Single Residential Line UNE Platform Cost for a Profile Customer

UNE Element	UNE Recurring AT&T Arbitration Award	UNE Recurring SGAT	UNE NRC
2-Wire Analog Loop	$19.65	$19.65	$60.55
Local Switching - Analog Line Side Port	$ 1.48	$ 2.00	$82.60
Local Switching - Usage	$ 4.26	$ 4.56	NA
Common Transport	$ 0.44	$ 0.42	A
Tandem Switching	$ 0.63	$ 0.41	NA
Signaling and Database Queries	$ 0.59	$ 0.44	NA
Directory Assistance	$ 1.81	$ 1.81	NA
Operator Services	$ 1.60	$ 1.60	NA
Service Order	NA	NA	$58.00
TOTAL	**$30.46**	**$30.89**	**$201.15**

Single Business Line UNE Platform Cost for a Profile Customer

UNE Element	UNE Recurring AT&T Arbitration Award	UNE Recurring SGAT	UNE NRC
2-Wire Analog Loop	$19.65	$19.65	$60.55
Loop Conditioning	$7.05	$ 7.05	$65.00
Loop Switching-Analog Line Side Port	$1.48	$ 2.00	$82.60
Local Switching - Usage	$4.26	$ 4.56	NA
Common Transport	$0.44	$ 0.42	NA
Tandem Switching	$0.63	$ 0.41	NA
Signaling and Database Queries	$0.59	$ 0.44	NA
Directory Assistance	$1.81	$1.81	NA
Operator Services	$1.60	$1.60	NA
Service Order	NA	NA	$58.00
TOTAL	**$37.51**	**$37.94**	**$266.15**

3. The UNE Platform cost can be compared to retail pricing for the profiled customers to develop a gross margin for the LSP.

32. The final step in understanding how these prices are a significant barrier to the development of competition is to assess them against the revenue opportunity as defined by SWBT's pricing policy. SWBT's general position is that the purchase of unbundled local switching provides the new entrant with the revenue sources associated only with local exchange service. This can be determined from the AT&T Arbitration Order by looking to Section 5.A. AT&T-SWBT Arbitration Order, § 5.A Facts. This can be determined from the SGAT where SWBT expressly states their intent to retain the IntraLATA Toll revenue and InterLATA Access revenue associated with the local telecommunications market even under UNE.[17] The AT&T Arbitration award clearly provided AT&T the interLATA access revenue source, but preserved intraLATA toll for SWBT until SWBT is able to provide in-region interLATA service in Kansas. AT&T does not support this view. However, this policy has been reflected in the first column below. The following tables illustrate the negative consequences to competition from SWBT's policy.

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[17] SGAT, Appendix UNE, ¶ 18.2.2 through ¶ 18.2.4 (even though this section of the SGAT is labeled as "interim," there are no provisions outlined in the SGAT that cause a new pricing policy to take effect).

Residential Single Line Customer Gross Margin Analysis

	AT&T Arbitration Toll Excluded View	SGAT Toll/Access Excluded View	Toll/Access Included View
Revenue			
Local	$29.10[18]	$29.10[19]	$29.10[20]
IntraLATA Toll	0.00	0.00	4.40[21]
InterLATA Toll	2.91[22]	0.00	2.91[23]
Total Revenue	**$32.01**	**29.10**	**$36.41**
Cost of Goods (Platform)	$30.23[24]	$30.69[25]	$30.46
Gross Margin	$ 1.78	($ 1.59)	$5.95
Gross Margin Percentage	5.56	(5.46)	16.34

UNE NRC = **$201.15**

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18 The Local Revenue includes the monthly recurring charge for the line including the FCC subscriber line charge, features (Call Forwarding, Call Waiting, and 3-Way Calling), plus incidential revenue for operator services and directory assistance.

19 *Id.*

20 *Id.*

21 IntraLATA Toll Revenue was calculated at 20 originating minutes at an average revenue per minute of $0.22.

22 InterLATA Access Revenue was calculated as the weighted average (based on the interLATA interstate usage percentage) of the interstate interLATA access rate and the intrastate interLATA access rate times the appropriate minutes of use.

23 *Id.*

24 SGAT, Appendix UNE, ¶ 18.2.3 states that no ULS usage charges will apply on intraLATA toll calls because SWBT is retaining this revenue source. The earlier UNE Platform Cost charts assumed AT&T would be paying for all element usage and therefore would be receiving the intraLATA revenue source. The primary elements this affects are unbundled local switching, tandem switching, and common transport. The cost for these three elements, if AT&T were to receive the intraLATA revenue, would be $0.23 under the AT&T Arbitration Award prices, and $.020 under the SGAT prices. Therefore, with SWBT excluding AT&T from intraLATA toll, the UNE Platform Cost has been reduced by this amount.

25 *Id.*

Business Single Line Customer Gross Margin Analysis

	AT&T Arbitration Toll Excluded View	SGAT Toll/Access Excluded View	Toll/Access Included View
Revenue			
Local	$52.90[26]	$52.90[27]	$52.90[28]
IntraLATA Toll	0.00	0.00	4.40[29]
InterLATA Toll	2.91[30]	0.00	2.91[31]
Total Revenue	**$55.81**	**52.90**	**$60.21**
Cost of Goods (Platform)	$37.28[32]	$37.74[33]	$37.51
Gross Margin	$ 18.53	$15.16	$ 22.70
Gross Margin Percentage	33.20	28.66	37.70

UNE NRC = $266.15

33. The distinction between the Access Excluded View and the Access Included View has to do with how IntraLATA Toll Revenue and InterLATA Access Revenue are handled within the AT&T Arbitration Order and within the SGAT. The

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26 The Local Revenue includes the monthly recurring charge for the line including the FCC subscriber line charge, features (Call Forwarding, Call Waiting, and 3-Way Calling), plus incidential revenue for operator services and directory assistance.

27 *Id.*

28 *Id.*

29 IntraLATA Toll Revenue was calculated at 20 originating minutes at an average revenue per minute of $0.22.

30 InterLATA Access Revenue was calculated as the weighted average (based on the interLATA interstate usage percentage) of the interstate interLATA access rate and the intrastate interLATA access rate times the appropriate minutes of use.

31 *Id.*

32 SGAT, Appendix UNE, ¶ 18.2.3 states that no ULS usage charges will apply on intraLATA toll calls because SWBT is retaining this revenue source. The earlier UNE Platform Cost charts assumed AT&T would be paying for all element usage and therefore would be receiving the intraLATA revenue source. The primary elements this affects are unbundled local switching, tandem switching, and common transport. The cost for these three elements, if AT&T were to receive the intraLATA revenue, would be $0.23 under the AT&T Arbitration Award prices, and $0.20 under the SGAT prices. Therefore, with SWBT excluding AT&T from intraLATA toll, the UNE Platform Cost has been reduced by this amount.

33 *Id.*

Order provides that AT&T receives the InterLATA access revenue, but SWBT retains the intraLATA toll revenue until it can provide interLATA service.[34] The SGAT clearly states that SWBT intends to retain these two significant revenue sources. However, the retention by SWBT of such revenue is in direct conflict with the FCC's First Report and Order, which states:

> We confirm our tentative conclusion in the NPRM that section 251(c)(3) permits interexchange carriers and all other requesting telecommunications carriers, to purchase unbundled elements for the purpose of offering exchange access services, or for the purpose of providing exchange access services to themselves in order to provide interexchange services to consumers.[35]

34. The primary conclusion to draw from the above tables, however, is that the UNE prices set by the AT&T Arbitration Order and by the SGAT provide no opportunity for new entrants to profitably serve residential or business customers. Given the way the AT&T Arbitration Order handles IntraLATA Toll and InterLATA Access, the gross margin for residential customers is 5.56%. Given the way the SGAT handles IntraLATA Toll and InterLATA Access, the gross margin for residential customers is even worse--a negative 5.46%. As a result, SWBT charges the LSP $201.15 for the right to lose $1.59 every month in gross margin under the SGAT. Under the AT&T Arbitration Order, SWBT charges AT&T $201.15 for the right to make only $1.78 each month in gross margin. Keep in mind that the gross margin is calculated prior to a new entrant paying for any marketing, sales, operations, customer service, or general expenses.

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[34] Although the Arbitrator ruled that AT&T receives the interLATA access revenue, SWBT continues to insist on retaining these revenues in other states where similar rulings have been made.

[35] FCC First Report and Order ¶ 356.

35. The gross margin for the profiled business customer is a positive 33.20% under the AT&T Arbitration Order and a positive 28.66% under the SGAT. Although these appear to be healthy gross margins, there are three realities that will prevent these margins from providing an opportunity for competition to develop. First, these are not sufficient gross margins for telecommunications companies to operate profitably. SWBT itself enjoys a gross margin of 52.83%, 19.63% greater than AT&T under the AT&T Arbitration Order and a full 24.17% greater than a new entrant under the SGAT. SWBT has a Selling, General, and Administrative ratio of 28.86%. Thus, even if AT&T is as efficient as SWBT in this area, AT&T will have an operating margin of only 4.34% under the AT&T Arbitration Order, and a new entrant under the SGAT will have a negative operating margin of 0.20% while SWBT has a positive operating margin of 23.97%.

36. Second, pricing pressure will develop where any positive margin opportunities exist. Overall reductions in the price of telecommunications services were certainly one of Congress' goals when it approved the FTA. All new entrants should be prepared for competition to lower the overall price of local telecommunications service. However, AT&T and other new entrants will have no opportunity to compete if SWBT is able through interconnection agreements and the SGAT to preserve for themselves over new entrants an additional margin percentage ranging from 19.63% to 24.17%. SWBT will readily be able to lower prices on competitive services to crush new entrants while preserving their profitability.

37. Notice that all of this discussion in paragraphs 35 and 36 of my Statement on potentially competitive margins has focused on business customers. The

margins for residential customers discussed in paragraph 34 of my Statement are so low that Platform (and facilities-based) competition has no chance to develop.

38. Third, the non-recurring costs associated with the UNE Platform and unbundled network elements in general present an enormous barrier to new entrants. SWBT has provided no cost basis for the non-recurring costs that have been placed on UNEs. SWBT will charge over $200 in non-recurring charges to switch a customer to the UNE platform, which involves absolutely no rearrangement of the customer's existing service arrangement. Such a software based change should cost no more than the $5 that is today charged for a long distance PIC change. With a negative margin for residential lines and an insufficient margin on business lines, there is no way that competition will develop in any measurable amount given the extraordinary NRC hurdles SWBT has established unilaterally through the SGAT.

VI. SWBT CANNOT MEET SECTION 271'S SECOND REQUIREMENT BECAUSE THE AGREEMENTS WHICH IT HAS REACHED DO NOT FULLY IMPLEMENT THE CHECKLIST.

A. Full Implementation of Unbundled Access and Interconnection Is Required by the FTA.

39. In Section 271, the FTA provides: "The Commission shall not approve the authorization requested in an application (for interLATA relief) unless it finds that the petitioning Bell operating company has . . . with respect to access and interconnection . . . *fully implemented* the competitive checklist."[36] (Emphasis added.) Full implementation means more than a claim by SWBT on paper that it is prepared to offer all items on the checklist. SWBT in reality is not even offering to

[36] FTA § 271(d)(3).

do all that the checklist requires, much less fully implementing the checklist. More importantly, full implementation means that each and every item on the competitive checklist must be met through approved interconnection agreements singly or in combination, and SWBT must actually be delivering each and every item to competing, facilities-based carriers at commercially reasonable volumes.

B. The Brooks Agreement Does Not Fully Implement the Checklist.

40. An interconnection agreement between Brooks and SWBT was executed by the parties on February 10, 1997, and Brooks is currently constructing a network in Kansas City. Brooks is deploying a Lucent 5ESS along with three interconnecting fiber optic rings. Two of these rings are located in the downtown business district of Kansas City. The third ring is a 52-mile route of which 20 miles are contained within Kansas. However, SWBT's implementation of unbundled access and its interconnection agreement with Brooks are both incomplete and insufficient for checklist compliance purposes.

41. By way of example, Brooks is currently pursuing several physical collocations with SWBT for this network. These collocations would provide for interconnection to SWBT's network for traffic exchange and access to unbundled elements. According to Brooks, SWBT's implementation of this crucial item has been woefully deficient.

> The one area in which Brooks does have some experience regarding interconnection implementation issues related to its Kansas network is in the area of collocation, since Brooks submitted (and SWBT accepted for processing) applications for physical collocations at various SWBT central offices in the Kansas City area prior to execution of the Kansas Interconnection Agreement. While deployment of those

> collocations is still in progress, Brooks can state generally that there are significant differences in opinion between Brooks and SWBT concerning the reasonableness of the collocations prices quoted by SWBT, and regarding the processing time frames associated with making collocation spaces available. Brooks believes that the collocation prices are excessive and that the time frames required by SWBT to process Brooks' collocation applications have been unreasonably long.[37]

What this example illustrates is that when considering checklist compliance, it is important to look beyond SWBT's paper promises and evaluate what SWBT has actually done to "fully implement" its checklist obligations. In the case of Brooks, this one example alone shows that SWBT cannot be said to have yet met those requirements.

B. The Agreements of US Long Distance, Inc. and Intermedia Communications, Inc. Also Do Not Meet the Checklist.

42. In addition to the agreement between Brooks and SWBT discussed above, the interconnection agreements signed by Intermedia Communications, Inc. (ICI) and US Long Distance, Inc. (USLD) include provisions for facility-based service.[38] None of the agreements comply with the checklist, however, and in any event these companies are not as yet the competing facilities-based providers contemplated by the FTA.

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[37] Brooks Communications of Missouri, Inc. response to KCC Staff Data Requests - Docket No. 97-SWBT-411-GIT, Question J.

[38] This Statement should not be interpreted as supporting the position that the interconnection agreements signed by these three companies reflect the facility-based provisions necessary to satisfy the checklist contained in Section 271 of the FTA. This Statement only notes that these three companies engaged SWBT in negotiating terms and conditions that may or may not lead to the successful introduction of facilities-based competition.

43. USLD signed its interconnection agreement on September 5, 1996. The agreement allows for the unbundling of five elements: Loop, Loop Cross Connect, Switched Port, Local Switching, and Local Switch Transport. Although this group of elements provides some level of unbundling, the agreement still precludes the Platform. The loop price is not deaveraged, but is only $0.20 higher than the lowest priced loop available in the SGAT. The non-recurring cost for the initial loop ($57.40) is lower than that offered in the SGAT ($60.55). This seems to be in direct conflict with the contention Sandra L. Wagner made that "the terms and conditions contained in SWBT's proposed STC have been developed to be consistent with agreements negotiated with other providers."[39] USLD plans to be a facilities-based competitor in Kansas, but does not yet have the infrastructure in Kansas to accomplish this goal.

44. ICI signed its interconnection agreement on December 19, 1996. The agreement allows for the unbundling of five elements: Loop, Loop Cross Connect, Switched Port, Local Switching, and Local Switch Transport. Again, although this group of elements provides some level of unbundling, the agreement still precludes use of the Platform through lack of the necessary additional elements. Further, SWBT placed the following statement in the agreement: "Limitations on Unbundled Access: LSP shall not request cross-connect between a SWBT unbundled loop and a SWBT provided unbundled switched port until after the FCC Order in FCC Docket No. 96-98 becomes effective (and has not been stayed)."[40] Similar discrepancies

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[39] Affidavit of Sandra L. Wagner, February 5, 1997, ¶ 7.

[40] Interconnection Agreement between Southwestern Bell Telephone Company and Intermedia Communications, Inc., Appendix UNE.

exist between the pricing in ICI's agreement and the SGAT where ICI's pricing is generally higher. ICI does not yet have switching capabilities in Kansas and does not have a definitive timetable on when those facilities will be in place.

C. **The Sprint Agreement Does Not Satisfy the Checklist.**

45. Sprint, through its United affiliate, currently serves 104,942 residential access lines and 26,367 business access lines using its own infrastructure. None of these facilities currently are used to compete with SWBT, although Sprint, the "long distance company," has signed an interconnection agreement with SWBT to allow it to begin to provide such competition.

46. The Sprint Interconnection Agreement, like the other agreements signed by SWBT to date in Kansas, cannot yet satisfy the competitive checklist outlined in Section 271 of the FTA. First, SWBT does not provide "(n)on-discriminatory access to network elements in accordance with the requirements of Sections 251(c)(3) and 252(d)(1)."[41] The Sprint Interconnection Agreement includes a "disputed issue" regarding the pricing of rebundled network elements. SWBT's language, with which Sprint disagrees, is as follows:

> When Sprint recombines Unbundled Network Elements to create services identical to SWBT's retail offerings, the prices charged to Sprint for the rebundled services will be computed as SWBT's retail offerings, the prices charged to Sprint for the rebundled services will be computed as SWBT's retail prices less the wholesale discount and offered under the same terms and conditions, including the application of access charges.[42]

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[41] FTA ¶ 271(c)(2)(B)(i).

[42] Interconnection Agreement-Kansas between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Attachment UNE, Page 2.

Not only does Sprint disagree with SWBT, but so does the FTA. Congress wrote: "An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service.[43] SWBT is required by law to provide combinations of unbundled elements to provide telecommunications service regardless of whether that service duplicates one of its existing retail services. Additionally, SWBT is required to price the elements at cost.[44]

47. SWBT's unbundling of the local switching element also fails to meet the "non-discriminatory access to unbundled elements" requirement of the checklist. SWBT has defined the use of the local switching element as it relates to providing intraLATA toll services as follows:

> Until such time that the Commission mandates intraLATA presubscription, SWBT will route IntraLATA Toll calls as defined by the exchange dialing plan when Sprint uses Local Switching elements. Additionally, SWBT will provide intraLATA toll to Sprint at the resale discount identified in the Resale Attachment and related appendices, without other usage sensitive charges.[45]

SWBT is required by the FTA to provide all of the "features, function, and capabilities that are provided by means of such facility or equipment (i.e. the network element)."[46] By restricting the LSP from having access to the intraLATA toll

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43 FTA ¶ 251(c)(3).

44 FTA ¶ 251(d)(1).

45 Interconnection Agreement-Kansas between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Attachment UNE, ¶ 5.2.4.

46 FTA ¶ 3(a)(2)(45).

capabilities of the local switching element, SWBT is failing to comply in the Sprint Interconnection Agreement with the checklist requirement of "non-discriminatory access to unbundled elements."

48. In addition, in the Sprint Interconnection Agreement SWBT fails to meet the "non-discriminatory access to unbundled elements" checklist requirement of the FTA concerning tandem switching. SWBT has insisted that the tandem switching element can only be used for local calling scopes.[47] SWBT currently uses tandem switches to complete local calls, intraLATA toll calls, and interLATA calls. There is no technical reason to restrict the use of tandem switching to local calling scopes other than to place an additional and unnecessary burden on Sprint's entry into the local telecommunications market. Further, the FTA requires that SWBT provide all of the "features, function, and capabilities that are provided by means of such facility or equipment."[48] SWBT has not met this requirement with the tandem switch element.

49. Finally, in the Sprint Interconnection Agreement SWBT fails to meet the "non-discriminatory access to unbundled elements" checklist requirement of the FTA concerning dedicated transport. SWBT and Sprint have agreed that "Sprint will use multiplexing/demultiplexing when connecting a DS1 or greater bandwidth

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[47] Interconnection Agreement-Kansas between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Attachment UNE, ¶ 6.2.1, in defining the technical requirements of tandem switching notes: "Tandem Switching will provide trunk to trunk connections for *local calls* between two end offices including two offices belonging to different CLEC's." (Emphasis added.)

[48] FTA ¶ 3(a)(2)(45).

Dedicated Transport element to a SWBT analog end office switch."[49] Although this is a greater degree of access to multiplexing than is offered in any other interconnection agreement or the SGAT, this is not providing for all of the "features, function, and capabilities that are provided by means of such facility or equipment"[50] as required by the FTA. SWBT defines multiplexing/demultiplexing in the Sprint Interconnection Agreement as a capability that "allows the conversion of higher capacity facilities to lower capacity facilities or vice versa."[51] SWBT itself uses multiplexing in many other ways than simply providing for connections to an analog end office switch. Full unbundling of dedicated transport would additionally include making multiplexing available to connect different bandwidth dedicated transport elements and to connect unbundled loops to dedicated transport, for example. As long as SWBT continues to restrict the full access to unbundled elements in the Sprint Interconnection Agreement, this agreement will not comply with the FTA competitive checklist.

50. This review of the deficiencies within the Sprint Interconnection Agreement is by no means exhaustive. Other concerns that could be reviewed include its failure to meet requirements on collocation. The point is, however, that the Sprint Interconnection Agreement plainly does not fulfill the competitive checklist as required by Section 271 of the FTA.

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[49] Interconnection Agreement-Kansas between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Attachment UNE, ¶ 8.2.1.5.1.

[50] FTA ¶ 3(a)(2)(45).

[51] Interconnection Agreement-Kansas between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Attachment UNE, ¶ 8.2.1.5.

51. Tellingly, even though the Sprint Agreement does not itself meet all of the checklist requirements, SWBT has refused to make available to new entrants through the SGAT even those aspects of the Sprint Agreement that arguably do meet checklist items. SWBT apparently wants to predetermine how specific competitors will be able to enter its markets. Such market-entry control is inconsistent with the FTA. The discriminatory language SWBT has placed throughout the SGAT is a failure to meet the standards set forth by the FTA. Thus, even if Track B were available to SWBT (and it is not), the SGAT would have to be rejected by the KCC.

52. Many of the provisions in the Sprint Interconnection Agreement appear to be superior to those found in the SGAT. This reality directly conflicts with Sandra L. Wagner's affidavit.[52] For example, customer migrations for Sprint are handled without disconnecting the elements:

> For customer migration from SWBT to Sprint which involves a disconnect of the existing service and coordinated (as mutually defined by the Parties) installation, orders on an element by element basis or elements in combination must be placed by Sprint. SWBT will not physically disconnect intentionally the elements that are currently connected at the time the orders are placed.[53]

However, in the SGAT, the following language is in effect: "When converting a SWBT account to an LSP account or between LSP and another provider, the conversion will be handled as a disconnect of the current account and a new connect

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[52] Affidavit of Sandra L. Wagner, February 5, 1997, ¶ 5.

[53] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 2.5.

of the unbundled network elements account."[54] This may simply sound like an accounting issue. In fact, the same language exists in the Sprint Agreement. However, there is no language within the remainder of the SGAT that expressly states that SWBT "will not physically disconnect intentionally the elements that are currently connected at the time the orders are placed" as there is in the Sprint Interconnection Agreement. Further, AT&T's negotiations with SWBT in Oklahoma have indicated an express intent on SWBT's part to disconnect and reconnect every unbundled element AT&T orders.

53. Sprint was also provided superior language in the area of Performance of Network Elements. Sprint was able to reach agreement on being provided "a SWBT Technical Publication or other written description for each Network Element offered under this Agreement."[55] This information will provide Sprint with "the features, functions, and capabilities provided by the Element" and enable Sprint to more effectively plan their facilities-based introduction and measure the performance of the elements. Further, Sprint has been afforded protection from negative changes in the performance of unbundled elements due to a network change made by SWBT.[56] This protection will require SWBT to meet the standards outlined in their Technical Publication at SWBT's expense even if SWBT goes through with the change to their network. This type of protection is important to new entrants who, for example, may

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[54] SGAT, Appendix UNE ¶ 2.13.

[55] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 2.17.1.

[56] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 2.17.4.

unbundle a local loop only to find out later that it is being moved behind an Integrated Digital Loop Carrier (IDLC) and will no longer be accessible. This can not happen to Sprint under its agreement. This protection is not provided in the SGAT. Finally, SWBT and Sprint "will jointly define performance data consistent with that provided by SWBT to other LSPs, that is to be provided monthly to Sprint to measure whether unbundled Network Elements are provided at least equal in quality and performance to that which SWBT provides to itself and other LSPs."[57] Again, this is an arrangement that is not set forth in the SGAT, thereby preventing new entrants from ensuring that UNE performance is not hindering their ability to compete with SWBT.

54. Additionally, Sprint received a better negotiated agreement in the area of unbundling local switch ports. Sprint received access to the DS1 Trunk Port.[58] Access to the DS1 Trunk Port is required to provide PBX DS1 terminations to large business customers for voice communications. Additionally, access to the DS1 Trunk Port is required for customized routing off the unbundled local switch. SWBT has not offered the DS1 Trunk Port in their unilateral SGAT. This will prevent new entrants accepting the SGAT from offering PBX terminations or availing themselves of customized routing. This is a major restriction that will inhibit new entrants' ability to compete effectively in local markets.

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[57] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 2.17.7.

[58] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 5.3.1.3.

55. Tandem switching has also been provided to Sprint in a more advantageous way than it has to new entrants using the SGAT. Sprint negotiated the right to use unbundled tandem switching for "local calls between two end offices including two offices belonging to different CLEC's (*e.g.*, between a Sprint end office and the end office of another CLEC)."[59] In the unilateral SGAT developed by SWBT, it is unstated whether the new entrant can use unbundled tandem switching in this way. Sprint, by means of the expanded definition of tandem switching in its agreement, will have more alternatives for moving traffic through SWBT's network to third parties than will LSPs who take the SGAT.

56. Sprint was able to negotiate a more complete unbundling of Dedicated Transport than the SGAT affords. Sprint will be allowed to use multiplexing "when connecting a DS1 or greater bandwidth Dedicated Transport element to a SWBT analog end office switch."[60] Even though Sprint's access to multiplexing is incomplete, the access they have is no small accomplishment as AT&T is continuing to negotiate with SWBT in Oklahoma and Texas as to whether multiplexing has been offered at all in those interconnection agreements. However, SWBT chose unilaterally not to offer any form of multiplexing in the SGAT. As described in my SGAT UNE compliance testimony, this restriction is debilitating to a new entrant's ability to economically service data customers or transport unbundled loops back to an LSP service node.

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[59] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 6.2.1.

[60] Interconnection Agreement between Southwestern Bell Telephone Company and Sprint Communications Company L.P., Appendix UNE, ¶ 8.2.1.5.1.

57. In no way am I suggesting that Sprint should not have received these superior provisions. However, SWBT should have made the same opportunities available to new entrants through the SGAT that they have made available to Sprint in a negotiated agreement. Section 252(i) of the FTA provides that the "local exchange provider shall make available any interconnection, service, or network element provided under an agreement approved under this section to which it is a party to any other requesting telecommunications carrier upon the same terms and conditions as those provided in this agreement." Although SWBT has stated that the SGAT incorporates the results of the Sprint arbitration proceeding, in fact as shown the SGAT does not include the significant advantages of the Sprint Interconnection Agreement. Consequently, SWBT has placed new entrants in the position of having to determine what the best provisions available within Kansas are and pushing SWBT to make those available. Further, SWBT claims that the SGAT provides them the authority to pursue Section 271 relief. But the fact that SWBT has placed discriminatory language throughout the SGAT indicates its failure to meet the standards set forth by the FTA. The SGAT should be disregarded.

VII. CONCLUSION

58. 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 the key that will enable facilities-based competition to develop on a broad scale and in an effective manner. Particularly, LSPs 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.

59. SWBT does not want AT&T or any other LSP 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.[61]

60. 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 unbundled elements contained within the SGAT. Given these prices and, more importantly, the framework around implementing these prices, there is no possible way that facilities-based competition could develop using unbundling as SWBT would currently allow it.[62] But this is a circumstance of SWBT's own making, and is wholly inconsistant with the FTA.

61. Finally, despite all of these hurdles, and many more that this industry will only learn of through the implementation of unbundling, several companies are working to bring facilities-based alternatives to the state of Kansas. These companies must be given an opportunity to develop the facilities-based competition the FTA requires. However, the reality that exists today is that not one single customer is

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[61] "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 Comunications of the Southwest, Inc. for Compulsory Arbitration to Establish an Interconnection Agreement between AT&T and SWBT, Docket No. 16226, Tr. at 4436.

[62] The framework that I am referring to here is most particularly SWBT's position of restricting LSP access to IntraLATA Toll revenue and InterLATA Access revenue as outlined earlier in my statement.

being served through interconnection with SWBT's network in Kansas. For this reason alone, SWBT can not be granted interLATA relief.

62. In addition, in none of the interconnection agreements that SWBT has signed has SWBT complied with and fully implemented the competitive checklist, as also required by the FTA. Given the proper oversight by the Kansas Corporation Commission, however, and prices that enable competition to have a fighting chance, real alternatives will be made available to the customers of Kansas.

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 10th day of March, 1997.

Debbie Crawford
Notary Public

My Commission Expires:

DEBBIE CRAWFORD
COMMISSION EXPIRES
JANUARY 17, 1998

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Cardinal®

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

In the matter of	)	
Application by SBC Communications, Inc.	)	
For Authorization Under Section 271 of the	)	
Communications Act To Provide In-Region	)	CC Docket
InterLATA Service in the State of Oklahoma	)	No. 97-121

AFFIDAVIT

OF

STEVEN E. TURNER

ON BEHALF OF

AT&T CORP.

AT&T EXHIBIT M

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