SUBJECT TO REQUEST FOR CONFIDENTIAL TREATMENT PURSUANT TO 47 C.F.R. §§ 0.457 AND 0.459

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matters of GLOBAL CROSSING LIMITED, *Transferor,* *and* LEVEL 3 COMMUNICATIONS, INC., *Transferee,* Applications Filed for the Transfer of Control of the Licensee Subsidiaries of Global Crossing Limited to Level 3 Communications, Inc.	IB Docket No. 11-78

DECLARATION OF NICOLAS PUJET

1. My name is Nicolas Pujet. I am the Senior Vice President ("SVP") of Corporate Strategy for Level 3 Communications, Inc. ("Level 3 Parent"). My business address is 1-25 Eldorado Blvd., Broomfield CO 80021.

2. As SVP of Corporate Strategy, I am responsible for advising Level 3 Parent's management team on a broad range of strategic issues and trends, including market trends and competitive trends in the Internet Connectivity market.

3. Level 3 Communications, Inc. ("Level 3 Parent", including its subsidiaries) is a global telecommunications and information services company. Through its operating subsidiaries, Level 3 Parent offers a wide range of communications services over its extensive broadband fiber-optic network in North America, Europe, and Asia, including IP-based services, broadband transport, collocation services, and patented Softswitch-based managed modem and voice services.

4. On April 10, 2011, Global Crossing Limited ("GCL"), Level 3 Parent, and a wholly-owned subsidiary of Level 3 Parent, Apollo Amalgamation Sub, ("Amalgamation Sub") executed an Agreement and Plan of Amalgamation ("Amalgamation Agreement") whereby GCL and Amalgamation Sub will, following the receipt of necessary stockholder and regulatory approvals, amalgamate pursuant to the Companies Act 1981 of Bermuda ("Companies Act") and continue their existence as a single company, to be known as Level 3 GC Limited (the "Proposed Transaction"). On May 12, 2011, Level 3 Parent filed the necessary applications for transfer of control with the Commission.

A. Combining Level 3 Parent's and GCL's Complementary Operations Will Generate Substantial Synergies that Result Only from the Merger.

5. In the late 1990s, Level 3 Parent built an intercity U.S. network with multiple conduits for fiber optic cable. The intercity network connects dozens of large and medium-sized cities, in which Level 3 Parent also built or acquired city networks. Level 3 Parent's metropolitan fiber network spans 26,000 route miles in North America, in addition to its intercity network.

6. In most instances, only one or two of the conduits emplaced by Level 3 Parent contain fiber, allowing Level 3 Parent to expand by pulling incremental fiber in cities and along intercity routes as demand warrants. By contrast, most of GCL's intercity and metropolitan network consists of dark fiber, circuits, and collocation space leased from many different network owners, including Qwest, Level 3, AboveNet, and regional operators. While Level 3 Parent does lease dark fiber and circuits from third parties to reach buildings not connected to its constructed network, GCL leases proportionately far more fiber, circuits, and technical space than does Level 3 Parent.

7. Level 3 Parent estimates that it, along with GCL, will save about $340 million annually by combining the companies, better positioning them to compete as prices continue to decline. Of these synergies, an estimated 39 percent will be realized in reduced network expense, 49 percent in lower operating costs, and 12 percent efficiencies in capital expenditures. Further, reducing debt relative to earnings will lower the combined company's cost of capital and thereby improve its long term ability to invest in its network.

8. The majority of network expense reductions come from moving GCL's (and sometimes Level 3's) "off-net" circuits onto fiber facilities owned by the other party. For example, if GCL currently leases a circuit from AT&T, but Level 3 Parent has owned network facilities going to the same location, GCL's customer traffic can be migrated to Level 3 Parent's network, dramatically reducing the cost of providing that portion of the service. Where the two companies have parallel circuits that are underutilized, the companies can combine those circuits, thereby, improving efficiency and saving costs. In some cases, Applicants' expenditures for off-net connections to a given destination will even justify building fiber to replace both companies' off-net circuits. In addition, the transaction will allow the combined company to reap network expense savings through routing combined voice traffic over the lowest cost routes available to either company.

9. The Proposed Transaction will also result in reduced operating expenses outside the Applicants' networks. The majority of these savings will come from gradual reductions in headcount in overlapping functions, primarily in the U.S. The Applicants expect further operating expense efficiencies in other general and administrative costs, through elimination of redundant office space, professional fees, and equipment maintenance.

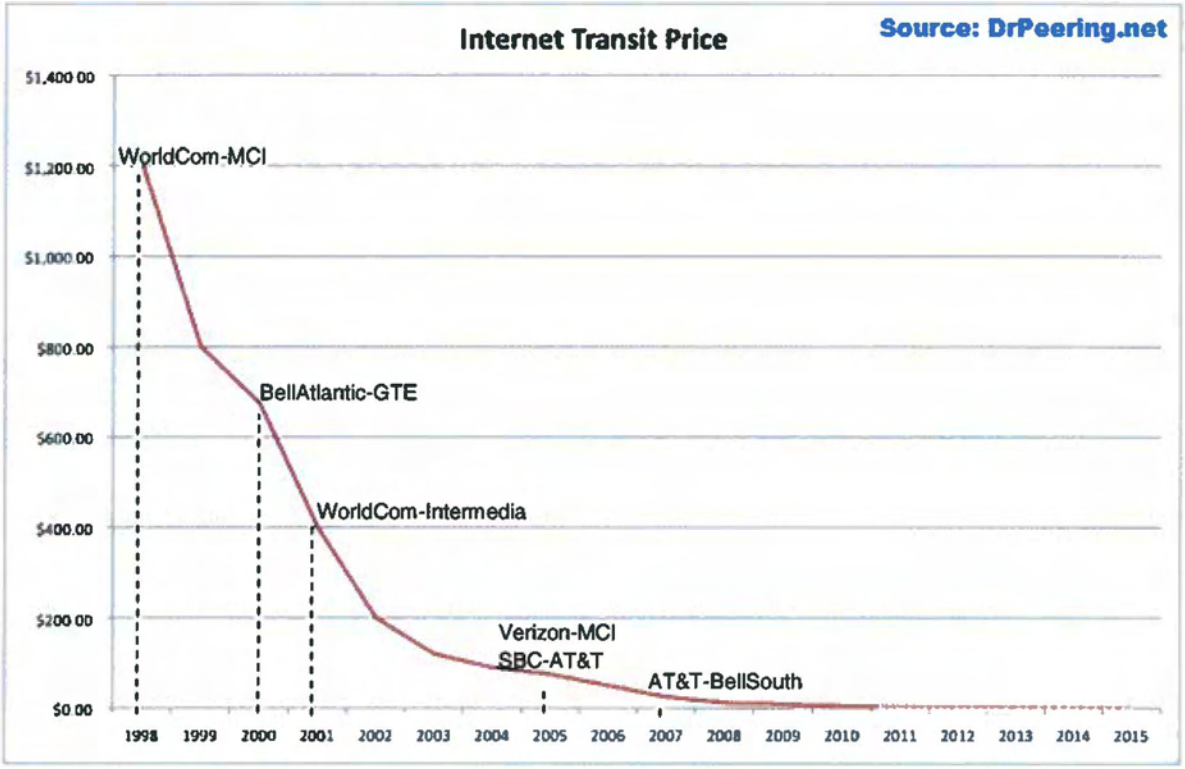
10. The combined company will also be able to reduce the amount of capital expenditure for a given investment. With their combing purchasing volume, the Applicants expect savings from volume discounts for equipment and software purchases. In addition, where the Applicants' networks are geographically proximate in the United States and Europe, Level 3 expects that it will be possible to employ a common field service staff and cut in half the spare parts inventory needed to support the two networks.

11. The merger will greatly improve Level 3's balance sheet, resulting in a lower cost of capital attributed to providing services. In 2010, Level 3 Parent $853 million of EBITDA, but carried more than $6 billion in debt (net of cash), which consumed over $500 million in interest expense during the year, impeding its ability to invest in otherwise compelling capital projects. With the merger, the combined companies' net debt will be less than $8 billion, but its post-synergy EBITDA is expected to be in excess of $1.6 billion. Thus, Level 3's debt-to-EBITDA ratio will drop from over seven to less than five. This anticipated improvement in the leverage of the combined company already is being reflected in Level 3 Parent's lower cost of borrowing.

B. Transit Prices Have Dropped Substantially Since 1998, and Enterprises Have Many Choices as to How to Move Traffic Across the Internet.

12. In the last 13 years, Level 3 has seen its transit prices drop dramatically, with the drop in Level 3's average transit prices roughly commensurate with the drop shown by Dr.Peering.net in Chart 1 below.

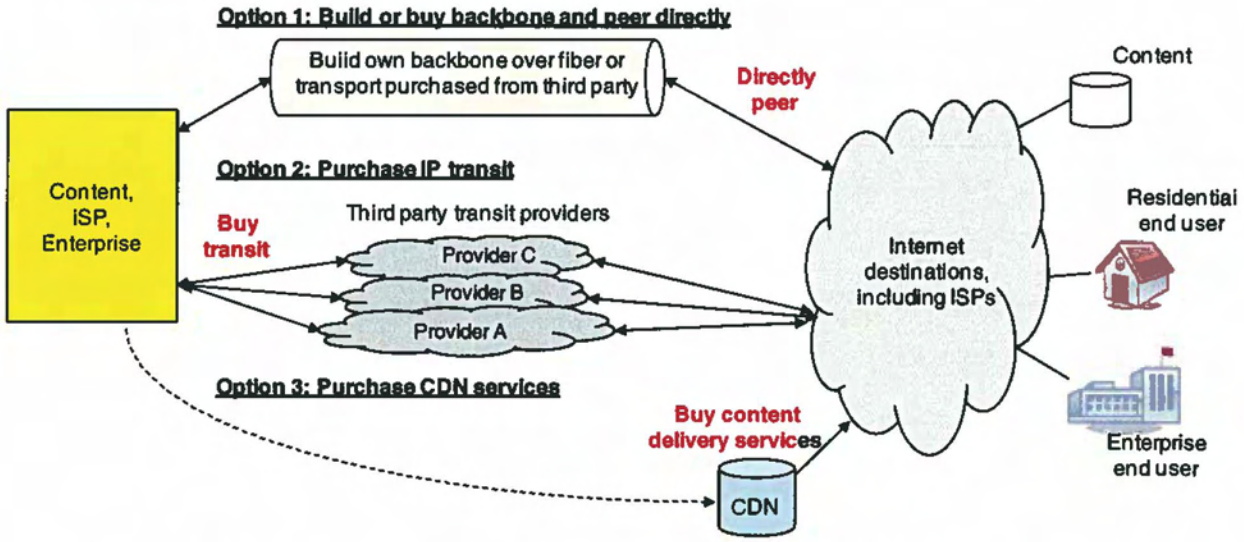
Chart 1: Internet Transit Price Change and Transactions, 1998-present



13. The number of U.S. competitors is large. The Renesys dataset lists thousands of autonomous systems. Among the top 100 "most connected" networks as ranked by Renesys, Level 3's IP Product Management team estimates that 38 sell transit or offer peering on a national basis using an IP backbone.

14. In the early days of the Internet, to reach the Internet and each other, content providers and ISPs were in large part dependent on purchasing IP transit from Tier 1 backbone providers, which acted as middlemen, exchanging their customers' traffic between themselves through peering. Today ISPs and content providers have much more choice. These various options for customers to move traffic are shown in Figure 1.

Figure 1: Options for customers to move traffic



15. First, at the most basic level, a content provider or ISP can build or buy its own physical network (shown as Option 1 in Figure 1). One way to do so is by installing or purchasing the right to use physical fiber optic cable ("layer 1"), deploying its own transport ("layer 2") and IP ("layer 3") on the fiber, and operating it as its own network. Dark fiber is widely available. Another way to do so is to purchase transport, usually in the form of wavelengths, and to deploy IP equipment on this transport network. A wavelength is a dedicated optical wave signal for transport of high bandwidth traffic, which the customer controls and uses for any type of traffic. There is intense competition for the sale of transport services like wavelengths, which ensures abundant supply and low prices. Combined with the decreasing cost and increasing ease-of-use of the layer 3 equipment required to operate an IP network, this make it increasingly common for content providers and ISPs to build their own fiber or transport backbone networks to carry and exchange traffic through "direct peering," without using a third party transit provider. Public peering through interexchange points also is available to connect content providers and ISPs of all sizes.

16. Second, a company can arrange for a third party network to carry its IP traffic, through the purchase of IP transit from one or more providers (shown as Option 2 in Figure 1). Transit is available from a variety of providers at rapidly decreasing rates. Today there are dozens of providers with U.S. backbone networks providing transit service nationwide.

17. Third, today content providers can pay content delivery networks (CDNs) to store their content close to the ISPs and end users, thus bypassing backbone transit providers altogether and reducing demand for backbone capacity (shown as Option 3 in Figure 1).

18. The competitive alternatives of direct peering (Option 1) and CDN (Option 3) have brought down prices for Internet connectivity and caused transit service providers like Level 3 and GCL to seek ways to cut costs and better serve customers.

C. The Vast Majority of Level 3 and GCL Customers are Multihomed with Other Providers.

19. The Level 3 IP Product Management team has reviewed the data published by Renesys. According to that data, approximately 10 percent of the combined customer Autonomous Systems ("AS") of Level 3 and GCL are single-homed to either GCL or Level 3 – denoted in Renesys as "critically dependent." The term "critically dependent" as used by Renesys, however, is not equivalent to "single homed." "Critically dependent facilities" are customers that, for 95 percent of the time in question, purchased transit only from one provider. They may use not only their one transit provider to reach the internet but in fact may also use peers to reach the Internet. Thus this number is likely inflated, as it includes customers that operate multiple other AS's for which they buy transit from other providers, as well as worldwide carriers such as Telefonica that are single-homed to Level 3 for transit but that have many other means of routing traffic around the Internet through their peers. Similarly, Renesys

shows that only 2-4 percent of the combined customers of Level 3 and GCL are dual-homed only to Level 3 and GCL.

D. Renesys Does Not Measure Market Share or Traffic.

20. Renesys itself does not measure traffic, but simply counts the number of other autonomous systems with which a given autonomous system connects, either itself or through lower level entities with whom it connects, then applies a nonpublic formula to estimate the "quantity of IP space" to which the network is directly or indirectly connected. Nothing in Renesys indicates the amount of traffic carried over those links. It would not be accurate to assume that each firm's traffic is relatively proportional to the number of Internet addresses it serves. Different Internet addresses generate more or less traffic, and some could generate none. Having lots of connections between autonomous systems does not mean that a backbone carriers a high volume of traffic or generates a high volume of revenue. Moreover, many major providers, including AT&T, Verizon, and Comcast, operate and have their total connectivity split among several autonomous systems, which makes them look smaller than they really are. Renesys also double counts connections to certain customers by ignoring multihoming.

21. TeleGeography maintains its own ranking of Internet providers ranked by autonomous system connections, but unlike Renesys, aggregates commonly-owned autonomous systems. The top 50 entities listed in the TeleGeography 2009 Worldwide Rankings are summarized below:

Provider	AS connections	% of AS Connections among the top 50
AT&T	3,038	8.86%
Verizon	2,840	8.28%
Level 3 Parent	**2,586**	**7.54%**
Cogent	2,299	6.70%
Sprint	1,486	4.33%

Time Warner	1,440	4.20%
Qwest	1,398	4.08%
GCL	**1,284**	**3.74%**
Hurricane Electric	1,069	3.12%
InterNAP	820	2.39%
Others	16,044	46.77%
Subtotal for top 50	34,304	100.00%

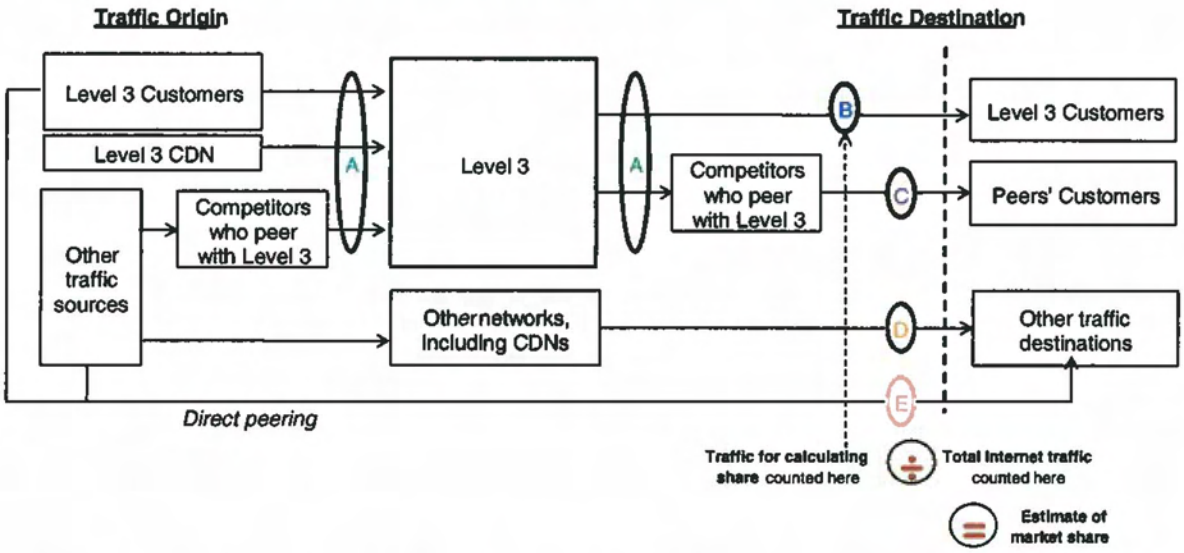
Since Level 3 and GCL connect in many cases to the same networks, calculating the combined company's percentage of AS connections requires eliminating this double counting. Accordingly, the combined company may represent about 9 to10 percent of the AS connections of the top 50 providers, which is still small and not materially larger than the percentage attributable to AT&T or Verizon. Note also that connections do not represent "market share" because connections are not exclusive: since about 90 percent of the networks that Level 3 and GCL are connected to are multihomed, these networks are also connected to many other networks besides Level 3 and GCL.

E. Level 3 and GCL Have Small Shares of the Total Traffic Delivered to North American Internet Users.

22. A more reliable way to calculate market shares is to assess a provider's share of total traffic delivered to North American Internet users – total terabytes delivered by this provider to North America end users – and divide it by total traffic delivered to North America Internet users. This is a more accurate estimate of Internet traffic shares, because it would account for traffic of both peers and transit customers, as well as traffic delivered through CDNs or direct peering, and it would not miss traffic for which there is no charge (as would happen with a revenue-based analysis). This method avoids the double-counting problem present in other methodologies by measuring a provider's destination or customer traffic delivered by its IP

network to customers and dividing it by an estimate of the total traffic that is delivered to end users. Thereby traffic is counted only once between origin and destination.

Figure 2: Recommended methodology for calculating traffic market share



23. Using Level 3 as the example, in Figure 2 above, A is the amount of traffic that enters and leaves the Level 3 IP network. Some of that (B) is delivered by Level 3 to customers, and some (C) traverses other networks before reaching customers. Traffic through other networks (D) and direct peering (E) never touches the Level 3 network. Traffic B + C + D + E is 100% of total Internet traffic. (If all the traffic that enters or leaves Level 3's network (A) is counted, traffic shares A + C + D + E would exceed 100% because traffic C would be double-counted.) Using a denominator of all Internet traffic ensures that the market share calculation includes directly peered traffic, as well as traffic that stays entirely within one carrier's network (such as CDN traffic generated within an ISP network).

24. This methodology measures share on the destination side, where the most comprehensive and reliable estimates of total Internet traffic have been made. One also could

measure share on the origin side, where content-centric networks like Level 3 have a greater percentage of customer traffic versus peer traffic. Therefore, we calculate Level 3 market share both at B and A. Results show that, even taking into account all traffic A that enters or leaves the Level 3 network, and thus even with some double-counting, whether on the origin or destination side, Level 3 has a relatively small IP traffic market share.

25. This methodology necessarily will show lower rankings or shares for large transit providers like Level 3 than methodologies such as counting autonomous systems connections or traffic rankings such as Atlas, which acknowledges "double counting of the same traffic flow crossing multiple provider boundaries, and extrapolation of data from a small sample of anonymous providers."[1] This is in part due to the other methods' inflation of Level 3 shares that results from double-counting or just using connectivity data. Further, this methodology takes into account traffic from direct peering and standalone CDNs (like Akamai and Limelight) in assessing the size of the Internet market, which is appropriate, given their increasing competitive significance. As ATLAS observed in 2009, "the majority of Internet traffic by volume now flows directly between large content providers, data center/CDNs and consumer networks,"[2] bypassing third party IP transit providers like Level 3 and GCL.

26. Using all IP traffic, market shares by IP traffic would be calculated as follows:

27. The Cisco VNI Index estimates that total North American Internet traffic delivered to end-users in 2010 equaled about 84 million terabytes. This is B+C+D+E in Figure 2.

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1 ATLAS Internet Observatory 2009 Annual Report, Annex 1, p. 3. ATLAS describes itself as the largest Internet monitoring infrastructure in the world.

2 ATLAS Internet Observatory 2009 Annual Report, Annex 1, p. 1.

28. While Level 3 tracks "billable traffic" closely (*i.e.*, the subset of its inbound and outbound Internet traffic for which it bills customers), Level 3 does not routinely track the total traffic it delivers to customers and peers. Accordingly, Level 3 conducted an ad-hoc analysis based on traffic data provided for that purpose by Level 3's network engineers, and concluded that in 2010 Level 3 delivered approximately [redacted] of IP traffic to its North American customers (B in Figure 6). On this basis, Level 3's market share would be only about [redacted]. Even including total traffic delivered from Level 3's network (B+C or A), estimated to be [redacted], Level 3's share would still only be about [redacted] of traffic.

29. The Declaration of David Siegel describes how this approximate calculation applies to GCL.

F. The Number of "Hops" Taken by a Packet is Not a Principal Determinant of Service Quality, Which is Affected By Other, More Significant Factors.

30. Service quality is not primarily determined by the number of interconnection points transited ("network hops"), but mostly by the distance traveled and the congestion within the networks that the traffic traverses, which can be easily alleviated by competitors by deploying additional equipment. In fact, Level 3 loses most of the Internet service opportunities it bids on to networks with significantly more network "hops" than Level 3.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my information and belief.

Executed on 21 July, 2011

Nicolas Pujet

Nicolas Pujet

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