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August 13, 2025

Shonda D. Green, Secretary
MA Department of Telecommunications and Cable
One Federal Street, Suite 0740
Boston, MA 02110

Re: D.T.C. 24-3 – Petition of Verizon New England Inc. for Reclassification as a Non-Dominant Telecommunications Carrier

Dear Secretary Green:

Enclosed please find the redacted version of Verizon New England Inc.'s Objections and Responses to the Department's Third Set of Information Requests, together with a Motion for Confidential Treatment.

The confidential version of the response to D.T.C. 3-1 is being provided separately to Hearing Officer Gill.

Please do not hesitate to contact me should you have any questions concerning this submission.

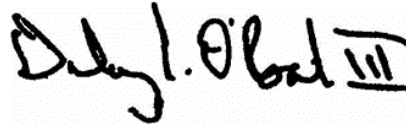
Respectfully submitted,

A handwritten signature in black ink, reading "Dulaney L. O'Roark III". The signature is written in a cursive, stylized font.

Dulaney L. O'Roark III

CERTIFICATE OF SERVICE

I hereby certify that on this day the attached document was filed with the Department of Telecommunications and Cable, and copies thereof were served by email upon each person designated on the official service list in this proceeding.

A handwritten signature in black ink, reading "Dulaney L. O'Roark III". The signature is written in a cursive style with a horizontal line under the "III".

Dulaney L. O'Roark III

Dated: August 13, 2025

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND CABLE

Petition of Verizon New England Inc. for)
Reclassification as a Non-Dominant)
Telecommunications Carrier)

D.T.C. 24-3

**VERIZON NEW ENGLAND INC.'S OBJECTIONS AND RESPONSES
TO THE DEPARTMENT OF TELECOMMUNICATIONS AND CABLE'S
THIRD SET OF INFORMATION REQUESTS**

Verizon New England Inc. ("Verizon") objects and responds to the Third Set of Information Requests (the "Information Requests") by the Department of Telecommunications and Cable (the "Department") to Verizon as follows.

PRELIMINARY STATEMENTS

1. By submitting these objections and responses to the Information Requests, Verizon does not waive, and hereby expressly reserves, its right to assert any and all objections as to the admissibility of any such responses, and any related information, as evidence in this proceeding, or in any other proceedings, on any and all grounds, including but not limited to, competency, relevancy, materiality, and privilege. Further, Verizon makes the objections and responses without in any way implying that it considers the Information Requests to be relevant or material to this proceeding.

2. Verizon expressly reserves the right to supplement, clarify, revise, or correct any or all of the objections herein, and to assert additional objections or to make additional privilege claims, in one or more supplemental responses.

GENERAL OBJECTIONS AND EXPLANATIONS

The following General Objections and Explanations apply to all of the Information Requests and are therefore deemed to be incorporated into each of Verizon's responses. The assertion of the same, similar or additional responses or objections in any specific objection does not waive Verizon's General Objections set forth below. Certain information may be provided notwithstanding such objections, but without waiving them.

1. Verizon objects to the Information Requests to the extent they request information regarding matters beyond the authority and jurisdiction of the Department.

2. Verizon objects to the Information Requests to the extent that they address matters not at issue in this proceeding.

3. Verizon objects to the Information Requests insofar as they exceed the discovery authorized by 207 C.M.R. § 1.06(6)(c), or the regulations, policies, and discovery practices of the Department.

4. Verizon objects to the Information Requests to the extent they seek information protected by the attorney-client privilege, the work-product doctrine, or other applicable privileges and protections. Verizon hereby claims, and does not waive, all applicable privileges and protections to the fullest extent implicated by the Information Requests and excludes privileged information and materials from its responses. Should any such disclosure by Verizon occur, it is inadvertent and shall not constitute a waiver of any privilege.

5. Verizon objects to the Information Requests to the extent that they are overly broad, unduly burdensome, or would require an investigation by Verizon that is unreasonable in view of the needs of the proceeding.

6. Verizon objects to the Information Requests to the extent that they seek from Verizon documents that are not within its possession, custody or control, are unavailable in the format requested, or would require the creation of new documents.

7. By responding to the Information Requests, Verizon does not adopt any of the characterizations made by or assumptions incorporated into any of the Information Requests.

8. For purposes of these responses, Verizon will interpret ambiguous terms in the manner that it believes to be most consistent with normal usage and industry understandings, as will be specifically indicated in its substantive responses.

D.T.C. 3-1 Request

Provide a three-prong market power analysis (supply elasticity, market share, and demand elasticity) for Verizon's basic exchange service in Massachusetts. For the purpose of this analysis, define the market to only include basic exchange service and do not include any other telecommunications services, such as Voice over Internet Protocol (VoIP) or wireless calling. Provide complete and detailed documentation.

For more information on the three-prong analysis refer to *Investigation by the Department of Telecommunications & Energy on its own Motion into the Appropriate Regulatory Plan to Succeed Price Cap Regulation for Verizon New England, Inc. d/b/a Verizon Massachusetts' Intrastate Retail Telecommunications Services in the Commonwealth of Massachusetts*, D.T.E. 01-31 Phase I, Final Order (May 8, 2002).

Response

Defining a "market" in the manner requested would not be consistent with the principles and mechanisms of economics and produces a market power "analysis" that has little value and should not be considered by the Department as a foundation for any findings in this case. Closing our eyes to important and easily observed market conditions in this market power analysis is akin to evaluating a "market" for movie distribution defined only as VHS rentals, but not considering movie theaters or streaming services.

In industrial organization economics, defining the relevant market is a critical first step in assessing market power. The relevant market helps determine which products and geographic areas exert sufficient competitive pressure to prevent monopoly profits. The Department has recognized this first step: "In order to evaluate a proposal for the reclassification of a service as sufficiently competitive, the Department's first step is to define the relevant market for the services in question in terms of products and geography." D.T.E. 01-31, Phase I, at 26. Defining the relevant market is primarily a function of observable facts about the market, and not an *a priori*, artificial limitation of a "market." According to a leading Industrial Organization textbook, "A proper definition of the product

dimension of a market should include all those products that are close demand or supply substitutes.”¹

The Department’s question appears to assume the geographic dimension of the market as statewide, but it then artificially and arbitrarily limits the “market” to a specific service and demands exclusion of other services and technologies. Instead of including the products and technologies that consumers and suppliers have demonstrated are close demand or supply substitutes for basic exchange service, the Department inexplicably asks to exclude them. We further note that there is no party to this case opposing Verizon’s petition or offering testimony or other evidence to suggest that arbitrarily limiting a market definition is appropriate.

There are good reasons that other providers do not offer basic exchange services using circuit-switched technology. First, as we explained in our opening testimony, there is no reason for competitors to use older technologies to offer a service that was created under a different set of regulatory conditions: “It should be no surprise that competitors in the telephone industry – CLECs, wireless, and cable companies – did not seek to replicate the rate structure of the old Bell System; rather, they used the underlying cost structure to introduce packages that often include unlimited calling throughout North America, among other things. Some competitors with cost structures vastly different from a network provider, such as over-the-top VoIP providers and applications, offer free or low-priced voice-only services. Other competitors offer voice-only services at prices higher than Verizon’s or at lower prices when promotional offerings apply. These voice-only options represent choices for those Verizon basic service customers who want nothing more than a local exchange voice service. But the most competitive pressure for basic service customers comes from the package and bundle offerings of cable and wireless providers, which are clearly viewed by a significant margin of customers as alternatives for basic exchange service.” Vasington Testimony at 15-16.

Second, the Department capped Verizon’s price for the service 22 years ago at a level that was below cost even then, and is likely to be significantly more under cost given inflationary pressures over two decades. *See* Verizon Response to DTC 1-12(B). There should be no surprise that other companies do not use older technology to offer a service where a significant market participant is required to offer that service below cost, which is the type of distortion that the Department

¹ Dennis W. Carlton and Jeffrey M. Perloff, “Modern Industrial Organization: Third Edition,” Addison Wesley (1999), at 612.

has tried to avoid with its stated policy to adjust regulation to market conditions as the market evolves. Instead, other suppliers have responded to consumer preferences by offering a wide range of products and technologies.

Looking at market share sheds further light on why it is inappropriate to limit a market definition arbitrarily. Since other providers have no reason to offer the same basic exchange service as Verizon, using older technologies, Verizon – predictably – is the only provider offering the service that way. This means that Verizon has 100 percent market share in offering Verizon’s own basic exchange service. This is true even though Verizon has lost access lines every year for at least 20 years and has lost *** **Confidential** [REDACTED] **End Confidential** *** of the residential switched access lines it served in Massachusetts in 2001. No matter how many basic exchange service lines Verizon loses, it will maintain 100% of that “market,” and this will be true up until the day when the very last remaining basic exchange service customer leaves, when Verizon’s market share will instantaneously go from 100% to 0%. This fact about market share showcases the absurdity of defining a market by ignoring market facts. The foundation for the Department’s decision 40 years ago in D.P.U. 1731 was that regulation and carrier classification should adapt to market conditions. “The Department recognizes that changed market conditions in the future may warrant a reclassification of a particular carrier.” D.P.U. 1731 at 65.

The Department cannot ignore the obvious trends and facts about the telecommunications market in Massachusetts. Consumers have shifted almost entirely away from Verizon’s basic exchange service and have instead chosen wireless and VoIP options. Basing a market power analysis on a premise that is not factually supported or consistent with appropriate economics would not be consistent with the market-promoting policies and good economics that the Department has applied for the past four decades.