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October 2004



**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of

Unbundled Access to Network Elements

Review of the Section 251 Unbundling
Obligations of Incumbent Local Exchange
Carriers

WC Docket No. 04-313

CC Docket No. 01-338

**DECLARATION OF JUDY K. VERSES, RONALD H. LATAILLE,
MARION C. JORDAN AND LYNELLE J. RENEY**

1. My name is Judy Verses. My business address is 1880 Campus Commons Drive, Reston, Virginia 20191. I am Senior Vice President National Marketing and have worked for Verizon for twenty-one years, including positions in Sales and Product Line Management. My current responsibilities include marketing to all mass market Consumer and Business customers, including retention and winback marketing, market intelligence, geographic segmentation, channel and business development, and market planning. In this capacity, I have information and knowledge relating to the third party sources of data Verizon has used to identify competitive local exchange carrier ("CLEC") fiber transport and loop facilities and to determine the correlation between customer telecommunication spending and CLEC deployment of fiber facilities as described specifically in paragraphs 15-44 of this declaration.

2. My name is Ron Lataille. My business address is 1095 Avenue of the Americas, New York City, New York 10036. I am Vice President – Financial Planning and Analysis Domestic Telecom Finance and have worked for Verizon for more than twenty years. My current responsibilities include managing Domestic Telecom's financial objectives;

consolidation of total Domestic Telecom's financial results; revenue booking, analysis and reporting functions and implementation of standardized financial business processes and systems platforms; preparation of SEC reports; and developing contingency plans and setting budget targets and guidelines. In this capacity, I have information and knowledge relating to the sources of data described specifically in paragraphs 7-8 and 51-66 of this declaration.

3. My name is Marion Jordan. My business address is 1320 North Courthouse Road, Arlington, Virginia 22201. I joined Verizon in 1994 and am currently Vice President, Regulatory Compliance and Metrics Process Assurance within the Wholesale Markets organization. I am responsible for directing Wholesale activities in support of the FCC *Triennial Review Order*, state and federal regulatory matters, state and federal audits, metrics management and change controls. In this capacity, I have information and knowledge relating to the data sources Verizon used to determine the extent to which carriers have been able to use Verizon's Special Access services to provide business end users with high-capacity services as well as the types of business end users these carriers are serving as described specifically in paragraphs 45-50 of this declaration.

4. My name is Lynelle Reney. My business address is 125 High Street, Boston, Massachusetts 02110. I am the Director of Collocation and have worked for Verizon for twenty years, including positions in Real Estate, Equipment Installation and Corporate Services. I currently oversee all functions related to collocation including application receipt and processing, collocation project management, and billing. I have knowledge of the facilities and processes used by competitive local exchange carriers ("Carriers") collocating in Verizon Central Offices to interconnect with Verizon's networks and the physical inspections Verizon conducted of various central offices as described specifically in paragraphs 9-14 of this declaration.

5. The purpose of this Declaration is to provide an overview of the sources of data upon which Verizon has relied in determining: (i) where demand for high-capacity services is most concentrated in major metropolitan statistical areas (“MSAs”) within Verizon’s serving territory; (ii) the extent to which carriers have self-provisioned high-capacity transport and loop facilities in those MSAs; (iii) how carriers are using Verizon’s Special Access services to extend the reach of their networks and to provide high-capacity services to business end users in those MSAs; (iv) the extent to which carriers have used Verizon Special Access services instead of UNEs for the high-capacity loop and transport facilities they need to serve business end users; and (v) areas in which competition for high-capacity services is particularly intense.

6. This Declaration addresses these general topics and the data sources upon which Verizon relied in seven sections. *First*, based on the reasonable assumption that there is significant demand for high-capacity facilities in those areas in which demand for high-capacity Special Access services is also high, Verizon focused its analysis on the 40 MSAs in Verizon’s serving territory with the greatest demand for high-capacity Special Access services (“top 40 MSAs”). *See infra* ¶¶ 7-8. *Second*, for those areas of highly concentrated demand within a given MSA, Verizon used two different approaches to determine where and the extent to which carriers have self-provisioned high-capacity transport facilities. *See infra* ¶¶ 9-18. *Third*, for those areas of highly concentrated demand within a given MSA, Verizon sought to determine where and the extent to which carriers have self-provisioned high-capacity loop facilities, again using two sources of data. *See infra* ¶¶ 19-30. *Fourth*, for the 20 MSAs with the greatest demand for Verizon’s high-capacity Special Access services (“top 20 MSAs”), Verizon sought to determine whether there was a correlation between carriers’ self-provisioning of high-capacity facilities to serve a given building and Verizon’s estimate of demand for high-capacity services

in a given building. *See infra* ¶¶ 31-44. *Fifth*, based on data for a selection of carriers who purchase Verizon's Special Access services, Verizon sought to determine the extent to which carriers are serving customers using Special Access services purchased from Verizon. *See infra* ¶¶ 45-50. *Sixth*, based on an analysis of billing records and databases containing access line information, Verizon sought to determine the extent to which carriers were obtaining high-capacity loop and transport facilities through Verizon's Special Access services instead of as UNEs. *See infra* ¶¶ 51-59. *Finally*, Verizon determined from the various sources of data it evaluated that, in wire centers with 5,000 or more total *business* lines (retail plus wholesale) and wire centers in which business lines account for 30 percent or more of the total lines, demand for high-capacity services is particularly intense. *See infra* ¶¶ 62-66.

I. Identification of MSAs with High Demand for Special Access Services

7. Verizon focused its analysis on those MSAs in which demand for high-capacity services is greatest. Based on the reasonable assumption that demand for high-capacity facilities corresponds to demand for high-capacity Special Access services (DS-1 and above), Verizon identified these MSAs as follows. First, for each of the nearly 7,000 wire centers from which total Special Access billing is generated, Verizon gathered billing records for its sales of high-capacity Special Access services in 2003. Verizon determined that there were roughly 6,300 wire centers that contributed to Verizon high-capacity (DS-1 and above) Special Access revenue. Using this information, Verizon determined the contribution of each wire center to Verizon's revenues for high-capacity Special Access services. The wire centers were sorted by revenue, largest to smallest, and the percentage of total revenue was calculated for each wire center.

8. This review established that 8.5 percent of Verizon's wire centers (or approximately 532 wire centers) accounted for 80 percent of the total billed revenue generated

by Verizon's sales of high-capacity Special Access services. *See Exhibits 1A & 1B.* Relying upon definitions of MSAs provided by the Office of Management and Budget, OMB Bulletin No. 03-04, *Revised Definitions of Metropolitan Statistical Areas, New Definitions of Micropolitan Statistical Areas and Combined Statistical Areas, and Guidance on the Uses of the Statistical Definitions in these Areas* (June 6, 2003), Verizon determined that these approximately 532 wire centers were located in 75 MSAs. Of these 75 MSAs, 37 MSAs had only a single wire center that was among those generating 80 percent of Verizon's high-capacity Special Access demand. *See Exhibit 2A.* Accordingly, Verizon concluded that demand for high-capacity services was greatest in these 75 MSAs, and it conducted the various analyses described below for the top 40 MSAs (of the 75 MSAs) in its serving territory where high-capacity demand is most heavily concentrated. These top 40 MSAs contained 461 of the 532 wire centers that generated 80 percent of Verizon's Special Access revenues. *See Exhibit 2B.* In the maps of the MSAs that Verizon studied, each wire center that is one of the approximately 532 wire centers responsible for 80 percent of Verizon's high-capacity Special Access revenues is shown in cross-hatching. *See Attachment H (Maps B).*

II. Identification of Areas Where Carriers Have Self-Provisioned Transport Facilities.

9. Verizon next identified those areas in which carriers have self-provisioned fiber transport facilities within the MSAs that were studied, as well as the extent to which carriers had self-provisioned transport facilities in the areas in which wire centers generating the greatest demand for high-capacity services are located. To accomplish this task, Verizon relied on data from two sources: (1) Verizon's own inspections of carrier collocation and competitive alternative transport terminal ("CATT") arrangements in various Verizon central offices; and (2) GeoTel Communications, Inc. ("GeoTel").

10. Verizon performed physical inspections of carrier collocation and CATT arrangements (a CATT is an arrangement specifically designed for wholesale providers of high-capacity transport) to determine the extent to which carriers had self-provisioned transport facilities terminating at those arrangements. It performed most of this inspection work from late June 2003 to August 2003, in anticipation of filing cases with state commissions in compliance with the Federal Communications Commission's *Triennial Review Order*. See Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, 18 FCC Rcd 16978 (2003), *vacated in part and remanded, United States Telecom Ass'n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) ("*Triennial Review Order*").

11. Consistent with the standards set forth in the *Triennial Review Order*, Verizon conducted inspections in wire centers for which Verizon had determined there was a likelihood that two or more carriers had self-provisioned fiber transport facilities and where demand for high-capacity services was most concentrated. Verizon considered it likely that a carrier had self-provisioned fiber transport facilities if one of the three following criteria were met: (1) the carrier in its collocation application stated that it intended to bring its own fiber to the collocation arrangement; (2) the carrier ordered a CATT arrangement in any of Verizon's wire centers; or (3) the carrier's collocation arrangement was installed prior to 1998 (*i.e.*, before carriers were able to obtain high-capacity transport as an unbundled network element ("UNE")). In this manner, Verizon identified for inspection more than 480 wire centers in which two or more carriers had likely self-provisioned high-capacity transport.

12. In each of these wire centers, Verizon physically inspected *all* collocation arrangements. Verizon performed these inspections pursuant to detailed written protocols.

Inspectors were Verizon employees who were familiar with fiber-based collocation arrangements and “collocation arrangement to CATT” installations.

13. Inspectors checked each collocation facility in those Verizon wire centers to verify that there was powered equipment in place (*i.e.*, the collocation arrangement was operational), and that the collocating carrier had non-Verizon fiber optic cable that both terminated at its collocation facility and left the wire center.

14. Verizon adopted rigorous controls to ensure the reliability of these data, including written procedures for each step of the inspection process, standard forms that were filled out by each inspector, signed statements by the inspectors verifying the accuracy and reliability of the information provided and the inspector’s compliance with the written procedures, and signed statements by each inspector’s supervisor confirming that the inspector had followed the appropriate procedures. A collocating carrier was considered to have deployed fiber in a given collocation arrangement *only* if, through this rigorous process of inspection and verification, its facilities were found to be operational and to have non-Verizon fiber. The results of Verizon’s inspections are shown in Exhibits 3A and 3B. The wire centers inspected are mapped to the MSAs in which they are located, and the data is then presented both by MSA (Exhibit 3A) and by carrier (Exhibit 3B).

15. In addition to the data that Verizon obtained from its inspections of collocation arrangements, Verizon also used data from GeoTel to gather more information about where carriers have self-provisioned high-capacity transport facilities. GeoTel, a leading provider of information related to telecommunications geography, performs telecommunications research and maps geographic information systems.¹ GeoTel maintains a “MetroFiber” data set that

¹ A geographic information system is a database system with specific capabilities for spatially referenced data, as well as a set of operations for analyzing that data.

includes information regarding carriers and fiber routes for approximately 85 different carriers in more than 100 MSAs. GeoTel's MetroFiber data sets contain information regarding the locations of carrier collocation facilities, Internet exchanges (*i.e.*, privately or publicly owned internet network access points where Internet service providers exchange traffic), carrier networks, and carrier fiber routes in metropolitan areas. Most of this information is provided by the carriers themselves and is used for commercial purposes. All of GeoTel's data sets may be layered on digital street maps, digital elevation models, aerial photography, and three-dimensional imagery.

16. GeoTel's MetroFiber data is widely used in the telecommunications industry. The data provides telecommunications service providers within a given geographic area information about their competitive position and enables them to view their entire network, other carriers' assets, and current areas of market penetration. Some carriers, including Verizon, may use this information to determine the locations of wholesale providers of alternative high-capacity transport from which they may purchase high-capacity transport facilities. In addition, businesses outside the telecommunications industry use this data to determine where to locate new buildings, the potential for economic development in a specific area, and the extent of communications services currently available in a particular geography.

17. As GeoTel itself recognizes, GeoTel's information regarding CLEC fiber routes, while extensive, is not comprehensive. GeoTel continually works to update its databases, and it provides Verizon with updates approximately every six months. Each of these updates contains significant amounts of new information. Thus, there is reason to believe that the GeoTel information understates, perhaps significantly, the extent to which carriers have self-provisioned high-capacity transport facilities.