

## **ATTACHMENT 7**

### **DECLARATION OF RONALD H. LATAILLE**

**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 RONALD H. LATAILLE**

1. My name is Ronald H. Lataille. My business address is 1095 Avenue of the Americas, New York, New York 10036. I am Vice President – Financial Planning and Analysis for Verizon’s Domestic Telecom line of business and have worked for Verizon for more than 25 years. My current responsibilities include overseeing the development of Domestic Telecom’s business plan, business unit targets and objectives, and associated contingency plans. In addition, I am responsible for the consolidation of total Domestic Telecom’s financial results, development of executive reports, SEC reporting and bond holder reports and compliance with Section 404 of the Sarbanes-Oxley Act.

2. My organization includes revenue booking, analysis and reporting functions, volume reporting and analysis, competitive analysis and implementation of standardized financial business processes and systems for Domestic Telecom finance. In this capacity, I have information and knowledge relating to the sources of data described specifically in this declaration.

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**I. Purpose of Declaration**

3. The purpose of my declaration is to show that competition, particularly from intermodal competitors, is continuing to erode the number of mass market lines served by Verizon. In addition, Verizon is suffering declines in access minutes as mass market customers turn to competitors, such as wireless carriers, for their long distance calls. Because cable companies, VoIP providers and wireless carriers have rapidly emerged as the most significant competitors for mass market communications services, the transaction between Verizon and MCI will not diminish competition for mass market communications services.

4. I also show that Verizon's growth in presubscribed long distance lines has continued to decline in the areas where intermodal lines are continuing to grow.

5. My declaration and the exhibits to my declaration contain information collected from publicly available sources as well as information collected from internal Verizon databases. The sources of publicly available information used are identified in these documents. I supervised the collection of all data presented in these documents that was collected from Verizon's internal databases. These documents accurately reflect the data contained in those databases.

**II. Competition for Mass Market Consumer Services.**

6. As explained in the Declaration of Michael K. Hassett, Kathy Koelle, Katherine C. Linder and Vincent J. Woodbury ("Hassett et al. Decl."), local and long distance services are no longer differentiated by competitors. Wireline, cable, wireless, Voice over Internet Protocol ("VoIP"), email and instant messaging are all competing in

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a broader communications market. Some companies provide unlimited local and long distance calling for a fixed monthly fee, while other companies offer a package of local and long distance minutes for a fixed monthly fee and then charge the same per minute rate for either local or long distance calls beyond the package level. Given these fundamental changes in the communications business, it no longer makes sense to draw artificial lines between communications services such as local and long distance. Nonetheless, even if one were to consider local and long distance services separately, the transaction between Verizon and MCI will not diminish competition for those services.

**Local Voice Service**

7. Intermodal competition is replacing UNE-P as the predominant form of competition for residential mass market customers. From March 2003 to May 2004, the total number of in service residential UNE-P lines in Verizon's service areas grew by an average of [BEGIN PROPRIETARY] [END PROPRIETARY] per month. See Exhibit 1. This growth in residential UNE-P lines slowed down dramatically beginning in June 2004. For June 2004, the growth in residential UNE-P lines was only [BEGIN PROPRIETARY] [END PROPRIETARY], and declined further to [BEGIN PROPRIETARY] [END PROPRIETARY] in July 2004 and to [BEGIN PROPRIETARY] [END PROPRIETARY] in August 2004. See Exhibit 1. Beginning in September 2004, the total number of in service residential UNE-P lines in Verizon's service areas stopped growing altogether, and instead *declined* by an average of [BEGIN PROPRIETARY] [END PROPRIETARY] per month. See Exhibit 1.

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8. This is not only true generally, but also for MCI in particular. From July 2003 to May 2004, the total number of MCI's in service residential UNE-P lines in Verizon's service areas grew by an average of **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** per month. This growth in MCI's residential UNE-P lines slowed down dramatically beginning in June 2004. For June 2004, MCI's growth in residential UNE-P lines was only **[BEGIN PROPRIETARY]** **[END PROPRIETARY]**. After June 2004, the total number of MCI in service residential UNE-P lines in Verizon's service areas stopped growing altogether, and instead *declined* by an average of **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** per month. *See* Exhibit 2.

9. In addition, even though competing carriers have significantly curtailed their purchases of UNE-P lines, Verizon is continuing to lose retail residential lines at a fairly constant rate. It appears that many residential customers are disconnecting their retail lines with Verizon as they replace them with wireless, cable and VoIP services. From August 2004 through January 2005, Verizon's losses of retail residential lines have averaged about **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** per month. *See* Exhibit 3. During this same period, Verizon's resold residential lines increased by only about **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** lines per month and in service DS-0 loops grew by about **[BEGIN PROPRIETARY]** **[END PROPRIETARY]** per month. *See* Exhibit 1. Although some Verizon residential customers are replacing their retail lines with Verizon's DSL services, the additional DSL lines do not make up for Verizon's retail residential line losses and the dramatic drop in residential UNE-P lines. *See* Exhibit 1.

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**Long Distance Voice Service**

10. As explained above, because of fundamental changes in the communications business, it is no longer reasonable to draw artificial lines between communications services such as local and long distance. Nonetheless, even if one were to consider long distance services separately, the transaction between Verizon and MCI will not diminish competition for those services.

11. Wireline long distance minutes and access lines are both declining on a nationwide basis. As explained by Mr. Hassett, *et al.*, this is largely due to the fact that customers are making more of their long distance calls on wireless phones and other intermodal alternatives. *See Hassett et al. Decl. ¶ 10.*

12. The impact of long distance competition has been most severe on minutes of use. During the last several years, long distance calling minutes have declined on wireline networks across the country. From the third quarter of 2002 to the third quarter of 2004, total industry interstate switched access minutes have fallen from 119.7 billion to 105.2 billion, which represents a 12 percent decline in that period. *See Exhibit 4.*

13. Verizon has also experienced a decline in long distance minutes on its wireline networks. Verizon's total switched access minutes of use for 2002, 2003 and 2004 show a steady decline in demand – switched access minutes declined approximately **[BEGIN PROPRIETARY] [END PROPRIETARY]** percent between 2002 and 2004. *See Exhibit 5.* In addition, Mr. Hassett, *et al.*, demonstrate that average residential toll minutes per line reached a peak of 149 minutes per month in 1997, and declined to

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only 90 minutes per month in 2002, which represents a 40 percent decline during that period. *See* Hassett et al. Decl. ¶ 80.

14. There has also been a steady decline in the number of wireline access lines across the country. From June 2002 to June 2004, the total number of wireline access lines throughout the country declined from 189 million to about 181 million.<sup>1</sup> During this same period, wireless carriers and other intermodal competitors have increased the number of mass market customers they serve. *See* Hassett et al. Decl. ¶¶ 59, 73 and 88.

15. While Verizon has experienced increases in the number of presubscribed wireline long distances lines during the last few years, those increases are the result of Verizon having received the authority to provide long distance services. When Verizon first began providing long distance service, there was an initial spike in the number of lines presubscribed to Verizon. For example, between the first quarter and second quarter of 2003, the number of Verizon presubscribed lines increased by **[BEGIN PROPRIETARY] [END PROPRIETARY]** percent in Verizon East states. *See* Exhibit 6. The initial growth rate in presubscribed lines has continued to decline and is now averaging only **[BEGIN PROPRIETARY] [END PROPRIETARY]** percent per quarter nationwide and in Verizon East states. *See* Exhibit 6. In addition, wireless lines and other intermodal lines are continuing to grow in these same areas. *See* Hassett et al. Decl. ¶¶ 60 and 83.

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<sup>1</sup> *See, e.g.,* Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Local Telephone Competition: Status as of June 30, 2003* at Table 1 (Dec. 2003) (End-user switched access lines have declined steadily since their peak in December 2000).

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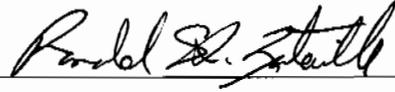
**III. Conclusion**

16. The communications business is rapidly being restructured around new technologies. Cable companies, VoIP providers, wireless carriers and other companies have rapidly emerged as significant competitors for mass market communications services. This competition will be unaffected by the transaction between Verizon and MCI because MCI is not an intermodal competitor.

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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 cursive script, appearing to read "Ronald H. Lataille", written over a horizontal line.

Ronald H. Lataille

DECLARATION OF RONALD H. LATAILLE

EXHIBIT 1

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EXHIBIT 2

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EXHIBIT 3

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EXHIBIT 4

**US Interstate Switched Access MOUs**

	<b>MOU Demand (in millions)</b>												
	Q1 2002	Q2 2002	Q3 2002	Q4 2002	TY 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	TY 2003	Q1 2004	Q2 2004	Q3 2004
Tier 1	114,152	113,344	108,493	106,790	442,780	103,031	100,963	98,737	96,761	399,495	97,997	94,992	93,784
Total Industry	125,220	124,412	119,675	117,741	487,048	114,183	112,090	109,984	107,785	444,067	109,280	106,076	105,178

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EXHIBIT 5

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