

April 29, 2009

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: Transfer of Control of Embarq Corp. to CenturyTel, Inc., WC Docket No. 08-238

Dear Ms. Dortch:

CenturyTel, Inc. (“CenturyTel”) and Embarq Corporation (“Embarq”) (collectively the “Applicants”) jointly submit this letter to respond to the allegation that the Applicants have failed to demonstrate the public interest benefits of the proposed merger that has been raised by certain parties.¹ This allegation is false.

As CenturyTel and Embarq have explained in their Applications, Reply Comments, and ex parte filings in this docket, this transaction is in the public interest.² The post-merger company will be a stronger service provider and network investor. Both CenturyTel and Embarq have been experiencing substantial line loss due to competition, as are other carriers. The merger will enable the Applicants to maintain the same economies of scale that Embarq has previously enjoyed, which will benefit customers.

The transaction will promote availability of new services, such as video and faster broadband. It will promote competition, for instance, in the fiber backbone market. It will allow greater operational efficiencies that will help reduce costs and benefit consumers, such as the ability to use the best systems of either company. The commitments made by the parties demonstrate further public interest benefits, even though conditions are not warranted on the record before the Commission.³ All of these public interest benefits justify the grant of the transaction without conditions. Although

¹ See, e.g., Letter from Charles W. McKee, Sprint-Nextel Corp., et al., to Marlene H. Dortch, FCC, WC Docket No. 08-238 (filed Apr. 3, 2009)(“COMPTTEL Ex Parte”). The Applicants have already responded to COMPTTEL’s issues with respect to interconnection procedures. Letter from Gregory J. Vogt & Samuel L. Feder, Counsel for CenturyTel, Inc. & Embarq Corp., respectively, to Marlene H. Dortch, FCC, WC Docket No. 08-238, at 2 (Apr. 10, 2009)(“CenturyTel/Embarq Competition Ex Parte”).

² Joint Reply Comments of CenturyTel, Inc. and Embarq Corporation, WC Docket No. 08-238, at 20-28 (Jan. 23, 2009)(“CenturyTel/Embarq Joint Reply”).

³ CenturyTel/Embarq Competition Ex Parte at 2.

these prior explanations of the benefits adequately demonstrate that the merger will produce cognizable benefits, we further describe some of them in this filing.

First, the combined entity will improve the retail and wholesale systems that serve customers by utilizing the best of existing CenturyTel and Embarq systems. For instance, Embarq plans to adopt the retail billing systems that CenturyTel currently utilizes after completing necessary transitional work to enable the different systems to communicate properly. This will prevent Embarq from having to duplicate the work that CenturyTel has already performed to develop a highly automated, state-of-the art, web-based customer service support system. Moreover, this merger will add scale to the CenturyTel system to make it more cost effective for all of the combined entities' customers. The parties expect that such conversion will take place on a market by market basis after the merger closes.

In addition, although there is no basis for imposing any conditions on the transaction, the Applicants have already committed that current CenturyTel wholesale operations will begin utilizing Embarq wholesale automated operations support systems ("OSSs") within 15 months of closing, subject to reasonable and normal allowances for the integration of CenturyTel and Embarq systems.⁴ The volume of wholesale orders at CenturyTel has not yet reached the point where complete automation of its wholesale processes would have been cost effective. With the merger, however, the new scope and scale enables the combined CenturyTel to implement such automation. Interconnecting commenters allege that prompter processing of their orders will make them more competitive providers, presumably benefiting telecommunications end users. Given that commenting interconnectors invariably complement Embarq's current automated wholesale systems, this commitment to upgrade CenturyTel OSS is a concrete public interest benefit created by the merger.

Second, CenturyTel's existing long haul fiber backbone network can be utilized in providing network support for Embarq's existing offerings of broadband and voice services because that network abuts some of Embarq's current territories.⁵ Embarq currently has to obtain interoffice transport from third parties where it does not have facilities. Being able to utilize the combined entity's backbone services will make Embarq's current operations more efficient, enabling Embarq to be more competitive and

⁴ CenturyTel/Embarq Competition Ex Parte at 2.

⁵ LightCore provides unregulated fiber backbone services to carriers and other large customers for their use in providing services to their end user customers. As previously indicated, CenturyTel has never contemplated competing in Embarq territories either through LightCore or another entity. Declaration of Stewart J. Ewing, CenturyTel, ¶ 9, Declaration of Dennis G. Huber, Embarq, ¶ 2, *Embarq Corporation, Transferor, and CenturyTel, Inc., Transferee; Application for Transfer of Control of Domestic Authorizations Under Section 214 of the Communications Act, as Amended*, WC Docket No. 08-238, (Nov. 25, 2009). Therefore, COMPTTEL's vague assertion that LightCore and other CenturyTel properties are a source of potential competition to Embarq is simply not borne out by the facts and should be rejected. COMPTTEL Ex Parte at 1.

have greater bandwidth to handle the expanding needs of its customers. The existence of additional end user customers in new states from the merger will also enable the combined company to expand that long haul backbone network to new geographic areas. The additional network capacity will provide benefits by strengthening CenturyTel as a competitor to AT&T and Verizon in their provision of backbone services to competitors and other large end users, as well as enabling the combined entity to offer more advanced and new services to end users.

Third, CenturyTel's current expertise in providing video services will allow Embarq to enter the market for video services at a more advanced pace, given that its planning efforts in this area are still in their nascency. The FCC has recognized the public benefit of speedier deployment of new services in approving mergers,⁶ as well as the positive impact of greater competition from the merger that will be created in the new services markets.⁷ Of course, until the merger is approved, the law precludes Embarq and CenturyTel from making any more concrete plans for the roll out of new services given their current separate corporate status.

Fourth, CenturyTel's current access rates will decline further than if it remained separate from Embarq because of its commitment to utilize the CALLS plan \$ 0.0065 Average Traffic Sensitive ("ATS") target rate after it converts to price cap status. CenturyTel recently was granted permission to convert its current rate of return properties to price caps.⁸ Absent the merger, CenturyTel would have been permitted to utilize the primarily rural rate of \$ 0.0095 as its ATS target.⁹ However, given the closeness in time of its proposed conversion to price caps and the pending merger with Embarq, CenturyTel committed to use the more aggressive \$ 0.0065 ATS target after the merger is

⁶ See, e.g., *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum Opinion and Order, 22 FCC Rcd. 5662, ¶ 207 (2007) ("*AT&T/BellSouth Order*"); *Domestic Section 214 Authority Granted; Domestic Section 214 Application Filed for the Transfer of Control of North Pittsburgh Systems, Inc. to Consolidated Communications Holdings, Inc.*, WC Docket No. 07-151, DA 07-4520, at 2-3 (Wir. Comp. Bur., rel. Nov. 5, 2007).

⁷ *AT&T/BellSouth Order* at ¶ 207.

⁸ *CenturyTel, Inc. Petition for Conversion to Price Cap Regulation and Limited Waiver Relief*, WC Docket No. 08-191, DA 09-855 (Wir. Comp. Bur., rel. April 17, 2009) ("*CenturyTel Price Cap Conversion Order*"). CenturyTel's three average schedule companies were excluded from this conversion.

⁹ *Petition of Puerto Rico Telephone Company, Inc. for Election of Price Cap Regulation and Limited Waiver of Pricing and Universal Service Rules; Consolidated Communications Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief; Frontier Petition for Limited Waiver Relief upon Conversion of Global Valley Networks, Inc., to Price Cap Regulation*, WC Docket Nos. 07-292, 07-291, 08-18, Order, 23 FCC Rcd 7353, ¶ 13 (2008); *ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of Fairbanks, Inc., and ACS of the Northland, Inc., Petition for Conversion to Price Cap Regulation and Limited Waiver Relief*, WC Docket No. 08-220, DA 09-854, ¶ 8 (Wir. Comp. Bur., rel. Apr. 17, 2009).

approved.¹⁰ This commitment was made even though the rules would have allowed the CenturyTel formerly rate-of-return study areas to retain their primarily rural target rate if the price cap conversion had been granted prior to the merger.¹¹ Applicants estimate that switched access revenue will be approximately \$6.5 million lower during the period the ATS target rate of \$ 0.0065 is implemented, than it would have been without the merger.

As demonstrated in this letter, the Applications, Joint Reply Comments, and ex parte filings, the CenturyTel/Embarq transaction is in the public interest. It poses no competitive harms and raises no antitrust concerns. Given this record and Commission practice, the Commission should approve this transaction expeditiously and without conditions.

Respectfully submitted,

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¹⁰ *CenturyTel Price Cap Conversion Order*, ¶ 7.

¹¹ 47 C.F.R. § 61.48(o).