reduced, even though the customers have not yet disconnected their wireline telephone service entirely. The FCC states:

> Even when not "cutting the cord" completely, consumers appear increasingly to choose wireless service over traditional wireline service, particularly for certain uses. For example, according to one analyst, customers in nearly a third of American households make at least half their long distance calls at home from their cell phones rather than from their landlines. In the early 2006 survey of cellphone users described above, an additional 42 percent of cellphone users said that they also had a landline phone, but that they used their cellphones "most."[99]

This data is undeniable evidence showing that wireless service subscribers are using wireless service as a direct substitute for traditional wireline telephone services.

41. Other independent experts have studied the phenomenon of wireless substitution and echo the FCC's conclusions. For example, the Yankee Group reports that "more than 51% of local calls and 68% of long distance calls have been replaced by wireless."[100] Independent research firm Instat/MDR concurs in this finding, as shown in a February 2004 CNET News.com article, in which they state: "by 2008, nearly a third of all U.S. wireless subscribers won't have a landline phone in their home, according to a forecast released Wednesday by high-tech market research firm Instat/MDR. That's a dramatic increase in what's known as cord cutting."[101] In October 2006, Telephia released results of its primary research conducted during Second Quarter 2006 showing the rate of wireless substitution in large metropolitan areas in the United States, including the Seattle

[99] *Id.*, Page 90, ¶206.

[100] *2006 U.S. Technologically Advanced Family Survey*, The Yankee Group, September 2006.

[101] "Cord Cutting" Frays Phone Revenues, CNET News.com, February 25, 2004. See Exhibit 5, Page 4.

metropolitan area. Telephia found that 13.2% of the survey respondents in the Seattle area reported that they had cut the cord--a percentage that translates to over 105,000 Seattle area households.[102] In short, there is no evidence that the rate of substitution of wireless service for traditional wireline service is diminishing. Rather, all evidence is that such substitution will continue to increase at a robust rate.

42. Competitive wireless service is now available to the vast majority of customers in Qwest's Seattle MSA service territory from at least one (and usually several) of the major carriers such as Sprint PCS, T-Mobile, Verizon, and AT&T (f/k/a Cingular).[103] Exhibit 5, page 5, displays the wireless coverage areas of the carriers serving the Seattle MSA, based on a conservative mapping of a five mile[104] coverage footprint around each known cellular tower. Wireless services now provide functionality nearly identical to wireline service, from the perspective that both provide switched voice communication capability, access to directory assistance, access to popular calling features (such as call waiting, three-way calling, caller I.D., voice messaging, etc.), access to operator services, number portability (e.g.: customers may now port a wireline telephone number to a wireless carrier and vice versa) and access to E911 service.

[102] http://www.telephia.com/html/documents/TotalCommunications_000.pdf, October 18, 2006. See Exhibit 5, Page 6. The 107,000 estimate was derived by multiplying the number of households in King County as identified in the 2005 U.S. Census by 13.5%, as follows: 792,682 X .135 = 107,000.

[103] Other smaller wireless carriers, such as Alltel, also serve the Seattle MSA (see http://www.alltel.com/personal/wireless/plans/nf_coverage_map.html). See Exhibit 5, Page 8.

[104] Depending on local conditions, cellular reception is viable at distances as great as 30 miles from the cellular tower (source: http://en.wikipedia.org/wiki/Cell_site). Mapping based on 2006 data obtained by research firm GeoResults.

43. Wireless broadband ("WiFi") service represents another form of radio-based competition that is being actively deployed in many communities within Qwest's service territory in the Seattle MSA and is a precursor to WiMAX service, which will have a much greater coverage area from each transmitter. According to WiFi Free Spot, an on-line directory service which identifies free public WiFi hot spot locations for free broadband internet access in each state in the U.S., free WiFi service is now publicly available in well over 140 locations within the Seattle MSA, including locations in Bellevue, Des Moines, Federal Way, Issaquah, Kent, Maple Valley, Mercer Island, Renton and Seattle.[105] In any of these locations, users can utilize the WiFi connection to access the internet and use VoIP services to make and receive telephone calls without reliance on Qwest's local network. In other words, WiFi services represent yet another physical "communications pipe" into homes and businesses in the Seattle MSA. This technology continues to be aggressively deployed. For example, in 4th Quarter 2006, Alltel introduced its Axcess broadband wireless service in the Seattle area, enabling broadband internet access via an Alltel wireless phone or a broadband wireless connection to a laptop computer.[106] Alltel maintains that "this next generation EVDO (evolution data optimized) technology provides customers with unlimited wireless access to the internet at speeds comparable to wired broadband connections such as cable modem or DSL."[107]

[105] http://www.wififreespot.com/wa.html. See Exhibit 5, Page 9.

[106] http://www.alltel.com/axcess/mobile_web.html. See Exhibit 5, Page 53.

[107] http://www.alltel.com/corporate/media/news/06/nov/n411nov2106a.html. See Exhibit 5, Page 55.

44. The Seattle area is a hotbed of innovation, particularly in the wireless market. For example, Sotto Wireless, headquartered in Bellevue, Washington, now markets to small and medium businesses in the greater Seattle area a hybrid wireless service which integrates cellular and WiFi technology. As Sotto states:

> "Sotto's dual-mode Hybrid Wireless Phone solution incorporates both cellular and WiFi capability into one phone. This phone sends calls over the Internet (VoIP) using your company's wireless LAN in the office and uses the cellular network when you are away from the office. Usage of the wireless LAN improves your in-building wireless coverage - enabling you to avoid expensive cellular charges. The phone supports both your wireless voice and data communications. Sotto has partnered with industry leader Nokia to offer their new E70 Smartphone as our featured hybrid phone."[108]

In other words, this new offering from Sotto Wireless integrates cellular, WiFi and VoIP technologies for small business and enterprise business customers, representing yet another facilities-based substitute for Qwest business telecom services.

45. Qwest does not maintain that wireless service is viewed by every customer in the Seattle MSA as a complete substitute for traditional wireline service. A certain number of customers will never switch from wireline service to wireless service no matter how attractive wireless service becomes. However, it is clear, when current facts regarding wireless service functionality (for voice as well as data/internet applications), price and convenience are examined, wireless service is now a viable and direct substitute for Qwest's wireline services for many Washingtonians. It is equally clear that wireless substitution is occurring today, that the rate of such substitution will continue to increase

[108] http://www.sottowireless.com/en/solutions/phones/e70. See Exhibit 5, page 57.

and that this form of competition now represents price constraining competition for Qwest's residential and business telecom services in Washington.

VII. VOIP COMPETITION.

46. VoIP service, which typically consists of unlimited local and long distance service plus an array of calling features, is now readily available from a broad range of providers to any residence or business customer in the Seattle MSA that has broadband internet access.[109] As a preliminary matter, some parties contend that VoIP service is significantly more expensive than traditional landline service because a broadband connection is needed to enable VoIP service. However, this precept incorrectly implies that a customer only purchases broadband service to facilitate VoIP. In fact, most customers purchase broadband services primarily for internet access and entertainment purposes, not simply to facilitate VoIP. For these customers, there is no incremental cost for broadband when they elect to add VoIP service via the preexisting broadband internet connection, and the cost of broadband is therefore not a factor in their VoIP purchase decision.

47. According to the FCC, broadband access lines in Washington have grown at an astounding rate, from 195,628 in December 2000 to 1,575,375 in June 2006, an increase

[109] Broadband internet access is now available from a number of sources, including cable modem service, digital subscriber line, wireless broadband and satellite.

of over 705%.[110] In fact, in the first six months of 2006 alone, broadband internet access lines in Washington increased by over 29%.[111] As of June 2006, over 46% of the broadband access lines in Washington were served by cable modem, 32% were served by DSL and the remainder were served by other technologies such as fiber and fixed wireless.[112] The FCC found that "99% of the country's population lives in the 99% of zip codes where a provider reports having at least one high-speed service subscriber,"[113] and every zip code in Washington has at least one broadband service provider available as of June 2006.[114] Competitive broadband services are now widely available from multiple providers in the Seattle MSA, and have been embraced by a rapidly increasing number of customers. Each broadband customer represents a potential VoIP subscriber.

48. Currently, there are at least 60 unaffiliated VoIP providers serving area code 206 (which encompasses the Seattle MSA) including Verizon, AT&T, Vonage, Lingo/Primus, Broadvoice, Packet8, SunRocket, Clearwire, ZipGlobal and Skype and many others. Some of these providers, such as Vonage, Lingo/Primus, and Clearwire offer service options for both the residential and business markets, while others, such as Speakeasy and SunRocket, focus primarily on the residential market.[115] Vonage, which

[110] *High Speed Services for Internet Access: Status as of June 30, 2006*, Industry Analysis and Technology Division, Wireline Competition Bureau, January 2007, Table 10.

[111] *Id.*, Table 10.

[112] *Id.*, Table 9.

[113] *Id.*, Page 4.

[114] *Id.*, Table 17.

[115] http://www.voipreview.org/service.all2.aspx?provider=0&Country=0&Area_Code=206&serviceType=1&pg=3&sort_exp=ProviderName%20asc. See Exhibit 6, Page 1.

is probably the best-recognized independent residential VoIP provider, recently announced that in just over two years, its customer base has grown to over 2 million subscribers in the U.S.[116] Since VoIP calls don't rely on Qwest's switched network and calls transported via non-Qwest broadband facilities don't rely on Qwest's local loop network, the rapid customer VoIP adoption rate represents an increasingly significant form of network bypass competition.

49. On November 15, 2006, Clearwire Corporation, a business headquartered in the Seattle MSA and founded by cellular wireless pioneer Craig McCaw, announced the immediate availability of Clearwire wireless broadband service throughout the greater Seattle area. In announcing this new service, Clearwire stated:

> "Clearwire Corporation - 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."[117]

Clearwire's wireless broadband coverage area in the greater Seattle area encompasses virtually the entire Seattle MSA, as shown on the interactive coverage map available at Clearwire's website.[118] This service, which uses a form of WiMax wireless technology, provides wireless broadband connectivity at speeds up to 1.5Mbps (which can easily accommodate VoIP service), and is now available to residential and business customers

[116] http://pr.vonage.com/releasedetail.cfm?ReleaseID=209928. See Exhibit 6, Page 19.

[117] http://www.clearwire.com/company/news/11_15/06.php. See Exhibit 6, Page 20.

[118] http://www.clearwire.com/store/service_areas.php. See Exhibit 6, Page 22.

in the Seattle area at prices ranging from $29.99 to $49.99[119] in direct competition with similar internet access services offered by Qwest and cable providers in the Seattle MSA. In effect, Clearwire's service represents yet another physical telecommunications "pipe" available to residential and business customers in the Seattle MSA that may be used in lieu of Qwest services. Additionally, Clearwire also offers its own VoIP telephone service to Clearwire wireless broadband subscribers in Washington area code 206, which encompasses the Seattle MSA. Clearwire's VoIP service, which includes unlimited long distance calling and over ten calling features, is priced at $29.99.[120] Clearwire wireless broadband customers also have the option of subscribing to stand-alone VoIP offerings of the VoIP providers discussed earlier in this section, such as Vonage, SunRocket, Packet8, Skype and others.

50. While VoIP providers such as Vonage are currently reporting impressive subscriber totals, industry experts forecast exponential VoIP growth in the future. For example, Frost and Sullivan found that VoIP market revenue totaled $295.1 million in 2004 and expect it to reach $4.1 *billion* in 2010, *a growth rate of over 1,200%.*[121] As noted earlier, the number of broadband connections that enable VoIP service has increased significantly, and that growth is expected to continue. The Yankee Group found that roughly 44% of all U.S. households now subscribe to broadband internet

[119] http://www.clearwire.com/order_entry/web/service_plans/pho. See Exhibit 6, Page 23.

[120] See Exhibit 6, Page 13.

[121] Real World Network, Trend and Forecasts, North American Residential VoIP Market to Increase Growth, July 19, 2005. See Exhibit 6, Page 25.

access service, and that proportion is expected to increase to over 58% by 2010.[122] With respect to VoIP in the business markets, Infonetics Research, a major research firm specializing in data networking and telecommunications issues, released a study in May 2006 in which it found:

- 36% of large, 23% of medium and 14% of small North American organizations interviewed were already using VoIP products and services in 2005.
- By our estimates, almost half of small and two-thirds of large organizations in North America will be using VoIP products and services by 2010.[123]

Thus, leading industry analysts predict seismic changes in the structure of the competitive mass and enterprise telecom markets in the U.S., with a significant shift away from traditional wireline telephone services and toward intermodal services such as VoIP.

51. In the past, lack of reliable access to 911 emergency service providers was mentioned as a reason that VoIP services may not have been considered to be viable direct substitutes for traditional wireline service. However, this issue has been largely resolved with regard to VoIP customers at fixed locations. The primary remaining VoIP E911 issue currently being addressed by the industry is the problem of "nomadic" E911, involving instances where customers transport their VoIP phone equipment to a location other than the location at which the equipment is registered and attempt to place an E911 call from the remote location.[124] Unless the VoIP provider is notified that the customer

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[122] *2006 U.S. Consumer Fixed Line Forecast*, The Yankee Group, January 2007.

[123] http://www.infonetics.com/resources/purple.shtml?upna06.ipv.nr.shtml. See Exhibit 6, Page 27.

[124] The FCC ordered all VoIP providers to make their VoIP services fully 911-capable by November 28, 2005, particularly in instances where the customer is "nomadic."

has changed locations, the E911 call will show the name and address of the location at which the VoIP equipment was originally registered. For example, if customer John Smith registers his VoIP equipment at 123 Main Street in Seattle, but subsequently takes his VoIP equipment with him on a business trip to Chicago and places an E911 call on that equipment from Chicago without notifying his VoIP service provider, the E911 operator will recognize his call as originating at 123 Main Street in Seattle. However, if the customer is not "nomadic" and simply uses his or her VoIP equipment at a fixed location as a landline replacement (and has properly notified the VoIP provider of the address of the fixed location), 911 calls from that fixed location are recognized by the E911 operator with the telephone number, name and address of the party at the location at which the VoIP service was initially registered.

In an article in USA Today, AT&T discussed a solution it has devised to address the problem of nomadic VoIP, as follows:

> AT&T's nomadic solution, called Heartbeat, uses its internet network to track the location of users. Here's how it works: when VoIP customers power down, AT&T's network will automatically suspend VoIP service. Once the phone adapter is plugged back in, AT&T will ask the user to verify his or her location. For customers who indicate they haven't moved, service will be instantly restored. If they have moved, they'll be directed to an 800 number or web page to register the new location.[125]

Again, so long as the VoIP subscriber properly registers his or her location with the VoIP provider, the E911 operator will automatically receive the 911 caller's name, telephone number and street address. VoIP providers are actively working to resolve the remaining

[125] AT&T Solves VoIP's 911 Issue, USA Today, October 12, 2005. See Exhibit 6, Page 28.

E911 issues driven by nomadic VoIP applications. To the extent the VoIP service is used by the VoIP subscriber to replace wireline service at a static address, VoIP must clearly be viewed as a direct substitute for traditional wireline service.

VIII. WHOLESALE COMPETITION.

52. In addition to retail competitors in the Seattle MSA described earlier in this declaration (e.g., CLECs, cable operators, wireless carriers and VoIP providers), there is a class of carriers that offer wholesale services to other telecom carriers as a direct substitute to Qwest wholesale access and UNE services. These carriers offer dark fiber, wholesale access, wholesale transport and finished telecommunications services for use by other telecom providers. Our declaration as already briefly mentioned that wholesale services are now offered by Comcast as an alternative to Qwest wholesale service. In addition, other carriers, including many CLECs discussed earlier in this declaration, are now actively offering such services in the Seattle MSA. For example, AT&T, Covad, Eschelon, Global Crossing, Granite Telecommunications, Integra, Level 3, McLeodUSA, Time Warner Telecom, Trinsic, Verizon/MCI and XO Communications have all self-reported to the FCC that they are offering "carrier's carrier" services to other telecommunications service providers.[126] Since inter-carrier services are often provided on a contractual basis, details of such services are difficult to obtain. However, the presence of numerous providers of wholesale carrier services shows that alternatives to

[126] Telecommunications Provider Locator, Industry Analysis & Technology Division, Wireline Competition Bureau, Table 3, March 2006.

Qwest's wholesale telecom services, including UNEs, are readily available in Washington. A brief discussion of the wholesale offerings of a representative subset of these carriers follows.

53. Comcast, the dominant cable provider in the Seattle MSA, offers wholesale services to other carriers to leverage the scope of its coaxial and fiber network. On its website, Comcast touts the carrier benefits of its network, describing its wholesale offering as a "cost effective transport that can reach into new markets and scale at a moment's notice."[127] Further, in addressing the advantages to other carriers of utilizing Comcast's network, Comcast states:

> "Comcast's services can be deployed quickly and efficiently with minimal wait and bureaucracy than you are typically confronted with when purchasing services from traditional telephone carriers."[128]

While Comcast's pricing for such loop and transport wholesale services is a proprietary matter of carrier-to-carrier contracts and is not publicly posted, it is clear that Comcast positions its wholesale services as a direct alternative to wholesale network elements available from incumbent telephone service providers such as Qwest.

54. As discussed earlier in this declaration, AT&T provides retail and wholesale services in the Seattle MSA, and owns a significant amount of fiber in that market that is used to provide these services. AT&T states:

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[127] http://www.comcastcommercial.com/index.php?option=content&task=view&id=33&Itemid=71. See Exhibit 7, Page 1.

[128] *Id.*

> "Years of experience serving wholesale customers, targeted investment in our network and technology innovation have positioned AT&T as an industry leader. With AT&T Wholesale's dedicated sales, customer care and global operations teams at your side, you will have the networking expertise to support a full range of voice, video, data and IP services - for you and your customers."[129]

On November 13, 2006, AT&T announced that it had been awarded "best national U.S. wholesale provider" by Capacity Magazine as part of that publication's second annual Global Wholesale Awards.[130] AT&T currently offers a full range of wholesale services to other carriers, including local and long distance voice services, data services, internet protocol services, applications services and international services.[131]

55. Covad operates as a facilities-based, integrated telecommunications service provider with infrastructure located in 2,050 central offices in 235 MSAs across the country, including the Seattle MSA.[132] Covad provides a wide range of retail and wholesale services including business and consumer DSL, Frame Relay, T-1 and VoIP services (with other services, such as Bonded T-1 and wireless to be introduced in 2007).[133] In its Third Quarter 2006 presentation to investors, Covad reported that it provides wholesale DSL and Line Powered Voice Access (a VoIP service that requires no special broadband equipment at the customer's location) on a wholesale basis to carriers serving the consumer and small, "single owner" business markets. In addition,

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[129] http://www.business.att.com/?segment=whole. See Exhibit 7, Page 3.

[130] http://www.sbc.com/gen/press-room?pid=5097&cdvn=news&newsarticleid=23110. See Exhibit 7, Page 4.

[131] http://www.business.att.com/services.jsp?repoid=ProductCategory&segment=whole. See Exhibit 7, Page 5.

[132] Covad Communications Group, Inc.: Third Quarter 2006 Investor Presentation, pages 3 and 5. See Exhibit 7, Pages 8 and 10.

[133] *Id.*, Page 6. See Exhibit 7, Page 11.

Covad reported that it provides Voice Optimized Access ("VOA"), xDSL, T-1 and Frame Access to carriers serving medium and large enterprise business customers.[134] Regarding its wholesale products, Covad reports that its "unique set of assets will continue to attract strategic partners," including carriers such as Earthlink, AT&T, United Online, XO, Nextlink, Verizon, Sprint, etc.[135] On a consolidated basis (wholesale and retail operations combined), Covad announced 2006 total revenues of $474 million with wholesale service revenues of $275 million. Thus, wholesale revenues represent well over half of Covad's annual revenue stream for the year.[136] Clearly, Covad's strong wholesale facilities-based focus is contributing significantly to its growth nationally and within the major markets in Qwest's service territory (including the greater Seattle area) where it operates.

56. XO offers wholesale services through its XO Communications Carrier Services division, and asserts that it provides wholesale telecom services to CLECs, Interexchange Carriers, Cable TV providers, wireless service providers, VoIP service providers, et. al.[137] Its wholesale product portfolio includes wholesale local voice service, long distance service, IP aggregation, dedicated internet access, private line service, DS-1 aggregation, Ethernet services, VoIP services and collocation.[138] XO was one of the first wholesale

[134] *Id.*

[135] *Id.*, Page 7. See Exhibit 7, Page 12.

[136] Covad Communications Group, Inc.: Fourth Quarter 2006 Earnings Supplement, pages 3 and 6. See Exhibit 7, Pages 20 and 23.

[137] http://www.xo.com/products/carrier/. See Exhibit 7, Page 32.

[138] *Id.*

carriers to deploy a finished wholesale service (entitled "Wholesale Local Voice" service) designed to replace UNE-Platform service. In a 2006 press release, XO states:

> "Launched in August 2005, XO's wholesale offering for CLECs serving the residential and small business markets has rapidly gained momentum as a viable alternative to the unbundled network element platform (UNE-P) provided by incumbent carriers that were eliminated on March 11, 2006. The XO service delivers all the advantages of the UNE-P platform, and enables CLECs to avoid less economical choices such as building their own network facilities, or paying premium prices through commercial agreements or Special Access services from incumbent local exchange carriers."[139]

In addition, it is important to note that XO's wholesale business is not limited to services provided via landline facilities. As discussed earlier in this declaration, XO's broadband wireless subsidiary, Nextlink, also provides wholesale telecommunications services. Nextlink offers wireless backhaul, as well as network redundancy and diversity services to mobile wireless providers and wireline carriers through fixed wireless broadband technology and over XO's licensed spectrum, which covers 75 metropolitan markets,[140] including Seattle.[141] Nextlink's wholesale broadband wireless services can be offered in any Qwest wire center in the Seattle MSA within reach of a Nextlink broadband wireless transmitter/receiver, since such wireless services are not constrained by physical wire center boundaries.

[139] http://www.xo.com/news/292.html. See Exhibit 7, Page 34.

[140] Current Analysis, Company Assessment of XO Communications, July 2006.

[141] http://www.nextlink.com/spectrum_map.htm. See Exhibit 7, Page 37.

57. As discussed earlier in this declaration, Integra acquired Electric Lightwave in 2006, and is now an integrated provider of retail and wholesale telecommunications services in multiple markets, including the Seattle MSA. As Electric Lightwave states:

> "Electric Lightwave is one of the most recognized carrier services brands in the country providing communications network services, including transport, internet access and voice services, to telecom providers nationwide. Electric Lightwave carriers gain access to twenty-three metropolitan access networks in eight western states, a nationally acclaimed tier one internet and data network, and high speed long-haul fiber-optic network that interconnects major markets in the West. Electric Lightwave serves hundreds of carriers - meeting their needs everyday."[142]

Integra/Electric Lightwave now has approximately [redacted] miles of fiber in the Seattle MSA, according to GeoTel, for use in providing retail and wholesale services there. Clearly, Integra is now well positioned via its ownership of ELI to substantially expand its telecom services base in the Seattle MSA.

58. Level 3 is a major provider of wholesale telecom services (and as stated earlier in this declaration, its focus was largely on the wholesale market prior to its acquisition of Broadwing), and identifies its primary targeted customers as "RBOCs, major IXCs, major foreign PTTs, major ISPs and Portals, Media Companies, wireless companies, satellite companies, established CLECs, system integrators, government, academia and content providers."[143] Level 3 states that it offers five major categories of wholesale services: voice services, Softswitch, internet and data services, transport services and infrastructure

[142] http://www.electriclightwave.com. See Exhibit 7, Page 38.

[143] http://www.level3.com/580/html. See Exhibit 7, Page 39.

services (which include collocation and dark fiber services).[144] Level 3's October 2006 acquisition of Broadwing expands the scope of Level 3's wholesale telecom service operations; Level 3 notes that "approximately half of Broadwing's revenue comes from the wholesale market, with business customers comprising the remaining revenue."[145] As described earlier in this declaration, the combined Broadwing/Level 3 entity owns significant facilities in the Seattle MSA, with over [redacted] fiber miles in Qwest wire centers in that area that can be used to serve wholesale customers without reliance on Qwest's network.

59. Time Warner Telecom is a facilities-based CLEC providing both retail and wholesale services in the Seattle MSA. Time Warner Telecom's Seattle network is part of the national Time Warner Telecom network, which delivers communications services over "more than 24,000 miles of fiber networks, to businesses in 30 states and 75 U.S. markets."[146] Time Warner Telecom provides a range of wholesale services as a "carrier's carrier," including voice services, internet and data services, switched and transport services and collocation.[147] On June 1, 2005, Time Warner Telecom announced an agreement with the merged AT&T/SBC to provide, through 2010, "Special access and other last mile network services to the companies nationwide." Thus, AT&T can obtain

[144] *Id.*

[145] http://www.level3.com/press/7625.html. See Exhibit 7, Page 44.

[146] http://twtelecom.com/about_us/networks/html. See Exhibit 7, Page 46.

[147] http://www.twtelecom.com/cust_solutions/application.html. See Exhibit 7, Page 48.

Special Access services from a provider other than Qwest as it seeks to further expand its business presence in markets such as the Seattle MSA.[148]

IX. SYSTEMS INTEGRATORS.

60. With the ever-increasing complexity of communications systems, large businesses are increasingly turning to systems integrators to assess, plan and manage their telecommunications systems. Systems integrators provide a "single point of contact" for the design and management of complex telecommunications systems and minimize the need for businesses to perform these functions in-house. The increasing demand for systems integrators is driven by the need for extensive planning and management needed to create converged communications systems--blending voice, data, video, internet and wireless applications--without having to create new physical networks from scratch. Systems integrators have shown that they can compete successfully against traditional telecommunications providers such as Qwest.[149] In the enterprise business market, nearly half of all medium and large enterprises utilize some form of managed telecom and IT services.[150]

61. Systems integrators such as Electronic Data Systems, Data Systems Corp, IBM, Accenture, Northrop Grumman, New Edge Networks, etc. are now providing "single

[148] Time Warner Telecom press release: Time Warner Telecom, AT&T, SBC Extend Long-Term Service Agreement, June 1, 2005. See Exhibit 7, Page 50.

[149] The North American managed telecom service market generated $18.6 billion in revenues in 2006 and is expected to generate $29.5 billion in 2012. Source: North American Managed Telecom Services Markets, Study N022-63, Frost and Sullivan, 2006, Page 29.

[150] *Id.*, Page 10.

point of contact" telecommunications services to business customers. For example, New Edge provides managed telecom services to "telecom carriers, small to midsize businesses and large corporations"[151] in many U.S. markets, including Seattle. IBM also provides systems integration services through its IBM Converged Communications Services division. According to its promotional materials, "IBM can help you design, deploy and manage an IP telephony infrastructure that can help reduce the costs associated with managing and maintaining separate voice and data equipment and networks, and increase the productivity of your employees."[152] Mammoth Networks, with operations in Seattle, provides DSL, Frame Relay and ATM service aggregation. Mammoth states: "we have built out a nine-state, 14 LATA network for the benefit of ISPs, CLECs, DLECs, integrators and virtual ISPs. Mammoth Networks provides flexibility by allowing you to connect your DS1s and DSL customers to our network, while having those circuits invoiced to you."[153] In addition to system integration, Mammoth offers collocation to other telecom carriers in its "fiber hotels" and has a number of "fiber hotels" in Qwest's service territory, including in Seattle.[154] A variant of the systems integrator model, called "Virtual Network Operators (VNO)" has also appeared in the enterprise business market. For example, Virtela is a VNO which refers to itself as a "Super Integrator" that leases network capacity from other providers and owns network intelligence hardware and software unique to its service portfolio.[155]

[151] http://www.newedgenetworks.com/products/. See Exhibit 8, Page 1.

[152] http://www-935.ibm.com/services/us/index.wss/offering/gn/a1025378. See Exhibit 8, Page 2.

[153] http://www.mammothnetworks.com/index.php. See Exhibit 8, Page 3.

[154] http://www.mammothnetworks.com/fiberhotel.php. See Exhibit 8, Page 5.

[155] http://www.virtela.net/. See Exhibit 8, Page 6.

These examples represent just a few of the many competitive alternatives offered by systems integrators serving the medium and large enterprise business markets.

X. CONCLUSION.

62. The Seattle MSA is one of the most robustly competitive markets in Qwest's 14 state region, with a wide array of intermodal and intramodal carriers now actively competing in the market. Retail customers in every Qwest wire center in the Seattle MSA now have the choice of at least one, and often many more, alternatives to Qwest's telecommunications services. This collection of competitors ranges from traditional wireline CLECs, to cable-based telecom service providers, to wireless (narrowband and broadband) providers to VoIP providers. In addition, multiple wholesale telecom service providers now provide services to other carriers in the Seattle MSA, providing these carriers with alternatives to the purchase of Qwest UNEs and other wholesale services. Qwest's service territory in the Seattle MSA is now fully competitive, and it is clear that Qwest cannot exercise market power in view of the scope and composition of competition that now exists in the Seattle MSA.

We declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on April 26, 2007

Robert H. Brigham

David L. Teitzel

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Qwest
Spirit of Service™

ERRATUM

FOR PUBLIC INSPECTION

Via Courier

August 3, 2007

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

Re: *In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Seattle, Washington Metropolitan Statistical Area,* WC Docket No. 07-97

ERRATUM to Qwest Petition for Forbearance, filed April 27, 2007

Dear Ms. Dortch:

On April 27, 2007 Qwest Corporation ("Qwest") filed the above-captioned Petition for Forbearance. Qwest has discovered minor discrepancies in its Seattle Forbearance Petition. In finalizing its data prior to filing, Qwest had updated the data in paragraph 10 of its declaration regarding the percentage of residential and business retail access lines in Qwest wire centers in which competitive fiber optic telecommunications facilities exist, as well as the percentage of Qwest wire centers in the Seattle MSA that contain competitive fiber optic facilities. However, Qwest inadvertently failed to revise these same percentages in paragraph 37 of the Seattle declaration. Qwest submits revised pages for its Seattle declaration that resolve this inconsistency. *See* Exhibit 1 (redacted in its entirety). In addition, Qwest's Forbearance Petition for the Seattle MSA references data shown in paragraph 37 of the declaration, as such, Qwest submits revised pages for its Seattle Forbearance Petition to reflect the corrected percentages for the Seattle MSA. *See* Exhibit 2 (redacted in its entirety).

In order to remain consistent with its original Seattle Forbearance Petition, Qwest has chosen to retain the confidential marking as originally filed in its April 27, 2007 Seattle Forbearance Petition rather than reflect the confidential markings as denoted in the Federal Communications Commission's First Protective Order, DA 07-2292, rel. June 1, 2007. As such, the attached exhibits (redacted in their entirety) for the non-redacted version of this erratum (submitted separately simultaneously) retain the confidential marking of **CONFIDENTIAL – NOT FOR PUBLIC INSPECTION.**

Parties that have executed confidentiality acknowledgments of the First Protective Order and that have previously received Qwest's confidential information will be served with these corrected pages as well. Information that Qwest previously identified as "highly confidential" is not affected by this erratum.

An original and four copies of this erratum is being submitted. An extra copy of this correspondence is also provided to be stamped and returned to the courier.

Please do not hesitate to call me or Daphne Butler (303-383-6653) with any questions.

/s/ Melissa E. Newman

Attachments

cc: Christi Shewman, via email at Christi.Shewman@fcc.gov

FOR PUBLIC INSPECTION