such infrastructure.[28] Finally, customers of all video providers throughout the combined companies' service area should benefit because the transaction will make post-merger CenturyLink a stronger competitor to cable, to the benefit of customers in its markets. As the Commission has recognized in several orders, cable providers view IPTV as a stronger competitive threat than any other source of video competition, and thus they often respond to the entry of an IPTV competitor by reducing prices, enhancing their service offerings, and improving their customer service.[29] Indeed, a GAO study found that rates for expanded basic

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reduced the loss of existing subscribers"); *see also* Michael D. Pelcovits & Abigail Ferguson, Microeconomic Consulting & Research Associates, *Benefits to Consumers from the Transformation of the Cable Industry* 16 (2009) ("Another widely noted factor is that bundled-service subscribers may be 'stickier' than single-service subscribers. Considering the high cost of acquiring a new customer, the cable companies and ILECs have a powerful incentive to sign up a customer for a bundle in order to reduce customer churn.").

28 *See Review of the Commission's Program Access Rules and Examination of Programming Tying Arrangements*, First Report and Order, 25 FCC Rcd 746 ¶ 36 & n.141 (2010) (recognizing "that a wireline firm's decision to deploy broadband is linked to its ability to offer video").

29 *Id.* ¶ 29 ("Data indicate that DBS operators do not constrain the price of cable service to the extent that wireline MVPDs do, thereby implying that incumbent cable operators perceive wireline MVPDs as a more significant competitive threat. In addition, unlike DBS operators, wireline MVPDs can offer combinations of video, voice, and data services similar to those that incumbent cable operators offer to customers (the 'triple play'), thus posing a greater competitive threat than DBS to cable operators."); U.S. General Accounting Office, *Telecommunications: Wire-Based Competition Benefited Consumers in Selected Markets, Report to the Subcommittee on Antitrust, Competition Policy and Consumer Rights, Committee on the Judiciary, U.S. Senate*, GAO No. 04-241, at 4 (Feb. 2004), *available at* http://www.gao.gov/new.items/d04241.pdf ("On the basis of 12 markets [the GAO] examined, it appears that [broadband service provider] entry into a market benefited consumers in the form of lower prices for subscription television, high-speed Internet access, and local telephone services. Incumbent cable operators often responded to [broadband service provider] entry by lowering prices, enhancing the services that they provide, and improving customer service.") ("*GAO Report*"); *Exclusive Service Contracts for Provision of Video Services in Multiple Dwelling Units and Other Real Estate Developments*, Report and Order and Further Notice of Proposed Rulemaking, 22 FCC Rcd 20235 ¶ 17 & n.52 (2007) ("[T]he presence of a second wire-based MVPD competitor clearly holds prices down more effectively than is the case where DBS is the only alternative.").

cable television service were generally 15 to 41 percent lower in markets with a wireline video competitor, when compared to similar markets that did not have such a competitor.[30]

3. Increased Competition For Services to Enterprise and Government Customers

The transaction will give post-merger CenturyLink an enhanced position in the enterprise and government broadband markets. Qwest is a national provider of services to the enterprise market, and has particular strength in serving large business and government customers. CenturyLink, by contrast, is a smaller player in the provision of services to enterprise customers, and focuses on businesses with regional and local needs. The transaction will enable post-merger CenturyLink to leverage Qwest's strength in providing complex communications services to large businesses and government entities on a national and global scale to provide a broader array of services to enterprise customers in CenturyLink territories. And by combining Qwest's long-haul network with CenturyLink's fiber rings in metropolitan areas, the combination will create a service partner that can offer strategic products to a broader array of businesses, including small businesses, entrepreneurs, and others that are seeking access to a nationwide long-distance network.

Post-merger CenturyLink also will offer customers more diverse routing options, provide redundant routing for backup purposes, and offer other communications and information services that are attractive to businesses in the financial sector, government entities, and other customers who require solutions for highly sensitive data operations. The larger scope of the company will make it a more serious contender for new services such as cloud computing and data hosting that can provide important new sources of revenues. Notably, post-merger CenturyLink's geographic

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30 *GAO Report* at 4; *see also AT&T/BellSouth Merger Order* ¶ 207.

footprint and focus may position it to be a key provider of such services to rural customers, which are underserved in many areas.

Moreover, by creating a stronger nationwide fiber-based platform and strengthening the economics of the combined company, the transaction will make post-merger CenturyLink a more capable competitor to AT&T, Verizon, Comcast, Cox, and others whose large regional or national reach and overall size enables them to take advantage of significant economies of scale and scope. By spreading investments in new services and products across a wider customer base, the transaction will enable CenturyLink to compete with these major facilities-based broadband providers.

B. Post-Merger CenturyLink Will Continue to Focus on Local Consumers & Rural Communities

Both CenturyLink and Qwest are leading voice and broadband service providers, with commitment to local consumers. CenturyLink in particular has made extensive investments to reach rural communities, and has demonstrated its dedication to providing high-quality services to rural customers through a locally-based "neighborhood" approach.[31] The company consistently and successfully serves the needs of local consumers through its five-region organizational structure, with a regional president, general managers and operations managers providing localized customer service, and a physical presence close to the customer.[32]

CenturyLink's history of successful acquisitions has always included a local focus. Prior to its Embarq acquisition, CenturyLink provided local exchange telephone services to predominantly rural and small- and medium-sized cities in its region. Even while integrating the significant Embarq customer base, the company continued to meet the needs of its local

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31 *See* Declaration of Karen A. Puckett, ¶ 2 (Exhibit 6).

32 *Id.*

customers[33] – and indeed won back a number of former Embarq customers who had switched to other local exchange providers.[34] CenturyLink has also engaged in substantial outreach to support entrepreneurs and small businesses in rural areas, such as helping a technology entrepreneur in Forks, Washington, develop information technology business opportunities from his home, and helping a home movie entrepreneur move his small business to the rural community of Winthrop, Washington. CenturyLink's efforts thus have enabled small businesses to thrive by focusing on their localized needs. CenturyLink will bring this local focus to Qwest's service areas, and will create a renewed focus on local needs that will serve consumers and make the company stronger.

In addition, CenturyLink is committed to universal broadband deployment, and the combination of its facilities with those of Qwest, as discussed above, will significantly improve the availability of broadband capabilities to both companies' rural customer bases. CenturyLink is on track to meet or exceed its FCC broadband deployment and CLEC commitments; as of March 31, 2010, the company is approaching 89 percent broadband availability (in all but the most difficult-to-serve areas in its region). In some cases, broadband may become available sooner because of adjacent CenturyLink and Qwest facilities.

The transaction will strengthen the balance sheet of CenturyLink, the largest carrier focusing on rural customers, and improve the sustainability of network investments made in the

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33 Customer service representatives (CSRs) are trained to understand the local market, from local terrain and weather conditions to local news, to better serve customers in their region. CenturyLink's on-line provisioning system allows CSRs to provide real-time pricing and competitive offerings while on the telephone with customers. Integrated billing, service provisioning, and other corporate functions ensure that CenturyLink meets the needs of its customers with consistently high quality. *Id.* ¶ 2.

34 CenturyLink has succeeded in winning back customers who had left Embarq prior to the merger based at least in part on CenturyLink's record of high-quality and locally-focused service. *Id.*

affected regions. And the combined network will place more rural communities within economically feasible reach of post-merger CenturyLink's fiber backbone network. This transaction will result in more rapid deployment of broadband access and advanced broadband capabilities, such as IPTV, for the benefit of rural customers in both CenturyLink and Qwest rural communities.

C. The Transaction Will Create Significant Synergy Opportunities

The transaction is expected to create significant annual operating synergies of approximately $575 million, which are expected to be fully realized three to five years following closing. The transaction also will generate approximately $50 million in annual capital expenditure synergies within the first two years after close. One significant component of these synergies relates to CenturyLink's ability to transition long-haul traffic in its former Embarq service areas onto Qwest's network. CenturyLink does not currently own long-haul network facilities in a sizeable geographic area that had been served by Embarq prior to CenturyLink's acquisition of Embarq. Consequently, CenturyLink pays significant fees to other carriers to carry traffic on their long-haul networks. As a result of this transaction, however, CenturyLink will be able to shift a significant portion of its traffic onto Qwest's long-haul network, thereby saving significant annual costs and creating a more seamless offering for consumers. In general, the larger footprint of post-merger CenturyLink will ensure fewer off-network terminations and fewer handoffs to other service providers. The larger network thus will reduce interconnection fees paid to other carriers, and decrease costs.

Additional key drivers of the transaction synergies will be reduced corporate overhead, elimination of duplicate functions, enhanced revenue opportunities, and increased operational efficiencies through the adoption of each company's most effective practices. Post-merger CenturyLink also will be able to leverage product development, system investment, and advertising costs over a broader customer and revenue base. These operational synergies will result in savings in fixed and marginal costs that will accrue to the benefit of consumers. The Commission has previously recognized the important public benefits of similar merger-specific efficiency gains, and it should do so again here.[35]

V. THE MERGER POSES NO RISK OF HARM TO COMPETITION OR CONSUMERS

The transaction will achieve these significant public interest benefits, with no countervailing harms. Indeed, the proposed transaction is notable in that it marries two companies with almost entirely complementary network footprints. The two companies' geographic footprints have little overlap but are geographically close, which will support operational synergies, provide important scale and scope, and therefore provide a platform for an improved customer experience. Thus, CenturyLink and Qwest's local exchange networks and fiber networks will link urban and rural markets throughout the country and permit post-merger CenturyLink to offer next-generation services to wholesale and retail customers. The combination will join Qwest's industry-leading long-haul fiber optic network with CenturyLink's metropolitan core networks to link both companies' local service networks and provide business customers with increased scale and flexibility in many markets. Combined, the networks will include approximately 17 million access lines, 5 million high-speed internet customers, and approximately 180,000 route miles of fiber. The merger thus will create a robust, reliable, broadband-rich network that will permit post-merger CenturyLink to offer competitive services to government, business, residential, and wholesale customers on a national scale, and provide vibrant competition with AT&T, Verizon, Comcast, and others.

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[35] *See, e.g., Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee,* Memorandum Opinion and Order, 14 FCC Rcd 14712 ¶ 326 (1999); *CenturyTel/Embarq Merger Order* ¶¶ 44-45.

The merger will in no way reduce actual or potential competition. Of the fourteen states in which Qwest has ILEC operations, CenturyLink has no operations at all in four of the states, and in the remaining ten, there are only two markets (Minneapolis, Minnesota, and the Puget Sound area of Washington), in which CenturyLink competes as a CLEC, as discussed in more detail below. Conversely, Qwest does not have any competitive local exchange facilities in CenturyLink's ILEC territories.[36] Finally, there are two markets (Orlando, Florida and Huntsville, Alabama), in which the companies have limited overlap in their owned or leased CLEC facilities. As discussed below, the merger will not result in a reduction of competition even in those areas. For the reasons that follow, this transaction poses no threat to competition or consumers, and indeed will enable two of the nation's midsize communications companies to combine into a stronger, national competitor.

A. The Transaction Poses No Risk of Harm to Competition for Local Exchange or Exchange Access Services

As noted above, there is no overlap in the areas within which the companies provide local exchange and exchange access services as ILECs. There is overlap in areas where CenturyLink and Qwest own or lease facilities used to provide interstate access and special access services in just four markets: CenturyLink has limited fiber build-out in Minneapolis, Minnesota and the Puget Sound/Gray's Harbor area of Washington, where Qwest operates as an ILEC, and both CenturyLink and Qwest own or lease metro fiber rings as CLECs in Orlando, Florida and in Huntsville, Alabama. The overlaps are a miniscule fraction of the overall combined company

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[36] Although it is Qwest's practice generally to use the facilities of other carriers when it sells services to enterprise customers in locations outside of its service territory, it is possible that, within Qwest's 14-state region, Qwest has built facilities to serve individual customers within CenturyLink territory. Any such situations would be limited to sales to customers with multiple sites, within and outside of Qwest territory. Qwest has not built facilities in CenturyLink territory for the purpose of marketing to multiple customers.

footprint, and raise no threat to competition for either local exchange, switched, or special access services.

1. CenturyLink Service in Qwest Region – Minneapolis and Puget Sound/Gray's Harbor

CenturyLink has limited fiber build-out in just two areas in Qwest's territory: in the Minneapolis, Minnesota metropolitan area and in the Puget Sound/Gray's Harbor area of Washington.

In the Minneapolis area, CenturyLink operates as a CLEC with a central office and a Class 5 switch based in Eden Prairie, operates one interexchange carrier (IXC) POP in Eden Prairie, and has roughly **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber in the area. CenturyLink has no expansion plans for this market and today serves **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** customers, generating **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in revenue in 2009.

Although the merger will eliminate one small CLEC in Minneapolis, this market enjoys robust competition from a variety of other service providers, and thus competition will not be materially affected by the proposed transaction. The Commission has accepted that there is unlikely to be a harm to competition if supply and demand conditions indicate that entry from competitors is likely should the merged company raise prices.[37] At least four competitive LECs – AT&T, Verizon, Level 3, and Enventis – have fiber facilities and POPs in Minneapolis. In addition, a national cable system operator, Comcast, as well as numerous other CLECs – including Time Warner Telecom, Global Crossing, CP Telecom, Integra, POPP, TDS, XO, Zayo, Paetec, Cbeyond, Speakeasy, Atech, Nextera, Onenet, Unity, and Hickory Tech – have a

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37 *AT&T/BellSouth Merger Order* ¶ 37.

significant presence there. There clearly is no barrier to market entry in Minneapolis, and there is no evidence of any constraint on facilities expansion by any of these existing competitors. Moreover, CenturyLink's customers in the area have available to them between seven and 27 CLEC options,[38] with the exception of one ZIP code where they have "only" four.[39]

As part of a wider fiber transport network serving customers in the state of Washington, CenturyLink serves governmental customers who have requested data transport service both within and outside CenturyLink's ILEC territory. To the extent that CenturyLink owns fiber transport facilities outside its territory, it routes this data traffic on its own fiber network. Thus, CenturyLink offers facilities-based connectivity to a limited number of customers out-of-region via metro fiber spurs in Olympia, on Puget Sound, and Aberdeen, on Gray's Harbor, both of which are within Qwest's ILEC region. In these areas, CenturyLink has **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber altogether. As in Minneapolis, this market enjoys ample competition from a variety of other service providers, including Comcast, Noel, TSS, and XO. According to Commission records, there are 13 CLECs with a presence in the Aberdeen area, and in Olympia, there are as many as 18 CLECs depending on zip code.[40]

In both the Minneapolis and Puget Sound/Gray's Harbor areas, post-merger CenturyLink will enjoy no ability to discriminate as a result of the merger, and there will be ample competition to constrain price increases as a result of the merger.

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38 Data on CLECs is available at http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/czip0608.pdf.

39 *Id.* One customer in ZIP code 55455 has four competing CLECs. But even for that one customer, the four facilities-based CLECs with fiber ensure ample options as well as easy entry from non-facilities-based CLECs.

40 *See* http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/czip0608.pdf.

2. Both CenturyLink and Qwest as CLECs – Orlando and Huntsville

There are two areas in which both CenturyLink and Qwest out-of-region metro fiber facilities (leased or owned) overlap, however slightly: in portions of the Orlando, Florida metropolitan area, and in portions of the Huntsville, Alabama area. But there is no material facilities-based overlap and no risk of any harm to competition in either market as a result of the merger. In both areas, CenturyLink and Qwest compete against the ILEC (AT&T), as well as other numerous other competitors. The Commission has recognized that transactions in which overlapping CLECs face continuing competition from an ILEC and multiple other CLECs are unlikely to pose a threat to competition.[41] That conclusion is amply true in Orlando and Huntsville.

The scope of overlap in both markets is exceptionally limited. In Orlando, where AT&T is the ILEC, CenturyLink owns **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber and leases **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** from AT&T, Level 3, and others. CenturyLink serves **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** customers, generating **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in 2009 revenues. Qwest leases **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber from Level 3 in CenturyLink's service area, and also has a section of long-haul backbone in

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41 *Applications of XO Communications, Inc. for Consent to Transfer Control of Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Petition for Declaratory Ruling Pursuant to Section 310(b)(4) of the Communications Act*, Memorandum Opinion, Order, and Authorization, 17 FCC Rcd 19212 ¶ 30 (2002).

that area. Qwest has no switched service local customers in this area, and serves only **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** total special access customers.[42]

AT&T is also the ILEC in Huntsville. There, CenturyLink owns **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber, and owns a class 5E switch. CenturyLink serves **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** customers, with **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** in 2009 revenues. Qwest does not own any fiber in Huntsville, and instead leases **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of fiber from Knology that connects to a long-haul route leased from Level 3 that passes through Huntsville. Qwest serves **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** customers in this area. Again, Qwest provides no switched local services.

In both markets, AT&T has the advantage as a much larger competitor, and with a longer-standing presence in the market. Thus, the most direct effect of the instant combination in the Orlando and Huntsville areas is to make the post-merger CenturyLink a more robust competitor to AT&T. Moreover, in both areas, CenturyLink and Qwest face robust competition from an array of other CLECs and a national cable system operator. In Orlando, according to Commission data, there are between 9 and 38 other CLECs, depending on ZIP code.[43] In addition, Comcast and Bright House are major cable-based competitors in the area. In

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[42] Qwest's metro fiber ring extends into CenturyLink's territory, but Qwest serves no local customers in CenturyLink's territory from this facility.

[43] *See* http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/czip0608.pdf

Huntsville, there are between 14 and 30 other CLECs, depending on ZIP code.[44] Other area competitors include cable-based providers Time Warner Cable, Comcast and Charter. Thus, in both the Orlando and Huntsville areas, the proposed merger will result in no significant diminution in competition – and should in fact enhance the ability of post-merger CenturyLink to thrive as a CLEC.

3. Adjacencies

The parties will have adjacent local exchange footprints in 10 states. A list of adjacent exchanges is attached at Exhibit 5. These adjacencies will not result in any harm to competition. Many of the adjacencies resulted from CenturyLink's acquisition of Pacific Telecom Inc. in 1997, which previously had acquired its local exchanges from Qwest's predecessor, U S WEST. CenturyLink and Qwest long have operated in adjacent markets in Qwest's region. Neither has materially expanded into the other's adjacent local exchange territory,[45] nor did either have strategic plans to do so before the merger agreement was signed.[46] Thus, the transaction will not forestall any increase in competition.

A significant number of CenturyLink's and Qwest's local exchanges are located in low-density rural and less populated areas, which are less likely to be targets for competitive entry. As the Commission has recognized, "carriers are less likely to compete in such territories because of the high costs of reaching customers and the lower potential revenues in servicing

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44 *Id.*

45 While individual customers have on occasion asked CenturyLink or Qwest to build out in another carrier's adjacent region to serve that specific customer, competitive line extensions outside of either LEC's region are rare, other than in the markets identified above in which CenturyLink and Qwest have targeted CLEC operations.

46 *See* Declaration of Karen A. Puckett, at ¶ 3 (Exhibit 6); Declaration of Teresa A. Taylor, at ¶ 2 (Exhibit 7).

fewer customers."[47] Finally, the adjacent exchanges are frequently adjacent precisely because CenturyLink has focused on acquiring and serving rural customers far more than Qwest has. The combination of such complementary adjacent exchanges, far from limiting competition, thus will increase the diversity of revenue sources, and strengthen post-merger CenturyLink's ability to compete with other regional and national telecommunications carriers. Moreover, no pre-existing arrangements will be disturbed as a result of this transaction; from the customer's standpoint, it will be "business as usual" in all respects.

B. The Transaction Will Not Harm Competition in the Provision of Broadband Services

The transaction will not harm competition in the provision of either internet backbone services or retail broadband internet access services.

1. The Transaction Will Not Harm Internet Backbone Competition

There is no competitive issue in any internet backbone market. Qwest is one of several Tier 1 providers, but CenturyLink is not a Tier 1 provider at all. Thus the combination of the two will not reduce the number of Tier 1 providers. Indeed, the Commission has recognized that there are at least six, and likely eight major competitors in the provision of Tier 1 services: AT&T, Verizon, Sprint, Level 3, Qwest, Global Crossing, and likely SAVVIS and Cogent.[48] As the Commission has found, the market of Tier 1 backbone competition "is both competitive and

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47 *CenturyTel/Embarq Merger Order* ¶ 18; *see also Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd.*, 16 FCC Rcd 15293 ¶¶ 8-10 (2001); *Joint Applications of Global Crossing Ltd., and Citizens Communications Co.*, 16 FCC Rcd 8507 ¶ 7 (2001) ("The Commission has previously found that such largely rural and less populated areas are less attractive to new entrants."); *National Broadband Plan*, at 136 ("This broadband availability gap is greatest in areas with low population density. Because service providers in these areas cannot earn enough revenue to cover the costs of deploying and operating broadband networks, including expected returns on capital, there is no business case to offer broadband services in these areas."). Of course, some rural areas enjoy significant competition for middle mile services.

48 *AT&T/BellSouth Merger Order* ¶ 127.

dynamic."[49] Moreover, in prior merger reviews (including, most recently, AT&T/BellSouth), the Commission has concluded that a combination of a Tier 1 provider (*e.g.*, AT&T) and a non-Tier 1 provider (*e.g.*, BellSouth) would not create sufficient market share and negotiating leverage in the backbone market to engage in targeted de-peering of rivals, because competitors will retain sufficient market share to provide "significant counterweight to the merged entity."[50]

The Commission's analysis applies with even greater force here, and confirms that there will be no harm to competition in the provision of internet backbone services. CenturyLink has a modest regional backbone network and is not a Tier 1 provider. Indeed, CenturyLink's total third-party revenue from long-haul services was only **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** Neither the addition of CenturyLink's backbone nor its last mile customers will give Qwest any competitive advantage as a backbone provider. For that reason, the transaction will not alter the competitive dynamics in the Tier 1 backbone market.

2. The Transaction Will Not Harm Competition For Retail Broadband Services

The merger raises no competitive concerns regarding the provision of broadband services to residences or businesses. The transaction will promote rather than impair competition in the provision of high-speed internet access. And there will be no harm to competition in the provision of advanced services over high-speed internet.

Post-merger CenturyLink will face powerful competitors for high-speed internet access, from other LECs, cable operators, satellite-based providers and terrestrial wireless providers. Comcast and AT&T remain the nation's largest broadband service providers, followed by Time

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49 *AT&T/BellSouth Merger Order* ¶ 143; *see also SBC/AT&T Merger Order* ¶ 124; *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, Memorandum Opinion and Order, 20 FCC Rcd 18433 ¶ 125 (2005).

50 *AT&T/BellSouth Merger Order* ¶ 144; *SBC/AT&T Merger Order* ¶ 135.

Warner Cable, and Verizon.[51] As the Commission found in 2008, cable, fiber, and wireless technologies each have made significant advancements in competing with copper wireline as sources of broadband services; in rural areas, satellite providers also offer viable broadband options.[52] Since that time, deployment of broadband internet access providers only has accelerated. Many customers in both companies' regions face multiple options for broadband access, including from much larger competitors. Moreover, while wireline telephone access service is a shrinking market,[53] CenturyLink and Qwest view high-speed internet access as a growth opportunity, and will have ample business motivations to expand the scope and depth of their service offerings.

Qwest provides residential and small business-focused VoIP offerings as an over-the-top service, but to a relatively small number of customers. Qwest has **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** residential VoIP customers, and **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** small business customers. In each market, Qwest competes with a significant number of other companies. Far from harming competition, the combination will enable the company to expand its reach and increase deployment of innovative services such as VoIP.

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51 *See* Karl Bode, *Time Warner Cable Now Third Largest Broadband ISP*, DSLReports.com (Feb. 16, 2010) *available at* http://www.dslreports.com/shownews/Time-Warner-Cable-Now-Third-Largest-Broadband-ISP-106926?nocomment=1.

52 *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, Fifth Report, 23 FCC Rcd 9615 (2008).

53 *See, e.g.*, Wireline Competition Bureau, Federal Communications Commission, *Trends in Telephone Service* 7-1 (2008), *available at* http://www.fcc.gov/wcb/iatd/trends.html (noting that, since 2000, "the number of lines provided by wireline carriers has declined, likely due to some consumers substituting wireless service for wireline service, and some households eliminating second lines when they move from dial-up Internet service to broadband service").

C. The Merger Poses No Risk of Harm to Competition for the Provision of Bundled Services to Enterprise Customers

Both CenturyLink and Qwest are among a large number of service providers that offer a bundle of local, long distance, and broadband telecommunications products and services to regional and national enterprise customers. This is a dynamic market with multiple major competitors, and highly sophisticated customers.[54] This transaction will not harm competition in the provision of such bundled products and services.

First, CenturyLink and Qwest have focused on different segments of the business market. Qwest has invested in offering a wide range of communications services to all sizes of business customers, including many Fortune 500 companies, on a national and global scale. These services are supported by Qwest's significant national fiber-optic network and data centers. CenturyLink by contrast has focused on in-region businesses, with heavier emphasis on small- and medium-sized businesses with local and regional needs. CenturyLink thus is not as well positioned as Qwest is to compete for the provision of a full suite of services to large business customers with widely dispersed operations. The Commission has approved transactions even when the applicants "currently compete against each other with respect to a range of enterprise customer classes and enterprise services," on the ground that "competition for medium and large enterprise customers should remain strong after the merger because medium and large enterprise customers are sophisticated, high-volume purchasers of communications services that demand

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54 The Commission has found that "medium and large enterprise customers are sophisticated, high-volume purchasers of communications service, including in particular high-capacity communications services," and that "systems integrators and the use of emerging technologies, including various Internet Protocol enabled (IP-enabled) technologies, are likely to make this market more competitive, and that this trend is likely to continue in the future." *AT&T/BellSouth Merger Order* ¶¶ 62, 81; *see also GTE/Bell Atlantic Corp. Order* ¶ 121 (finding that "larger business customers in general tend to be more sophisticated and knowledgeable purchasers of telecommunications service than mass market customers").

high-capacity communications services, and because there will remain a significant number of carriers competing in the market."[55] That conclusion applies *a fortiori* here, where CenturyLink and Qwest are not significant direct competitors for a wide range of enterprise customers.

Second, the Commission has repeatedly recognized that there are numerous categories of competitors providing services to enterprise customers, including interexchange carriers, CLECs, cable companies, foreign companies, systems integrators, and equipment vendors.[56] Most significantly, the number of providers prepared to make competitive offers to enterprise businesses seeking communications services is large, and growing. The Commission has found that there has been a "rise in data services, cable and VoIP competition" and a "dramatic increase in wireless usage." The Commission found that the "large number of carriers" providing communications services to medium- and large-size enterprise customers "ensure there is sufficient competition."[57] The Commission also concluded that small businesses continue to be served by a wide range of intermodal competitors including "cable telephony and mobile wireless service providers, and providers of certain VoIP services."[58]

The degree of competition for enterprise and government business has, if anything, increased in recent years. As businesses increasingly seek more sophisticated services, a wide range of providers are meeting the needs of customers. National facilities-based providers such as AT&T, Comcast, Cox, Global Crossing, Level 3, Sprint, Time Warner Cable, Verizon, and others, compete for the provision of communications services to enterprise and government

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55 *SBC/AT&T Merger Order* ¶ 3.

56 *Id.* ¶ 64; *see also AT&T/BellSouth Merger Order* ¶ 80.

57 *AT&T/BellSouth Merger Order* ¶ 80; *see also SBC/AT&T Merger Order* ¶ 75; *CenturyTel/Embarq Merger Order* ¶ 19.

58 *AT&T/BellSouth Merger Order* ¶ 83; *see also Delivery of Video Programming Competition Report* ¶ 71 (finding that cable companies are offering "video, high-speed Internet, and telephone services to attract business subscribers").

customers, as do other major providers such as Accenture, Avaya, Cisco, EDS, and IBM. Regional competition from RLECs, cooperatives, electric utilities, and other carriers also can be intense. CenturyLink, for example, has recently lost enterprise business opportunities to, among others, **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** Qwest's major competitors for enterprise and federal government services include **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** Qwest's major competitors for state and local government services include **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**

D. The Transaction Will Not Harm Competition For the Provision of Video Services

There are no overlaps in the companies' respective video services offerings that would create competitive concern. Both CenturyLink and Qwest have sales agency arrangements with digital broadcast satellite providers (CenturyLink with both Dish and DIRECTV, Qwest with DIRECTV), under which they market, sell, and bill for the services of the satellite provider. However, neither CenturyLink nor Qwest provides satellite video services or owns facilities with which to provide satellite video services, and because neither party is a provider of satellite video services through owned facilities, the combination will have no effect on competition. Indeed, CenturyLink and Qwest's partnerships with Dish and DIRECTV serve the pro-competitive purpose of enabling the Applicants to be full-service providers to their customers and provide competitive alternatives to existing video providers.

The transaction will not cause any harm to competition in facilities-based video distribution. Qwest has no business plans to provide IPTV or otherwise expand its facilities-based video offerings.[59] The transaction thus will not eliminate an imminent entrant, and instead will permit post-merger CenturyLink to leverage legacy CenturyLink's investments in IPTV for the benefit of Qwest customers.

The two companies' total presence as video services providers is dwarfed by other major providers. CenturyLink has **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** IPTV subscribers as of December 31, 2009, and Qwest had **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** cable subscribers. CenturyLink and Qwest compete against established incumbent cable operators in each of their markets, including Comcast, Time Warner Cable, and Cox, as well as digital broadcast satellite providers. This transaction will only enhance competition to these larger, established providers.

E. The Transaction Will Not Harm Competition For Long Distance or Wireless Services

The proposed merger will have no effect on competition in the provision of interstate switched long-distance services. At the retail level, Qwest markets out-of-region long-distance services primarily as part of a bundle of products and services offered to enterprise customers, and not on a stand-alone basis. CenturyLink, for its part, provides the bulk of its long-distance service on a resale basis; CenturyLink purchases wholesale long-distance capacity from other carriers, and resells it primarily in its region. Stand-alone long distance is a small and decreasing

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59 Declaration of Teresa A. Taylor ¶ 3 (Exhibit 7); *see also* Sean Buckley, Telecommunications Media Group, *Qwest Takes A Disciplined Operating Approach*, (June 14, 2009), *available at* http://www.telecomengine.com/newsglobe/article.asp?HH_ID=AR_4709 (quoting Qwest CEO as stating that "we're not on the IPTV mission"); SNL Kagan, *Broadband Technology*, p. 5 (June 19, 2009) (noting that "Qwest is balking at the economics of IPTV for now").

portion of both companies' overall revenues, and both face an extensive array of competitors. As the Commission has recognized, "long distance service purchased on a stand-alone basis is becoming a fringe market."[60] This transaction creates no competitive concerns in that market.

Similarly, there is no overlap in the provision of wireless services. Notably, Qwest owns no Commercial Mobile Radio Service ("CMRS") facilities. CenturyLink owns certain CMRS facilities in its ILEC region, and holds certain licenses for 700 MHz spectrum, but the latter cover only about 15 percent of CenturyLink's footprint. The company has not yet built out facilities to use this spectrum, nor decided how to use it. Indeed, the bulk of CenturyLink's access lines are in former Embarq areas, yet its spectrum licenses are in different geographic areas, which means that the large majority of CenturyLink's lines are in markets where it has no spectrum.[61]

Qwest previously operated as a Mobile Voice Network Operator ("MVNO") that purchased Sprint services and resold them under the Qwest name. However, Qwest ended that practice as of October 31, 2009, and now simply acts as an agent for Verizon Wireless. Qwest does not market Verizon Wireless services to residential consumers outside its 14-state region. Qwest does market Verizon Wireless services to enterprise and government customers located both in and out of region. Because Qwest simply acts as an agent and does not own wireless facilities, the transaction will have no impact on any wireless market.

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60 *AT&T/BellSouth Merger Order* ¶ 97; *SBC/AT&T Merger Order* ¶ 91.

61 CenturyLink and Qwest both hold common carrier point-to-point microwave, industrial, and other wireless radio licenses supporting their landline telephone operations. In addition, Qwest operates registered receive-only earth station facilities that support its cable television operations.

F. The Merger Will Not Disrupt Service to Any Retail or Wholesale Customers or Affect the Applicants' Ability to Satisfy Prior Commitments

The transaction will not disrupt any existing service arrangements. Both applicants confirm that existing wholesale arrangements will remain intact, with the surviving company honoring the terms of existing arrangements. The companies recognize that continuity of service is a top priority, and the companies commit that customers will continue to receive service from the same operating company at the same rates and on the same terms and conditions immediately after the merger as immediately prior to the transaction. CenturyLink has no business plans to divest itself of any markets, and the customer service and network operations functions that each company's customers rely upon will continue upon completion of the transaction. The companies also will meet their ongoing obligations under interconnection agreements and Section 251 of the Communications Act, and Qwest's obligations under Section 271 of the Act.

Moreover, CenturyLink will continue to fulfill its existing obligations to: (i) provide to wholesale customers, until mid-2012, ADSL transmission service at prices and with capabilities consistent with those offered in mid-2009; and (ii) invest in broadband infrastructure to ensure that high-speed internet access service is available on 100 percent of broadband-eligible access lines by mid-2012.[62] CenturyLink has already met its 2010 commitments from the Embarq acquisition for broadband-capable deployment and is on track to meet all commitments, on time. CenturyLink will similarly support the ability of Qwest and its affiliates to satisfy their continuing regulatory obligations.

Thus, the transaction itself will not cause any reduction, impairment, or discontinuance of service to any customer. Indeed, the only anticipated effect on existing customers is that they

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62 *See CenturyTel/Embarq Merger Order*, App. C.

will benefit from a company that is financially more stable, has better operating metrics, and is better positioned to roll out innovative products and services.

VI. INFORMATION REQUIRED BY SECTION 63.04

In support of this application and pursuant to Section 63.04 of the Commission's rules, the Applicants provide the following information:

1. Name, Address, and Telephone Number of Each Applicant

Transferee: CenturyTel, Inc. d/b/a CenturyLink[63]
100 CenturyLink Drive
Monroe, Louisiana, 71203
Telephone: (318) 388-9000

Transferor: Qwest Communications International Inc.
1801 California Street
Denver, Colorado 80202
Telephone: (303) 992-1400

2. Government, State, or Territory Under the Laws of Which Each Applicant is Organized

CenturyTel, Inc. is a corporation organized under the laws of Louisiana. Qwest Communications International Inc. is a corporation organized under the laws of Delaware. Attached as Exhibit 1 is a list of Qwest subsidiaries that provide under Section 214 any domestic interstate telecommunications services.

3. Contact Information

CenturyLink:

Karen Brinkmann
Latham & Watkins LLP
555 11th St. NW
Suite 1000
Washington, DC 20004
(202) 637-2262

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63 As of May 20, 2010, the name of the company will change to CenturyLink, Inc. upon shareholder approval.

Qwest:

Lynn R. Charytan
WilmerHale
1875 Pennsylvania Ave. NW
Washington, DC 20006
(202) 663-6455

4. Ten Percent or Greater Interest Holders

The name, principal business, address, citizenship, and ownership interest of the sole entity that directly controls a ten percent or greater interest in both CenturyLink and Qwest are as follows:

Name:	Capital Research and Management Company ("CRMC")
Principal Business:	Investment Manager
Address:	333 South Hope Street, 55th Floor Los Angeles, California 90071
Citizenship:	United States
Ownership Interest:	Approximately 12% of both CenturyLink and Qwest

CRMC is wholly owned by The Capital Group Companies, Inc., which has the same principal business, address, citizenship, and ownership interest as CRMC. CRMC will hold an interest of approximately 12 percent in post-merger CenturyLink.

5. Anti-Drug Abuse Act Certification

Each of Qwest and CenturyLink hereby certifies pursuant to Sections 1.2001 through 1.2003 of the Commission's rules that no party to the application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.

6. Description of the Transaction

A description of the transaction is provided *supra* at section I.B.

7. Description of Geographic Service Area and Services in Each Area

Qwest offers data, internet, video and voice services, and its local service area is a 14 state region in the Central and Midwest United States. As of December 31, 2009, Qwest provides local exchange services over approximately 10.3 million access lines, and high-speed internet connections to approximately three million subscribers. Qwest offers a large portfolio of services in these areas, including data, internet, and voice services, as well as satellite video services from DIRECTV and wireless services through Verizon Wireless.

8. Eligibility for Streamlined Processing

The Applicants do not seek streamlined processing.

9. Other Related Applications

Simultaneous with this application, the Applicants are filing applications for transfer of control of Qwest pursuant to Section 214 of the Act and Section 63.24 of the Commission's rules (for authorizations as an international telecommunications carrier), pursuant to the Cable Landing License Act, 47 U.S.C. §§ 34-39, and Section 1.767 of the Commission's rules (for an undersea cable license), and pursuant to Section 310(d) of the Act (for radiofrequency-based licenses) in connection with the proposed transaction (collectively, the "Applications").[64] In order to facilitate the Commission's review of the FCC-regulated components of the proposed transaction, the Applicants respectfully request that the Commission frame any order approving the proposed transaction so as to avoid the need for the Applicants to file, and for the Commission to review, additional transfer of control applications substantially duplicating the

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[64] A list of related licenses and associated applications is provided at Exhibit 2.

contents of the Applications.[65] Notably, Qwest and CenturyLink have various applications and petitions pending before the Commission, and prior to grant of the Applications or consummation of the proposed transaction, may file additional applications or petitions, or have currently pending applications or petitions granted. The Applicants therefore request that, consistent with Commission precedent, the grant of the Applications include authority for CenturyLink to acquire control with respect to: (i) all licenses and authorizations issued or assigned to Qwest or any of its subsidiaries during the pendency of the Applications and prior to the consummation of any approved transaction; and (ii) all applications or petitions pending at the time of consummation of the proposed transaction (the Applicants will amend all then-pending applications to reflect the new corporate structure described herein).

10. Statement of Imminent Business Failure

Not applicable.

11. Separately Filed Waiver Requests

Not applicable.

12. Public Interest Statement

The public interest benefits from the proposed transaction are described *supra* in Section IV of the application.

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[65] Qwest operates in 14 states, a subset of which will also require approvals. The Commission need not wait for any state approvals before granting this Application.