CONSENT DECREE

I. Introduction

1. This consent decree is entered into by the Enforcement Bureau of the Federal Communications Commission (“Bureau”) and Verizon Communications Inc. (“Verizon”), terminating an informal Bureau investigation into Verizon’s compliance with the Merger Conditions imposed by the Commission in Application of GTE Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, 15 FCC Red 14032 (2000) (“BA/GTE Merger Order”).

II. Background

2. On June 16, 2000, the Commission approved, subject to explicit conditions, the transfer of licenses and lines from GTE Corporation (“GTE”) to Bell Atlantic Corporation (“BA”) (collectively, “Verizon”) in connection with the merger of the two companies. To offset the potential harms arising out of the merger, Verizon proposed, and the Commission adopted, a series of conditions intended to enhance local competition and to strengthen the incentives of Verizon to expand competition outside its territories. Verizon also proposed conditions designed to avoid violations of section 271 of the Act as a result of the merger. In particular, Verizon proposed, and the Commission adopted, a condition to spin-off substantially all of GTE’s nationwide data business to a separate public corporation (i.e., Genuity).

3. Market-Opening Condition V of the BA/GTE Merger Order requires Verizon to file publicly monthly performance measurement data under a Carrier-to-Carrier Performance Assurance Plan (“PAP”). The PAP measures Verizon performance in 17 different categories or metrics, which are broken down into numerous sub-metrics, and which address functions that can affect Verizon’s local competitors and their customers. These categories cover key aspects of pre-ordering, ordering, provisioning, maintenance and repair, and billing associated with unbundled network elements (“UNEs”), interconnection, and resold services. Under the PAP, Verizon shall make voluntary payments to the U.S. Treasury if Verizon fails to provide a certain level of performance. Verizon is subject to voluntary payments of up to $1.164 billion for continued poor performance over three years.

4. Market-Opening Condition XIX of the BA/GTE Merger Order requires Verizon to submit quarterly consumer service quality reports. Market-Opening Condition XIX also requires

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1 Section 271 of the Communications Act of 1934, as amended (the “Act”), 47 U.S.C. § 271, prohibits a Bell operating company (“BOC”), or its affiliate, from entering the in-region, interLATA market, unless the BOC demonstrates that its local market is open to competition in accordance with the requirements of section 271. BA/GTE Merger Order at ¶ 26.

2 BA/GTE Merger Order at Appendix D, ¶¶ 16-17 & Attachment A.

3 Id. at Appendix D, ¶ 16.

4 The consumer service quality reports must be submitted in accordance with a Service Quality White Paper, which was adopted by the National Association of Regulatory Utility Commissioners (“NARUC”), Technology Policy Subgroup in November 1998. NARUC’s Service Quality White Paper measures
Verizon to report special access service quality data to the Commission and an independent auditor in order to protect against discrimination in favor of Genuity in the provision of special access services.  

5. Market-Opening Condition XXII and Genuity Condition VI of the BA/GTE Merger Order require Verizon to engage annually an independent auditor to examine Verizon’s compliance with the Merger Conditions. The annual audit provides a thorough and systematic evaluation of Verizon’s compliance with the Merger Conditions and the sufficiency of Verizon’s internal controls.

6. On June 1, 2001, PricewaterhouseCoopers (“PWC”) filed an audit report addressing Verizon’s compliance with certain Market-Opening Conditions under the BA/GTE Merger Order, from June 30, 2000 through December 31, 2000 (“PWC Audit Report”). The PWC Audit Report indicates that Verizon failed to submit certain historical performance data to PWC, which limited the scope of the audit. The PWC Audit Report indicates that Verizon did not provide the independent auditor data for 2 of 17 Carrier-to-Carrier performance measurements and 2 of 5 special access performance measurements. The PWC Audit Report and Verizon’s Assertions accompanying the audit report also identify performance reporting inaccuracies. Verizon states in its Assertions that its performance reporting inaccuracies were due to problems with systems development, long-term systems enhancement, data extraction, data calculations, report mapping, data posting, and misapplication of business rules. Errors in performance reports can affect the amount of Verizon's voluntary payments for failing to meet performance levels specified in the PAP. Verizon has disclosed in the 2001 audit, in reports to the Commission, and in discussions with the Bureau similar performance reporting inaccuracies that appear to have occurred during the January 1 through December 31, 2001 period.

7. Also on June 1, 2001, Verizon filed with the Commission an audit report by Mitchell & Titus, LLP (“M&T”) addressing Verizon’s compliance with the Genuity Conditions under the BA/GTE Merger Order, from June 30, 2000 through December 31, 2000 (“M&T Audit Report”). During the audit, the independent auditor tested agreements between Verizon and Genuity for compliance with the Genuity Conditions. Of 157 agreements disclosed to M&T by Verizon before June 1, 2001, M&T reported that 11 were submitted by Verizon too late for M&T to test them in time for the June 1, 2001 filing. After June 1, 2001, Verizon disclosed to M&T that installation and repair performance, switch and transmission facility outages, consumer complaints, and answer time performance. This condition was designed to deter service quality degradation and motivate Verizon to improve service quality. BA/GTE Merger Order at ¶ 328.

5 Id. at ¶ 330.

6 PWC Audit Report at 1 (“The Company did not maintain historical transaction data related to Verizon East (South) Network Performance-1 (Condition V), Verizon East Average Installation Interval (Condition XIX) and Verizon East Percentage Commitmet Met (Condition XIX) measurements, and the historical transaction data for the Verizon East Provisioning-09 (Condition V) measurement was only available within a timeframe of 45 days. The unavailability of this historical transaction data prevented us from applying the procedures we considered necessary in the circumstances to test these reported measurements.”).

additional agreements between Verizon and Genuity existed besides the 157 previously disclosed to M&T.

8. The Bureau initiated an Investigation of Verizon’s potential non-compliance with the BA/GTE Merger Order arising out of the facts disclosed in the PWC and M&T Audit Reports and continuing through December 2001. In particular, the Bureau’s Investigation focused on Verizon’s compliance with the performance reporting requirements and the audit requirements.

III. Definitions

9. For the purposes of this Consent Decree the following definitions shall apply:

   (a) “Commission” or “FCC” means the Federal Communications Commission.

   (b) “Bureau” means the Enforcement Bureau of the Federal Communications Commission.

   (c) “Verizon” means Verizon Communications Inc. and any subsidiaries.

   (d) “Parties” means Verizon and the Bureau.

   (e) “Adopting Order” means an Order of the Bureau adopting the terms and conditions of this Consent Decree.

   (f) “Effective Date” means the date on which the Bureau releases the Adopting Order.

   (g) “Investigation” means the investigation initiated by the Bureau regarding the matters discussed in paragraphs 6 – 8 above, concerning Verizon’s conduct during the June 30, 2000 to December 31, 2001 period.

IV. Agreement

10. Verizon agrees that the Bureau has jurisdiction over the matters contained in this Consent Decree and the authority to enter into and adopt this Consent Decree.

11. Verizon agrees to implement the Compliance Plan attached hereto and incorporated by reference, to help ensure Verizon’s future compliance with the Merger Conditions under the BA/GTE Merger Order.

12. Verizon agrees that it shall make a voluntary contribution to the United States Treasury in the amount of $260,000 (two hundred sixty thousand dollars). This amount shall be paid within 30 days of the date on which the order adopting this Consent Decree becomes final. Such contribution shall be made, without further protest or recourse, by certified check, cashier’s check, wire transfer, or money order drawn to the order of the Federal Communications Commission, and shall be mailed to the Forfeiture Collection Section, Finance Branch, Federal Communications Commission, P.O. Box 73482, Chicago, Illinois 60673-7482, or be submitted by wire transfer according to instructions provided by the Bureau. Reference should be made on the check or money order to “Acct. No. 200232080021.”

13. In express reliance upon the covenants and representations contained in this
Consent Decree, the Bureau agrees to terminate its Investigation into the matters discussed in paragraphs 6 - 8 above, without any finding of liability on the part of Verizon.

14. The Bureau agrees that, based on the facts developed in this Investigation and in the absence of material new evidence related to this matter, it will not use the facts developed in this Investigation through the Effective Date of the Consent Decree or the existence of this Consent Decree to institute, on its own motion, any new proceeding, formal or informal, or take any action on its own motion against Verizon concerning the matters discussed in paragraphs 6 – 8 above. The Bureau also agrees that, based on the facts developed in the Investigation, and in the absence of material new evidence related to this matter, it will not use the facts developed in this Investigation through the Effective Date of this Consent Decree or the existence of this Consent Decree to institute on its own motion any proceeding, formal or informal, or take any action on its own motion against Verizon with respect to its basic qualifications, including its character qualifications, to be a Commission licensee or with respect to compliance with the Commission’s rules and policies.

15. Nothing in this Consent Decree shall prevent the Commission from adjudicating complaints filed pursuant to section 208 of the Communications Act, as amended, 47 U.S.C. § 208, against Verizon or its affiliates for alleged violations of the BA/GTE Merger Order, or for any other type of alleged misconduct, regardless of when such misconduct took place. If any such complaint is made, the Commission’s adjudication of that complaint will be based solely on the record developed in that proceeding. Nothing in this Consent Decree shall prevent the Commission from instituting new investigations or enforcement proceedings against Verizon pursuant to sections 4(i), 403 and 503 of the Communications Act in the event of any alleged future misconduct.

16. In the event that Verizon is found by the Commission or its delegated authority to have engaged in a violation of the BA/GTE Merger Order subsequent to the release of the Adopting Order, the Commission or its delegated authority reserves the right to consider the conduct described in paragraphs 6 - 8 above in determining an appropriate sanction. If such conduct is considered by the Commission or its delegated authority in determining an appropriate sanction, Verizon will not be estopped from litigating the issues of whether such conduct or the facts involved in such conduct actually violated the Act or the Commission’s rules, the merits of Verizon’s conduct, or the relevance or weight to be given such conduct under section 1.80 of the Commission’s rules.

17. Verizon waives any and all rights it may have to seek administrative or judicial reconsideration, review, appeal or stay, or to otherwise challenge or contest the validity of this Consent Decree and the Adopting Order, provided the Order adopts the Consent Decree without change, addition, or modification.


19. In the event that this Consent Decree is rendered invalid by any court of competent jurisdiction, this Consent Decree shall become null and void and may not be used in any manner in any legal proceeding.

20. If either Party (or the United States on behalf of the Commission) brings a judicial action to enforce the terms of the Adopting Order, neither Verizon nor the Commission shall contest the validity of the Consent Decree or the Adopting Order, and Verizon and the
Commission will waive any statutory right to a trial *de novo* with respect to any matter upon which the Adopting Order is based, and shall consent to a judgment incorporating the terms of this Consent Decree.

21. The Bureau and Verizon agree that this Consent Decree is for settlement purposes only and that it does not constitute an admission, denial, adjudication on the merits, or a factual or legal determination regarding any compliance or noncompliance with the requirements of the *BA/GTE Merger Order*.

22. Verizon agrees that any violation of the Consent Decree or the Adopting Order will constitute a separate violation of a Commission order, entitling the Commission to exercise any rights or remedies attendant to the enforcement of a Commission order.

23. This Consent Decree may be signed in counterparts.

For the Enforcement Bureau
Federal Communications Commission

For Verizon Communications Inc.

David H. Solomon
Chief

Jeffrey Ward
Senior Vice President

________________________  ____________________________
Date                   Date
COMPLIANCE PLAN OF
VERIZON COMMUNICATIONS, INC.

To better ensure compliance with the Merger Conditions set forth in the BA/GTE Merger Order, Verizon Communications, Inc. (“Verizon”) will establish a formal compliance program, which will consist of the following remedial actions:

1. Vice Presidential steering committees

Verizon will establish one or more Vice Presidential steering committees to review the accuracy of performance and service quality reporting pursuant to Market-Opening Conditions V and XIX, the retention and submission of relevant data needed by independent auditors to examine compliance with Market Opening Conditions V, XIX and XXII and Genuity Condition VI, and the remedial actions and process improvements for compliance with such conditions set forth in this Consent Decree. The primary goals of the steering committees will be to ensure that there are reasonable assurances that (1) the performance as measured and reported by Verizon is equivalent to the performance that Verizon has actually delivered, and (2) all relevant information needed to demonstrate compliance with the Market-Opening Conditions V, XIX and XXII and Genuity Condition VI during the annual merger audits is retained and submitted to the independent auditors. The steering committee will oversee Verizon’s process improvements and remedial actions for improving performance reporting accuracy and the retention and submission of data. To accomplish this, the steering committee will oversee the following principal efforts:

- Examine Verizon’s processes for reviewing reporting accuracy in order to ensure that Verizon consistently can and does appropriately capture, process and report performance information in accordance with the applicable business rules.
- Conduct analysis of sample metrics data sets and change controls between data providers and data reporters to ensure metric accuracy and business rule compliance.
- Perform independent internal calculations of performance measures through a dedicated Verizon Quality Assurance Team that performs metrics replication independently of data providers and data reporters to verify metric calculation accuracy and business rule compliance.
- Implement the measures set forth in this Consent Decree regarding the retention and submission of data to the independent auditors conducting the annual merger audits of Market-Opening Conditions V, XIX, XXII and Genuity Condition VI.

Verizon will implement these activities within 45 days of the Effective Date of this Consent Decree.

2. Error analysis and prevention process

Verizon will implement a performance metrics error prevention process that will track and analyze metrics reporting accuracy for Market-Opening Conditions V and XIX. Verizon will develop a tracking mechanism that will be used in error prevention and root cause analysis. Effective with the implementation of the tracking mechanism, Verizon data providers and data reporters will be graded for their ability to deliver data in a timely and accurate manner, while their errors will be identified and analyzed for error prevention activities in order to reduce their recurrence. Vice Presidential-level employees responsible for the production of this data will
have, as material elements in their performance evaluations, the accuracy, timeliness and retention of this data, and submission of this data to the independent auditors. Verizon will implement these activities within 45 days of the Effective Date of this Consent Decree.

3. Refresher training

Verizon will provide refresher training to all data providers and data reporters on proper guidelines for interpretation of business rules and change control process for Market-Opening Conditions V and XIX. Verizon will complete a training package that will be ready for use within 45 days of this Consent Decree. Verizon will review metrics business rules and their interpretations, along with the metrics change control process, with Verizon data providers and data reporters within 4 months of the Effective Date of this Consent Decree.

4. Data Retention

Annually, Verizon will communicate to all responsible executives for each Merger Condition the importance of retaining relevant information to demonstrate compliance with the Merger Conditions in the annual merger audits. Within 30 days of this Consent Decree, Verizon will (1) retain all data that Verizon used in the calculation of Market-Opening Conditions V and XIX reports for a period ending 12 months after the relevant annual audit report is issued; and (2) issue training materials to data providers to meet this requirement.

5. Data Warehouse

Verizon will establish a “data warehouse” for Market-Opening Condition V reporting data in Verizon East, and later incorporate the existing one in Verizon West, that will store and retain data for calculation of all reports in a centralized location within 12 months for Verizon East, and within 18 months for Verizon West, from the Effective Date of this Consent Decree. The data warehouse will produce a data reporting architecture for Market-Opening Condition V that will provide common platforms and procedures across the Verizon footprint for reporting metrics. Verizon will provide a progress report on this remedial action to the Enforcement Bureau every 6 months from the Effective Date of this Consent Decree until the data warehouse is completed.

6. Submission of Genuity Transactions

No later than 45 days after the Effective Date of this Consent Decree, if Verizon has not already done so, Verizon will reinforce in writing and orally, with Verizon managers responsible for transactions between Verizon and Genuity companies, the requirement for timely provision of Genuity transactions to Verizon’s Genuity audit management group in order to timely submit such transactions to the independent auditor for the relevant audit period. Reinforcement will be made in writing in Genuity Condition compliance messages periodically sent to such managers and in quarterly compliance reporting process documents. Vice Presidential-level employees responsible for the submission of these transactions will have, as a material element in their performance evaluations, the submission of these transactions to the independent auditors.

7. Review with the Enforcement Bureau

By December 31, 2002, Verizon will provide to the Enforcement Bureau a report on the effectiveness of these remedial actions and the need, if any, for further process improvements for Market-Opening Conditions V, XIX and XXII and Genuity Condition VI.
8. Compliance audit

Review of Verizon’s compliance with these remedial actions will be included in the annual audits of Verizon’s internal controls and compliance under Market-Opening Condition XXII.

9. Term of Consent Decree

These remedial actions will expire when the related Merger Conditions expire in accordance with the terms of the BA/GTE Merger Order, or subsequent orders by the Commission or its delegated authority concerning the merger.