



Department of Justice

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JUSTICE DEPARTMENT RECOMMENDS APPROVAL OF VERIZON'S APPLICATION TO PROVIDE LONG DISTANCE SERVICES IN NEW JERSEY

Department Notes Concerns With Regard to Operations Support Access

WASHINGTON, D.C. - The Department of Justice today recommended that the Federal Communications Commission (FCC) approve Verizon's second application to provide long distance services in New Jersey. The Department noted that Verizon has lowered certain one-time charges, which were of concern to the Department in its evaluation of Verizon's first application for long distance authority in New Jersey. At the same time, the Department expressed concerns regarding the adequacy of certain operations support systems (OSS) relied upon by competitive local exchange carriers (CLECs).

"Verizon appears to have generally succeeded in opening its local markets in New Jersey to competition," said Charles A. James, Assistant Attorney General in charge of the Department's Antitrust Division. "Competitors have made progress in penetrating the business market in New Jersey, and the Department believes there are no material obstacles to residential competition in the state. Questions however, remain about parts of Verizon's OSS that may merit continuing attention by the FCC."

Verizon filed its second application to provide long distance service in New Jersey on March 26, 2002 after notifying the New Jersey Board of Public Utilities (BPU) that it would reduce its one-time charges for "hot cuts," the process by which Verizon physically disconnects a

customer's phone loop from its own switch and reconnects it to a CLEC's switch. The charges offered were significantly lower than the charges in effect at the time Verizon filed its initial New Jersey application on December 20, 2001, and similar to charges Verizon had recently agreed to offer in New York.

The Department in its evaluation of Verizon's initial New Jersey application noted that immediately before Verizon filed its initial application, the New Jersey BPU had ordered reductions in unbundled network element (UNE) prices but instituted significant increases in these one-time hot cut charges. Several CLECs asserted in response to the initial application that these charges could impede their ability to compete in New Jersey, and the Department in its evaluation suggested that the FCC carefully review them. Verizon withdrew its initial application on March 20, 2002. In its evaluation of Verizon's second New Jersey application to provide long distance service, the Department recommended that the FCC review the newly-filed one-time hot cut charges to ensure that the level and conditions under which they are offered do not impede the development of local competition.

The Department's evaluation of Verizon's second New Jersey application also noted concerns about certain aspects of Verizon's operations support systems. Specifically, the evaluation raised questions about the accuracy of Verizon's wholesale electronic bills and the timeliness and accuracy of their provisioning and billing completion notifiers. As it had in its evaluation of Verizon's first New Jersey application, the Department recommended post-approval monitoring of Verizon's compliance with the obligation to provide nondiscriminatory access to wholesale billing.

The Department provided its competitive analysis in an evaluation of Verizon's application to provide long distance services in New Jersey under Section 271 of the Telecommunications Act of 1996.

Since the break-up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, have been barred from providing long distance services in their respective regions, first as part of the divestiture decree, and now under the terms of the Telecommunications Act. Under Section 271 of the Act, a BOC, such as Verizon, may not provide in-region long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telecommunications markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Department of Justice and give "substantial weight" to its assessment of competitive conditions and whether the BOC should be allowed to provide in-region long distance services.

A copy of the Department's evaluation will be available at:

<http://www.usdoj.gov/atr/public/comments/sec271/sec271.htm>.

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