

SWBT's billing capabilities. Further, SWBT has failed to produce a bill for compensation to Brooks. Brooks is also in the midst of developing the capability to render a bill for interconnection and compensation with respect to SWBT. These problems illustrate that full implementation of checklist requirements is merely a mirage at this point.

F. Brooks' Experience With SWBT Gives No Confidence That Full Implementation Will Be Achieved.

46. Brooks is the CLEC that is furthest along in establishing a facilities-based local service presence in Oklahoma. However, Brooks currently has only seven business customers in the entire state of Oklahoma purchasing approximately 40 DS1s worth of local service. Brooks has not purchased a single unbundled element. Brooks has not ported a single number. Brooks is serving no residential customers with its own facilities. SWBT can make no claim at present to be fully implementing the checklist in Oklahoma with respect to Brooks or any other facilities-based carrier. The dearth of requests for interconnection mean there is no evidence of whether SWBT will be able to fully implement those checklist items it has agreed to provide. What is clear is that there is no basis for simply assuming SWBT will implement the checklist. The reality is that whenever it has had the opportunity, SWBT has consistently engaged in discrimination, unreasonable restrictions, and excessive pricing.

VII. CONCLUSION

47. Resale, while attractive because of its relative simplicity, is an insufficient method for entering the local telecommunications market. Full, non-discriminatory access to Unbundled Network Elements is a critical first step to the development of facilities-based

competition on a broad scale and in an effective manner. Particularly, CLECs need access to the UNE Platform. The Platform provides an efficient mechanism to introduce new services, features, and pricing that will accelerate the competitive intent of the FTA.

48. SWBT does not want AT&T or any other CLEC to have access to the UNE Platform. For example, SWBT's attorney in responding to a question by the Texas PUC on what type of competition SWBT wanted, stated that SWBT's "honest" preference was for resale, not UNE, competition.⁴⁵ (See Exhibit SET-2).

49. SWBT's position is diametrically opposed to the very framework that is necessary to establish vibrant facilities-based competition. SWBT's opposition is most clearly seen in the pricing for UNEs. Given these prices and, more importantly, the framework around implementing these prices, there is no way that facilities-based competition could develop using unbundling as SWBT would currently allow it.⁴⁶ But this is a circumstance of SWBT's own making, and is wholly inconsistent with the FTA.

50. Brooks, in particular, is working to bring facilities-based competition to Oklahoma. As any rational new entrant would do, it has evaluated SWBT's pricing of unbundled elements and found unbundled elements at those prices not to be economic. Consequently, Brooks has had to focus on directly building out to those very few customers that it can serve. Currently, Brooks is serving only seven business customers and no

⁴⁵ "I think the honest answer has to be we would rather, first of all, have reseller competitors and next have competitors who at least take the whole loop up to the switch." Application of AT&T Communications of the Southwest, Inc. for Compulsory Arbitration to Establish an Interconnection Agreement between AT&T and SWBT, Docket No. 16226, Tr. at 4436.

⁴⁶ The framework that I am referring to here is most particularly SWBT's position of restricting CLEC access to IntraLATA Toll revenue and InterLATA Access revenue as outlined earlier in my Statement.

residential customers. The stark reality in Oklahoma is that not one single customer in the entire state is being served by an unbundled loop. This is not an accident. SWBT has systematically and deliberately priced the unbundled network elements in such a way as to render them useless. SWBT cannot be granted interLATA relief for this reason alone.

51. In addition, in none of the interconnection agreements that SWBT has signed has SWBT complied with and fully implemented the checklist. This also means SWBT cannot be held to have complied with Section 271. Given the proper oversight by the Oklahoma Corporation Commission, however, and prices that enable competition to have a fighting chance, real alternatives will be made available to customers in Oklahoma.

VERIFICATION

STATE OF TEXAS)
COUNTY OF Dallas)

I, STEVEN E. TURNER, of lawful age, being first duly sworn, now state: that I am authorized to provide the foregoing statement on behalf of AT&T; that I have read the foregoing statement; and the information contained in the foregoing statement is true and correct to the best of my knowledge and belief.

Steven E. Turner
STEVEN E. TURNER
Kaleo Consulting

SUBSCRIBED AND SWORN TO BEFORE ME this 6th day of March, 1997.

Debbie Crawford
Notary Public

My Commission Expires:



EXHIBIT SET-1
EVOLUTION OF LOCAL SERVICE COMPETITION

Evolution of Local Service Competition

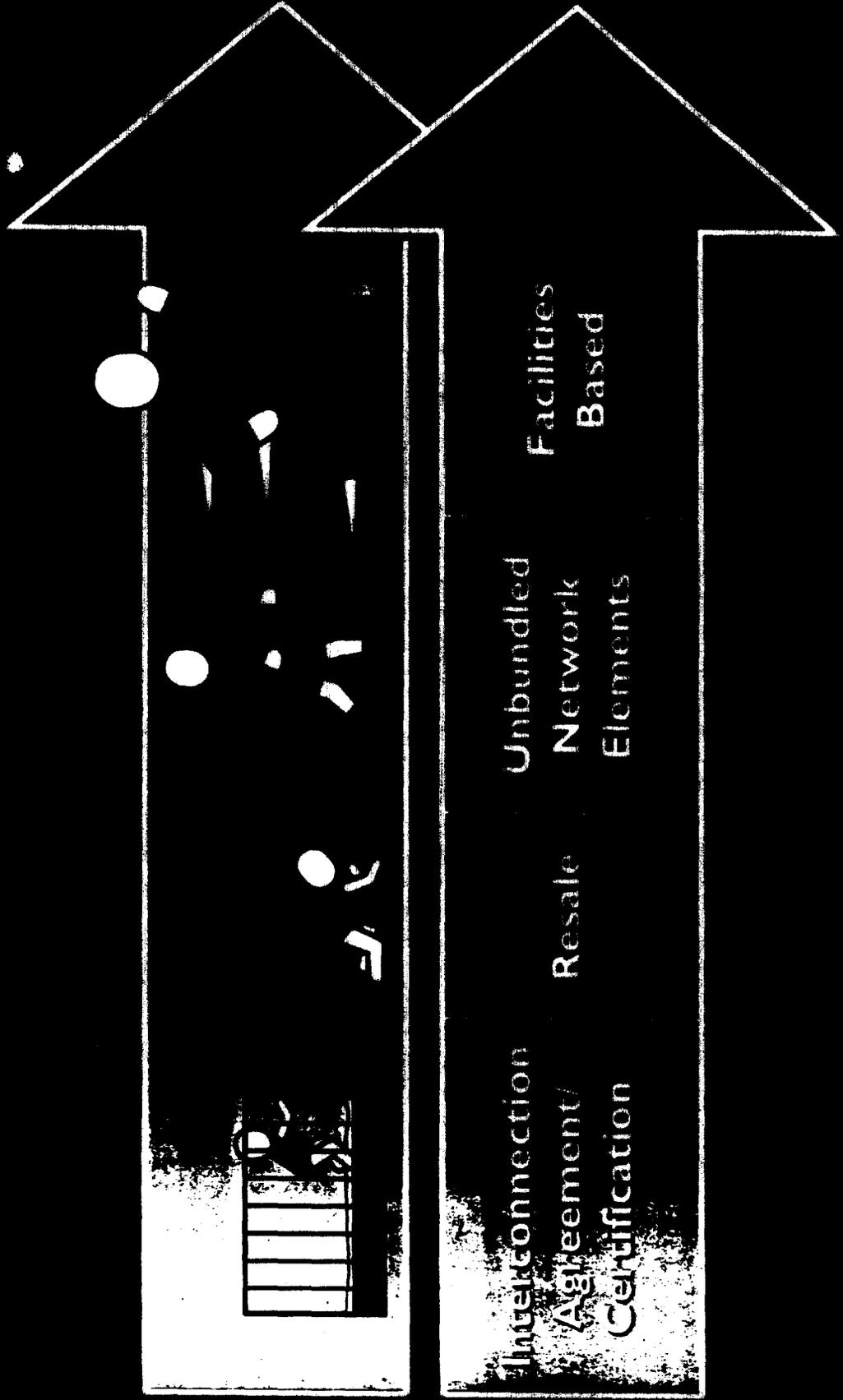


Exhibit SET-2
2 Pages

EXHIBIT SET-2
TESTIMONY FROM DOCKET NO. 16226

1 already only gives us 75 cents on the
2 dollar because we are not recovering our
3 embedded cost and we ought to be able to
4 recover at least the correct cost that
5 competition would set and that's what
6 TELRIC is supposed to be.

7 CHAIRMAN WOOD: Let's
8 assume that that -- I mean, I'm just
9 thinking more broadly than that. I
10 understand your argument on embedded
11 versus TELRIC, but, you know, if somebody
12 is buying pieceparts from the system or is
13 reselling the service all together; in
14 other words, taking Options 1 and 2 from
15 the Federal Act as compared to the Time
16 Warner type who really ain't going to use
17 much of the system at all, just
18 interconnect one and do that. I mean,
19 → what kind of competitor is the competitor
20 that you-all would rather have?

21 MS. HUNT: I think the
22 honest answer has to be we would rather,
23 first of all, have reseller competitors
24 and next have competitors who at least
25 take the whole loop up to the switch.

1 Switching is a commodity that can be
2 reused for other customers to the extent
3 that they take 1 plug out of a loop. You
4 have isolated the remainder of that loop
5 and nobody gets any benefit from that, not
6 competitors, not consumers, not
7 Southwestern Bell. So, yes, if you could
8 pick and choose, the Company would be
9 better off to at least recover some return
10 on its network so long as that return is
11 high enough that you're making some money
12 and there is the incentive to continue to
13 keep that network at a high level of
14 efficiency for benefit of consumers,
15 competitors who wish to rely on that
16 network, and our own telephone service.

17 But if you drive those costs too
18 low, Southwestern Bell at the corporate
19 level has a lot of businesses and the
20 incentive to continue to put more money
21 into the Texas telephone network is not
22 going to be all that great nor is there
23 going to be any incentive for competition
24 to come in and drive up the service and
25 the technology quotient higher; whereas,

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF ERNEST G. JOHNSON, DIRECTOR OF THE PUBLIC UTILITY DIVISION, OKLAHOMA CORPORATION COMMISSION TO EXPLORE THE REQUIREMENTS OF SECTION 271 OF THE TELECOMMUNICATIONS ACT OF 1996. §
§
§
§ Cause No. PUD 970000064
§
§
§
§

**STATEMENT OF PHILLIP L. GADDY
ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHWEST**

I. INTRODUCTION AND QUALIFICATIONS

1. My name is Phillip L. Gaddy. My business address is 5501 LBJ Freeway, Suite 445, Dallas, Texas. I am employed by AT&T in the Government Affairs Organization as Government Affairs Director. My responsibilities include working with State Commissions and industry participants to obtain regulatory conditions which will allow for the introduction of competition in the provision of local exchange service. My responsibilities include the states of Oklahoma, Arkansas, Kansas, Missouri, and Texas.

2. I received a Bachelor of Science Degree from the University of Tulsa in 1975. In 1993, I received a Master of Business Administration Degree from the University of Texas at Austin receiving the George Kosmetsky Award for Outstanding Academic Achievement.

3. I began my career in telecommunications in 1977, joining Southwestern Bell Telephone Company's (SWBT) Marketing/Sales organization. In 1979, I accepted a position in SWBT's Rates and Tariffs organization. In that capacity, I was responsible for reviewing cost studies, and for preparing revenue/cost analyses, tariffs and associated documentation in support of SWBT's tariff filings and rate case proceedings. In the fall of 1983, I transferred to the

Marketing Plans Implementation (MPI) group of AT&T Communications, Inc. I held various positions within that organization, dealing primarily with access charge issues, the regulation of telecommunications carriers and the development of competition in telecommunications markets. In 1989, the MPI organization was consolidated into AT&T's Government Affairs organization. In January of 1995, I assumed my current position.

4. As part of my current responsibilities I have participated in a number of negotiation sessions with SWBT in AT&T's effort to achieve a comprehensive and complete interconnection agreement which would allow AT&T to enter the local exchange market. I have also testified in a number of arbitration proceedings pursuant to Section 252 of the Federal Telecommunications Act of 1996 (FTA). In these Arbitrations, my testimony dealt primarily with SWBT's and GTE's obligation as incumbent local exchange carriers (LEC) to make all of their retail services available for resale at a wholesale discount and reciprocal compensation for the termination of local traffic.

5. I have appeared or filed testimony in Arkansas, Missouri, Oklahoma and Texas. Exhibit PG-1 to this Statement is a list of the proceedings in which I have filed testimony and/or appeared.

II. PURPOSE AND SUMMARY OF STATEMENT

6. My testimony will summarize many areas of SWBT's failure to comply with the Section 271 competitive checklist. I will discuss examples of how SWBT's approved interconnection agreements fail to comply with SWBT's Section 271 obligations. In addition, even though, as discussed by Mr. Rutan, a Track B filing is foreclosed to SWBT, I will provide an overview of several significant examples of deficiencies contained in SWBT'S Statement of Generally Available Terms and Conditions (SGAT). With the exception of resale and reciprocal

compensation, each of these issues will be addressed in more detail by specific subject matter witnesses in other AT&T sponsored statements. The last section of my testimony will address certain deficiencies with respect to SWBT's offering of services for resale and the application of reciprocal compensation. These deficiencies will substantially reduce, if not eliminate, the effectiveness of local competition.

7. I have reviewed the interconnection agreements SWBT has filed and that have been approved by the Oklahoma Corporation Commission (Commission) reflecting SWBT's negotiated agreements including Sprint. SWBT has no approved or executed interconnection agreement with AT&T. I have, however, reviewed the November 13, 1996 Report and Recommendation of the Arbitrator and the Commission's Order regarding unresolved issues entered in arbitration proceedings, before the Commission between AT&T and SWBT under the FTA, Cause No. PUD-960000218. In addition, I have reviewed the SWBT SGAT. Even a cursory review demonstrates that a substantial number of deficiencies exist. In some cases, these deficiencies are readily apparent. Others become clear when viewed in the context of the positions SWBT has taken in the negotiations process prior to arbitration and in negotiating contract language afterwards.

8. Language in SWBT's approved interconnection agreements reinforces the notion that SWBT has moved too soon in requesting Section 271 relief. The Sprint agreement states that:

The rates, terms and conditions contained in this Agreement which may differ from the rates, terms and conditions in the commission-approved AT&T/SWBT agreement will, upon request of either Party, be reformed to reflect language contained in a final commission-approved AT&T/SWBT agreement.¹

¹ See Sprint Agreement, General Terms and Conditions, ¶ 4.4.

Because SWBT has based key provisions of the SGAT on negotiated agreements and because those agreements seem to be critically dependent on the final outcome of the contract negotiations and future proceedings to determine costs and prices associated with the AT&T/SWBT arbitration, SWBT's filing of its SGAT is particularly premature.

9. While SWBT has entered five negotiated interconnection agreements which seem intended to allow some form of facilities-based competition, it is clear from the Statement of Mr. Steven E. Turner that full implementation of these agreements has not occurred. As indicated in my Statement and those of other AT&T witnesses, it is very clear that full implementation of the Section 271 competitive checklist is far from complete.

III. SECTION 271 COMPETITIVE CHECKLIST DEFICIENCIES

10. At a minimum, SWBT has failed to comply with the requirements of Sections 251(c)(2) and 271(c)(2)(B)(i) of the FTA with respect to its treatment of Interconnection, Sections 251(c)(3) and 271(c)(2)(B)(ii) with respect to Unbundled Network Elements in general, and specifically the Unbundled Loop, Section 271(c)(2)(B)(iv); transport, Section 271(c)(2)(B)(v) and Local Switching, Section 271(c)(2)(B)(vi). It is also deficient with respect to the provision of Interim Number Portability, Section 271(c)(2)(B)(xi); non-discriminatory access to Poles, Ducts, Conduits and Rights-of-way; Section 271(c)(2)(B)(iii); Resale, Section 271(c)(2)(B)(xiv); and Reciprocal Compensation, Section 271(c)(2)(B)(xiii). Further, SWBT has failed to demonstrate actual or full implementation of any of the competitive checklist requirements.

11. As of this date, SWBT has yet to make available in any interconnection agreement or its SGAT a full set of permanent rates upon which a new entrant can rely and which have been found to be in compliance with the FTA. For such critical components as unbundled

elements and reciprocal compensation, the rates in SWBT's SGAT are clearly not based on the appropriate forward-looking cost, as demonstrated by the testimony of Daniel Rhinehart which was filed in the AT&T/SWB arbitration Cause No. PUD-960000218. A copy of Mr. Rhinehart's testimony has been included for reference herein as Exhibit PG-2.

IV. SUMMARY OF CHECKLIST DEFICIENCIES DISCUSSED IN MORE DETAIL BY OTHER AT&T AFFILIANTS

12. In the creation of the following summary of SWBT's checklist deficiencies I have relied on my own review of SWBT's approved interconnection agreements as well as on the views of other subject matter experts making Statements in this proceeding.

V. INTERCONNECTION

13. SWBT has failed in a number areas to provide interconnection to its network in a manner necessary to comply with Section 271(c)(2)(B)(i). The ability to collocate a competitive local exchange carrier's (CLEC) facilities with those of SWBT is critical for a CLEC's ability to access unbundled elements or to interconnect with SWBT's network. Collocation requires a substantial investment on the part of the CLEC which must be coordinated with the provision of collocation by SWBT. SWBT's Oklahoma agreements and the SGAT are vague with respect to when and at what price collocation will be provided, making facilities construction planning by the CLEC unworkable and fraught with delay. Mr. Turner addresses a specific example of the impact this has had on new entrants. There is no reason to expect that the type of problems discussed by Mr. Turner will not continue each time a new entrant wishes to establish or expand its serving area.

14. SWBT also restricts the types of trunks a CLEC may use to interconnect with SWBT in a manner which will reduce the CLEC's efficiency by refusing to allow the use of two-way trunking even though the FCC found that this would "raise costs for new entrants and

create a barrier to entry."² SWBT would also restrict the type of traffic that can be combined over trunk groups, requires the routing of certain traffic such that additional rate elements may be charged to CLECs and restricts the CLECs' ability to choose its method of connecting to SWBT's end offices further increasing the cost to new entrants.

15. Detailed evidence regarding SWBT's failure to provide nondiscriminatory access to interconnection to its network to the extent necessary to comply with Section 271(c)(2)(B)(i) of the competitive checklist is addressed more fully in the Joint Statement of Robert V. Falcone and Steven E. Turner.

VI. UNBUNDLED NETWORK ELEMENTS

16. SWBT has failed to provide unbundled network elements (UNE) in a manner necessary to comply with Section 271(c)(2)(B)(ii) of the competitive checklist. As a first step, SWBT must demonstrate that it is actually providing non-discriminatory access to UNEs. SWBT has produced no evidence that I am unaware of which demonstrates actual implementation of UNE access. As previously stated, the SWBT/Sprint agreement in Oklahoma is subject to reformation on the basis of the AT&T/SWBT arbitration, which has yet to produce an agreed upon contract in Oklahoma, and which can even be modified to reflect the outcome of the AT&T/SWBT Texas agreement which SWBT has challenged in the courts. The Texas agreement is still under review by the Texas Public Utility Commission with respect to the development and implementation of the interfaces to SWBT's operational support systems and other significant implementation problems have arisen.

17. To varying degrees, each of the SWBT Oklahoma interconnection agreements and SGAT do not provide nondiscriminatory access to unbundled network elements in accordance

² *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, First Report and Order, CC Docket No. 96-98 (rel. August 8, 1996), (FCC Order), ¶ 219.*

with Section 251(c)(3), Section 51.309 of the FCC's rules, or the Oklahoma Arbitration Order. Agreements with Brooks and USLD explicitly prohibit a new entrant's ability to combine unbundled network elements to reproduce a SWBT retail service. Appendix UNE provides that an "LSP shall not cross-connect a SWBT unbundled loop to a SWBT provided unbundled switch port." See APPENDIX UNE at 2. While the Sprint agreement appears to allow combinations under some circumstances, the SGAT which contains some of the Sprint language, omits the words "without restriction" and the explicit recognition in the Sprint agreement that the CLEC need not own any facilities to order UNEs.

18. In addition, the various agreements and SGAT contain language which threatens unnecessary service interruptions, unjustified nonrecurring charges and inferior service to CLEC retail customers served by UNE combinations by: (1) always treating a conversion of an end user customer from SWBT to a CLEC as a disconnect and new connect, even if the CLEC is requesting the customer be converted in what is called "as is" form; (2) always installing new and often unnecessary "testing" points even though the CLEC has not requested SWBT testing and resulting in the customer being out of service for some period of time and increasing the CLEC's cost unnecessarily; and (3) always treating CLEC requested UNE services as "designed circuits" thereby increasing the CLEC's cost and providing the CLEC's customer with inferior service to that SWBT would provide if the same customer remained with SWBT.

19. Customer changeovers in a local service environment must be as efficient and customer friendly as changing long distance providers. Otherwise, the incumbent local monopoly will be given a discriminatory advantage when they are allowed to enter the long distance market.

20. SWBT's proposed measures with respect to installation intervals are discriminatory. Intervals contained in SWBT's interconnection agreements and SGAT appear to be the tables SWBT uses as targets for its own customers.³ To meet the standard of non-discriminatory treatment, however, SWBT must provide "actual" installation intervals for new entrant services that are equivalent to the "actual" installation intervals that it meets for its own customers, less whatever portion of the interval SWBT may avoid by not performing the retail functions. If SWBT meets its target by installing orders with 10 lines or less in 5 days for new entrants, but actually installs the same service for its own customers in the same category in just 2 days, obviously this would provide SWBT with a significant discriminatory advantage.

21. Detailed evidence regarding SWBT's failure to provide nondiscriminatory access to unbundled network elements to the extent necessary to comply with Section 271(c)(2)(B)(ii) of the competitive checklist are addressed more fully in the Joint Statement of Robert V. Falcone and Steven E. Turner.

22. As will be addressed more specifically in the Statement of AT&T witness Nancy Dalton, the lack of developed, tested, and implemented operational support systems for UNE renders their effective use impractical at this time. As such, SWBT is not in compliance with the nondiscriminatory access provisions of Section 251(c)(3) as determined by the FCC⁴ and therefore has not met the requirements of Section 271(c)(2)(B)(ii) of the competitive checklist.

23. In addition AT&T has not seen any evidence that SWBT has set in place the operations, processes or documented practices so that SWBT's field engineering and operations

³ See Sprint Agreement, Attachment Performance Criteria, ¶ 1.1.3.

⁴ FCC Order, ¶ 523.

personnel can effectuate this Commission's Order in the AT&T/SWBT arbitration to make access to subloop unbundled elements available. Likewise, SWBT has failed to provide critical engineering information regarding the amount of spare fiber available as well as basic engineering design characteristics and prices for the use of dark fiber. Without such information a CLEC can not make an appropriate economic analysis or make its own engineering decisions in a manner compatible with SWBT's facilities. See Statement of Daniel C. Keating III.

VII. POLES, DUCTS, CONDUITS AND RIGHTS-OF-WAY

24. SWBT has failed to meet the requirements necessary to satisfy Section 271(c)(2)(B)(iii) of the competitive checklist with respect to the nondiscriminatory access to poles, ducts, conduits, and rights-of-way. AT&T does not at this time have a signed and approved interconnection agreement with SWBT in Oklahoma. However, AT&T's experience in attempting to access these facilities in Texas indicates significant problems such as gaining access to records to know what space is available. For example, it was more than 5 weeks from the time AT&T made its first request to view records until such access was granted. SWBT would also impose substantial unnecessary costs. For example, SWBT would send "overseers", at the CLEC's expense, to watch while work was being done and SWBT would always perform a pre-license survey, at the CLEC's expense, even though the CLEC could do the survey themselves. These difficulties and unnecessary expenses make access to SWBT's poles, ducts, conduits and rights-of-way far from nondiscriminatory. See Statement of Daniel C. Keating III.

VIII. LOCAL LOOP TRANSMISSION

25. SWBT has failed to comply with Section 271(c)(2)(B)(iv) which requires unbundling of local loop transmission.

26. SWBT fails to provide nondiscriminatory access to the loop by restricting CLECs from gaining access to those loops SWBT provides using Integrated Digital Loop Carrier (IDLC). In addition, SWBT will not commit to inform the CLEC that the requested loop is unavailable for up to 48 hours. SWBT's failure to make these loops available to CLECs will result in customer confusion and ill will toward the CLEC when the customer is told days after their order that the CLEC can not serve them, effectively precluding the nondiscriminatory provision of unbundled loops.

27. Detailed evidence regarding SWBT's failure to provide nondiscriminatory access to unbundled local loop transmission to the extent necessary to comply with Section 271(c)(2)(B)(iv) of the competitive checklist are addressed more fully in the Joint Statement of Robert V. Falcone and Steven E. Turner.

28. SWBT also fails to make available under specific rates, terms and conditions, subloop unbundling which, as discussed by Mr. Keating, would provide a more economical, cost

effective method to facilitate new technology facilities construction by new entrants. SWBT's failure to provide specific rates terms and conditions for the provision of subloop UNEs fails to comply with Section 271(c)(B)(iv) of the competitive checklist.

XVI. LOCAL TRANSPORT

29. SWBT has failed to provide nondiscriminatory unbundled access to local transport as required by Section 271(c)(2)(B)(v) by its failure to include multiplexing functionality in the dedicated transport it is offering in Oklahoma even though such multiplexing currently exists in SWBT's existing tariffs. Therefore, instead of being able to efficiently multiplex these UNEs in the SWBT central office using existing unbundlable technology, as SWBT does for itself and for access customers, the new entrant would be required to purchase otherwise unnecessary collocation space and multiplexing equipment, albeit, not at cost based rates. In addition, SWBT has also failed to include as a part of its dedicated transport element, as well as other elements, the necessary cross-connect, but has instead attempted to impose a separate charge. SWBT has done this despite the FCC's finding that the obligation to provide nondiscriminatory access included "both the physical or logical connection" to the element and the element itself.⁶

30. Detailed evidence regarding SWBT's failure to provide nondiscriminatory access to unbundled local transport to the extent necessary to comply with Section 271(c)(2)(B)(v) of the competitive checklist are addressed more fully in the Joint Statement of Robert V. Falcone and Steven E. Turner.

IX. LOCAL SWITCHING

31. SWBT has failed to provide nondiscriminatory access to unbundled local switching in compliance with Section 271(c)(2)(B)(vi) by its failure to provide access to DS1 trunk ports

⁶ FCC Order, ¶ 312.

which are common in local switches today and will be critically necessary to provide services to most medium and large business customers. Furthermore, SWBT has yet to demonstrate that it will actually provide technically feasible customized routing from its local switches to CLEC designated operator services and/or directory assistance platforms. While these are two separate issues, it is interesting to note that § 12.8.2 of Appendix UNE in SWBT's SGAT requires that a CLEC that orders customized routing from a SWBT local switch will have to pay "recurring monthly charges for the number of DS1 Trunk Ports required to accommodate CLEC's dedicated custom route."

32. Detailed evidence regarding SWBT's failure to provide nondiscriminatory access to unbundled network elements to the extent necessary to comply with Section 271(c)(2)(B)(vi) of the competitive checklist are addressed more fully in the Joint Statement of Robert V. Falcone and Steven E. Turner.

33. One of the newer efforts of SWBT to delay and potentially thwart competition is SWBT's requirement that a new entrant must negotiate new licensing agreements with SWBT's vendors even though SWBT has already negotiated these agreements, paid the appropriate fees, and is merely leasing the use of the facilities to another provider.⁷ SWBT has identified over 70 such vendor agreements which it contends may require AT&T to obtain a license or right to use from SWBT's vendor. AT&T is currently uncertain whether SWBT will provide UNEs to a new entrant until the new entrant has negotiated such agreements, in spite of the fact that such agreements are a clear discriminatory barrier to local entry. None of these vendors have a strong incentive to negotiate with AT&T in any sort of reasonable or expeditious manner because they would effectively be in control of the date when UNE becomes available to new entrants.

⁷ See SGAT, § XV.A.6.

While in today's environment an arbitrary requirement to negotiate such agreements would likely delay effective entry by providers who must depend on UNE to provide services, more ominous is the real possibility that SBC could become the vendor with whom the entrant must negotiate. If that should occur, competitors will have to negotiate with SWBT's manufacturing unit, so that they can purchase network elements from SWBT's network unit, in order to compete with SWBT's services unit.

34. SWBT's voluntary contractual arrangements with its vendors cannot excuse its obligations under the FTA as an incumbent LEC. If additional licenses or rights to use are necessary for it to comply with the law, SWBT should obtain them. If SWBT incurs any additional legitimate costs, those should be included on a competitively neutral basis in the Total Element Long Run Incremental Cost (TELRIC) prices for the affected element(s).

X. NONDISCRIMINATORY ACCESS TO 911, E911, DIRECTORY ASSISTANCE, AND OPERATOR CALL COMPLETION SERVICES

35. To date AT&T has seen no implementation of SWBT's obligation under Section 271(c)(2)(B)(vii) (I), (II), and (III) with respect to provision of nondiscriminatory access to 911 and E911 service, directory assistance services and operator call completion services. The language contained in the SGAT is sufficiently vague, so that it is impossible at this time to render a determination of SWBT's potential compliance. SWBT should be required to establish all implementation steps taken regarding these issues.

XI. WHITE PAGES DIRECTORY LISTINGS

36. As with 911/E911, Directory Assistance, and Operator Call Completion, to date, AT&T has not seen any implementation of SWBT's obligations under Section 271(c)(2)(B)(viii) for white page directory listings for CLEC customers. The SGAT is sufficiently vague, so that

it is impossible, at this time, to render an opinion on SWBT's compliance. SWBT should be required to prove all steps taken to implement this section.

XII. NONDISCRIMINATORY ACCESS TO TELEPHONE NUMBERS

37. SWBT has failed to comply with the requirements of Section 271(c)(2)(B)(ix) with respect to the nondiscriminatory access to telephone numbers. As discussed in the Statement of Mark Lancaster, SWBT requires new entrants to align its office code (NPX-NXX codes) calling scopes with the "calling scope as defined by SWBT's tariffs," effectively allowing SWBT to determine calling scopes of new entrants. SWBT would also impose a charge on the CLEC every time the CLEC wins a large customer to change the assignment of the NXX to the CLEC. Large customers are often assigned complete blocks of 1000 numbers which make up an NXX. Imposing a charge to allow the customer to keep those numbers creates a barrier to movement. In addition, to my knowledge, SWBT's policies, procedures, and requirements for number administration and its Central Office Code Assignment Guidelines as referred to in its SGAT have not been made available to new entrants. This process fails to be nondiscriminatory if only the incumbent industry participant knows the rules.

XIII. NONDISCRIMINATORY ACCESS TO DATABASES AND ASSOCIATED SIGNALING

38. As with 911/E911, Directory Assistance, and Operator Call Completion, to date, AT&T has not seen any implementation of SWBT's obligations under Section 271(c)(2)(B)(x) for nondiscriminatory access to databases and associated signaling necessary for call routing and completion.

XIV. INTERIM NUMBER PORTABILITY

39. SWBT has failed to comply the Section 271(c)(2)(B)(xi) in that it has failed to provide all of the interim number portability options which are technically feasible, thereby not

providing for "as little impairment of functioning, quality, reliability and convenience as possible" creating a barrier to local exchange competition due to customer reluctance to change their telephone number(s). As discussed in the Statement of Mark Lancaster, SWBT's failure to provide Route Indexing solutions and its methodology for the implementation of Local Exchange Route Guide (LERG) Reassignment, will not provide the full array of interim number portability options new entrants need to compete for medium and large business customers.

XV. LOCAL DIALING PARITY

40. As discussed in the Statement of Mark Lancaster, SWBT has failed to demonstrate that it has fully implemented local dialing parity under Section 271(c)(2)(B)(xii). Other than a pledge to provide local dialing parity, there is no information in the interconnection agreements or SGAT to establish compliance.

XVI. SGAT SPECIFIC ISSUES

41. While SWBT's SGAT suffers from virtually all the deficiencies discussed above, it has at least two additional deficiencies.

42. While the interconnection agreements appear to be silent on the issue, SWBT's SGAT specifically precludes new entrants from connecting their collocated equipment within a SWBT central office, even though each new entrant has paid to collocate within a SWBT central office.⁸ Instead, SWBT would require them to incur unnecessary expense to run facilities to some point of interconnection outside the central office, thereby increasing the effective cost of collocation above its true economic cost. The result is more cost for competitors and less

⁸ SGAT, APPENDIX NIM, § 7.1. SWBT's language in this section is unduly ambiguous, at best, and at worst, completely disregards the FCC Order. AT&T interprets this language to say that SWBT will not allow CLECs to cross-connect until there is a final decision on the validity of the FCC Order, which SWBT has challenged.