 2005).

¹¹ K. Mallinson, Yankee Group, *Wireless Substitution of Wireline Increases Choice and Competition in Voice Services* at 5 (July 27, 2005); C. Wheelock, In-Stat/MDR, *Cutting the Cord: Consumer Profiles and Carrier Strategies for Wireless Substitution* at 1 (Feb. 2004). See also J. Armstrong, et al., Goldman Sachs, *2006 Outlook – Stuck in Neutral* at 31 (Jan. 13, 2006) (wireless-only customers represent a 12.5 percent share of the residential market).

¹² J. Chaplin, et al., JP Morgan, *State of the Industry: Consumer* at Tables 57 & 72 (Jan. 17, 2006).

and other VoIP providers.¹³ And they have lost 6 percent of their lines to CLECs.¹⁴ JP Morgan estimates that, by 2010, wireless will capture 18 percent of primary lines while cable and other VoIP providers will capture 28 percent.¹⁵

A. Cable

13. Both of the major cable operators in the Providence MSA – Cox and Comcast – offer competitive voice services in their service territory. Together, these two cable operators serve approximately 85 percent of the homes in the Providence MSA.¹⁶

14. Cox Communications is the largest cable operator in Rhode Island, covering approximately 97 percent of all cable customers in the state, and passing more than 350,000 homes in the Providence MSA.¹⁷ See Exhibit 3.

15. Cox serves at least 1.8 million telephone customers nationwide.¹⁸ In July 2006, Cox announced that its Digital Telephone service “will be available in all Cox markets by the end of the year,” and that Cox “will continue to add telephone service in the communities it

¹³ See *id.* at Tables 57 & 72 (lines served by cable and other VoIP providers as a percentage of total telephony households).

¹⁴ See *id.* & Table 21 (excluding lines lost to MCI).

¹⁵ See *id.* at 10-12. Some analysts expect cable telephony to enjoy a share of more than 30 percent of all U.S. households by the end of 2010. See F. Louthan, *et al.*, Raymond James Equity Research, *Reassessment of Access Lines and Wireline Carriers* at 3 (July 5, 2006) (citing IDC estimates).

¹⁶ Media Business Corp., *Top 10 MSOs by County* (Mar. 2004); U.S. Census Bureau, *County-Level Housing Unit Estimates*, <http://www.census.gov/popest/housing/files/HU-EST2004-CO.csv> (2004 estimates).

¹⁷ J. Castellucci, *Cox Will Continue Council Coverage – For Now*, Providence J.-Bulletin, Blackstone Valley Ed. (Nov. 5, 2003); Media Business Corp., *Top 10 MSOs by County* (Mar. 2004).

¹⁸ Cox News Release, *Cox Digital Telephone To Be Available in All Cox Markets by End of Year* (July 13, 2006).

serves in early 2007.”¹⁹ Cox’s telephone penetration is “33 percent of total cable customers and 24 percent of all homes passed by Cox’s network,” which Cox claims is “the highest among all cable operators.”²⁰ More than half of Cox’s customers bundle two or more video, Internet, and phone services.²¹

16. Cox has been offering circuit-switched phone service in Providence since 2000, and at least “95 percent of the state’s residents can choose Cox for local phone service now.”²² By 2001, Cox boasted that “the demand for our telephone service continues to outstrip our expectations,”²³ and by 2004 it was reported that Cox had captured more than 20 percent of the local phone market in the state.²⁴ In approving Verizon’s Section 271 application for Rhode Island, the Commission noted that Cox is a “meaningful competitor to Verizon” due to “[t]he fact that a substantial number of residential customers have chosen Cox to provide their local phone service.”²⁵ In the Providence MSA, Cox offers unlimited local calling for \$11.95 per month for customers with other Cox services, or \$12.50 as a standalone service. Calling

¹⁹ *Id.*

²⁰ *Id.*

²¹ Cox News Release, *More Than 50% of Cox Customers Bundle Two or More Video, Internet and Phone Services* (July 27, 2006).

²² *Cox To Add Providence to Its Telephone Net*, Providence Bus. News (Nov. 20, 2000); T. Barmann, *Verizon’s Long-Distance Plan Rates with PUC*, Providence J.-Bulletin at G01 (Nov. 16, 2001). See also T. Barmann, *Cox Telephone Hit by a Major Breakdown*, Providence J./Evening Bulletin at E01 (Aug. 14, 2002) (“Cox offers telephone service in almost every Rhode Island community.”).

²³ T. Barmann, *Impact 50 – Verizon, on Top, Dials Long Distance To Answer Rivals*, Providence J.-Bulletin at 3J (May 26, 2001) (quoting Cox spokeswoman Leigh Ann Woisard).

²⁴ See J. Shim, *et al.*, Tradition Asiel Securities, *The Implications of FTTx – Why This Time Could Be Different* at 33 (Dec. 16, 2004).

²⁵ *Application by Verizon New England et al. for Authorization To Provide In-Region, InterLATA Services in Rhode Island*, Memorandum Opinion and Order, 17 FCC Rcd 3300, ¶ 105 (2002).

packages with unlimited local and long-distance calling are available for \$39.95 for bundled customers, or \$49.95 as a standalone service.²⁶

17. When a cable company wins a new residential subscriber, it typically obtains an E911 listing for that subscriber. Based on its E911 listings as of the end of December 2005, Cox is providing mass-market voice service to customers in wire centers in the Providence MSA that account for **** percent of Verizon's residential access lines in the MSA. Based on these same data, Cox provides service to approximately **** residential lines in the Providence MSA.

18. Comcast is the largest provider of cable television service in the U.S. Comcast's network passes more than 210,000 homes in Bristol County, Mass., in the eastern portion of the Providence MSA.²⁷ See Exhibit 3. Comcast currently offers VoIP service in 11 of the 20 towns it serves in Bristol County.²⁸ Comcast is providing voice service to more than 1.7 million customers nationwide, and reports that it is adding an average of more than 17,000 customers per week.²⁹ According to its chairman, Comcast plans to market its voice service to 80 percent of its footprint by the end of 2006.³⁰ The company recently stated that "[t]he next several years will provide tremendous growth opportunities for Comcast. Comcast Digital Voice is available to

²⁶ Cox New England, *Cox Digital Telephone Pricing in Rhode Island*, http://www.cox.com/NewEngland/telephone/RhodeIsland_Pricing.asp; Cox New England, *Save a Bundle*, <http://www.cox.com/newengland/saveabundle/default.asp>.

²⁷ Media Business Corp., *Top 10 MSOs by County* (Mar. 2004).

²⁸ See Comcast New England, *Products and Services*, <http://www.comcast-ne.com/start.php>. Comcast offers Comcast Digital Voice service in Acushnet, Berkley, Dartmouth, Easton, Fairhaven, Fall River, Freetown, Mansfield, New Bedford, Plainville, and Raynham.

²⁹ See Comcast Press Release, *Comcast Reports Second Quarter 2006 Results* (July 27, 2006).

³⁰ CMCSA – Comcast Corporation at Sanford C. Bernstein & Co. *Strategic Decisions Conference*, Thomson StreetEvents at 5 (June 2, 2006) (statement of Brian Roberts). This does not include systems Comcast recently acquired from Adelphia and Time Warner.

more people every day, and by the end of this year we will be marketing our ‘Triple Play’ package of video, voice and data services to the majority of our customers. This will continue to reinforce our competitive advantage and position us to deliver more value to our customers and shareholders.”³¹

19. In the Providence MSA, Comcast offers unlimited local and long-distance calling with calling features including voicemail for \$39.95 to \$44.95 per month for customers who subscribe to other Comcast services, or \$54.95 per month as a standalone service.³² Comcast also offers voice service at a promotional rate of \$33 per month for the first year, when purchased as a bundle with digital cable and high-speed Internet service.³³

20. Based on its E911 listings as of the end of December 2005, Comcast is providing mass-market voice service to customers in wire centers in the Providence MSA that account for at least **** percent of Verizon’s residential access lines in the MSA. Based on these same data, Comcast provides service to approximately **** residential lines in the Providence MSA.

21. Together, Cox and Comcast are providing mass-market voice service to wire centers in the Providence MSA that account for approximately **** percent of Verizon’s residential access lines in the MSA. These cable operators together serve at least **** residential lines in the Providence MSA.

³¹ Comcast Press Release, *Comcast Reports First Quarter 2006 Results* (Apr. 27, 2006) (quoting Brian L. Roberts, Chairman and CEO of Comcast Corporation).

³² Comcast, *Comcast Digital Voice Service: Residential Pricing List (Effective: August 18, 2006), Massachusetts*, <http://www.comcast.com/MediaLibrary/1/1/About/PhoneTermsOfService/PDF/DigitalVoice/StatePricingLists/Massachusetts/Z38T95MA%20pricing%20list%20V5.pdf>.

³³ Comcast, *See Prices & Choose Plans: Comcast Bundles*, <http://www.comcast.com/shop/buyflow/default.ashx>.

22. Mass-market voice services offered by cable companies are typically priced at or below comparable offerings from Verizon. Exhibit 1 is a chart that compares the prices and features of voice telephone service offerings of the leading cable competitors in the Providence MSA. *See* Exhibit 1. This chart shows that cable offerings are very competitive.

B. Wireless

23. There are multiple competitive wireless providers serving the Providence MSA. As the maps in Exhibit 4 illustrate, Cingular, Sprint Nextel, and T-Mobile all provide service in the MSA,³⁴ and competitive wireless service from at least one of these carriers is available throughout the MSA.

24. These wireless carriers all provide service that is competitive with wireline service for comparable offerings. Exhibit 1 is a chart that compares the voice telephone service offerings of several leading wireless competitors in the Providence MSA with Verizon's wireline service offering. *See* Exhibit 1. The service packages listed on the chart are those most prominently featured in advertising materials and are most comparable between service providers. The chart demonstrates that wireless providers in the Providence MSA offer buckets of minutes and other features at prices that are competitive with comparable packages offered by Verizon and other wireline providers.

25. Wireless carriers are now competing with wireline carriers both for local access lines and, even more extensively, for long-distance calls, as well as local calls. For a growing number of customers, wireless service is displacing landline telephone service. During the last few years, the number of wireless subscribers has grown from 140 million to more than 207

³⁴ Verizon Wireless also provides service throughout the Providence MSA.

million, growing at more than 20 million new wireless subscribers each year.³⁵ By contrast, there are approximately 175 million wireline access lines, and that number is declining each year.³⁶ According to the FCC's recent *Local Competition Report*, the number of national wireless subscribers has continued to grow rapidly (by approximately 12 percent) in the last year, while the number of wireline access lines has declined.³⁷

26. Lehman Brothers estimates that 20 million wireline access lines have been lost to wireless since 1999, and that wireless will continue to win more than 6 million new subscribers from wireline each year.³⁸ Deutsche Bank states that "wireless cannibalization" amounts to "more than 1m lines lost per quarter."³⁹ Analysts predict that the number of wireless-only users will grow to 20-25 percent of the market by 2010.⁴⁰ A Harris Interactive survey found that 39 percent of current landline customers are interested in going wireless altogether in the next two

³⁵ CTIA, *CTIA's Semi-Annual Wireless Industry Survey Results*, <http://files.ctia.org/pdf/CTIAEndYear2005Survey.pdf>.

³⁶ See, e.g., Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of December 31, 2005* at Table 1 (July 2006) (End-user switched access lines have declined steadily since their peak in December 2000).

³⁷ See *id.* at Tables 1 & 14.

³⁸ See B. Bath, Lehman Brothers, *Telecom Services - Wireline* at Figure 11 (July 7, 2005). See also T. Horan, *et al.*, CIBC World Markets, *3Q05 Communications and Cable Services Review* at Exhibit 12 (Nov. 23, 2005) (estimating wireless substitution at 20 million lines as of year-end 2005, increasing by 5-6 million lines each year through 2007).

³⁹ V. Shvets, *et al.*, Deutsche Bank, *4Q04 Review: Wireless OK . . . RBOCs Fare Poorly* at 6 (Feb. 28, 2005). See also F. Louthan, *et al.*, Raymond James, *VZ, SBC, BLS, Q: Cable Threat Comparison for RBOCs* at 2 (July 11, 2005) ("look for wireless substitution to be the largest displacer of access lines over the next five years").

⁴⁰ See D. Barden, *et al.*, Banc of America Securities, *Setting the Bar: Establishing a Baseline for Bell Consumer Market Share* at 4 (June 14, 2005); F. Louthan, *et al.* Raymond James Equity Research, *Reassessment of Access Lines and Wireline Carriers* at 2 (July 5, 2006) (predicting 25 percent wireless substitution by 2010).

years.⁴¹ Even if they are not replacing their landline phone altogether, at least 14 percent of U.S. consumers now use their wireless phone as their primary phone.⁴² And even larger percentages of young consumers – which will make up the next generation of homeowners – are disconnecting their wireline service, which make it likely that the rate at which customers use wireless in place of wireline will increase even further in the future.⁴³

27. In addition, wireless carriers are competing even more extensively to displace telephone calls and minutes that previously were made on wireline networks. Merrill Lynch estimated that “approximately 23% of voice minutes in 2003 were wireless,” and that in 2004 “wireless could make up approximately 29% of voice minutes in the US.”⁴⁴ The Yankee Group estimates that wireless subscribers make 64 percent of their long-distance calls and 42 percent of

⁴¹ See National Consumers League Press Release, *National Consumers League Releases Comprehensive Survey about Consumers and Communications Services* (July 21, 2005).

⁴² C. Wheelock, In-Stat/MDR, *Cutting the Cord: Consumer Profiles and Carrier Strategies for Wireless Substitution* at 1 (Feb. 2004) (“14.4% of US consumers currently use a wireless phone as their primary phone”). See also J. Armstrong, *et al.*, Goldman Sachs, *2006 Outlook – Stuck in Neutral* at 31 (Jan. 13, 2006) (wireless-only customers represent a 12.5 percent share of the residential market).

⁴³ See Clyde Tucker, Brian Meekins, J. Michael Brick, & David Morganstein, Household Telephone Service and Usage Patterns in the United States in 2004, presented at the 2004 Annual Meeting of the American Association for Public Opinion Research (A Census Bureau study found that in households headed by someone under 24 years of age, 18.0 percent had a cellular telephone only; and 9.6 percent of households headed by someone between 25 and 34 years of age had cellular telephones only). See also A. Quinton, *et al.*, Merrill Lynch, *Telecom Services: Unraveling Revenues* at 5 (Nov. 20, 2003) (“[W]e believe that demographic trends favor wireless. . . . So, as the US population ages, more young people are likely to become wireless subscribers – and either displace the purchase of a wireline service with wireless or cut the cord on an existing line.”); S. Ellison, IDC, *U.S. Wireline Displacement of Wireline Access Lines Forecast and Analysis, 2003-2007* at 7 (Aug. 2003) (“The first communications services purchased by youth and young adults are now often wireless services. Adoption of wireless by teenagers is increasingly being translated into forgoing traditional primary access lines when such wireless users go to college or otherwise establish their own households.”).

⁴⁴ D. Janazzo, *et al.*, Merrill Lynch, *The Next Generation VIII: The Final Frontier?* at 5 (Mar. 15, 2004); *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, Eighth Report, 18 FCC Rcd 14783, ¶ 102 (2003) (“One analyst estimates that wireless has now displaced about 30 percent of total wireline minutes.”).

their local calls on their wireless phones.⁴⁵ The FCC's own data show that wireline toll minutes have declined rapidly for the industry as a whole. Average residential toll minutes per line reached a peak of 149 minutes per month in 1997, and declined to only 71 minutes per month in 2003.⁴⁶ In total, consumers have reduced the number of long-distance minutes of use on landline phones by 52 percent during that period.⁴⁷ Moreover, approximately 32.9 percent of wireless subscribers use their landline only for local calls.⁴⁸ These findings "suggest[] that wireless is eroding the usage of wireline long distance and local toll services twice as much as the rate of complete wireless substitution."⁴⁹

28. The absolute increase in wireless minutes has been explosive. By 2005, wireless minutes of use had risen to 1.4 trillion, an increase of 35.8 percent from 2004 and more than 400 percent since 2000.⁵⁰ This increased usage has been accompanied by a rapid erosion in traditional distinctions between the locations from which subscribers use fixed and mobile service, as subscribers increasingly use their mobile devices at stationary locations from which wireline alternatives would readily be used. For example, a Yankee Group survey found that the percentage of wireless usage in the home by mobile phone users doubled as a percentage of total

⁴⁵ K. Griffin, Yankee Group, *Pervasive Substitution Precedes Displacement and Fixed-Mobile Convergence in Latest Wireless Trends* at 5 & Exhibit 3 (Dec. 2005).

⁴⁶ Ind. Anal. & Tech. Div., Wireline Competition Bureau, *Trends in Telephone Service* at Table 14.2 (June 2005) ("*Trends in Telephone Service*") (includes: IntraLATA-Intrastate, InterLATA-Intrastate, IntraLATA-Interstate, InterLATA-Interstate, International, and Others (toll-free minutes billed to residential customers, 900 minutes, and minutes for calls that could not be classified)).

⁴⁷ *Trends in Telephone Service* at Table 14.2.

⁴⁸ D. Chamberlain, In-Stat/MDR, *Cutting the Cord: Consumer Profiles and Carrier Strategies for Wireless Substitution* at 1 (Oct. 2005).

⁴⁹ *Id.* at 6.

⁵⁰ See CTIA, *CTIA's Semi-Annual Wireless Industry Survey Results* at 7, <http://files.ctia.org/pdf/CTIAEndYear2005Survey.pdf>.

usage between 2001 and 2005.⁵¹ By 2005, wireless subscribers reported that 24 percent of their wireless calling took place inside the home, and 10 percent of their wireless calling took place at work.⁵²

29. There is statistical evidence that wireless puts competitive pressure on wireline pricing. An econometric analysis by the Competitive Enterprise Institute found that “a one percent increase in wireline prices would result in nearly a 2 percent increase in wireless demand. In other words, if wireline carriers were to increase their prices, wireless service providers would gain a substantial number of subscribers. This finding, coupled with the fact that wireless prices continue to decrease, suggests that wireline providers may soon be under pressure to decrease prices in order to stem market share losses.”⁵³

C. Traditional CLECs

30. A number of CLECs in the Providence MSA are serving mass-market customers using Verizon’s Wholesale Advantage product – which is the market-based successor to the regulated UNE platform service that Verizon was at one time required to provide. Some CLECs also resell Verizon’s retail residential service. As of the end of December 2005, competitors are serving approximately **** voice-grade equivalent residential lines in the Providence MSA using Wholesale Advantage and approximately **** voice-grade equivalent residential lines on a resale basis.

⁵¹ See K. Mallinson, Yankee Group, *Wireless Substitution of Wireline Increases Choice and Competition in Voice Services* at Exhibit 3 (July 27, 2005).

⁵² K. Griffin, Yankee Group, *Pervasive Substitution Precedes Displacement and Fixed-Mobile Convergence in Latest Wireless Trends* at 5 (Dec. 2005).

⁵³ Stephen B. Pociask, Competitive Enterprise Institute, *Wireless Substitution and Competition: Different Technology but Similar Service – Redefining the Role of Telecommunications Regulation* at 15 (Dec. 15, 2004) (endnote omitted).

D. Over-the-Top VoIP

31. Consumers who today are unable to receive telephone services directly from their cable company can usually obtain them from multiple independent over-the-top VoIP providers. Any customer who has access to cable modem or other broadband services – which more than 90 percent of U.S. households now do⁵⁴ – can obtain voice services from one of these providers. VoIP vastly expands the number of competitors that can offer mass-market voice telephone service because they can offer VoIP over any type of broadband facility provided by any other company. Broadband access through satellite, BPL, Wi-Fi, and WiMax is emerging, and these technologies will offer an alternative means through which mass-market customers can access VoIP service.⁵⁵ Vonage, the largest of the new over-the-top providers, currently offers local numbers in 44 states and the District of Columbia.⁵⁶ Vonage already is approaching two million VoIP subscribers, and reports that it is adding an average of more than 22,000 subscribers each week.⁵⁷

32. As shown in Exhibit 2, mass-market customers in the Providence MSA can choose from more than 25 VoIP providers who offer local phone numbers. These VoIP providers are offering service at prices that are competitive to Verizon's service, with plans that start at \$5.95 for metered service (ZingoTel's 100-minute Basic plan) and \$14.95 for unlimited

⁵⁴ See NCTA, *Broadband Availability*, <http://www.ncta.com/ContentView.aspx?contentId=60> (116.1 million homes passed by cable modem service as of 2005); see also NCTA, *2006 Industry Overview* at 11 & Chart 6 (cable modem service is available to approximately 93 percent of homes passed by cable as of year-end 2005) (citing Morgan Stanley).

⁵⁵ See, e.g., *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853, ¶ 33 (2005).

⁵⁶ Vonage, *Available Area Codes*, http://www.vonage.com/avail.php?lid=nav_avail.

⁵⁷ See Vonage, Form 10-Q at 14 (SEC filed Aug. 4, 2006). More than 95 percent of Vonage subscribers are in the U.S. See Vonage, Form S-1A at 1 (SEC filed May 23, 2006).