FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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Mr. Jeffrey Ward
Senior Vice President – Regulatory Compliance
Verizon Communications, Inc.
1310 North Courthouse Road – 4th Floor
Arlington, VA 22201

RE: *Bell Atlantic/GTE Merger Order*, CC Docket No. 98-184, ASD File No. 00-30

Dear Mr. Ward:

This letter addresses the progress of Verizon Communications, Inc. ("Verizon") towards meeting its commitment for the out-of-region competition condition, as required by the *Bell Atlantic/GTE Merger Order*.[1] Specifically, this letter describes the understanding of the Common Carrier Bureau ("Bureau") staff concerning Verizon's progress to date, and the implications on certain promotional discounts required under the *Merger Conditions*.

In the *Bell Atlantic/GTE Merger Order*, the Commission adopted a condition that requires Verizon to spend at least $500 million to provide competitive local service outside of Verizon's service territory.[2] To encourage the growth of facilities-based competition, the condition establishes a "Facilities Expenditure" obligation, which requires Verizon to spend at least $250 million "to construct, acquire, lease, use, obtain, or provide facilities, operating support systems, or equipment that are used to serve customers" in out-of-region markets.[3] The amounts included in the Facilities Expenditure must be spent in conjunction with the provision of competitive local service, the provision of telecommunications services offered jointly with competitive local service, or investments in ventures that provide competitive local service.[4] The condition also establishes certain deadlines to Verizon's expenditure activity.[5]

Verizon's progress towards meeting its out-of-region competition commitment affects the promotional discount conditions. Under the *Merger Conditions*, Verizon must provide promotional

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[1] GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, *Memorandum Opinion and Order*, 15 FCC Rcd 14032 (2000) ("*Bell Atlantic/GTE Merger Order*"). The *Merger Conditions* are contained in Appendix D.

[2] *See Bell Atlantic/GTE Merger Order* at para. 319; *see id.* at Appendix D, paras. 43-48. Under the *Merger Conditions*, "competitive local service" means "services, including resale, that compete with traditional telecommunications services offered by incumbent local exchange carriers" and advanced services provided to the mass market. *See id.* at Appendix D, para. 43.

[3] *Id.* at Appendix D, para. 44.

[4] *Id.* at Appendix D, para. 45.

[5] *Id.* at Appendix D, paras. 46-48.

discounts for certain unbundled loops and resold services for the duration of a specified "offering window."[6] The "offering window" for the promotional discounts closes on "the date on which [Verizon] has completed 50 percent of the out-of-region commitment described in Section XVI of [the *Merger Conditions*]."[7] Verizon must therefore spend at least $250 million towards the provision of competitive local service and $125 million towards its Facilities Expenditure requirement for the offering windows to expire.

Verizon proposes to account $297.4 million towards its total out-of-region competition commitment.[8] These funds are connected to Verizon's acquisition of a competitive carrier, OnePoint, in December 2000.[9] Verizon further proposes to account $113.4 million towards its Facilities Expenditure requirement. Based on Bureau staff's review of Verizon's submission, and absent additional information, I conclude that Verizon has demonstrated that it spent $297.4 million towards its out-of-region competition expenditure requirement.[10] Verizon therefore appears to have met the requirement to spend at least $100 million within twelve months of the Merger Close Date, i.e., by June 30, 2001. I further conclude that Verizon has demonstrated that it spent $113.4 million "to construct, acquire, lease, use, obtain, or provide facilities, operating support systems, or equipment" used to serve out-of-region customers, and that these funds were spent in conjunction with the provision of competitive local service.[11] Verizon still must demonstrate an additional $11.6 million of facilities-based expenditures in order to close the offering windows for the promotional discounts.

Please do not hesitate to contact me if I can be of further assistance. You may also contact Anthony Dale in the Common Carrier Bureau at (202) 418-2260 for further information on this matter.

Sincerely,

Carol E. Mattey
Deputy Chief, Common Carrier Bureau

CC:

Mr. Don Evans, Verizon Communications, Inc.

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6 *Id.* at paras. 307-15; *see id.* at Appendix D, paras. 35, 37.

7 *Id.* at Appendix D, paras. 35(a), 37(c). For the resale promotional discount, the promotional discount rate decreases when the offering window closes. *See id.* at Appendix D, para. 37(c).

8 *See* Letter from Gordon R. Evans, Vice President, Verizon Communications, Inc. to Anthony Dale, Attorney, Accounting Safeguards Division, CCB, FCC (Nov. 14, 2001).

9 *See* In the Matter of Joint Applications of OnePoint Communications Corp. and Verizon Communications for Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, to Transfer Control of Authorizations to Provide Domestic Interstate and International Telecommunications services as a Non-Dominant Carrier, *Memorandum Opinion and Order*, 15 F.C.C.R. 24165 (Com. Car. Bur. 2000).

10 Verizon's progress in this area will be addressed in the annual independent audit.

11 *Bell Atlantic/GTE Merger Order* at Appendix D, paras. 43-44.