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II. COMPETITIVE DATA BY WIRE CENTER

17. Table 4 above provides the percentage of Verizon's wire centers in which cable companies have obtained residential E911 listings as of the end of December 2006, and Table 5 above summarizes the percentage of Verizon's residential access lines in these wire centers as of this same date.

18. Exhibits 1.**A** through 1.F provide the number of competitive switched access lines, as well as Verizon's retail switched access lines (including MCI), by wire center, as of December 2006, with the exception of certain data within the Pittsburgh, Providence, and Virginia Beach MSAs, as explained above. Wire-center-level data are presented separately for the low end and the high end of the range for E911 listings data, as described in our Declarations. In worksheets displaying the low end of the range, E911 listings that cannot be directly attributed to a specific wire center are listed under the "ZZZZZZZZ" wire center.

19. Exhibit *2* provides Verizon's retail switched access lines (excluding MCI), by wire center, as of December 2006.

20. Exhibits **3.A** through 3.F provide E911 listings data for selected competitors, by wire center, as of December 2006. These data are presented separately for the low end and the high end of the range for E911 listings data, as described in our Declarations." In worksheets displaying the low end of the range, E911 listings that cannot be directly attributed to a specific wire center are listed under the "ZZZZZZZZ" wire center.

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[10] ***See*** n.9, ***supra.***

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21. Exhibit 4 provides wholesale switched access lines, by line type, by wire center, as of December 2006, including lines served using Wholesale Advantage and resale. Data are reported in voice-grade equivalents and do not include MCI. Wholesale switched access lines provided to MCI are reported on separate worksheets.

22. Exhibit 5 provides retail special access and private lines, by wire center, as of December 2006. Data are reported in voice-grade equivalents and do not include MCI.

23. Exhibit 6 provides wholesale special access and private lines, by bandwidth, by wire center, as of December 2006. Data are reported in voice-grade equivalents and do not include MCI. Wholesale special access and private lines provided to MCI are reported on separate worksheets.

24. Exhibit *7* provides the distribution of 2005 revenue from high-capacity special access, by wire center.

25. Exhibit 8 provides a list of wire centers exempt from UNE high-cap loop and dedicated transport ordering.

26. Exhibit 9 provides the number of CLECs with collocation arrangements, by wire center, as of December 2006. Data for MCI's arrangements have been excluded.

III. COMPETITION FOR MASS-MARKET SWITCHED ACCESS SERVICES

A. Cable

27. Bemstein Research recently estimated that at the end of 2006, cable companies offered voice telephone service to approximately 76 percent of homes nationwide, and by the end of 2007, 95 percent of homes will have access to voice telephone service from a cable

company.'' As of year-end 2006, these cable companies had already won approximately 8.7 million voice subscribers nationwide.''

28. Cablevision reported that, as of year-end 2006, it served more than 1.2 million voice subscribers nationwide,[13] and was adding an average of more than 8,000 voice subscribers each week.[14] Cablevision also reported that it was then the voice provider for more than 26 percent of the homes it passed, and analysts expect this to increase to approximately 32-33 percent by the end of 2007.[15]

29. Comcast stated that it was offering voice service to 32 million homes (nearly 70 percent of its footprint) nationwide as of year-end 2006, and that it would reach approximately 40 million homes (85 percent of its footprint) by year-end 2007.[16] On March 1, 2007, Comcast reported that it is providing voice service to more than two million customers nationwide.[17] As

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[11] *See C.* Moffett, *et al.*, Bernstein Research, *VoIP: The End of the Beginning* at Exhibit 3 (Apr. 3,2007).

[12] *See id.* at Exhibit *8*.

[13] *See* Cablevision News Release, *Cablevision Systems Corporation Reports Fourth Quarter and Full Year 2006 Results* (Feb. 27,2007).

[14] *See id.*

[15] *See id.;* C. Moffett, *et al.,* Bernstein Research, *Cablevision (CVC): Management Commentary Supports Bullish View. . . Capital Intensity Falls, and Margins Rise* at Exhibit 10 (Apr. 5, 2007); R. Bilotti, *et al.*, Morgan Stanley, *Cablevision Systems: Analysis of 3Q06 Results and Revised Model* at Exhibit 18 (Nov. 9,2006).

[16] *See* Comcast Presentation, Citigroup Entertainment, Media & Telecommunications Conference, at 11 (Jan. 9, 2007) (stating that Comcast Digital Voice was available to "32MM+ Marketable Homes" as of YE06 and would be available to "–40MM Marketable Homes" by YE07, as compared to 47 million homes that Comcast passes); Comcast Press Release, *Comcast Reports 2006 Results and Outlook for 2007* at 2 (Feb. 1, 2007).

[17] *See* Comcast Press Release, *Comcast Passes Its* ***Two*** *Million Comcast Digital Voice® Customer Milestone* (Mar. 1,2007).

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of year-end 2006, Comcast reported that it was adding an average of more than 32,000 customers per week.'' "The momentum our voice product has experienced since it was launched is simply staggering," noted Comcast's senior vice president and general manager for voice services.[19] Comcast states that it is now "significantly ahead of our plan to reach 20% penetration [of Comcast Digital Voice phone service] by the end of 2009."[20]

30. Time Warner Cable offers voice service in every market it served prior to its recent transactions with Adelphia and Comcast (markets in which Time Warner passed more than 16 million U.S. homes)," and following those transactions provides voice service to approximately 65 percent of its 26 million homes passed.[22] Time Warner has expanded its voice offering to approximately 900,000 of the homes it acquired from Adelphia and Comcast, and reports that it has "set a goal for ourself that we'll have digital phone offerings in each of our

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[18] *See* Comcast Press Release, *Comcast Reports 2006 Results and Outlookfor 2007* (Feb. 1, 2007).

[19] Comcast Press Release, *Comcast Passes Its Two Million Comcast Digital Voice® Customer Milestone* (Mar. 1,2007) (citing Cathy Avgiris).

[20] Thomson StreetEvents, *CMCSA – Q4 2006 Comcast Corporation Earnings Conference Call,* Conference Call Transcript at 8 (Feb. 1, 2007) (statement of Comcast Corp. COO and President, Comcast Cable Communications, Steve Burke).

[21] *See* Thomson StreetEvents, *TWX – Q4 2004 Time Warner Inc. Earnings Conference Call,* Conference Call Transcript at 6 (Feb. 4,2005) (statement of Time Warner Inc. CFO Wayne Pace); Time Warner Inc. Press Release, *Time Warner Inc. Reports Resultsfor 2006 Full Year and Fourth Quarter* (Jan. 31, 2007).

[22] *See* Time Warner Inc. Press Release, *Time Warner Inc. Reports Results for 2006 Full Year and Fourth Quarter* (Jan. 31, 2007); Time Warner Inc., *2006 Trending Schedules* at Schedule 6, http:l/ir.timewarner.com/downloads/4Q06Trending.pdf.

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acquired territories up and running by the end of this year."[23] In January 2007, Time Warner reported that it had more than 1.9 million voice subscribers nationwide as of year-end 2006, and that it was adding an average of 15,000 customers each week.[24]

31. In October 2006, Cox announced that its Digital Telephone service was available in all Cox markets.[25] Cox reported that it was providing voice service to more than 2 million homes as of year-end 2006.[26]

32. Charter has deployed telephony services to approximately 6.8 million homes nationwide as of year-end 2006.[27] Charter reported that as of year-end 2006, it was providing voice service to more than 445,000 nationwide – an increase of more than 30 percent from the end of September 2006 – and that it is adding more than 8,000 voice customers each week.[28] In February 2007, the company announced that it now serves more than 500,000 voice customers,

[23] ***Time Warner Cable Inc. at Banc of America Media, Telecommunications & Entertainment Conference,*** FD (Fair Disclosure) Wire, Transcript 032807aq.750 (Mar. 28, 2007) (statement by Time Warner Cable CFO John Martin).

[24] ***See*** Time Warner Inc. Press Release, ***Time Warner Inc. Reports Results for 2006 Full Year and Fourth Quarter*** (Jan. 31, 2007); Time Warner Inc. Press Release, ***Time Warner Inc. Reports Third Quarter 2006 Results*** (Nov. 1, 2006).

[25] ***See*** Cox News Release, ***Cox Digital Telephone Now Offered in All Cox Markets*** (Oct. 30, 2006).

[26] ***See*** Cox News Release, ***A Decade of Bundling Delivers Cox Communications Considerable Competitive Advantages*** (Jan. 30, 2007).

[27] ***See*** Charter Communications Press Release, ***Charter Reports Fourth-Quarter and Annual 2006 Financial and Operating Results*** (Feb. 28, 2007).

[28] ***See id.***

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and that the company "has more than quadrupled its number of customers since the beginning of 2006."[29] Charter has stated that it plans to continue expanding the availability of its service.[30]

33. Exhibits **3.A** through 3.F provide the number of cable E911 listings that Verizon was able to associate with each wire center in the six MSAs.

34. Microeconomic Consulting & Research Associates (MiCRA) released a study, commissioned by the National Cable & Telecommunications Association, which shows consumer benefits of $11.2 billion, $6.8 billion, and $526 million saved in the residential cable telephony, over-the-top VoIP, and cable small business telephony markets, respectively, over the next five years." MiCRA estimates an $11.19 average price difference between cable telephony and traditional wireline telephony."

1. New York MSA

35. According to E911 listings data as of the end of December *2006*, cable operators serve approximately ****   **** residential subscribers in the New York MSA, a ****   **** percent increase compared to December 2005.

36. Based on its E911 listings as of the end of December 2006, Cablevision is providing mass-market voice service to customers in wire centers in the New York MSA that account for at least ******[BEGIN HIGHLY CONFIDENTIAL]   [END HIGHLY**

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29 Charter Communications Press Release, *Charter Telephone Reaches Half-Million Customer Mark* (Feb. 15, *2007).*

30 *See id.* (In the past year, "Charter undertook an aggressive rollout of telephone," and "Charter plans to launch phone service in more markets this year.").

31 *See* M.D. Pelcovits & D.E. Haar, *Consumer Benefits from Cable-Telco Competition* at iii-iv (Sept. 2006).

32 *See id.* at *7*.

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CONFIDENTIAL]**** percent of Verizon's residential access lines in the MSA. Based on these same data, Cablevision provides service to approximately ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** residential lines in the New York MSA, an increase of more than ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****percent since December 2005.

37. Based on its E911 listings as of the end of December 2006, Time Warner is providing mass-market voice service to customers in wire centers in the New York MSA that account for at least ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****percent of Verizon's residential access lines in the MSA. Based on these same data, Time Warner provides service to approximately ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****residential lines in the New York MSA, an increase of approximately ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent since December 2005. As we explained in our Declarations, for purposes of this analysis, we attributed residential E911 listings that Sprint obtained to Time Warner, because Time Warner uses the wholesale VoIP services that Sprint offers, including, among other things, E911 listings services."

38. Based on its E911 listings as of the end of December 2006, Comcast is providing tnass-market voice service to customers in wire centers in the New York MSA that account for at least ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****percent of Verizon's residential access lines in the MSA. Based on these same data, Corncast provides

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[33] *See* Lew/Verses/Garzillo (New York) Decl. ¶ 21 & n.30.

service to more than ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** residential lines in the New York MSA, an increase of more than ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent since December 2005.

2. Boston MSA

39. According to **E911** listings data as of the end of December 2006, in the Boston MSA, cable operators serve approximately **** **** residential subscribers, a **** **** percent increase compared to December 2005.

40. Based on its E911 listings as of the end of December 2006, Comcast is providing mass-market voice service to customers in wire centers in the Boston MSA that account for at least ******[BEGIN HIGHLY CONFIDENTIAL) [END HIGHLY CONFIDENTIAL]****** percent of Verizon's residential access lines in the MSA. Based on these same data, Comcast provides service to more than ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** residential lines in the Boston MSA, an increase of more than ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent since December 2005.

41. Based on its E911 listings as of the end of December 2006, Charter is providing mass-market voice service to customers in wire centers in the Boston **MSA** that account for at least ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent of Verizon's residential access lines in the MSA. Based on these same data, Charter provides service to approximately ******[BEGIN HIGHLY CONFIDENTIAL) [END HIGHLY CONFIDENTIAL]****** residential lines in the Boston MSA, an increase of more than ******[BEGIN HIGHLY CONFIDENTIAL] [ENDHIGHLY CONFIDENTIAL]****** percent since December 2005.

3. Philadelphia MSA

42. According to E911 listings data as of the end of December 2006, in the Philadelphia MSA, cable operators sene approximately ****[BEGIN HIGHLY CONFIDENTIALJ [END HIGHLY CONFIDENTIAL]**** residential subscribers, a **** **** percent increase compared to December 2005.

43. Based on its E911 listings as of the end of December 2006, Comcast is providing mass-market voice service to customers in wire centers in the Philadelphia **MSA** that account for at least ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent of Verizon's residential access lines in the **MSA.** Based on these same data, Comcast provides service to approximately ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** residential lines in the Philadelphia **MSA,** an increase of more than ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent since December 2005.

44. Based on its E911 listings as of the end of December 2006. RCN is providing mass-market voice service to customers in wire centers in the Philadelphia MSA that account for at least ****[BEGIN HIGHLY CONFIDENTIALJ [END HIGHLY CONFIDENTIAL]**** percent of Verizon's residential access lines in the MSA. Based on these same data, RCN provides service to more than ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** residential lines in the RCN MSA, an increase of more than ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent since December 2005.

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4. Pittsburgh MSA

45. According to E911 listings data as of the end of December 2006 that are necessarily incomplete, in the Pittsburgh MSA, Comcast serves more than ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** residential subscribers, an increase of approximately ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent compared to December 2005. Based on these data, Comcast is providing mass-market voice service to customers in wire centers in the Pittsburgh **MSA** that account for at least ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent of Verizon's residential access lines in the MSA.

5. Providence MSA

46. According to E911 listings data as of the end of December 2006 that are necessarily incomplete, in the Providence MSA, cable operators serve approximately ****[BEGIN HIGHLY CONFIDENTIAL) [END HIGHLY CONFIDENTIAL]**** residential subscribers, an increase of more than ****[BEGIN HIGHLY CONFIDENTIAL1 [END HIGHLY CONFIDENTIAL]**** percent compared to December 2005.

47. **Cox** Communications is the largest cable operator in Rhode Island, and Cox bas been offering circuit-switched phone service in Providence since 2000.[34] As explained above, Verizon does not have access to E911 listings data after December 2005. Based on the most recent E911 listings data available to Verizon, Cox is providing mass-market voice service to customers in wire centers in the Providence MSA that account for at least ****[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**** percent of Verizon's residential access

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[34] ***See*** Lew/Verses/Garzillo (Providence) Decl. ¶¶ 14, 16 & Exhibit **3**

lines in the **MSA.** Based on these same data, Cox provides service to more than ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** residential lines in the Providence MSA.

48. Comcast's network serves Bristol County, Mass., in the eastern portion of the Providence MSA, where E911 listings data are still available to Verizon.[35] Based on its E911 listings as of the end of December *2006,* Comcast is providing mass-market voice service to customers in wire centers in the Providence MSA that account for at least ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent of Verizon's residential access lines in the MSA. Based on these same data, Comcast provides service to approximately ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** residential lines in the Providence MSA, an increase of ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent since December *2005.*

6. Virginia Beach MSA

49. According to E911 listings data as of the end of December *2006* that are necessarily incomplete, in the Virginia Beach **MSA,** Cox serves at least ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** residential subscribers, a ******[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]****** percent increase compared to December *2005.* Based on these data, Cox is providing mass-market voice service to customers in wire centers in the Virginia Beach MSA that account for at least ******[BEGIN**

[35] See Lew/Verses/Garzillo (Providence) Decl. ¶ 18 & Exhibit **3**

HIGHLY CONFIDENTIAL] **[END HIGHLY CONFIDENTIAL]****** percent of Verizon's residential access lines in the MSA.

B. Wireless

50. Mass-market customers are increasingly using wireless services in place of traditional wireline telephone services. According to data released by the FCC in January 2007, as of June 2006, there already were substantially more wireless subscribers (217 million) than wireline access lines (172 million).[36] In January 2007, CIBC estimated that 12.8 percent of wireline access lines have been lost to wireless, and that the total will rise to 16.7 percent within two years.[37] Analysts predict that the number of wireless-only users will grow to 18-25 percent of the market by 2010.[38]

C. Traditional CLECs

51. Competitors in each of the six MSAs are serving residential customers using both Wholesale Advantage – which **is** the market-based successor to the regulated UNE platform

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[36] ***See*** Ind. Anal. & Tech. Div., WCB, FCC, *Local* ***Telephone*** *Competition: Status as of June 30, 2006* at Tables 1 & 14 (Jan. 2007).

[37] ***See*** T. Horan, *et al.*, CIBC World Markets, *4Q06 Communications and Cable Services Preview,* at 16, Exhibit 8 (Jan. 18, 2007); ***see*** *also* B. Bath, Lehman Brothers, *Telecom Services – Wireline* at Figure 11 (July 7, 2005) (estimating 24 million wireline access lines have been lost to wireless providers since 1999).

[38] ***See*** 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); R. Bilotti, *et al.*, Morgan Stanley, *Cable/Satellite: Looking into 3Q06 and 2007: Cautious on Top Line, Capital Expenditures, and Lofty Valuations* at Exhibit 53 (Oct. 25, 2006) (predicting 20 percent wireless substitution by the end of 2009); V. Shvets, *et al.*, Deutsche Bank, *4Q04 Review: Wireless OK. . . RBOCs* ***Fare*** *Poorly* at 6 (Feb. 28, 2005) ("wireless cannibalization" now accounts for "more than 1m lines lost per quarter."); J. Chaplin, ***et*** *al.*, JP Morgan, *State of* ***the*** *Industry; Consumer* at Table 57 (Jan. 13, 2006) (estimating that, by the end of 2010, wireless will capture 18 percent of primary lines).

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service that Verizon was at one time required to provide – and resale (pursuant to Section 251(c)(4)). Table 12 summarizes these volumes as of December 2006 for each of the **six** MSAs.

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D. Over-the-Top VoIP

52. A significant and rapidly growing portion of mass-market customers subscribes to broadband service and are using their broadband connections to make voice calls. According to analysts, in the fourth quarter of 2006, "total **U.S.** broadband subscribers surpassed 54.1M, representing approximately 49.3% penetration of U.S. households, up from 47.1% last quarter and 40.1% a year ago."" Analysts estimated that, as ofyear-end 2006, over-the-top VoIP providers served more than 2.7 million voice subscribers nationwide – a 43-percent increase in 2006.[40] SunRocket recently announced that has "[b]uil[t] a 200,000 subscriber base from scratch

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[39] M. McCormack, ***et*** *al.*, Bear Steams, *March Broadband Buzz:* ***A*** *Monthly Update on Critical Broadband Issues* at 3 (Mar. 12,2007).

[40] *See* C. Moffett, *et al.*, Bernstein Research, *VoIP: The End of the Beginning* at Exhibit 1 (Apr. 3,2007).

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in a relatively short period of time," which it claims "demonstrates how rapidly consumers are embracing the value, simplicity and enhanced feature set of SunRocket Internet phone service."[41]

IV. COMPETITION FOR ENTERPRISE SERVICES

A. Overview of Enterprise Competition

53. Just as there is intense competition for mass-market customers in the six MSAs, the same is true for enterprise customers. As we explained in our Declarations, in addition to cable companies, there is a large number of competitive fiber providers in each of the six MSAs, and these providers have deployed fiber in wire centers that account for a significant number of Verizon's retail switched business lines in these MSAs. As we further explained, the GeoTel data regarding competitive fiber networks, 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, including, in some cases, major fiber operators such as AT&T. Even based on this incomplete data, however, competitive fiber providers have deployed fiber in wire centers that account for **** ****percent of Verizon's retail switched business lines in the New York MSA, **** **** percent in the Boston MSA, **** **** percent in the Philadelphia MSA, **** **** percent in the Pittsburgh MSA, **** **** percent in the Providence **MSA,** and **** **** percent in the Virginia Beach MSA.[42]

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[41] SunRocket Press Release, *SunRocket* ***Breaks Through*** 200,000 ***Subscriber*** *Milestone* (Apr. 2, 2007) (statement by SunRocket President and CEO Lisa Hook).

[42] ***See*** LewNerseslGarzillo (New York) Decl. ¶ 46; Lew/Verses/Garzillo (Boston) Decl. ¶ 40; LewNerseslGarzillo (Philadelphia) Decl. ¶ 42; Lew/Verses/Garzillo (Pittsburgh) Decl. ¶ 36; Lew/Verses/Garzillo (Providence) Decl. ¶ 38; Lew/Verses/Garzillo (Virginia Beach) Decl. ¶ 37. The estimates for the percentage of Verizon's retail switched business lines in the Providence

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54. Exhibit 11 contains recent statements by competitive carriers that have submitted comments in this proceeding, providing further evidence that they are competing successfully for enterprise customers.

1. Facilities-Based Competition

55. Table 9 above provides the number of business E911 listings competing carriers had obtained in each of the six MSAs as of the end of December 2006. As we explained in our Declarations, these data provide an estimate of the number of business lines that competitors are serving.[43] 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 do not typically obtain E911 listings for lines that are used to provide data services. Moreover, as explained above, Verizon does not have access to current E911 data for three of the MSAs – Pittsburgh, Providence, and Virginia Beach – so the data reported here necessarily understate the extent of competition. Nonetheless, the totals reported in Table 9 indicate that competitors controlled at least **** **** percent of switched business lines in the New York MSA using their own switches, at least **** **** percent in the Boston MSA, at least **** **** percent in the Philadelphia **MSA,** at least **** **** percent in the Pittsburgh MSA, at least **** **** percent in the Providence **MSA,** and at least **** **** percent in the Virginia Beach MSA.

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and Virginia Beach MSAs have declined due to the use of December 2006 data for Verizon's retail switched business lines.

[43] ***See*** Lew/Verses/Garzillo (New York) Decl. ¶ 47; Lew/Verses/Garzillo (Boston) Decl. ¶ 41; Lew/Verses/Garzillo (Philadelphia) Decl. ¶ 43; Lew/Verses/Garzillo (Pittsburgh) Decl. ¶ 37; Lew/Verses/Garzillo (Providence) Decl. ¶ 39; Lew/Verses/Garzillo (Virginia Beach) Decl. ¶ 38.

56. Exhibits 1.A through 1.F provide the number of business E911 listings that Verizon was able to associate with each wire center in these MSAs. Exhibits **3.A** through 3.F provide these data for selected competitors.

57. Table 13 provides the number of competitive providers that are collocated in central offices in each of the **six** MSAs, the number of central offices in which they are collocated, and the percentage of total retail access lines and switched business lines that are served by these central offices.

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58. Exhibit 9 provides the number of CLECs with collocation arrangements, by wire center, as of December 2006, for each of the six **MSAs.**

2. Special Access

59. Tables 14 and 15 show that, based on Verizon's wholesale billing records, the number of voice-grade equivalent lines that competing carriers serve using both special access

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DS1s and DS3s, respectively, has increased between 2005 and 2006 in each of the **MSAs** (with the exception of competitors' use of DS3 special access in the Providence MSA, which declined *slightly). Tables 10 and 11* above show that, based on these same data, **as** of December 2006, competitors are using Verizon's special access services to serve business customers in between **** **** percent of the wire centers in the six MSAs, which account for between **** **** percent of Verizon's retail switched business lines in these **MSAs.**

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60. Exhibit 6 provides wholesale special access and private lines, by bandwidth, by wire center, as of December 2006, for each of the six MSAs.

61. Exhibit 10 shows that Verizon provides the vast majority of wholesale inputs to competing carriers in these six MSAs as special access, not as unbundled network elements. It demonstrates that competing camers **as** a whole are purchasing between 85 and 95 percent of DS1s and between 98 and 99 percent of DS3s from Verizon as special access rather than UNEs in each of the six **MSAs.** Moreover, just as this is true for competitors as a whole, virtually all of the major competing camers in each of these **MSAs** also is purchasing most (and typically the vast majority or all) of its DS1s and DS3s as special access rather than as UNEs.

B. Major Facilities-Based Competitors

1. Cable Operators

62. The nation's major cable operators continue to move aggressively into the enterprise market. Each of the major cable companies in Verizon's local telephone service areas – Cablevision, Time Warner, Cox, and Comcast – has been offering data services to enterprise customers for many years, and most are now expanding to provide voice services. One analyst estimates that the cable industry will "grow its commercial revenue base from $1.3B this year to $2.0B in '07 and $3.2B by '08."[44] Buckingham estimates that cable operators have already won approximately 4 percent of revenues for small and medium enterprise customers, and that cable companies can use their existing plant to target more than 85 percent of commercial revenues."

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[44] **Q.** Hasan, ***et al.***, Buckingham Research Group, ***Cable Goes Commercial:*** *Examining* ***Cable's Next*** *Growth Phase* at 18 (Jan. 11,2007).

[45] ***See*** *id.* at Exhibit 14.

Exhibit 7 of the Lew/Verses/Garzillo Declarations for each MSA collect marketing material from the major cable operators' own websites describing these companies' offerings to business customers in each MSA.

63. In January 2007, Comcast's CEO stated that commercial services represent the "next great business opportunity" for Comcast, and that it will do the "same thing" in the enterprise market as it has done in the mass market.[46] In February 2007, Comcast told investors that it would be making a "$250 million investment in commercial services in 2007."[47] In March 2007, Comcast opened a customer and technical support center in Centennial, Colorado, specifically to service business customers using Workplace High-Speed Internet, Workplace TV, and Workplace Digital Voice services.[48] According to Comcast, "Comcast's top priority is our customers, and the new support center will enable us to serve business customers across the country from Colorado."[49] Comcast offers high-speed Internet and Web-hosting, and says it will begin offering digital voice service for business customers this year.[50] Comcast claims that it is the leading provider of Internet access for SMBs.[51]

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[46] *Comcast Corporation at Citigroup 17th Annual Entertainment, Media and Telecommunications Conference – Final*, FD (Fair Disclosure) Wire, Transcript 010907aw.757 (Jan. 9, 2007) (statement by Comcast Chairman & CEO Brian Roberts).

[47] Thomson StreetEvents, *CMCSA – Q4 2006 Comcast Corporation Earnings Conference Call,* Final Tr. at 6 (Feb. 1, 2007) (statement of Comcast Corp. EVP, Co-CFO & Treasurer, John Alchin).

[48] *See* B. Wallace, *Cox, Comcast Sharpen Business Customer Focus,* xchange online (Mar. 20, 2007), http://www.xchangemag.com/articles/51/73h208494698076.html.

[49] *Id* (citing Comcast Colorado Region vice president of Business Services Karl Ossentjuk).

[50] *See id.*

[51] *See* J. Duffy, *Cable Companies Intensify Enterprise Service Ambitions,* Network World (Oct. 24, 2006), http://www.networkworld.com/news/2006/102406-cable.html.

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64. In January 2007, Time Warner Cable announced that, "[i]n 2007, [it] will launch Time Warner Cable's Business Class Phone, an offering directed towards small to medium size businesses."[52]

65. In January 2007, Cablevision announced that it had connected its 2,000th fiber-lit building.[53] "The Optimum Lightpath network now comprises more than 2,500 route miles of fiber optic cable (nearly 128,000 miles of actual fiber) within the New York metropolitan area, encompassing New York City, and the suburban areas of Long Island, Westchester County, Northern New Jersey and Southern Connecticut."[54] Cablevision Chief Operating Officer Tom Rutledge said that Cablevision has "more fiber in the [New York/New Jersey/Connecticut] tri-state area" "than any phone company."[55] Mr. Rutledge "highlighted the drive that [Cablevision] is making to target the 600,000 businesses in the New York metropolitan area."[56] Mr. Rutledge noted that Cablevision already has fiber service to twice as many buildings in its metropolitan New York footprint as Verizon does.[57] Cablevision has said it could cut prices for small- and

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[52] Thomson StreetEvents, *TWX – Q4 2006 Time Warner Inc. Eurnings Conference Cull*, Final Tr. at 4 (Jan. 31, 2007) (statement of Time Warner Inc. Chairman & CEO, Dick Parsons).

[53] ***See*** Optimum Lightpath Press Release, *Optimum Lightpath Connects 2,000th Fiber-Lit Building* (Jan. 9, 2007).

[54] *Id.*

[55] **S.** Moritz, *Cublevision's Got Fiber*, TheStreet.com (Sept. 20,2006) (internal quotation marks omitted), http://www.thestreet.com/newsanalysis/techtelecom/1030196.html.

[56] *Comcast, Cablevision Target Businesses for Growth,* Reuters (Sept. 20, 2006).

[57] ***See*** M. Farrell, *Cablevision Revs Up for Business Blitz,* Multichannel News (Sept. 25,2006). http://www.multichannel.com/article/CA6374465.html.

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medium-sized businesses by as much as half compared with bills from Verizon and AT&T, and that it could get a 25 percent share of the business market in its area in two years."

66. On March *28,2001*, Mr. Rutledge told the company's investors that "we think there is a significant opportunity to take share out of the small business marketplace and the large business marketplace," which he estimates at "a $6 billion spend right now by small businesses and large businesses inside our footprint for telecom."[59] Cablevision has "identified over 600,000 businesses inside our footprint that we passed with cable that were serviceable today," using Cablevision's *existing* plant that was originally deployed to serve residential customers.'" Cablevision determined this by "build[ing] a database" by "collect[ing] various business databases and we physically walked out our plant and identified all the small businesses inside our footprint and cross-referenced them against all the various databases."' Through this process, Cablevision determined that its existing cable plant could be used to serve 600,000 businesses because its "physical assets on the poles or in the conduits were in front of that building and all we needed to do was put in an installation drop to create connectivity to that building."[62] Cablevision accordingly "began marketing those buildings last year, and we are

[58] *See Comcast, Cablevision Target Businesses for Growth,* Reuters (Sept. 20,2006).

[59] Thomson Street Events, *CVC – Cablevision Systems Corp. at Banc of America Media, Telecommunications & Entertainment Conference,* Transcript at 7 (Mar. 28,2007) (statement of Tom Rutledge, COO, Cablevision).

[60] *Id.* Cablevision's statements belie Sprint's claim (at 5) that Cable's network is concentrated in residential areas. The fact is that many businesses – in both urban and suburban areas – are commingled in residential areas where cable networks already exist.

[61] *Id.*

[62] *Id.*

now in the middle of earnestly marketing the 600,000 business marketplace."[63] The company has developed "a full suite of high-end and middle and low market products *in IP form to* go into those markets and compete against the incumbent phone operator with superior products, superior service and a superior reputation in the marketplace."[64] The company has "developed an inbound sales force" as well as an "outbound sales force" and a "door-to-door sales force'' to serve business customers, as well as a "separate service call facility to handle customers questions and staffed it 24 hours a day so that we can provide the highest quality service."[65] The company claims that it will "charge about half of what Venzon or AT&T charges for the same service with a higher-quality service and a more sophisticated service, too, because it is all **IP.** And in terms of data capacity, in terms of voice quality, it is equal to or better than anything the incumbents provide and build for the future.""

67. RCN recently announced the court approval of its IRU agreement with Verizon, stemming from the Verizon/MCI merger.[67] The agreement increases RCN's fiber network in Boston.[68] According to RCN, "in the Greater Boston Area, RCN will offer its cost-effective Ethernet service (1.5 Mbps up to 10Gbps), voice/video/data packages, Sonet, and dedicated IP internet access to tenants in commercial Boston buildings where service was previously

[63] *Id.*

[64] *Id.* **at** *2*.

[65] *Id.* at 7.

[66] *Id.*

[67] ***See*** RCN Press Release, *U.S.* ***District Judge Gives Green Light to RCN-Verizon IRU Agreements; RCN Business Solutions*** *tu* ***Increase On-Net Buildings, Fiber & Route Miles*** (Mar. 30,2007).

[68] ***See id.***

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unavailable."[69] "We are excited about moving ahead because the two new markets are a logical extension of our presence and concentration in the Northeast comdor. The acquisition also gives us greater coverage and depth in our important Boston network that will strengthen our commercial growth in that area."[70]

2. Traditional Telecommunications Carriers

68. Since we submitted our Declarations, several traditional telecommunications carriers have completed their mergers, or have announced their intentions to merge with other large competitors. Analysts have noted that "all competitive service providers are looking for ways to reduce the cost to bring traffic onto their networks and deliver it to the ultimate destination. . . . We believe this goal motivated several of the recent transactions, including Time Warner Telecom/Xspedius, Level 3/Looking Glass, Qwest/OnFiber, Level 3/TelCove, and Level 3/ICG. . . . CLECs are also merging in order to increase the density of their networks, to improve the utilization of deployed switches. . . . We believe this goal motivates the PAETEC/US LEC, Eschelon/Mountain Tel/Oregon Tel/ATC, Choice One/Conversent/CTC, Integra Telecom/Electric Lightwave, and XO/Allegiance mergers."[71]

69. AT&T completed its acquisition of BellSouth at the end of 2006.[72] AT&T serves "[a]ll Fortune 1000 companies" and "[a]ll Standard & Poor's (S&P) 500 companies."[73] AT&T

[69] *Id.*

[70] *Id.* (citing RCN Senior VP, Strategic & External Affairs Richard Ramlall).

[71] T. Seitz, *et al.*, Lehman Brothers, *Anticipating Return to Business Growth* at 12 (Oct. 30, 2006).

[72] *See* AT&T Press Release, *AT&T and BellSouth Join To Create a Premier Global Communications Company* (Dec. 29,2006).

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recently announced that it had won a five-year, nearly $1 billion contract from General Motors, and stated it was "one of the largest commercial contracts in AT&T history."[74] In March 2007, AT&T announced that it "will invest more than $750 million in 2007 to accelerate the delivery of global IP services and solutions to businesses and multinational companies in key markets worldwide."[75]

70. In October 2006, Broadview completed its acquisition of ATX Communications,[76] and in February 2007, Broadview announced its intention to acquire InfoHighway.[77] According to Broadview, "[t]he combined company serves approximately 80,000 small and mid-sized business customers in 20 markets from Maine to Virginia, including major metropolitan areas such as New York, Philadelphia, Boston, and the Baltimore-Washington corridor."[78] Commenting on the acquisition, Michael Robinson, Broadview President and CEO, stated that Broadview "will have robust direct and indirect sales channels and significant market density, particularly in New York, Pennsylvania, and New England,"

[73] AT&T, *Corporate Profile: Global, National, Mid-Size, Regional and Government Portfolio,* http://www.att.com/gen/investor-relations?pid=5711.

[74] AT&T Press Release, *AT&T Wins Global Networking Contract Worth Nearly $1 Billion from General Motors* (Feb. 21,2007).

[75] AT&T Press Release, *AT&T to Invest $750 Million-Plus Globally in 2007 To Speed Advanced Solutions to Business Customers* (Mar. 13,2007).

[76] *See* Broadview Networks Press Release, *Broadview Networks Completes Acquisition of ATX Communications and New Debt Offering* (Oct. 12,2006).

[77] *See* Broadview Networks Press Release, *Broadview Networks To Acquire InfoHighway* (Feb. 26,2007).

[78] *Id.*

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