



Spirit of Service™

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JAN 16 2007

Federal Communications Commission
Office of the Secretary

Via Courier

EX PARTE

ORIGINAL

January 16, 2007

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

Re: **REDACTED – FOR PUBLIC INSPECTION** – *In the Matter of Petition of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunset Pursuant To 47 U.S.C. § 160, WC Docket No. 05-333*

Dear Ms. Dortch:

Qwest Communications International Inc. ("Qwest") hereby provides notice for the public record that Qwest today is filing separately under seal confidential information submitted in response to the following requests contained in a letter ("Information Request") dated January 5, 2007 from Thomas J. Navin of the FCC to Craig J. Brown of Qwest: 1.a.i. (plan data), 1.g, 2, 3, 4, 5.a.i, 5.a.ii and 5.a.iii. In this submission Qwest is providing quarterly data, where available, beginning with the first quarter 2004 through the present.

No. of Copies rec'd 041
List A B C D E

REDACTED – FOR PUBLIC INSPECTION

Notwithstanding the *Protective Orders* adopted in this proceeding,¹ Qwest believes there is also a separate statutory basis for not making its confidential responses to the Information Request available for public inspection. See 47 C.F.R. §§ 0.457(d), 0.459. As such, appended hereto is Qwest's associated confidentiality justification. The non-redacted portions of Qwest's responses to the Information Request contain, *inter alia*, Qwest's confidential information and confidential information associated with the operations of other telecommunications providers (with their identities masked) that Qwest has in its possession.² Qwest's response also contains highly proprietary third-party data regarding Qwest and other telecommunications providers. Such information would not ordinarily be made available to the public, and disclosure may cause substantial competitive harm to Qwest and to other telecommunications providers. Accordingly, the non-redacted information is appropriate for non-disclosure both under Sections 0.457(d) and 0.459, as well as under the *Protective Orders*.

As required by the Wireline Competition Bureau's *Protective Orders*, Qwest is also submitting one (original) copy of the non-redacted attachments to the Secretary's office. In addition, Qwest is submitting with this letter two copies of the redacted confidential attachments. As required by the *Protective Orders*, these redacted copies include the following legend: "REDACTED – FOR PUBLIC INSPECTION".

The confidential, non-redacted version of Qwest's response will be made available for inspection, pursuant to the terms of the *Protective Orders*, at 607 14th St. NW, Suite 950, Washington DC. Arrangements for inspection may be made by contacting Joan O'Donnell at 202-429-3104.

Acknowledgment and date of receipt of this submission are requested. A duplicate copy is included for this purpose. If you have any questions regarding this submission, please contact Melissa Newman at 202-429-3120.

Sincerely,



Melissa Newman
Vice President-Federal Regulatory
Qwest

¹ *Petition of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunsets*, WC Docket No. 05-333, First and Second Protective Orders (rel. Jan. 5, 2007) (DA 07-22 & 07-23) (collectively, "*Protective Orders*").

² Specifically, in addition to requesting confidential treatment of the information of other telecommunications providers, Qwest has masked the identity of these providers by labeling carrier-specific information as information of Carrier XX, Carrier XY, and so on.

Marlene H. Dortch
January 16, 2007
Page 3 of 6

Attachments

Copy (via e-mail) to:

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APPENDIX

Confidentiality Justification

Qwest requests confidential treatment of the information being provided in its *ex parte* because this information is competitively sensitive and its disclosure would have a negative competitive impact on Qwest and other telecommunications providers were it made publicly available. Such information would not ordinarily be made available to the public, and should be afforded confidential treatment under the *Protective Orders* and both 47 C.F.R. § 0.457 and § 0.459.

47 C.F.R. § 0.457

The attachments contain information which is confidential and proprietary to Qwest and to other telecommunications providers as “commercial or financial information” under Section 0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary information in connection with Qwest’s ongoing business plans and operations and the operations of other telecommunications providers. Therefore, in the normal course of Commission practice this information should be considered “Records not routinely available for public inspection.”

47 C.F.R. § 0.459

Specific information in the attachments to the *ex parte* is also subject to protection under 47 C.F.R. § 0.459, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that the attachments be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. This information is competitively-sensitive data which Qwest and other telecommunications providers maintain as confidential and is not normally made available to the public. Release of the information would have a substantial negative competitive impact on both Qwest and other telecommunications providers. The confidential information is contained in the non-redacted version of Qwest’s *ex parte* submission, which is marked with the following legends: **HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO SECOND PROTECTIVE ORDER IN WC DOCKET NO. 05-333 before the Federal Communications Commission – COPYING PROHIBITED and/or CONFIDENTIAL INFORMATION – SUBJECT TO FIRST PROTECTIVE ORDER IN WC DOCKET NO. 05-333 before the Federal Communications Commission.**

Commission proceeding in which the information was submitted

The information is being submitted in WC Docket No. 05-333, *In the Matter of Petition of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunset Pursuant To 47 U.S.C. § 160.*

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The information designated as confidential includes detailed confidential information for both Qwest and other telecommunications providers in the form of estimates of shares and other sensitive data for various types of services and geographic areas and subscriber volumes/amounts of services provisioned to different classes of customers. As noted above, the data are competitively sensitive information which is not normally released to the public as such release would have a substantial negative competitive impact on Qwest and other telecommunications providers.

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

This type of commercial information would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that the release of this kind of information likely would produce competitive harm. Qwest confirms that release of its confidential and proprietary information would cause it competitive harm by allowing its competitors to become aware of sensitive proprietary information regarding the operation of Qwest's business. Qwest assumes that the same would be true regarding the confidential and proprietary information of other telecommunications providers.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

Qwest has treated and treats the information disclosed in its non-redacted *ex parte* as confidential and has protected it from public disclosure to parties outside of the company.

Justification of the period during which Qwest asserts that the material should not be available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current inquiry, except

that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

Other information that Qwest believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.

Attachment 1(a)(i)
Submission 2

Request 1(a)(i): For each Qwest franchise area, provide the number of Qwest’s retail residential wireline local exchange service lines for which Qwest is the presubscribed interstate long distance carrier. Also, provide the number of these lines that are presubscribed to (1) a Qwest usage per minute plan, (2) a Qwest plan that includes a bucket of interexchange minutes, and (3) a Qwest plan that includes an unlimited number of interexchange minutes. For each plan, provide the number of lines, the number of interLATA long distance minutes, the average number of minutes used, and the standard deviation of minutes used.

Response: Attached is the additional available information requested in this Staff Information Request. Qwest does not have the “standard deviation of minutes” data requested.

Attachment 1(a)(i)

Table(s) -

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Attachment 1(g)

Request 1(g): For each Qwest franchise area, provide an estimate of the total number of residential consumers relying upon over-the-top VoIP for all of their voice telecommunications needs, by provider.

Response: Since “over-the-top” VoIP providers are not regulated, are not required to report subscriber totals by state in the U.S., and many of these providers do not report subscriber totals at all, obtaining precise data with which to respond to this request is extraordinarily difficult. However, Qwest has reviewed market research findings which quantify “over-the-top” VoIP subscriber totals in the U.S., and has extrapolated those numbers to its 14 in-region states to broadly estimate the total number of residential consumers relying on this service to satisfy their voice telecommunication needs, as shown in the attached worksheet. This broad estimate was developed as follows:

- The number of residential “over-the-top” consumers by VoIP provider was obtained from two sources, both of which are also included in this response for review: 1) Internet Access: Industry Outlook (Cowen and Company, 11/21/2006), and 2) Residential VoIP Users Number More Than 9 Million (CMP TechWeb, 12/22/2006). Those numbers are shown in Column A in the lower half of the attached worksheet.
- The percentage of these stand-alone residential “over-the-top” VoIP subscribers that are using VoIP as a substitute for landline service was developed by dividing the counts in Column A by the total number of ILEC residential access lines in service as of 12/05 from the FCC’s latest Local Competition Report.
- These national percentages for each VoIP carrier shown were multiplied against Qwest’s residential access lines in service as of 12/05, based on data reported in ARMIS 43-08,¹ to obtain an estimate of the number of “over-the-top” consumers using that VoIP provider in each state in Qwest’s franchise area.

As discussed at pages 13 through 17 of the declaration of Mr. David L. Teitzel, the growth trend for VoIP services, in the nation and in Qwest’s service territory, is expected to continue its steep upward pattern through at least the next three years, driven by the

¹ Under this estimating method, it is assumed that 100% of the “over the top” VoIP subscribers have replaced standard landline voice telephone service with VoIP. This may not be the case with respect to all VoIP providers. For instance, Qwest believes that the great majority of Vonage customers disconnect their voice landline service in favor of VoIP, since the Vonage product provides unlimited local calling, unlimited intraLATA and unlimited interLATA calling, and a wide range of free calling features (such as voice messaging, three way calling, caller ID, etc.). In other instances, such as services of Skype, a lower proportion of subscribers may have discontinued landline voice service, since Skype is often used as a means of making free (or deeply discounted) international or interstate calls. However, in every instance, Qwest believes that VoIP service is being used by VoIP subscribers as a direct and complete substitute for QCC and QLDC interLATA, interstate and international long distance services.

inexorable increase in the number of broadband Internet access lines in service.² At page one of the enclosed Cowen and Company (“Cowen”) research document, Cowen quantifies its expectations for broadband Internet growth in the U.S. as follows:

“We expect U.S. broadband penetration to reach 72% of total internet households in 2006, 84% in 2007 and 90% in 2008.”

These households represent the ever increasing pool of potential VoIP subscribers, and will continue to drive rapidly upward the number of VoIP subscribers utilizing VoIP in lieu of traditional landline services (both local and long distance). Additionally, the Cowen research shows the proportion of U.S. households with broadband access is expected to increase from 49% at the end of 2006 to 58% at the end of 2007, then steadily increase to 71% at the end of 2011.³ In other words, the number of households served by broadband services (cable, DSL, WiFi, etc.) now represents approximately half of all U.S. households and will very soon represent well over 50% of the households,⁴ and the great majority of those now have broadband Internet access.

² VoIP service, as currently offered by “over-the-top” VoIP providers as well as CATV-based VoIP providers, currently requires a broadband Internet access line (e.g.: DSL, coaxial cable, WiFi, WiMAX, satellite broadband, etc.) to transport VoIP calls to the Internet.

³ Cowen research, p. 2.

⁴ On November 15, 2006, Clearwire Corporation, a business headquartered in Bellevue, Washington and founded by cellular wireless pioneer Craig McCaw, announced the immediate availability of Clearwire wireless broadband service to residential and business customers throughout the Seattle/Tacoma/Bellevue MSA (see http://www.clearwire.com/company/news/11_15_06.php). This service is based on WiMAX wireless broadband technology, and is now available to 100% of the residents and businesses within the Clearwire footprint. Clearwire also states its service is now available in 32 metro markets across the U.S. and has plans to aggressively expand nationwide. Since this announcement was made at nearly the same time as the publication of the Cowen research referenced in this response (the Cowen report publication date was November 21, 2006), it is not likely Cowen considered services such as Clearwire’s in its broadband Internet growth projections, and the ready availability of yet another “facilities-based” broadband Internet service alternative will likely incrementally increase the consumer adoption rate of broadband Internet access service.

**ESTIMATED NUMBER OF CONSUMERS IN QWEST'S SERVICE AREA
RELYING ON "OVER-THE-TOP" VOIP SERVICE IN LIEU OF QWEST LANDLINE VOICE SERVICE**

State	Qwest Switched Primary Residential Access Lines in Service (12/05 ARMIS)	Estimated Number of Consumers in Qwest's Service Area Relying on Skype*	Estimated Number of Consumers in Qwest's Service Area Relying on Microsoft*	Estimated Number of Consumers in Qwest's Service Area Relying on Yahoo Voice*	Estimated Number of Consumers in Qwest's Service Area Relying on GoogleTalk*
Arizona	1,196,266	26,677	13,996	12,680	8,374
Colorado	1,269,530	28,311	14,854	13,457	8,887
Idaho	275,513	6,144	3,224	2,920	1,929
Iowa	493,068	10,995	5,769	5,227	3,451
Minnesota	933,611	20,820	10,923	9,896	6,535
Montana	190,138	4,240	2,225	2,015	1,331
Nebraska	137,066	3,057	1,604	1,453	959
New Mexico	432,833	9,652	5,064	4,588	3,030
North Dakota	70,192	1,565	821	744	491
Oregon	667,335	14,882	7,808	7,074	4,671
South Dakota	74,689	1,666	874	792	523
Utah	489,501	10,916	5,727	5,189	3,427
Washington	1,158,249	25,829	13,552	12,277	8,108
Wyoming	110,137	2,456	1,289	1,167	771
TOTAL	7,498,128	167,208	87,728	79,480	52,487

Provider	"Over-the-top" VoIP Provider U.S. Residential Customer Counts (Note 1) (A)	Total U.S. Residential ILEC Access Lines: 12/05 (B)	Percentage of Total U.S. ILEC Residential Lines Lost to "over-the-top" VoIP as of 12/05 (A/B)
		94,371,000	
Skype	2,100,000 (as of 6/06, source: TechWeb, 12/22/06)		2.23%
Microsoft	1,100,000 (as of 6/06, source: TechWeb, 12/22/06)		1.17%
Yahoo Voice Messenger	1,000,000 (as of 6/06, source: TechWeb, 12/22/06)		1.06%
GoogleTalk	658,000 (as of 6/06, source: TechWeb, 12/22/06)		0.70%

Note 1: "Over-the-top" VoIP providers excludes cable-based VoIP providers

* State estimates were derived by multiplying Qwest residential access line data (for individual states) by national percentages for each VoIP provider.

Attachment 1(g)

Cowen Report -

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Attachment 1(g)

Residential VoIP Users Number More Than 9 Million

December 22, 2006 (1:40 PM EST)

By W. David Gardner,

Residential users continue to adopt VoIP at a rapid rate, with more than 9 million households using the service at the end of the second quarter, according to a new report from In-Stat.

Subscribers using facilities-based VoIP have created a horse race between Vonage and Time Warner Cable users, with Vonage reporting 1.7 million users to Time Warner's 1.6 million. In-Stat says Skype dominates software-based VoIP with 2.1 million active U.S. households using the eBay service.

Charles Gerlach, In-Stat's director of consulting, issued the report this week, suggesting that VoIP services are having an impact on traditional landline and cell phone service providers.

The market research firm said that nearly half of VoIP residential subscribers discontinued their conventional phone service when they signed up for Internet phoning.

Microsoft made a strong showing in the quarter in the software-based segment, recording 1.1 million subscribers. Yahoo Messenger with Voice had 1 million subscribers and Google Talk, 658,000, according to In-Stat.

Source: CMP TechWeb,

<http://www.informationweek.com/showArticle.jhtml;jsessionid=DEPLMBTAJQ2SWQSNDLRSKHSCJUNN2JVN?articleID=196701736&queryText=residential+voip>

Attachment 1(g)

FOR IMMEDIATE RELEASE

Clearwire Brings Fast, Simple and Portable Wireless Internet Service to Seattle, Everett, and Tacoma

*Clearwire Celebrates the Launch of its Largest Market to Date with the First-Ever Laser Light Show at the Seattle Space Needle;
Clearwire Works with Community Organizations to Help Enhance the Ways Local Area Youth Live and Learn*

KIRKLAND, WA (November 15, 2006)—Clearwire Corporation (<http://www.clearwire.com/>) - a provider of next-generation wireless Internet services enabling fast, simple, portable and reliable communications anytime and anywhere within Clearwire's coverage area - announced today it has officially launched its service in Seattle, Everett, Tacoma and surrounding areas. More than two million people in the greater Seattle area are now eligible to subscribe for Clearwire's service.

“Clearwire's wireless technology can help users realize more freedom and the potential of the Internet,” said Craig McCaw, chairman and co-CEO of Clearwire. “Our goal has always been to look at the wants and needs that people have in ways the major carriers didn't have interest or time to pursue. Clearwire is delivering on this goal by providing services that are differentiated from everything else that is currently available. We are seeing the same phenomenon today that we saw in cellular more than 20 years ago – people like the idea of not being tied to a specific location by a cable in order to communicate and access information.”

“The Seattle, Tacoma and Everett deployments constitute Clearwire's largest market to date, making our services available now to more than eight million people in more than 360 cities and towns across the United States,” said Ben Wolff, co-CEO and co-president of Clearwire. “We are changing the way people access all the Internet has to offer by delivering services that are fast, simple, portable, reliable and affordable. No other service provides all of these benefits in one package the way we do.”

Clearwire provides an easy off-the-shelf wireless high-speed Internet solution. Customers typically have the service operating within minutes of receiving the modem without any need for a technician to visit. There is no software to load and generally no configuring or changes to the customer's computer. The fast and simple service can be accessed by simply taking the modem out of the box, plugging it in and connecting the Ethernet cord

Attachment 1(g)

to the customer's computer. With users such as real estate professionals, contractors, students, home-based educators, public safety organizations and families, Clearwire's simple and portable service enables customers to access the Internet in creative and unexpected ways.

“With Clearwire's service, we constantly see our customers redefine how they live and work,” said Perry Satterlee, Clearwire's co-president. “We see customers invent new solutions and use Clearwire in ways which allow them to truly experience the Internet on their terms.”

Consistent with Clearwire's efforts to support the communities in which it operates, today's launch is coupled with Clearwire's announcement that it is working with local organizations to contribute its services to address the educational and communications needs of young people located in the Seattle, Tacoma and Everett communities in new and unique ways.

The company announced its “Clearly Connected Communities” initiative through which it will provide its simple and portable Internet service to community organizations assisting foster care, homeless and seriously ill children. The goal of Clearwire's initiative is to provide a means for children and teens to make meaningful connections with friends and loved ones and to take advantage of learning opportunities and entertainment that would not otherwise be available – breaking the barriers resulting from isolation or limited resources. Clearwire plans to work with several local organizations, which initially include: Starlight Starbright Children's Foundation (<http://www.starlight-washington.org/>), 826 Seattle (<http://www.826seattle.org/>), Team Read (<http://www.teamread.com/>), and the Mockingbird Society (<http://www.mockingbirdsociety.org/>). “We want to make a difference and apply our technology and services in ways that are important to the greater Seattle community,” said McCaw.

Clearwire will celebrate the launch of its service in the greater Seattle area by presenting a laser light show tonight at the Seattle Space Needle. The first of its kind for the iconic Seattle landmark, the laser light show promises to be the largest in the city's history.

Customers can sign up for the Clearwire service by calling 1-888-CLEARWIRE or going to <http://www.clearwire.com/>. In addition, customers can buy Clearwire at Best Buy stores, located in each of the Clearwire markets, as well as Clearwire authorized representatives, Clearwire retail locations and mall kiosks.

About Clearwire

Attachment 1(g)

Clearwire, founded by Craig McCaw, is a provider of reliable, wireless high-speed Internet service. Clearwire, headquartered in Kirkland, Wa., has launched wireless high-speed Internet service in 32 metro markets, covering more than 360 cities and towns in Alaska, California, Florida, Hawaii, Idaho, Minnesota, Nevada, North Carolina, Oregon, Texas, Washington and Wisconsin in the United States, as well as Ireland, Belgium, Denmark (under the Clearwire name with Danske Telecom) and Mexico (via its partner MVSNet). For more information, visit <http://www.clearwire.com/>.

For more information, please contact Teresa Fausti at (425) 828-8018 or teresa.fausti@clearwire.com or Emily Killoren at (206) 268-2267 or emily.killoren@edelman.com.

Attachment 2

Request 2: For each Qwest franchise area, provide the number of retail residential wireline lines for which Qwest is the presubscribed interstate long distance carrier but not the local exchange carrier.

Response: The attached Excel spreadsheet provides the requested data for the periods of 1st Quarter 2005 through 4th Quarter 2006. Qwest notes that this data contains presubscription counts of non-Qwest wireline customers both within and outside of Qwest's franchise footprint in each state.

Attachment 2

Table(s) -

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Attachment 3

Request 3: Define each retail and wholesale business customer class to which Qwest sells domestic and international interLATA telecommunications services. List and define each domestic and international interLATA telecommunications service (e.g., long distance voice, long haul traffic, private line, ATM, Frame Relay) that Qwest sells to each of these customer classes.

Response: In making this response, Qwest first clarifies its understanding of the scope of this request. All Qwest domestic and international interLATA telecommunications services are currently provided by Qwest Communications Corporation (QCC) or Qwest Long Distance Corporation (QLDC) - Qwest's Section 272 affiliates. Accordingly, the services listed below are services provided either by QCC (inside and outside of Qwest's in-region territory - QCC provides the same services in and out of region) or by QLDC inside of Qwest's in-region territory. Of course, Qwest's forbearance petition addresses only in-region Qwest services as out-of-region services are already deemed non-dominant without need to comply with Section 272. Qwest also assumes this request does not address switched or special access services or any other services provided by QC (Qwest's Bell operating company) as, again, that entity does not currently provide interLATA services. Qwest also assumes this request does not address services that are not telecommunications services. Finally, Qwest notes that the services listed below are only the current domestic and international interLATA telecommunications services offered by Qwest and that any order ruling on Qwest's forbearance petition should include, within the scope of relief, any type of domestic and international interLATA telecommunications services that Qwest may offer on or after the effective date of the order, whether the services continue to be offered out of one of Qwest's existing Section 272 affiliates (i.e. even if, after the order, the affiliate does not comply with the separation requirements of Section 272) or are offered out of an integrated entity.

A. Subject to all of the above, Qwest states that its Section 272 affiliates sell domestic interstate and intrastate and international interLATA telecommunications services to business customers that are classified internally in different customer categories by those affiliates in the following manner:

- Enterprise (defined in Qwest's market segmentation structure as business customers with 11 or more telephone access lines at a business location).

- Small Business (defined in Qwest's market segmentation structure as business customers with fewer than 11 telephone lines at a business location).¹ However,

¹ TNS Telecoms, for market research purposes, defines Enterprise and Small Business markets in a different manner than Qwest. TNS defines Small Business as those businesses generating less than \$1500 per month in telecom spending, and Enterprise businesses are those generating monthly telecom spending above that level. Since TNS is not able to restructure its sample base to conform to Qwest's definitions of

Qwest further states that it, internally (i.e. for purposes of marketing, etc.), groups small business customers together with residential customers in a customer classification it refers to as mass market customers.

B. Subject to all of the above, Qwest states that it sells the following domestic interstate and intrastate and international interLATA telecommunications services to these business customers:

- 1) Switched interLATA voice grade service
- 2) Private line interLATA transport service
- 3) ATM service
- 4) Frame Relay service
- 5) Operator Service
- 6) Directory Assistance
- 7) Audio Conferencing
- 8) Wholesale Service

C. The definition of each of the above services is as follows:

- 1) Switched interLATA voice grade service: This service is a switched voice grade service which provides calling originating at a location within Qwest's territory region and terminating at a location beyond the LATA of origination. These calls may be international, interstate or intrastate, but must traverse the originating LATA boundary. This service category includes direct-dialed long distance, 800 service and WATS service.
- 2) Private line interLATA transport service: This service provides a dedicated transmission path to connect customer-designated premises either directly or via a communications service provider hub or hubs where bridging, routing, multiplexing or connection to other service functions are performed. Private Line Transport services can be either analog or digital, in point-to-point, multipoint or fiber ring arrangements. A jurisdictionally defined interstate circuit is one which, by the customer's estimation, carries more than 10% interstate traffic. A physically defined interLATA circuit has a leg or legs that cross a LATA boundary.
- 3) ATM service: Qwest ATM is a powerful broadband, network transport product that provides a very high speed, efficient way to electronically move large

those customer groups, the revenue share data provided in Tables 1 and 2 attached to Qwest's December 7, 2006 *ex parte* filing reflect the TNS business segment definitions. However, it is important to note that Qwest believes there is a reasonable correlation between Qwest's segmentation definitions and TNS' segmentation definitions (e.g., between defining enterprise as 11 or more telephone access lines at a business location or defining enterprise as \$1500 per month or greater in monthly telecom spending). Finally, in any event, Qwest's share of business interLATA service revenues in both segments is very small even within the Qwest 14 state region.

quantities of information over a highly reliable, scalable, secure network. ATM Service uses high speed ATM networking technology to bundle information into fixed segments called cells. ATM Service supports speeds from 1.544 Mbps to 622 Mbps.

ATM Service uses logical connections that support these different ATM service categories:

- Constant Bit Rate (CBR)
- Variable Bit Rate real time (VBRrt)
- Variable Bit Rate non-real time (VBRnrt)
- Available Bit Rate (ABR)
- Unspecified Bit Rate (UBR)

- 4) Frame Relay service: This service is a digital technology that can provide high-speed connectivity between Local Area Networks (LANs) and Wide Area Networks (WANs). Frame Relay is a frame-oriented fast packet technology that supports variable frame sizes to cost-effectively support “bursty” applications (e.g., Local Area Network interconnection and file transfer). Using statistical multiplexing, it allows users to allocate circuit bandwidth to applications as needed--up to the maximum bandwidth purchased--rather than assigning fixed channels to specific applications. Frame Relay service can be provided with Access Link speeds of 56 Kbps, 64 Kbps, 1.544 Mbps and 44.736 Mbps.
- 5) Operator Service: QCC offers two basic types of Operator Services, Domestic Operator Services and International Operator Services. In both instances, Operator Services are accessed by users dialing the digit “0,” and **include** services such as reverse billing, collect calling and billing to credit cards. These two types of Operator Services are defined as follows:

Domestic Operator Services

Operator Services are provided over the self-healing Qwest Macro Capacity® Fiber Network. Payphone operators connect to the network physically via line subscription or through programming that directs operator service calls to Qwest. Users access the Qwest operator services platform by dialing 0+/- . Institutions such as hotels, hospitals or universities connect directly to the Qwest network via dedicated access or line subscription or through programming of their onsite private branch exchange (PBX) equipment. Users access the Qwest operator services platform by dialing an access code and 0+/- .

International Operator Services

International Operator Services is a product set designed to offer toll free access to the Operator Services platform with complete automated and live

operator assisted calls originating in international locations and terminating in the domestic United States. End users have the option to charge their calls to the destination number, a valid third party domestic number; any valid local domestic telephone company issued card or certain major credit cards. International Operator Services has its own standard template contract. Two rate plans are available. Pricing and commission rates vary by country. Service is available from approximately 80 countries.

- 6) Directory Assistance: Qwest's 272 affiliates (QCC and QLDC) provide Directory Assistance ("DA") service to callers for interLATA service applications, and is used in conjunction with interLATA voice calling. This service provides the user:
 - Telephone numbers available from Qwest's National Directory Assistance Operator for the 50 United States - a maximum of two requests per call.
 - Information that the subscriber has requested the number not to be given out to the public.
 - Information that the name requested does not appear on the records.
 - Information regarding the address/zip code associated with the telephone number request.

- 7) Audio Conferencing: Qwest Conferencing service provides a fully digital audio bridging network that allows calls via toll or toll-free dialing options. Qwest Conferencing supports U.S.-based and international calls and customers can choose between operator-assisted or automated conferring options. The primary features of Qwest Conferencing service are: Reservationless (audio) Conferencing; Operator Assisted Conferencing; Passcode service; Document Sharing Web Conferencing; and Blended Rate Conferencing (combining Reservationless and Document Sharing Conferencing).

- 8) Wholesale Service: Each of the above-defined services is offered by QCC to other carriers on a wholesale basis.

Attachment 4

Request 4: For each Qwest franchise area, provide for each business customer class and each service class identified in specification 4: a) Revenues, an estimate of Qwest's market share of revenues (or some other generally accepted unit of measurement), and an estimate of the elasticity of demand; b) An estimate of the market share of revenues (or some other generally accepted unit of measurement) for each of Qwest's competitors for each business customer class and service in that franchise area. For example, Qwest could provide the market share analysis compiled by a third party such as Harte Hanks, for interLATA services (e.g., long distance voice, T1 services, ATM and Frame Relay) for each Qwest franchise area, and to the extent possible, for each MSA within each Qwest franchise area.

Response:

a) Subject to the clarifications set forth in Qwest's response to FCC Staff Information Request 3, Qwest states that the attached tables show the Qwest revenues per-franchise area for each business customer class and service class (by state and data vintage) identified in response to FCC Staff Information Request 3 with the following exceptions. Again, these are all services provided by Qwest Communications Corporation (QCC) or Qwest Long Distance Corporation (QLDC) - Qwest's Section 272 affiliates as all Qwest domestic and international interLATA telecommunications services are currently provided by QCC or QLDC. With respect to Operator Services, Directory Assistance and Audio Conferencing revenues, Qwest's tracking systems track revenues for these services (when provided on an interLATA basis by QCC or QLDC) at the national level (i.e. aggregating in-region and out-of-region revenue) and do not distinguish revenues by particular class of service. Accordingly, Qwest provides Operator Services, Directory Assistance and Audio Conferencing revenues in that format. Finally, with respect to international revenue, Qwest is able to provide 2004 and 2005 annual and quarterly data through 3rd Quarter 2006 for QLDC international revenue on a region-wide basis (i.e. international revenue generated by QLDC's customers within Qwest's footprint within its 14-state region) and is able to provide for these same periods QCC international revenue on a national basis (i.e. this revenue can not be further sub-segmented to show revenue generated only by QCC customers within Qwest's footprint within its 14-state region as opposed to nationwide).

a) and b) Qwest states the following with respect to Qwest's market share of revenues (or some other generally accepted unit of measurement), elasticity of demand and the market share of revenues of each of Qwest's competitors for each business customer class and service set forth in Qwest's response to FCC Staff Information Request 3:

To supplement the market share information that Qwest provided in its written *ex parte* on December 7, 2006 (in which Qwest provided revenue share data for its region and the

nation as a whole for small business customers and enterprise customers), Qwest engaged the Harte Hanks research firm to gather market information in a relatively short period of time. Harte Hanks indicated that it previously had provided information that was submitted in recent merger proceedings before the Commission and was able to provide similar information on relatively short notice for Qwest by: 1) state (i.e. for the states that Qwest serves); 2) [REDACTED]

[REDACTED]

[REDACTED]

Overall, the Harte Hanks data is particularly useful in assessing the types of services that larger enterprise customers purchase as well as identifying the providers and potential providers of a broad variety of different types of services in different geographic areas.³

The attached Harte Hanks “syndicated” data provides a significant amount of information about the specific competitors that Qwest faces in the provision of specific services to business locations of various sizes in Qwest’s 14-state region.⁴ [REDACTED]

¹T-1 and T-3 are synonymous with DS1 and DS3, respectively. In addition, the Harte Hanks report shows information for “Dial Lines,” which are simply local exchange wireline access lines used by business customers. Although Dial Lines are not relevant to the scope of Qwest’s petition in this docket, they were included in the Harte Hanks standard research output and Qwest has not withheld this information from that report.

[REDACTED]

However, Qwest, as discussed in more detail in the text, believes that the Harte Hanks data provides persuasive evidence that Qwest is not dominant (i.e. lacks market power) in the provision of in-region interLATA services. [REDACTED]

[REDACTED]

Also, see Note 5 herein.

³ However, Qwest believes that it is reasonable to assume that, if a carrier has been identified as providing a particular type of service (e.g. T3) to sites (i.e. business locations) of a certain size in a geographic area, it is likely that the carrier is also holding itself out to provide similar service to similarly-sized enterprise customers in that same geographic area.

⁴ “Syndicated” data is data that resides in Harte Hanks data base that is built from thousands of surveys with IT and telecommunications professionals at different sites.

[REDACTED]

This information is therefore valuable in that it provides a good indication of the identity and number of competitors providing service to business customers at different sites in a geographical area.

Of course, the greater the number of competitors, the higher the elasticity of supply for a given service in a geographic area. [REDACTED]

[REDACTED]. While the data provides no indication of service volumes or “traditional” market share, it does provide a clear indication that the T3 business of Qwest, whatever its level, could easily be absorbed by competitors.⁶ Thus, on the basis of Harte Hanks data, it is reasonable to assume that supply elasticities are high in the provision of T3 service to [REDACTED]. High supply elasticities constrain the pricing behavior of all participants in a given market. Similar conclusions can be drawn with respect to the other services referenced in Harte Hanks data. That is, it would be unlikely that Qwest or any other competitor would be able successfully to raise price by restricting output. The combination of a large number of providers (as is the case in this example) and large number of sophisticated customers (as is the case for companies with one or more business locations with [REDACTED]), leads one to conclude that demand elasticity is also high in this segment of the market (i.e. large enterprise customers). That is, any attempt by a provider to raise price will lead to a disproportionate reduction in sales and lower revenue as customers migrate to other providers.

⁵ Again, [REDACTED]. In Qwest’s case, it is more likely these T3s are intraLATA circuits, since Qwest’s operating company has been offering intraLATA T3 service to customers in its region for far longer than Qwest’s section 272 affiliates have been authorized to offer interLATA T3 service. Conversely, the T3s of other carriers are more likely to be interLATA services. The logic underlying these assumptions is quite straight-forward. That is, Qwest was not allowed to provide interLATA service prior to gaining Section 271 certification, a few short years ago, while other carriers, particularly AT&T, MCI and Sprint, were the primary, if not the only, providers of interLATA service prior to Qwest’s entry. With respect to intraLATA service, as the incumbent ILEC, Qwest has been able to provide such service since 1984 and before. Therefore, there is every reason to believe that [REDACTED] Qwest’s presence as a provider of interLATA T3 services in its region.

⁶ As the Commission noted in the AT&T Reclassification Order and in other proceedings, supply elasticity is a key factor in determining whether a firm has market power in the relevant product and geographic markets.

Qwest believes that Harte Hanks data support the conclusion that Qwest does not have market power in the provision of in-region interLATA services to enterprise customers and, therefore, should be classified as non-dominant in the provision of such services post-sunset.⁷ Qwest is a relatively new entrant to the interLATA market and no participant in the interstate portion of the market is currently subject to economic regulation. Harte Hanks data indicates that enterprise customers have a wide array of service providers to choose from at business sites of any significant size.⁸

In addition to the fact that the data clearly shows that Qwest faces significant competition in serving its enterprise customers of all sizes in each relevant geographic area, i.e., for the different types of service provided by Qwest's Section 272 affiliates to the enterprise customers described in its response to Staff Information Request 3, the data should allow the Commission to conclude that both supply and demand elasticities are high for those services. With high elasticities of supply and demand in a given market segment, it would be virtually impossible to find that Qwest or any other carrier has market power. While Harte Hanks reports data by site size (i.e. number of employees at a particular location) and Qwest internally defines enterprise customers based on number of access lines, the Harte Hanks data provides credible evidence of competition in services provided to business customers of any significant size. Thus, the Harte Hanks data provides credible evidence that supply and demand elasticities are high in the market segment serving Qwest enterprise customers and that no provider has market power. In the absence of market power, there is no justification for classifying Qwest or any other carrier as a dominant provider to enterprise customers in the provision of the services that Harte Hanks references in the attached data.

With respect to Qwest's provision of the different types of service to small business customers described in Qwest's response to Staff Information Request 3 – i.e. firms with less than 11 telephone access lines, as is described in Qwest's response to Staff Information Request 3, Qwest, internally (i.e. for purposes of marketing, etc.), groups small business customers together with residential customers in a customer classification it refers to as mass market customers. As described in more detail below, Qwest also states that the TNS data submitted in Qwest's *ex parte* letter of December 7, 2006 in this proceeding are responsive to this request, because that data show that small business interLATA services in Qwest's 14-state region are highly competitive. Qwest also believes that the evidence of low market share and high elasticities of supply and demand

⁷ Again, as is discussed in notes 2 and 5, above, Qwest believes that the Harte Hanks data provides persuasive evidence that Qwest lacks market power in the provision of interLATA services to enterprise customers as reflected in its data.

⁸ Qwest acknowledges that other interLATA service providers may turn to Qwest's ILEC to purchase a portion of the facilities necessary to provision service to a particular location. But, as the Commission well knows, Qwest's ILEC provides exchange access and local exchange services subject to both interstate and intrastate tariffs. In fact, the current regulatory structure allows Qwest's in-region competitors to decide whether it is in their best interests to construct "last mile" facilities or to purchase them from Qwest's ILEC.

demonstrated for the services in other segments of the mass market classification (e.g. *residential*) in responses to other information requests as well as the broad evidence of mass market competition (e.g. the ready availability of numerous competitive alternatives for interLATA services, etc.) demonstrated in its prior filings⁹ are equally applicable to its small business customer category.

Qwest also states that, while not provided on a per-franchise area basis, the TNS data submitted in Tables 1 and 2 of Qwest's *ex parte* letter of December 7, 2006 in this proceeding are responsive to this request because they show that interLATA service in Qwest's 14-state region is highly competitive in both the small business and enterprise market segments. In fact, the TNS findings show that Qwest is a minority provider of these services in both of these business market segments. Additionally, it is important to note that the TNS business customer sample base underlying these findings (with respect to TNS' in-region findings as opposed to its national findings) is limited strictly to Qwest's service footprint within Qwest's 14-state region, and excludes any carrier or customer data for geographic areas within independent telco service areas. From this perspective, the TNS research results are "pure" with respect to Qwest's 14-state service territory.

Qwest also briefly addresses services listed in Qwest's response to Staff Information Request 3 and not included in the scope of services covered by either the TNS data submitted by Qwest or the Harte Hanks data submitted by Qwest or both. As is stated in Qwest's response to Staff Information Request 5(a)(iii), ATM/frame relay revenues were excluded from Tables 1 and 2 of Qwest's *ex parte* dated December 7, 2006 since TNS' ATM/frame relay revenues included both intraLATA and interLATA revenues. However, Qwest has also made clear (both in response 5(a)(iii) and in the December 7, 2006 *ex parte*) that, if ATM/frame relay revenues had been included, Qwest's national revenue share would have remained unchanged while the inclusion of ATM/frame relay revenues would have slightly increased Qwest's revenue share in its region. Accordingly, Qwest believes that Tables 1 and 2 of its December 7, 2006 *ex parte* is credible evidence of the competitive state of interLATA ATM and frame relay services.

Qwest also clarifies that neither the TNS data submitted in Qwest's December 7, 2006 *ex parte* nor the Harte Hanks data attached hereto include, within the scope of services addressed by either set of data, operator services, directory assistance, audio conferencing or wholesale services. With respect to these services, Qwest, in its response to part (a) of this request, above, provides revenue tracking data showing interLATA revenue trends for these services. In each instance, the revenues are declining over the time periods shown in these revenue tracking reports as customers seek alternatives to these interLATA services. It is important to note, as stated in the worksheets displaying the revenue data, the revenue shown for these three services is nationwide and not limited to Qwest's 14-state service territory, since Qwest's tracking systems are unable to split out

⁹ See, e.g. December 7, 2006 *ex parte*.

the revenue on a regional basis.¹⁰ However, even though the reported revenue for these services is national in scope, it is clear that these revenue levels are quite small (in addition to being subject to a declining trend as stated above), especially as compared to the in-region revenues for Qwest's interLATA long distance and private line services.

Moreover, the Commission had previously noted that directory assistance and operator services are available from a variety of providers. Specifically, in its *1999 UNE Remand Order*, the Commission removed these items from the list of services required to be offered as unbundled network elements in view of the alternatives available in the market.¹¹ In that order, the Commission noted, among other things, that competition was evidenced by “the existence of multiple alternative providers of OS/DA service in the marketplace, coupled with evidence of competitors’ decreasing reliance on incumbent OS/DA services...” and found “[t]here are a substantial number of regional and national alternative providers of OS/DA service that are serving a variety of customers, including some incumbent LECs and IXC’s.”¹²

With respect to Audio Conferencing Services, Qwest believes the Commission can take administrative notice of the fact that competitive alternatives to Audio Conferencing Services offered by Qwest's Section 272 affiliates are also readily available. For example, technology giant Microsoft provides its Speech Server 2007 platform, which supports audio conferencing applications that are direct substitutes for Qwest's audio conferencing services. Microsoft states:

“Microsoft Corp. announced that the full capabilities of Microsoft® Speech Server 2007 will be integrated into the Microsoft Office Communications Server 2007, extending the company's commitment to unified communications and breaking down today's silos of instant messaging, Internet Protocol telephony, voice response, audioconferencing and videoconferencing.”¹³

Competitive wholesale alternatives are also readily available to audio conferencing providers wishing to obtain audio conferencing services on a wholesale basis from providers other than Qwest. For example, iBasis, Inc. provides wholesale audio conferencing service to carriers interested in providing international retail audio conferencing to retail customers. Ibasis states:

¹⁰ The Directory Assistance and Operator Services revenues reported in response to subpart (a) also combine retail and wholesale revenues for these services, as Qwest's Finance tracking systems are unable to report data separately for retail and wholesale.

¹¹ *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking, 15 FCC Rcd 3696, 3891-92 ¶¶ 441-42, 3893-95 ¶¶ 446-48, 3895-96 ¶¶ 449-50, 3898 ¶ 456, 3902 ¶ 462, 3903-04 ¶ 464 (1999) (*1999 UNE Remand Order*).

¹² *Id.* at 3895 ¶ 449, 3903-04 ¶ 464.

¹³ <http://www.microsoft.com/presspass/press/2006/aug06/08-08MSSpeechTechPR.mspx>.

“Launched in early 2002, ConnectPoint Global Access enables providers of enhanced communications services, such as audioconferencing and pre-paid calling card services, as well as call center outsourcing firms to expand their international business without investing in new infrastructure or paying high international telecommunications rates.”¹⁴

The iBasis network utilizes internet protocol technology to provide these services on a wholesale basis efficiently and at low cost.¹⁵

With respect to wholesale interLATA services, as is explained in Qwest’s response to Staff Information Request 3, the wholesale services at issue are simply wholesale versions of the other defined retail interLATA services offered by Qwest to other carriers on a wholesale basis. Qwest believes that the competitive data submitted for each retail service is also credible evidence of competition for each respective wholesale service.

Finally, Qwest states that, with respect to both elasticity of demand and elasticity of supply sought by this request, Qwest’s written *ex parte* filing of December 7, 2006 and other previous Qwest filings demonstrate that both elasticity of demand and elasticity of supply are high for all of the interLATA telecommunications services provided by Qwest’s Section 272 affiliates, as demonstrated by the ready availability of numerous competitive alternatives for the interLATA services. This prior data supplements the competitive effects seen in the data submitted in this response – i.e. among other things, the declining revenue trends for these services as shown in Qwest’s responses to subpart (a) above, and the Qwest presence and share data presented in the Harte Hanks and TNS research findings.

¹⁴ <http://www.ibasis.net/news/ConnectPoint%20PoY%20Award%20Release.htm>.

¹⁵ *Id.*

Attachment 4(a) - (b)

Tables/Appendices -

REDACTED IN FULL

REDACTED – FOR PUBLIC INSPECTION

Attachment 5(a)(i)

Request 5(a)(i): In a December 7, 2006 *ex parte* letter, Qwest provides two tables containing nationwide and regional market share estimates based upon proprietary data that Qwest obtained from TNS Telecoms. Table 1 provides estimates for “InterLATA Service Revenues for Enterprise Customers.” Table 2 provides estimates for “InterLATA Service Revenues for Small Business Customers.” For each of these tables, provide the sample size for: (1) the nationwide estimates; (2) the regional estimates; and (3) each Qwest in-region state.

Response: See the attached table which contains TNS’s sample sizes used in providing regional and national revenue share estimates for small business and enterprise customers in Tables 1 and 2 in Qwest’s *ex parte*. This attachment also includes sample sizes for each Qwest state. No state revenue share estimates were included in Qwest’s December 7, 2006 *ex parte*.

Attachment 5(a)(i)

Table(s) -

REDACTED IN FULL

REDACTED – FOR PUBLIC INSPECTION

Attachment 5(a)(ii)

Request 5(a)(ii): For each of the TNS market share tables provided in Qwest's December 7, 2006 *ex parte* letter, list and define each interLATA service for which data are included in the table.

Response: The interLATA services TNS included in the data upon which Tables 1 and 2 were built are:

InterLATA Domestic Switched Calling
InterLATA International Switched Calling
800 Service
WATS
InterLATA Private Line Service

The share data reflected in Tables 1 and 2 exclude any ATM or Frame Relay data, as noted in footnotes 60 and 65 of these tables. It is also important to note that Table 1 reflects interLATA revenue "share" data for Enterprise customers, and Table 2 reflects interLATA revenue "share" data for small business customers. These market segment distinctions are based on TNS Telecom's own stratifications of the business market, which define small business customers as those generating less than \$1,500 in monthly telecom spending. TNS defines Enterprise customers as those spending above this amount on a monthly basis. These definitions do not correspond precisely to Qwest's internal definitions of small business and enterprise markets. However, it is important to note that Qwest believes there is a reasonable correlation between Qwest's segmentation definitions and TNS' segmentation definitions. Qwest considers business customers with 10 or fewer lines to be "small business" customers, and business customers with line quantities above this threshold to fall into various "enterprise" classifications, including mid markets, large business and governmental. It was and is not possible for TNS to redefine its segmentation and restructure its results to correspond precisely to Qwest's market segmentation definitions. Qwest considers it significant to note that, even under TNS' market definitions, it is not the largest provider of these interLATA services (in either segment) within its own 14 state region and Qwest's share of business interLATA service revenues in both business segments (i.e. small business and enterprise) is very small even within the Qwest 14 state region.

The definition of the services in TNS' data as listed above correspond generally to the definition of the interLATA services outlined in Qwest's response to Staff Information Request 3. However, TNS simply asks the customers in their research panels whether they are using one of the above services, and if so, to provide the monthly amount they spend on each service. The results, based on the customers' responses and the customers' understanding of the services they are using, directly feeds the aggregated "share" values in the TNS results.

Attachment 5(a)(iii)

Request 5(a)(iii): For each of the TNS market share tables provided in Qwest's December 7, 2006 *ex parte* letter, list and define each interLATA service that Qwest provides these customers, for which data are not included in the table.

Response: The interLATA services not included in the TNS data upon which Tables 1 and 2 were built are:

ATM Service*
Frame Relay Service*
InterLATA Operator Services
InterLATA Directory Assistance
Audio Conferencing
InterLATA Wholesale Services

Please see Qwest's responses to Staff Information Request 3 for the definitions of the services listed above. In addition, note that, by focusing on interLATA long distance and interLATA/interstate private line services in its quantification of revenue share, TNS has captured the great majority of the market served by QCC and QLDC (Qwest's Section 272 affiliates), and Qwest is clearly not the dominant provider of these services as measured by share of revenue. Please refer to the interLATA revenue reports for long distance, private line and the services listed above in Qwest's response to Staff Information Request 4, which show that the levels of revenue for the above-listed services, in comparison to revenues for long distance and private line, are quite small and are generally declining as customers seek alternatives to these services.

- ATM/frame relay revenues have been excluded from Tables 1 and 2 since ATM/frame relay revenues included both intraLATA and interLATA revenues. If ATM/frame relay revenues had been included, Qwest's national revenue would have remained unchanged. However, the inclusion of ATM/frame relay revenues would have slightly increased Qwest's revenue share in its region, as Qwest indicated in submitting Tables 1 and 2.