**DA 16-1435**

**Released: December 21, 2016**

**APPLICATIONS FILED FOR THE TRANSFER OF CONTROL OF**

**LEVEL 3 COMMUNICATIONS, INC. TO CENTURYLINK, INC.**

**Pleading Cycle Established**

**WC Docket No. 16-403**

**Comments/Petitions Due: January 23, 2017**

**Reply Comments/Oppositions to Petitions Due: February 7, 2017**

CenturyLink, Inc. (CenturyLink) and Level 3 Communications, Inc. (Level 3) (together, Applicants) filed a series of applications, pursuant to sections 214 and 310(d) of the Communications Act of 1934, as amended,[[1]](#footnote-2) and the Cable Landing License Act of 1921,[[2]](#footnote-3) seeking approval to transfer control to CenturyLink of various licenses and authorizations held by operating subsidiaries of Level 3 (Transaction).[[3]](#footnote-4) Applicants filed a supplement to their application on December 19, 2016.[[4]](#footnote-5) Pursuant to this Transaction, if approved, CenturyLink will acquire control of Level 3 and indirect control of Level 3’s operating subsidiaries.[[5]](#footnote-6)

Level 3 is a publicly-traded Delaware corporation headquartered in Broomfield, Colorado.[[6]](#footnote-7) Level 3, through its operating subsidiaries, provides primarily fiber-based communications services such as Internet backbone, broadband transport, collocation, voice, and IP-based services in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, and internationally in South America, Europe, and Asia.[[7]](#footnote-8) Applicants state that Level 3’s fiber assets include a “global telecommunications network of more than 209,000 owned or controlled route miles of fiber, including approximately 129,000 route miles of fiber in the North America region, 47,000 route miles in the LATAM (Latin America) and EMEA (Europe, Middle East, and Africa) regions, and 33,000 subsea route miles.”[[8]](#footnote-9) Applicants further state that Level 3 serves no residential customers, but focuses on serving businesses, primarily large enterprise customers.[[9]](#footnote-10)

CenturyLink is a publicly-traded communications company incorporated in Louisiana and headquartered in Monroe, Louisiana.[[10]](#footnote-11) CenturyLink, through its operating subsidiaries, provides communications services including voice, wholesale local network access, high-speed Internet access, data transmission, security monitoring, and information, entertainment, and transport services through its copper and fiber networks in the United States.[[11]](#footnote-12) CenturyLink also provides wholesale and retail fiber-based transport services, database services on a wholesale basis, and wholesale access to its network to other carriers, cable companies, Internet service providers, and resellers.[[12]](#footnote-13) CenturyLink provides consumer and enterprise services as an incumbent local exchange carrier (LEC) in all or portions of 37 states, and it provides enterprise services as a competitive LEC throughout the country.[[13]](#footnote-14) CenturyLink represents that, as of December 31, 2015, it provided high-speed Internet access to over six million customers and had approximately 11.7 million access lines.[[14]](#footnote-15)

Pursuant to an October 31, 2016 Agreement and Plan of Merger (Merger Agreement), Applicants will enter into a series of concurrent internal merger transactions with CenturyLink entities created for the purpose of facilitating this Transaction that will result in Level 3 and its operating subsidiaries becoming indirect wholly-owned subsidiaries of CenturyLink.[[15]](#footnote-16) Applicants state that the Transaction is subject to certain closing conditions, including Commission approval.[[16]](#footnote-17) CenturyLink represents that, upon consummation of the Transaction, no single entity will hold a direct or indirect ownership interest of ten percent or greater in CenturyLink.[[17]](#footnote-18)

CenturyLink certifies that it currently is affiliated with foreign carriers in 14 countries and, as a result of the Transaction, will become affiliated with foreign carriers in 35 additional countries.[[18]](#footnote-19) Applicants state that none of their foreign carrier affiliates is presumed by the Commission to hold market power in a foreign telecommunications market and that their foreign carrier affiliates offer services in competition with dominant foreign carriers and others.[[19]](#footnote-20) CenturyLink thus states that it qualifies for a presumption of non-dominance under Section 63.10(a)(l) and (3) of the Commission’s rules because it is not a foreign carrier and will be affiliated only with non-dominant foreign carriers in countries that, other than Serbia, are members of the World Trade Organization (WTO).[[20]](#footnote-21)

Applicants assert that the Transaction is in the public interest because it will promote competition and not result in any countervailing harms.[[21]](#footnote-22) Specifically, Applicants claim that the Transaction will bolster competition for enterprise services (especially for multi-location and multi-national customers) through: (1) enabling Applicants to combine their complementary networks to offer enterprise customers a broader range of on-net services and solutions than they currently can obtain from the Applicants individually;[[22]](#footnote-23) (2) improving the combined company’s ability to mount a stronger challenge in the enterprise services market against larger and better capitalized competitors with greater reach;[[23]](#footnote-24) (3) reducing both Applicants’ dependence on leased facilities;[[24]](#footnote-25) and (4) improving the combined company’s financial profile and ability to invest and compete for enterprise customers as a result of annual run rate synergies,[[25]](#footnote-26) greater purchasing power from vendors, access to the latest network technologies, and its greater technical expertise.[[26]](#footnote-27) Applicants characterize the enterprise services that each Applicant brings to the new combined company as complementary and having minimal overlap given: (1) Level 3’s Ethernet footprint internationally (where CenturyLink does not provide service) and domestically in areas outside of CenturyLink’s incumbent LEC footprint; and (2) the degree of Level 3’s use of leased facilities where it overlaps CenturyLink’s fiber connectivity to buildings inside CenturyLink’s incumbent LEC footprint.[[27]](#footnote-28) Finally, Applicants state that the Transaction will help them realize the customer-facing benefits of owning more fiber rather than leasing it from other providers.[[28]](#footnote-29)

Applicants claim that the Transaction will not cause any countervailing harms to consumers or competition because the combined company will face significant competition in each of the markets they anticipate the Commission will evaluate.[[29]](#footnote-30) Applicants further claim that they have only a limited degree of overlap in any of these markets.[[30]](#footnote-31) Specifically, Applicants state that the Internet backbone market is marked by “significant competition”;[[31]](#footnote-32) and while Level 3 has a large Internet backbone, CenturyLink’s interconnection backbone is “substantially smaller”[[32]](#footnote-33) such that their combination “will have little impact on the overall level of competition for IP transit services.”[[33]](#footnote-34) Similarly, Applicants claim that the international transport services market will remain “highly competitive” post-Transaction because the Transaction will not lead to any meaningful concentration of facilities-based providers in the submarine cable market.[[34]](#footnote-35) With respect to the market for long-haul transport services, Applicants assert that of the overlapping long-haul fiber routes owned and controlled by either CenturyLink or Level 3, every overlapping CenturyLink-Level 3 route will face competition after the consummation of the Transaction.[[35]](#footnote-36) Finally, Applicants claim that the Transaction will not meaningfully diminish competition for the delivery of retail and wholesale BDS based on their competitive analysis, pursuant to which they have “tentatively conclude[d]” that there are only ninety buildings that will go from having two fiber providers to one (2:1 buildings) within CenturyLink’s incumbent LEC region and ten 2:1 buildings outside of CenturyLink’s incumbent LEC region where there is not a competitive provider within 0.1 miles.[[36]](#footnote-37)

Applicants represent that the Transaction will not affect existing customer contractual obligations, as those obligations will continue in effect after the Transaction closes.[[37]](#footnote-38) Applicants further assert that there will be no impact on residential consumers as Level 3 does not serve residential consumers and that nothing about the Transaction is expected to negatively affect CenturyLink’s consumer segment operations.[[38]](#footnote-39)

**AUTHORIZATIONS TO BE ASSIGNED**

The applications for consent to the transfer of control of the international section 214 authorizations from Level 3’s operating subsidiaries to CenturyLink have been assigned the file numbers listed in Exhibit A.[[39]](#footnote-40) In addition, Applicants filed to transfer control of the domestic section 214 authorizations listed in Exhibit A.[[40]](#footnote-41) The applications for consent to the transfer of control of certain ancillary wireless licenses under section 310(d) have been assigned the file numbers listed in Exhibit A hereto. In addition, the applications for consent to the transfer of control of certain cable landing licenses and satellite earth station authorizations have been assigned the file numbers listed in Exhibit A hereto.

**Request for Approval of Additional Authorizations and Exemption from Cut-Off Rules**

Applicants have requested that the Commission’s grant of consent to the transfer of control of the licenses and other authorizations held by Level 3’s operating subsidiaries also include the authority for CenturyLink to acquire control of (1) any licenses and other authorizations issued to Level 3 or any of its subsidiaries during the Commission’s consideration of the applications and the period required for the consummation of the proposed Transaction; (2) any construction permits held by Level 3’s operating subsidiaries that mature into licenses after closing, and (3) applications filed by Level 3 or its subsidiaries that are pending at the time of consummation of the Transaction.[[41]](#footnote-42) The Applicants also request a blanket exemption from any applicable cut-off rules in cases where CenturyLink files amendments to pending applications to reflect consummation of the Transaction.[[42]](#footnote-43) The Applicants state that they request this exemption so that amendments to pending CenturyLink applications to report the change in ultimate ownership of these licenses will not be treated as major amendments.[[43]](#footnote-44)

**GENERAL INFORMATION**

The applications referenced herein have been found, upon initial review, to be acceptable for filing. The Commission reserves the right to return any application if, upon further examination, it is determined to be defective and not in conformance with the Commission’s rules and policies.

Pursuant to section 1.419 of the Commission’s rules, 47 CFR § 1.419, interested parties may file comments and petitions **on or** **before** **January 23, 2017,** and reply comments or oppositions to petitions **on or before February 7, 2017.** Comments may be filed using the Commission’s Electronic Comment Filing System (ECFS) or by paper.  *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998). All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.

* Electronic Filers:  Comments may be filed electronically using the Internet by accessing ECFS at <http://apps.fcc.gov/ecfs/>.
* Paper Filers:  Parties who choose to file by paper must file an original and one copy of each filing.  Paper filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail.
  + All hand-delivered or messenger-delivered paper filings for the Commission’s Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554.  The filing hours are 8:00 a.m. to 7:00 p.m.   All hand deliveries must be held together with rubber bands or fasteners.  All envelopes and boxes must be disposed of before entering the building.
  + Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD  20743.
  + U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC  20554.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at 202-418-0530 (voice), 1-888-835-5322 (tty).

**In addition, please provide one copy of each pleading to each of the following**:

1. Jim Bird, Office of General Counsel, [transactionteam@fcc.gov](mailto:transactionteam@fcc.gov);
2. Michael Ray, Wireline Competition Bureau, [michael.ray@fcc.gov](mailto:michael.ray@fcc.gov);
3. David Krech, International Bureau, [david.krech@fcc.gov](mailto:david.krech@fcc.gov);
4. Linda Ray, Wireless Telecommunications Bureau, [linda.ray@fcc.gov](mailto:linda.ray@fcc.gov).

The proceeding in this Notice shall be treated as a permit-but-disclose proceeding in accordance with the Commission’s *ex parte* rules.[[44]](#footnote-45) Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of data or arguments already reflected in the presenter’s written comments, memoranda, or other filings in the proceeding, then the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b), 47 CFR § 1.1206(b). Participants in this proceeding should familiarize themselves with the Commission’s *ex parte* rules.

To allow the Commission to consider fully all substantive issues regarding the Applications in as timely and efficient a manner as possible, petitioners and commenters should raise all issues in their initial filings. New issues may not be raised in responses or replies.[[45]](#footnote-46) A party or interested person seeking to raise a new issue after the pleading cycle has closed must show good cause why it was not possible for it to have raised the issue previously. Submissions after the pleading cycle has closed that seek to raise new issues based on new facts or newly discovered facts should be filed within 15 days after such facts are discovered. Absent such a showing of good cause, any issues not timely raised may be disregarded by the Commission.

For further information, please contact Michael Ray, Wireline Competition Bureau, (202) 418-0357; David Krech, International Bureau, (202) 418-7443; or Linda Ray, Wireless Telecommunications Bureau, (202) 418-0257.

**- FCC -**

**Exhibit A**

**Level 3 International Section 214 Authorizations**

|  |  |  |
| --- | --- | --- |
| **File Number** | **Authorization Holder** | **Authorization Number** |
| ITC-T/C-20161212-00344 | Level 3 Communications, LLC | ITC-214-19971229-00821 |
| ITC-T/C-20161213-00345 | Level 3 Telecom Holdings, LLC | ITC-214-20000927-00570 |
| ITC-T/C-20161212-00346 | Level 3 International, Inc. | ITC-214-19981214-00867 |
| ITC-T/C-20161212-00347 | Global Crossing North America, Inc. | ITC-214-19980520-00334 |
| ITC-T/C-20161212-00348 | Global Crossing Americas Solutions, Inc. | ITC-214-19950717-00062, ITC-19950831-00047, ITC-214-19970703-00372 |
| ITC-T/C-20161213-00343 | Global Crossing Americas Solutions, Inc. | ITC-214-19980430-00286 |

**Level 3 Entities That Provide Service Pursuant to Blanket Domestic Section 214 Authority**

**Entity FCC Registration Number**

Level 3 Communications, LLC 0003723822

Broadwing Communications, LLC 0008599706

TelCove Operations, LLC 0003709110

TelCove of Pennsylvania, LLC 0003709631

WilTel Communications, LLC 0003716511

IP Networks, Inc. 0009738279

Global Crossing Americas Solutions, Inc. 0003755709

Global Crossing Local Services, Inc. 0003733144

Global Crossing Telemanagement VA, LLC 0026094649

Global Crossing Telecommunications, Inc. 0002850519

Level 3 Telecom Holdings, LLC 0014942668

Level 3 Telecom of Alabama, LLC 0017347972

Level 3 Telecom of Arizona, LLC 0004352274

Level 3 Telecom of Arkansas, LLC 0017348012

Level 3 Telecom of California, LP 0004351110

Level 3 Telecom of Colorado, LLC 0004351086

Level 3 Telecom of D.C., LLC 0017348038

Level 3 Telecom Data Services, LLC 0017348145

Level 3 Telecom of Florida, LP 0004351466

Level 3 Telecom of Georgia, LP 0004351383

Level 3 Telecom of Hawaii, LP 0004351169

Level 3 Telecom of Idaho, LLC 0004352266

Level 3Telecom of Illinois, LLC 0004352308

Level 3 Telecom of Indiana, LP 0004351276

Level 3 Telecom of Iowa, LLC *Entity does not have an FRN*

Level 3 Telecom of Kansas City, LLC 0017348061

Level 3 Telecom of Kentucky, LLC 0017348087

Level 3 Telecom of Louisiana, LLC 0017348111

Level 3 Telecom of Maryland, LLC 0017348202

Level 3 Telecom of Minnesota, LLC 0004352290

Level 3 Telecom of Mississippi, LLC 0017348210

Level 3 Telecom of Nevada, LLC 0004352258

Level 3 Telecom of New Jersey, LP 0004351409

Level 3 Telecom of New Mexico, LLC 0004351417

Level 3 Telecom of New York, LP 0004351425

Level 3 Telecom of North Carolina, LP 0004351474

Level 3 Telecom of Ohio, LLC 0004351482

Level 3 Telecom of Oklahoma, LLC 0017348269

Level 3 Telecom of Oregon, LLC 0004351573

Level 3 Telecom of South Carolina, LLC 0004352282

Level 3 Telecom of Tennessee, LLC 0004351458

Level 3 Telecom of Texas, LLC 0004351128

Level 3 Telecom of Utah, LLC 0004351557

Level 3 Telecom of Virginia, LLC 0017348590

Level 3 Telecom of Washington, LLC 0004351532

Level 3 Telecom of Wisconsin, LP 0004351318

**Level 3 Submarine Cable Landing Licenses**

|  |  |  |
| --- | --- | --- |
| **File Number** | **Authorization Holder** | **Authorization Number** |
| SCL-T/C-20161212-00022 | Global Crossing Telecommunications, Inc. | SCL-LIC-19970506-00003, SCL-LIC-19981030-00023, SCL-LIC-19981103-00022, SCL-LIC-19990823-00015, SCL-LIC-19990913-00019 |
| SCL-T/C-20161212-00023 | Global Crossing Americas Solutions, Inc. | SCL-LIC-19980429-00019 |
| SCL-T/C-20161212-00024 | Level 3 Telecom of Hawaii LP | SCL-LIC-19950627-00024 |
| SCL-T/C-20161212-00025 | Level Communications, LLC | SCL-LIC-19990913-00019 |

**Level 3 Satellite Earth Station Authorizations**

|  |  |  |
| --- | --- | --- |
| **File Number** | **Authorization Holder** | **Lead Call Sign** |

SES-T/C-20161212-00943 Vyvx, LLC E150103

SES-T/C-20161212-00944 Vyvx, LLC E000358

SES-T/C-20161212-00945 Global Crossing Americas E080113

Solutions, Inc.

**Level 3 Wireless Licenses**

|  |  |  |
| --- | --- | --- |
| **ULS File Number** | **Authorization Holder** | **Lead Call Sign** |

0007582013 Vyvx, LLC WLN645

0007587844 Level 3 Communications, LLC WQUL574

1. 47 U.S.C. §§ 214, 310(d). Consolidated Application to Transfer Control of Domestic and International Section 214 Authorizations, WC Docket No. 16-403 (filed Dec. 12, 2016) (Lead Application). [↑](#footnote-ref-2)
2. 47 U.S.C. §§ 34-39. *See also* Exec. Ord. No. 10530, Sec. 5(a), reprinted as amended at 3 U.S.C. § 301 (delegating the President’s authority under the Cable Landing License Act to the Commission). [↑](#footnote-ref-3)
3. Applicants state that, in addition to domestic and international section 214 authorizations, the Level 3 subsidiaries hold 30 satellite earth station authorizations, three wireless licenses, and seven cable landing licenses. *See* Lead Application at 2 & Exh. D. [↑](#footnote-ref-4)
4. *See* Letter from Thomas Jones, Counsel to Level 3, and Yaron Dori, Counsel to CenturyLink, to Marlene Dortch, Secretary, FCC, WC Docket No. 16-403 (filed Dec. 19, 2016) (Dec. 19, 2016 Supplement). [↑](#footnote-ref-5)
5. The applicable Level 3 operating subsidiaries are identified in Lead Application, Exh. A. [↑](#footnote-ref-6)
6. Lead Application at 3, 6. [↑](#footnote-ref-7)
7. Lead Application at 3 & Exh. B, Public Interest Statement at B-2 (Public Interest Statement). According to Applicants, Level 3 serves customer locations via its own fiber facilities where possible, but Level 3’s fiber facilities do not reach the majority of the customer locations it serves. Where this is the case, Level 3 serves the customer locations via end user connections leased from another carrier. *Id.* [↑](#footnote-ref-8)
8. Dec. 19, 2016 Supplement at 2 (footnotes omitted). According to Applicants, of the “209,000 route miles of fiber owned or controlled today by Level 3 in the North America region, approximately 70,000 are long-haul fiber and 59,200 are metro fiber.” *Id.* In addition, Applicants represent that all of Level 3’s route miles are lit (not dark) fiber. *Id.* at 2 n.5. [↑](#footnote-ref-9)
9. Public Interest Statement at B-2. [↑](#footnote-ref-10)
10. Lead Application at 3, 6. [↑](#footnote-ref-11)
11. *Id.* at 3. [↑](#footnote-ref-12)
12. *Id.* at 4. [↑](#footnote-ref-13)
13. Public Interest Statement at B-1; Dec. 19, 2016 Supplement at 2-3, n.9 and Attach. A, CenturyLink ILEC Regions. Applicants further state that CenturyLink has a competitive LEC subsidiary that provides “interstate services and intrastate toll services” in CenturyLink’s incumbent LEC territory, but it does not provide traditional incumbent LEC services such as TDM-based local voice services or TDM-based special or switched access services. Dec. 19, 2016 Supplement at 2-3 n.9*.* According to Applicants, CenturyLink serves enterprise customers both within and outside of its incumbent LEC territory, although its fiber-based footprint for high-capacity services such as Ethernet is limited relative to that of its largest competitors, especially outside of its incumbent LEC territory. Public Interest Statement at B-1. [↑](#footnote-ref-14)
14. Lead Application at 3-4. [↑](#footnote-ref-15)
15. *Id.* at 4-6. Applicants state that pursuant to the Merger Agreement, each outstanding share of Level 3 common stock, par value $0.01 per share, other than shares held by holders who properly exercise appraisal rights, will be converted into the right to receive $26.50 in cash, without interest, and 1.4286 shares of CenturyLink common stock, par value $1.00 per share (the CenturyLink Common Stock). According to Applicants, the Transaction is subject to (1) the approval and adoption of the Merger Agreement by the stockholders of Level 3, and (2) the approval by the shareholders of CenturyLink of the issuance of the CenturyLink Common Stock contemplated by the Merger Agreement. *Id*. [↑](#footnote-ref-16)
16. *Id.* at 5. Applicants also state that in connection with this Transaction, they will be making filings or notifications with the Federal Trade Commission and U.S. Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, state public utility commissions, and local governments and municipalities as may be required. *Id.* at 15. Applicants also represent that they are consulting with the Team Telecom agencies with respect to Level 3’s existing network security agreement. *Id.* [↑](#footnote-ref-17)
17. *Id.* at 8. [↑](#footnote-ref-18)
18. *Id.* at 8-9 & Exh. E. Exhibit E of the Lead Application identifies certain foreign carriers affiliated with Savvis Communications Corporation and Savvis, Inc. (together, the Savvis Entities). According to Applicants, on November 3, 2016, CenturyLink entered into a definitive agreement to sell the Savvis Entities (the Savvis Transaction). *Id.* at 9 n.1. Applicants represent that the Savvis Transaction is unrelated to this Transaction and will be subject to its own regulatory approval process. *Id.* Applicants state that, to the extent the regulatory approvals required for the Savvis Transaction are obtained and the Savvis Transaction is consummated prior to the Commission’s approval of this Transaction, certain foreign carriers affiliated with the Savvis entities identified in Exhibit E will no longer be relevant to this Application, as they will no longer be foreign carrier affiliates of CenturyLink. *Id.* [↑](#footnote-ref-19)
19. Lead Application at 10. Applicants also certify that they have not agreed to accept any direct or indirect special concessions from a foreign carrier or administration with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future. *Id.* [↑](#footnote-ref-20)
20. 47 C.F.R. § 63.10(a)(l), (3). Lead Application at 9 & n.2. [↑](#footnote-ref-21)
21. Public Interest Statement at B-4. [↑](#footnote-ref-22)
22. *Id*. at B-4–B-8. [↑](#footnote-ref-23)
23. *Id*. at B-8–B-12. [↑](#footnote-ref-24)
24. *Id*. at B-5. [↑](#footnote-ref-25)
25. *Id*. at B-13–B-14. Applicants state that the combined company “will have approximately $19 billion in pro forma business revenue and $13 billion in business strategic revenue for the trailing twelve months ended June 30, 2016.” Public Interest Statement at B-13. Applicants estimate that 76 percent of the combined company’s revenue will be derived from business customers, and 65 percent of the combined company’s core revenue will be from strategic services. *Id.* at B-14. Applicants estimate that the “increased scale afforded by the combined company is expected to generate about $975 million of annual run-rate cash synergies, primarily from the elimination of duplicative functions, systems integration, and increased operational and capital efficiencies. The Commission recently recognized the public interest benefits of merger-specific efficiency gains.” *Id.* (citing *Applications of XO Holdings and Verizon Communications Inc. for Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, DA 16-1281, WC Docket No. 16-70, at para. 51 (Nov. 16, 2016) (*Verizon-XO Order*)). [↑](#footnote-ref-26)
26. Public Interest Statement at B-1–B-2. [↑](#footnote-ref-27)
27. *Id*. at B-15–20. CenturyLink states that even within its incumbent LEC footprint, it still relies on “a broad range of DSn connections” and “has not been as successful in selling Ethernet services as many of its competitors.” Public Interest Statement at B-6–B7. Applicants cite to the 2016 Ethernet leaderboard produced by the Vertical Systems Group, showing that CenturyLink ranks fifth among Ethernet providers in total retail port sales. *Id.* at B-7 n.4. [↑](#footnote-ref-28)
28. Public Interest Statement at B-6 (citing to the Commission’s conclusions in the *Verizon-XO Order*). [↑](#footnote-ref-29)
29. Because Level 3 has no mass-market consumer customers, Applicants suggest that the Commission’s evaluation of the Transaction is likely to focus on competitive effects in the following markets: (1) Internet backbone transmission services (*i.e.*, IP transit); (2) international transport services (including submarine cable facilities and the capacity needed to provide those services); (3) long-haul services (including inter-city fiber needed to provide those services); and (4) retail and wholesale enterprise services (also known as business data services (BDS) and including facilities needed to provide those services, *e.g.*, connections to buildings and fiber transport facilities deployed near to buildings). Public Interest Statement at. B-14–B15 & n.20 (and cases cited therein). [↑](#footnote-ref-30)
30. Public Interest Statement at B-15. [↑](#footnote-ref-31)
31. *Id.* at B-16 (“The Commission recently found that ‘transit prices have fallen by more than 90 percent in the last five years alone,’ which demonstrates that the market for transit services remains quite healthy.”) (footnote omitted) (citing *Verizon-XO Order* at para. 44 & n.156). [↑](#footnote-ref-32)
32. *Id.* at B-16. Applicants state that, according to the Center for Applied Internet Data Analysis (‘CAIDA’), “CenturyLink’s global IP network ranks seventeenth place, while it does not make Dyn’s ‘Baker’s Dozen’ list of the top thirteen global IP transit providers at all (and it has not since the 2012 edition of that report).” *Id.* at B-16–B17 (footnotes omitted). Meanwhile, Level 3’s global IP network and IP transport business are both ranked first by CAIDA and Dyn’s “Baker’s Dozen” list. Dec. 19, 2016 Supplement at 2. [↑](#footnote-ref-33)
33. Public Interest Statement at B-17. [↑](#footnote-ref-34)
34. *Id.* at B-17. Through its operating subsidiaries, Level 3 holds an interest in the following submarine cable routes: Americas-II, Atlantic Crossing-1, Mid-Atlantic Crossing, Pan American Crossing, South American Crossing, Yellow, and Hawaiian Islands Fiber Network submarine cables. CenturyLink holds a partial ownership interest in just one submarine cable route (which connects the U.S. and Japan) and otherwise leases all of its submarine capacity from other entities. *Id.* Applicants further state that CenturyLink’s ownership interest in that single submarine cable is less than five percent (and the interest held by Level 3 is even smaller), “meaning that the ability of the combined company to influence the operation of that cable will be limited.” *Id.* [↑](#footnote-ref-35)
35. *Id.* at B-18. Applicants explain that using publicly available data, their competitive analysis showed that all but three of the overlapping CenturyLink-Level 3 long-haul fiber routes are served by one or more of AT&T, Comcast, and/or Verizon, and that the three “relatively short routes” that remain—Boise, ID, to Portland, OR; Jackson to Seminary, MS; and Birmingham to Montgomery, AL—are served by at least one other fiber competitor. *Id*.; *see also* Dec. 19, 2016 Supplement at 4. [↑](#footnote-ref-36)
36. *See* Public Interest Statement at B-18-19 and Dec. 19, 2016 Supplement at 3-4 for a detailed description of Applicants’ tentative competitive analysis, including underlying assumptions and methodology. Applicants represent that they are conducting physical inspections to confirm their analysis. Public Interest Statement at B-19. Applicants assert the vast majority of the overlapping in-region buildings are located in five metropolitan statistical areas: Albuquerque, NM; Boise City, ID; Colorado Springs, CO; Denver-Aurora-Lakewood, CO; and Minneapolis-St. Paul-Bloomington, MN-WI.,and suggest that further analysis may result in a decrease in the final number of 2:1 buildings that lack nearby competitors. *Id.* [↑](#footnote-ref-37)
37. *Id.* at B-4 (“Specifically, the Transaction will not alter the rates, terms, and conditions of service under customers’ current contracts. The Applicants also will continue to abide by their ongoing obligations under existing interconnection agreements, as well as under applicable law, including, for example, those set forth in Sections 251 and 252 of the Communications Act.” *Id.* at B-20.). [↑](#footnote-ref-38)
38. *Id.* at B-4. Applicants claim that the Transaction will have no effect on CenturyLink’s regulatory obligations toward residential subscribers or on any pending commitments or obligations CenturyLink may have in connection with those subscribers, such as rural broadband deployment obligations associated with the Connect America Fund. *Id*. [↑](#footnote-ref-39)
39. The Level 3 subsidiaries that rely on the International Section 214 authority of their direct or indirect parent entities are listed in Lead Application, Exh. D at D-4–D-6. [↑](#footnote-ref-40)
40. Applicants do not request streamlined treatment for the domestic section 214 application pursuant to section 63.03 of the Commission’s rules, 47 CFR § 63.03. [↑](#footnote-ref-41)
41. Lead Application at 12-13. [↑](#footnote-ref-42)
42. *Id.* at 14. [↑](#footnote-ref-43)
43. *Id.* [↑](#footnote-ref-44)
44. 47 CFR § 1.1200 *et seq.* [↑](#footnote-ref-45)
45. *See* 47 CFR § 1.45(c). [↑](#footnote-ref-46)