

ATTACHMENT 4

DECLARATION OF JEFFREY E. TAYLOR

REDACTED – FOR PUBLIC INSPECTION

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Verizon Communications Inc. and)	
MCI, Inc.)	WC Docket No. 05-75
Applications for Approval of)	
Transfer of Control)	

DECLARATION OF JEFFREY E. TAYLOR

1. My name is Jeffrey E. Taylor. My business address is 700 Hidden Ridge, Irving, Texas. I am employed by Verizon Communications as Director – Enterprise Solutions Group (“ESG”) Market Strategy & Intelligence (“MS&I”). In this capacity, I am responsible for contributing to the development of ESG’s market strategies and providing competitive intelligence that support those initiatives.

2. I have more than 18 years of experience in the telecommunications industry in a variety of financial planning, market analysis and competitive intelligence positions. My educational background includes a B.A. in Economics from Tufts University and an MBA from Duke University.

3. A core function of MS&I is to obtain, develop, analyze and supply data and information in order to develop market strategies and initiatives. In connection with that function, MS&I has developed analytical tools to assist it with its analysis. Specifically, and as described in more detail below, MS&I uses these tools to size the retail telecommunications business for large enterprise and mid-sized customers, project growth and analyze revenue shares of industry participants.

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4. Within MS&I, we include large enterprise and many medium businesses in our analysis. As a general rule, we include the following entities as part of our business analysis:

- Fortune 1000 companies
- Large and regional commercial firms that have 250 or more employees
- Federal and state government entities
- Larger local and county governments
- Larger private educational institutions
- Public educational institutions.

5. When we track these businesses for purposes of our analysis, we do so on a national basis. This is because customers, particularly large enterprise customers, often have multistate presence with hundreds of company sites. Large enterprise customers thus often issue requests for proposals that include requests for multistate solutions and services.

6. We also include all wireline products and services that these customers purchase in our analysis. Large enterprise and medium business customers often seek a primary supplier to serve all of their telecommunication needs. These include not only voice and data access/transport services, but also products such as customer premises equipment (CPE), network management, and IP hosting, storage and security.

7. Industry players thus include not only the interexchange carriers (IXCs) and the regional Bell Operating Companies (RBOCs), but also other local exchange carriers, equipment providers (e.g. Cisco), systems integrators (e.g. IBM), IP applications providers and others who supply such customers with telecommunications solutions.

8. Our analysis shows that total business revenue for the customer categories tracked at year end 2004 was **[BEGIN PROPRIETARY]** **[END**

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PROPRIETARY] billion. A breakdown of the total revenues by product category for year end 2004 is set forth in Exhibit 1. Over time, the percentage of revenues associated with transport for both voice and data have decreased while the percentage of revenues associated with more advanced service such as IP services have increased.

9. We also determined that, as of year end 2004, Verizon's share of the total revenues for this customer group was approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]**, while MCI's was approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]**. AT&T's revenues represented approximately **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** of the total. The results of our revenue share determinations for year end 2004 are set forth in the accompanying graph as Exhibit 2.

10. These results are obtained by first sizing the business for this group of customers. There are several techniques that can be used to determine the size of the business. Two of the most prevalent techniques are the "tops down" and "bottoms up" methods. The "tops down" method forecasts the total business revenue, and then breaks the total business down into segments. In contrast, the "bottoms up" method forecasts specific products and services and uses the individual forecasts to build the total business size. Each method can be achieved by using primary research, financial or industry analyst secondary research, or a combination of multiple sources.

11. MS&I follows a disciplined, hybrid process that uses both the "tops down" and "bottoms up" methods in sizing the business.

12. From the top, we assess total business forecasts from all relevant sources that have been recently published. For example, we review broker analyst reports that

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provide company specific forecasts for industry players as well as overall industry reviews. We also obtain information from secondary research vendors, such as the Gartner Group and the Yankee Group. This gives us a general boundary for business size and growth, again given overall economic forecasts. We also construct a weighted-average growth rate forecast for the large enterprise and mid-sized business in total based on broker analyst views of approximately 40 major industry players (carriers, equipment providers, systems integrators, and IP applications providers). This growth rate forecast provides a check to the “bottoms up” approach for each year of the forecast period.

13. For the “bottoms up” method, we build product specific forecasts (e.g. voice and data access/transport, voice and data CPE, and relevant IP applications – VoIP, hosting, storage, and security) for a 5 year period, detailing revenue and growth rates relevant to the large enterprise and mid-sized business. For most products/services within the sizing, we use at least three information sources to triangulate views, in order to reduce any individual analyst or reporting bias. Our experience has shown that this is important, since analyst opinion often varies significantly as to future growth prospects for any individual product/service. In addition, all sources are categorized and reconciled for differences in product definition.

14. We then “check” the results of the product builds from this “bottoms up” sizing against the results from the overall business total and growth forecast from the “tops down” method and from our internal modeling and analysis of the actual performance of major industry players (which is described below).

15. We generally update the sizing quarterly, during which time the bulk of analyst opinions are published, and financial results become publicly available. Also,

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any fundamental shifts in the industry due to political and economic changes, business demand, etc. are included as warranted.

16. The sizing work forms the “denominator” for determining share calculations. The “numerator” is our estimate of revenue for relevant industry participants.

17. In their quarterly or annual earnings releases, companies do not report a revenue component for large enterprise and mid-sized businesses that directly matches our inquiry. We must therefore estimate each company’s specific revenue under MS&I’s definition of large enterprise and mid-sized business.

18. The estimate is accomplished by running a company’s publicly available data through an analysis developed for MS&I in 2002 by the Yankee Group. The analysis breaks down the publicly announced revenue for the IXCs and the RBOCs to segment specific as well as product detailed levels. The analysis is not static. Based on broker research, additional public information over the last few years, analysis of 10K and 10Q filings, proprietary consultant reports, etc., we have continually updated the initial assumptions in the analysis as to the distribution of revenue by participant.

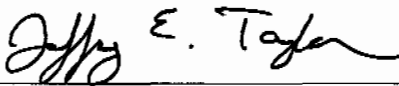
19. For industry participants other than the IXCs and RBOCs, we use publicly announced results with broker and industry analyst feedback.

20. Those revenue calculations, as stated before, are then compared to the total sizing to determine each company’s national revenue share.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on March 9, 2005

A handwritten signature in black ink, reading "Jeffrey E. Taylor". The signature is written in a cursive style with a horizontal line underneath it.

Jeffrey E. Taylor

DECLARATION OF JEFFREY E. TAYLOR

EXHIBIT 1

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Total National Telecommunications Revenue (Year End 2004) – MS&I Analysis

	<u>\$=B</u>	
Core Voice (Local Access/Transport, Long Distance/Toll)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Voice CPE/Call Center Services (Traditional and IP Voice CPE, Installation, Maintenance and Repair, Call Center Equipment and Prof. Consulting)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Core Data (Broadband and Narrowband Private Line, DWDM, Videoconferencing)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Fast Packet (Frame Relay, ATM, Ethernet-LAN)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Data CPE/Network Integration (Routers, Switches, Installation, Maintenance and Repair, Managed Services, Network Consulting and Integration)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Emerging IP Services (VoIP, Internet Access, Hosting, Storage, Security, IP VPN)	[BEGIN PROPRIETARY]	[END PROPRIETARY]
Total	[BEGIN PROPRIETARY]	[END PROPRIETARY]

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DECLARATION OF JEFFREY E. TAYLOR

EXHIBIT 2

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