

Verizon Acquisition of MCI Should Take About a Year, If...

Verizon officials say that it will take at least a year for the carrier to win approval for its \$6.7 billion acquisition of MCI Inc. from the Federal Communications Commission, the Department of Justice and over 20 state regulatory bodies. Verizon has already started the approval process in New York, and expects to take its case before a number of other states over the next two weeks.

“We’ve done this before so we know what were up against,” a Verizon spokesman said. “Each regulatory body is a little different in the things they want to see before granting approval.”

The deal could still fall through, however, if Qwest Communications International Inc. is successful in luring MCI away from Verizon. Telecommunications analysts view that as unlikely given Qwest’s financial state and the break-up fee involved if the Verizon/MCI deal falls through.

“Qwest would have to pay Verizon \$200 million if they convince MCI’s board to go with them instead of Verizon,” one analyst explained. “That’s a pretty hefty break-up fee.”

Meanwhile, Verizon Executive Vice President Tom Tauke recently told a group of telecommunications leaders at a conference in Florida that the Verizon/MCI deal creates the "best possible partnership." Tauke said that a combination of Qwest and MCI could result in less investment in MCI's networks and Internet backbone, and harm national security-related customers and the long-term interests of large businesses, government agencies, consumers and shareholders.

MCI operates a data network that is one of the principal such networks serving large customers around the globe, including the U.S. Defense and Homeland Security departments.

Tauke noted that Verizon has estimated it will invest approximately \$3 billion, primarily in MCI's Internet backbone, network and systems, while Qwest is unlikely to make such an investment because of its weak financial condition. Instead, Tauke said, cash-strapped Qwest could decide to channel Internet traffic onto its own network and potentially remove a backbone competitor.

"We announced our plans to invest substantially in MCI's network and systems to continually upgrade those assets," Tauke said. "Qwest has made no such commitments. They may even close MCI's Internet backbone and long- distance network, something that would result in less competition, more concentration and fewer choices.

"We don't believe any of this can be good for consumers or MCI's government or national security-related customers," he said. "In our view, a Qwest-MCI combination is not in the public interest or the interest of ordinary shareholders and bondholders concerned about creating value over the long-term."

Bipartisan Group of Harrisburg Lawmakers Takes Aim at Cell Phone Tax

A strong bipartisan group of House and Senate members is behind separate but nearly identical legislative measures that would eliminate the five percent gross receipts tax on cell phone services by 2007. The tax was enacted by the General Assembly and signed by the Governor in 2004.

One of the sponsors of the House bill, State Representative Brian Ellis, R-Butler, called the tax "just another example of the faulty policies that keep Pennsylvania far behind other states. "To retain current residents and businesses – let alone attract new ones – we need to escape the tax-and-spend mentality," Ellis said.

Representatives for the telecommunications industry concede, however, the tax will be difficult to roll back, since it's almost certain to increase revenues each year.

"Every year cell phone usage goes up so the revenue from the tax goes up," said a lobbyist for one phone carrier. "We're still pushing for it, but it's going to be a tough nut to crack."

The Senate legislation has been introduced by Rob Wonderling, R-Bucks.

Worldwide Sales of Broadband Equipment Continues to Accelerate

The global broadband boom is now unstoppable as worldwide sales revenues for broadband modems, routers and gateways rocket, according to a recent article in vnunet.com.

According to newly published research from Infonetics, sales of customer premise equipment (CPE) broadband kit jumped to \$4.6bn in 2004, up 15 per cent from 2003, the article states.

In term of units shipped, the total of 73 million last year represented a staggering 74 per cent hike, according to the analyst firm's report.

The study found that broadband equipment revenue hit \$1.16bn in the fourth quarter of 2004, down seven per cent from the previous quarter, despite unit growth of 17 per cent to 23.3 million.

Broadband growth continues to accelerate around the world, the report noted, fuelling unit growth. Unit shipments are projected to soar 191 per cent to almost 200 million, and revenue will grow 28 per cent to \$5.6bn between 2004 and 2008.

According to the study, D-Link came top of the overall broadband modem, router and gateway revenue leaderboard in the fourth quarter, just ahead of Thomson. Motorola claimed third place, ahead of Cisco-Linksys and Siemens, which tied for fourth.

DSL CPE was found to account for up to 48 per cent of total revenue in the fourth quarter, while cable CPE made up 17 per cent, broadband gateways 25 per cent, and voice terminal adapters and IP set-top boxes made up the remainder.

Some 35 per cent of overall revenue during the fourth quarter was generated in North America, 33 per cent in EMEA and 27 per cent in Asia Pacific.

Verizon Continues Broadband Expansion in Pennsylvania

More consumers and businesses in Bucks County can enjoy the benefits of high-speed Internet access now that Verizon Online has expanded its availability here.

As the result of the company's most recent expansion and upgrade of its local telecommunications network, Verizon Online DSL is now available on about 1,500 additional lines in the Churchville and Oxford Valley areas.

Verizon has invested \$8.5 billion in its network over the last 10 years and will continue to invest aggressively under recently enacted state telecom legislation. The new law requires companies such as Verizon to deploy broadband service across their service areas - the most comprehensive broadband deployment requirement in the nation. Under this legislation, Verizon also must make broadband available to all students throughout the Company's Pennsylvania service area.

Currently, Verizon Online is offering its basic consumer DSL service for \$29.95 per month in an annual service plan or when purchased in combination with Verizon Freedom or another Verizon local or long-distance bundle. This service offers a maximum connection speed of 1.5 Mbps (megabits per second) downstream and 384 Kbps (kilobits per second) upstream.