

304. Several competitive carriers and the Department of Justice dispute Ameritech's assertion that unbundled network elements are limited to a discrete facility or piece of equipment.⁷⁶⁸ These competitive carriers further contend that Ameritech is not offering shared transport as required by the Commission's rules. These carriers argue that Ameritech's view of shared transport is transport shared among competitive carriers only, not transport shared with Ameritech.⁷⁶⁹ These commenters further assert that Ameritech's view of shared transport violates the requirements of our *Local Competition Order*.⁷⁷⁰ CompTel, for example, contends that the Commission's rules require incumbent LECs to provide shared interoffice transmission facilities on an unbundled basis to requesting carriers. CompTel claims that this includes the right to share the transport facilities that Ameritech uses to provide service to its own subscribers.⁷⁷¹

305. In the *Local Competition Order*, we concluded that the requirement that incumbent LECs provide access to shared transport on an unbundled basis encompassed the sharing of facilities between the incumbent LEC and requesting carriers, and not just, as Ameritech asserts, sharing among requesting carriers.⁷⁷² The *Local Competition Order* thus requires incumbent LECs to offer requesting carriers access, on a shared basis, to the same

⁷⁶⁸ See, e.g., AT&T Comments, Vol. IX, Tab J, Falcone and Sherry Aff. at 10 ("Under neither of Ameritech's transport proposals does a CLEC obtain unbundled access to the full functionality of Ameritech's transport network . . ."); MCI Comments at 27-28 ("Ameritech continues to refuse to provide at cost-based rates common transport over the same trunks that carry Ameritech's traffic. . . . Ameritech's refusal to provide common transport forces CLECs to purchase dedicated transport between specified points, rather than terminating traffic throughout Ameritech's network on a call-by-call basis, and thus prevents CLECs from reaching new customers in the most cost-effective manner."); Department of Justice Evaluation at 14 ("The Commission's Local Competition Order specifically allowed new entrants to 'purchase all interoffice facilities on an unbundled basis as part of a competing local network,' or 'combine its own interoffice facilities with those of the incumbent LEC.'").

⁷⁶⁹ MFS WorldCom Comments at 22; AT&T Comments at 11.

⁷⁷⁰ AT&T Comments at 11; Department of Justice Evaluation at 12; MCI Comments at 27-28; MFS WorldCom Comments at 22.

⁷⁷¹ CompTel Comments at 21.

⁷⁷² In the *Local Competition Order*, the Commission stated that with "shared facilities such as common transport, [carriers] are essentially purchasing access to a functionality of the incumbent's facilities on a minute-by-minute basis." *Local Competition Order*, 11 FCC Rcd at 15631. The Commission also stated in its rules that incumbent LECs must provide access to transport facilities "shared by more than one customer or carrier." 47 C.F.R. § 51.319(d)(2)(i). The term "carrier" includes both an incumbent LEC as well as a requesting telecommunications carrier. Moreover, the Commission required incumbent LECs to provide access to other network elements, such as signalling, databases, and the local switch, which are shared among requesting carriers and incumbent LECs, consistent with our view that transport facilities "shared by more than one customer or carrier" must be shared between the incumbent LECs and requesting carriers. *Id.* at 15705-13, 15738-46.

interoffice transport facilities that the incumbent LEC uses for its own traffic, between the incumbents' end offices and tandems.

306. In the *Local Competition Third Reconsideration Order*, we affirmed that the our initial *Local Competition Order* requires incumbent LECs to provide requesting carriers with access to the same transport facilities, between the end office switch and the tandem switch, that incumbent LECs use to carry their own traffic. We further affirmed that, when a requesting carrier obtains local switching as an unbundled network element, it is entitled to gain access to all of the features and functions of the switch, including the routing table resident in the incumbent LEC's switch. In that order, we also reconsidered the requirement that incumbent LECs only provide "shared transport" between the end office and tandem. On reconsideration, we concluded that incumbent LECs should be required to provide requesting carriers with access to shared transport for all transmission facilities connecting incumbent LECs' switches -- that is, between end office switches, between an end office switch and a tandem switch, and between tandem switches. We further reaffirmed our conclusion in the *Local Competition Order* that incumbent LECs must permit requesting carriers that purchase unbundled shared transport and unbundled switching to use the same routing table that is resident in the incumbent LEC's switch. We further concluded that the incumbent LEC must provide access not only to the routing table in the switch but also to the transport links that the incumbent LEC uses to route and carry its own traffic.⁷⁷³ By requiring incumbent LECs to provide requesting carriers with access to the incumbent LEC's routing table and to all its interoffice transmission facilities on an unbundled basis, we ensure that requesting carriers can route calls in the same manner that an incumbent routes its own calls and thus take advantage of the incumbent LEC's economies of scale, scope, and density. Finally, we required that incumbent LECs permit requesting carriers to use shared transport as an unbundled element to carry originating access traffic from, and terminating access traffic to, customers to whom the requesting carrier is also providing local exchange service.⁷⁷⁴

c. Ameritech's Transport Offerings

307. Ameritech contends that it offers both shared and dedicated transport as a network element. It states that it offers dedicated transport at a flat monthly rate, and that it offers three "pricing options" that satisfy its obligation to provide "shared transport." First, Ameritech offers "a flat-rate circuit capacity charge based on the pro-rata capacity of the shared facility."⁷⁷⁵ According to Ameritech, this option "required use of dedicated facilities at

⁷⁷³ *Local Competition Third Reconsideration Order*, at para. 26.

⁷⁷⁴ *Id.* at paras. 38-39.

⁷⁷⁵ Ameritech Application, Vol. 2.3, Edwards Aff. at 43, 47-48.

a DS1 or higher level for direct connections to other end offices or to a tandem on either a dedicated or shared basis with other [requesting] carriers."⁷⁷⁶

308. Second, Ameritech states that it offers an option it calls "Shared Company Transport" that permits requesting carriers to "obtain dedicated transport services at less than the DS1 level."⁷⁷⁷ Ameritech states that it offers Shared Company Transport with two billing options: a flat rate per trunk monthly charge that is 1/24th of the DS1 rate, and a usage sensitive option, based on minutes of use.⁷⁷⁸ In conjunction with Shared Company Transport, Ameritech states that it will make available single activated trunk port increments up to a total of 23, so that purchasers of Shared Company Transport do not have to pay for a full DS1 trunk port.⁷⁷⁹

309. Third, Ameritech states that it offers a per-minute-of-use option under its FCC Tariff No. 2, section 6.9.1 (switched transport).⁷⁸⁰ Ameritech claims that no competing carriers have "properly" ordered unbundled local transport pursuant to their interconnection agreements.⁷⁸¹ Rather, Ameritech asserts that it "currently is furnishing local transport to Brooks Fiber, MFS and TCG under Ameritech's access tariff, along with other services included in that tariff."⁷⁸² Ameritech further asserts that "the transport service under Ameritech's access tariff is identical to unbundled local transport"⁷⁸³

⁷⁷⁶ *Id.*, Vol. 2.3, Edwards Aff. at 47-48.

⁷⁷⁷ Shared Company Transport enables requesting carriers that purchase unbundled local switching to obtain up to 23 dedicated trunks between any two Ameritech offices. At 24 trunks, a requesting carrier would subscribe to a DS1. A DS1 provides the equivalent of 24 voice-grade circuits. *Id.*

⁷⁷⁸ *Id.* at 48-49. According to Ameritech, the minute-of-use option is based on TELRIC transport rates that apply under reciprocal compensation arrangements for traffic terminated through a tandem, including per-minute termination charges and per-mile per-minute facility mileage charges. *Id.* AT&T maintains that the MOU price "would not be a TELRIC-based charge," but rather, "would be the same as the reciprocal compensation rates approved in the AT&T arbitration agreement for traffic terminating through a tandem, including per-MOU termination charges and per mile/per MOU transport facility mileage charges." AT&T Reply Comments, Vol. IX, Tab J, Falcone and Sherry Aff. at 9.

⁷⁷⁹ Ameritech Application, Vol. 2.3, Edwards Aff. at 49. Each activated trunk port will be priced at 1/24th of the DS1 port charge. *Id.*

⁷⁸⁰ *Id.* at 43.

⁷⁸¹ Ameritech Application at 45. *See also id.*, Vol. 2.3, Edwards Aff., Schedule 2 at 5.

⁷⁸² Ameritech Application at 36, 45, and Vol. 2.3, Edwards Aff. at 44-45.

⁷⁸³ *Id.* Vol. 2.3, Edwards Aff. at 44-45.

310. Finally, Ameritech contends that, contrary to the claims of some requesting carriers, it is not required to provide what it calls "common transport" as a network element.⁷⁸⁴ According to Ameritech, "common transport" is a service, not a discrete network element, because it "is in fact undifferentiated access to transport and switching blended together."⁷⁸⁵ Ameritech adds that it "stands ready to provide this service when ordered as such, but not as an unbundled element."⁷⁸⁶

d. Discussion

311. Ameritech does not dispute that it is required to provide both shared and dedicated transport in order to satisfy its obligations under the competitive checklist. For the reasons given below, we conclude that Ameritech's current shared transport offerings do not satisfy the obligation of incumbent LECs to provide shared transport.⁷⁸⁷ The three options that Ameritech offers do not constitute shared transport as defined in the *Local Competition Order* and the *Local Competition Third Reconsideration Order*.

312. The first option, under which a requesting carrier uses, and pays for, an entire transport facility, does not constitute shared transport, because, as Ameritech concedes, this option does not permit requesting carriers to use the same transport facilities that Ameritech uses to transport its own traffic.⁷⁸⁸ Thus, this option does not comply with the definition of "shared" transport set forth in the *Local Competition Order* and clarified in the *Local Competition Third Reconsideration Order*.⁷⁸⁹ The only distinction between Ameritech's first "shared" transport option and dedicated transport is that Ameritech would act as the billing agent for multiple requesting carriers that use a dedicated transport facility, rather than assess the entire cost of the transport facility to a single requesting carrier.

313. Ameritech's second option, "Shared Company Transport," appears to be almost identical to Ameritech's first "shared" transport option and suffers from the same flaws. The

⁷⁸⁴ *Id.* at 45 n.50, and Vol. 2.3, Edwards Aff. at 45-48; Ameritech Reply Comments, Vol. 5R.6, Edwards Reply Aff. at 26-40.

⁷⁸⁵ Ameritech Application, Vol. 2.3, Edwards Aff. at 45-46. *See also id.* at 45 n.50; Ameritech Reply Comments at 18.

⁷⁸⁶ Ameritech Reply Comments at 18.

⁷⁸⁷ We do not reach the issue of whether Ameritech has satisfied its obligation to offer dedicated transport as a network element.

⁷⁸⁸ *See* Ameritech Application, Vol. 2.3, Edwards Aff. at 47-48 (conceding that "[a]s originally proposed, any sharing would have been between other carriers but not with Ameritech").

⁷⁸⁹ *See supra* para. 302.

only substantive difference that Ameritech has identified is that, under Shared Company Transport, requesting carriers may obtain access to dedicated facilities that are divided into units smaller than a DS1 capacity trunk. Ameritech also states that it will provide Shared Company Transport either on a flat-rated or a minute-of-use basis.⁷⁹⁰ The method of pricing is not dispositive to determining whether a facility is shared or dedicated, however.⁷⁹¹ The cost of a dedicated facility may be recovered through a flat-rate charge or through a minute-of-use charge that is based on the cost of the dedicated facility divided by the estimated average minutes the facility will be used.⁷⁹² Whether the cost of a dedicated transport facility is recovered on a flat-rated or minute-of-use basis does not therefore change the fact that the facility is dedicated to the use of a particular customer or carrier. In fact, Ameritech itself describes Shared Company Transport as access to "*dedicated transport services* at less than the DS1 level."⁷⁹³ As we explained above, however, shared transport facilities are transport facilities that are shared among the incumbent LEC and requesting carriers.⁷⁹⁴ We thus conclude that Ameritech's Shared Company Transport option constitutes dedicated transport, and fails to meet Ameritech's obligation to provide unbundled shared transport for the same reasons as Ameritech's first option.

314. Ameritech suggests, but does not affirmatively contend, that requesting carriers that purchase Shared Company Transport use the same transport facilities that Ameritech uses to transport its own traffic.⁷⁹⁵ Ameritech does not assert, however, that, under this option, requesting carriers can use the same DS-0 level transmission paths as Ameritech or the same trunk ports as Ameritech. In fact, as we previously noted, Ameritech concedes that under this option, requesting carriers would obtain "*dedicated transport services*."⁷⁹⁶ Accordingly, we reiterate our finding that Ameritech's Shared Company Transport does not fall within the

⁷⁹⁰ Ameritech does not explain how or on what basis it will determine usage-sensitive charges.

⁷⁹¹ For example, our original pricing rule regarding shared transport permitted rates to be based either on a minute-of-use basis, or in another manner consistent with the manner in which costs are incurred. 47 C.F.R. § 51.509(d). We note, however, that we are not addressing the issue of whether both cost recovery methods that Ameritech offers represent efficient rate structures for the recovery of the costs of dedicated facilities.

⁷⁹² For example, our access charge rules estimate a "loading factor of 9,000 minutes per month per voice-grade circuit" for certain transport facilities. 47 C.F.R. § 69.111.

⁷⁹³ Ameritech Application, Vol. 2.3, Edwards Aff. at 47-48. (emphasis added).

⁷⁹⁴ See *supra* para. 305.

⁷⁹⁵ Ameritech states that, "as *originally* proposed, any sharing would have been between other carriers, but not with Ameritech." Ameritech Application, Vol. 2.3, Edwards Aff. at 47-48 (emphasis added). The original proposal referenced is presented as a comparison to Ameritech's Shared Company Transport option.

⁷⁹⁶ *Id.*, Vol. 2.3, Edwards Aff. at 47-48.

definition of shared transport, as required by our *Local Competition Order* and the *Local Competition Third Reconsideration Order*.

315. As a third option, Ameritech contends that its tariffed "switched transport" access service also satisfies its obligation to provide shared transport.⁷⁹⁷ Ameritech further asserts that it currently provides what it refers to as "common transport" in the form of tariffed wholesale and access usage services.⁷⁹⁸ Ameritech argues at length, however, that it is not required to provide such services under section 251(c)(3).⁷⁹⁹ Ameritech nevertheless asserts that, if required to provide its access service (in the form of "common transport") as a network element, it "is both committed and operationally ready to do whatever the law requires."⁸⁰⁰

316. We find that Ameritech's tariffed "switched transport" access service does not satisfy its obligation to provide shared transport as an unbundled network element in accordance with the competitive checklist. Ameritech concedes that it does not currently offer its access service as a network element, but rather as a service.⁸⁰¹ We find that Ameritech's obligation to provide access to shared transport as a network element is independent of, and in addition to, any service it may offer.⁸⁰² Therefore, until Ameritech demonstrates that it offers its access service in accordance with sections 251(c)(3) and 252(d)(1), it cannot rely on that service to demonstrate compliance with subsections (ii) and (v) of the competitive checklist.

⁷⁹⁷ Ameritech relies on its tariffed access service to show that it satisfies its obligation to provide shared transport, but also notes that it provides shared transport in the form of wholesale usage service. *See id.*, Vol. 2.3, Edwards Aff. at 44-45. Ameritech further asserts that "an access tariff is by definition a wholesale tariff." Ameritech Reply Comments, Vol. 5R.6, Edwards Reply Aff. at 37.

⁷⁹⁸ Ameritech Reply Comments at 21; Ameritech Application, Vol. 2.3, Edwards Aff. at 45-46.

⁷⁹⁹ *See, e.g.*, Ameritech Reply Comments at 18-21, and Vol. 5R.6, Edwards Reply Aff. at 26-40. *See also* Ameritech Application at 45 n.50 (Ameritech "stands ready to provide this service when ordered as such, but not as an unbundled element") (emphasis added).

⁸⁰⁰ Ameritech Reply at 21.

⁸⁰¹ Ameritech Application at 45 n.50.

⁸⁰² The Eighth Circuit, in affirming several of the Commission's unbundling rules, stated that, "[s]imply because these capabilities can be labeled as 'services' does not convince us that they were not intended to be unbundled as network elements." *Iowa Utils. Bd.*, 1997 WL 403401, at *21. The court stated that, even though section 251(c)(4) provides for the resale of services, "in some circumstances a competing carrier may have the option of gaining access to features of an incumbent LEC's network through either unbundling or resale." *Id.* Based on the record in this proceeding, however, we find that Ameritech has not demonstrated that its wholesale or access service tariffs satisfy the requirements of sections 251(c)(3) and 252(d)(1).

317. Even assuming that Ameritech were offering its "switched transport" access service as a network element, we find that Ameritech has not demonstrated that this service complies with the competitive checklist. In particular, Ameritech has presented no evidence that its "switched transport" access service satisfies the requirement, set forth in section 252(d)(1) (as required by subsection (ii) of the competitive checklist) that the rates for unbundled network elements be "based on the cost . . . of providing the . . . network element."³⁰³ Moreover, because Ameritech offers "switched transport" as a service, rather than a network element, it does not permit requesting carriers that use "switched transport" to collect access charges for exchange access service provided over the transport facilities.³⁰⁴ In the *Local Competition Order*, however, we concluded that requesting carriers that provide exchange access service over network elements are entitled to collect access charges associated with those network elements.³⁰⁵ Contrary to Ameritech's contention,³⁰⁶ we find that this is relevant to determining whether Ameritech satisfies the competitive checklist, and in particular, subsection (ii) of the checklist. Section 251(c)(3), and by implication, subsection (ii) of the checklist, require incumbent LECs to provide access to network elements "in a manner that allows requesting carriers to combine such elements in order to provide" a telecommunications service.³⁰⁷ Ameritech's refusal to permit requesting carriers that purchase its "switched transport" service to provide exchange access service (and collect access charges) as well as local exchange service over its transport facilities violates the requirement that incumbent LECs provide access to unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide telecommunications services, including exchange access service.

³⁰³ See generally *supra* Section VI.F.1. Even if Ameritech's tariff for interstate switched transport service has satisfied the requirements of sections 201 and 202 that rates be just and reasonable and not unjustly or unreasonably discriminatory, it has not necessarily satisfied the requirements of sections 251 and 252 that the price of an unbundled network element must be "just, reasonable, and nondiscriminatory" and "based on the cost" of providing the element. 47 U.S.C. §§ 201, 202, 251(c)(3), 252(d)(1).

³⁰⁴ Although Ameritech recognizes that requesting carriers that use shared transport as a network element are entitled to collect access charges if they provide exchange access service using those transport facilities, Ameritech does not extend this conclusion to requesting carriers that use "switched transport" access service. Ameritech Application, Vol. 2.3, Edwards Aff. at 50-51; see also Ameritech Reply Comments at 21-22.

³⁰⁵ *Local Competition Order*, 11 FCC Rcd at 15682 n.772. See also *Local Competition Third Reconsideration Order* at para. 36.

³⁰⁶ Ameritech Reply Comments at 21.

³⁰⁷ 47 U.S.C. § 251(c)(3). As we said in the *Local Competition Order*, this language in section 251(c)(3) "bars incumbent LECs from imposing limitations, restrictions, or requirements on requests for, or the sale or use of, unbundled elements that would impair the ability of requesting carriers to offer telecommunications services in the manner they intend." *Local Competition Order*, 11 FCC Rcd at 15646. See also 47 C.F.R. § 51.315(b) ("Except upon request, an incumbent LEC shall not separate requested network elements that the incumbent LEC currently combines"); *Iowa Utils. Bd.*, 1997 WL 403401, at *32 (affirming 47 C.F.R. § 51.315(b)).

318. As set forth in its application, none of the options discussed in Ameritech's application permits requesting carriers to obtain nondiscriminatory access to shared transport, that is, access to the same interoffice transport facilities that Ameritech uses to transport traffic between end offices and tandem switches. After examining all of Ameritech's offerings, we find that none of Ameritech's current shared transport offerings meets subsections (ii) and (v) of the competitive checklist.

3. Local Switching Unbundled from Transport, Local Loop Transmission, or Other Services

a. Introduction

319. Section 271(c)(2)(B)(vi) of the Act, item (vi) of the competitive checklist, requires a section 271 applicant to provide "[l]ocal switching unbundled from transport, local loop transmission, or other services."⁸⁰⁸ In addition, section 271(c)(2)(B)(ii) of the Act, item (ii) of the competitive checklist, requires section 271 applicants to provide "[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1)."⁸⁰⁹ Section 251(c)(3) establishes an incumbent LEC's "duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of [section 251] . . . and section 252." That section further provides that an incumbent LEC "shall provide such unbundled elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service."⁸¹⁰ Because we concluded in our *Local Competition Order* that "incumbent LECs must provide local switching as an unbundled network element,"⁸¹¹ to fully implement items (ii) and (vi) of the competitive checklist, an incumbent LEC must provide nondiscriminatory access to unbundled local switching.

320. In our *Local Competition Order*, we defined unbundled local switching to include "line-side and trunk-side facilities plus the features, functions, and capabilities of the

⁸⁰⁸ 47 U.S.C. § 271(c)(2)(B)(vi); see also 47 C.F.R. § 51.319(c).

⁸⁰⁹ 47 U.S.C. § 271(c)(2)(B)(ii).

⁸¹⁰ *Id.* § 251(c)(3). Section 252(d)(1) states that "the just and reasonable rate for the interconnection of facilities and equipment . . . shall be . . . based on the cost . . . of providing the interconnection . . . and . . . nondiscriminatory, and . . . may include a reasonable profit." *Id.* § 252(d)(1).

⁸¹¹ *Local Competition Order*, 11 FCC Rcd at 15705.

TAB F

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

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

REPORT AND ORDER

Adopted: May 7, 1997

Released: May 8, 1997

By the Commission (Chairman Hundt and Commissioners Quello and Ness concurring and issuing separate statements; Commissioner Chong concurring in part and dissenting in part and issuing a separate statement):

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be explicit, rather than implicit as many support mechanisms are today."¹⁴

10. Today, universal service is achieved largely through implicit subsidies.¹⁵ The Commission currently has in place some explicit support mechanisms directed at increasing network subscribership by reducing rates in high cost areas (the high cost fund and Long Term Support) and at making service affordable for low-income consumers (the Lifeline and Link Up programs). The current "system," however, consists principally of a number of implicit mechanisms at the state and, to a substantially lesser extent, federal levels designed to shift costs from rural to urban areas, from residential to business customers, and from local to long distance service.

11. The urban-to-rural subsidy has been accomplished through the explicit high cost fund mentioned above, and through geographic rate averaging. The result of state requirements that local telephone rates be averaged across the state is that high-density (urban) areas, where costs are typically lower, subsidize low-density (rural) areas. State pricing rules have also in many cases created a business-to-residential subsidy. Most states have established local rate levels such that businesses pay more on a per-line basis for basic local service than do residential customers,¹⁶ although the costs of providing business and residential lines are generally the same.¹⁷ In addition, rates charged for vertical services such as touch tone, conference calling and speed dialing, subsidize basic local service rates. Finally, interstate and intrastate access charges are set relatively high in order to cover certain loop costs not recovered through local rates. These usage-based charges are then recovered through higher usage charges for interstate long distance service. Thus, interstate long distance customers -- and particularly those with higher calling volumes -- indirectly subsidize local telephone rates.

12. Of the three implicit subsidy mechanisms -- geographic rate averaging, subsidizing residential lines via business lines, and interstate access charges -- only the

¹⁴ Joint Explanatory Statement of the Committee of the Conference (H.R. Rep. No. 458, 104th Cong., 2d Sess.) (Joint Explanatory Statement) at 131.

¹⁵ When we refer to "implicit subsidies" in this discussion we generally mean that a single company is expected to obtain revenues from sources at levels above "cost" (i.e., above competitive price levels), and to price other services allegedly below cost. Such intra-company subsidies are typically regulated by states. An example at the federal level, however, is the geographic averaging of interstate long distance rates. In section 254(g) of the Act, Congress expressly directed that this implicit subsidy continue.

¹⁶ Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service*, tbls. 2-3 (Mar. 1997).

¹⁷ To the extent businesses tend to be concentrated in areas with relatively dense populations, business loops are shorter and, therefore, less costly to serve.

TAB G

STATE OF MICHIGAN

OCT 20 1997

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

FILED

In the matter, on the Commission's own motion,)
to consider the total service long run incremental)
costs and to determine the prices of unbundled)
network elements, interconnection services,)
resold services, and basic local exchange services)
for AMERITECH MICHIGAN)

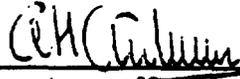
Case No. U-11280

VERIFIED AFFIDAVIT OF AUGUST H. ANKUM

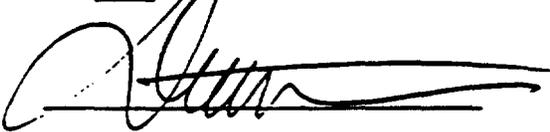
I, August H. Ankum, being first duly sworn under oath, state that if called to be a witness in this matter, that I would be competent to testify to the following:

My name is August H. Ankum. My qualifications, opinions, bases for my opinions, and review of relevant factual matters are as set forth in my prior affidavit and testimony submitted in this docket. Attached hereto is my testimony in support of MCI's proposals for rehearing. The facts set forth therein are based on my personal knowledge. If sworn as a witness, I would testify to the same effect.

FURTHER AFFLIANT SAYETH NOT


August H. Ankum

Subscribed and sworn to before me
this 12 day of October, 1997.



Notary Public, Cook County, Illinois



STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own Motion)
to consider the total service long run incremental)
costs and to determine the prices of unbundled)
network elements, interconnection services,)
resold services, and basic local exchange services)
for Ameritech Michigan)

Case No. U-11280

TESTIMONY OF DR. AUGUST H. ANKUM
ON BEHALF OF MCI TELECOMMUNICATIONS CORPORATION

1 Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

2 A. My name is Dr. August H. Ankum. I am an economist and consultant, specializing in
3 telecommunications. My business address is 1350 North Wells, Suite C501, Chicago, IL
4 60610.

5 Q. ARE YOU THE SAME DR. AUGUST H. ANKUM THAT PREVIOUSLY FILED
6 TESTIMONY IN THIS PROCEEDING?

7 A. Yes, I am.

I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide the Commission with additional information on a number of issues identified by the Commission in its Order Granting Rehearing In Part, issues September 30, 1997. The issues I will address are the following: common transport; unbundled local switching element; and fill factors. I will also discuss the FCC Third Order on Reconsideration with respect to the requirement that incumbent LECs offer common transport.

I should note here that the FCC uses the term *shared transport* to refer to the functionality referred to by this Commission as *common transport*. I will adopt the term Common Transport to refer to the unrestricted use of the incumbent LECs public switched network on a call-by-call basis. I prefer to use the term common transport, as apparently did the Commission, to distinguish the concept from the shared transport services offered by Ameritech. Again, as discussed previously, Ameritech's shared transport services are dedicated point-to-point facilities that provide a functionality that is similar only in name to the shared transport to which the FCC is referring.

1 Ameritech's switched interoffice network under its Call Plan 50 and Call Plan 400 services.
2 As such, my recommended rate for common transport is compensatory for Ameritech.

3 Q. WHY DID YOU CHOOSE THE COST STUDIES FOR AMERITECH'S CALL PLAN'S
4 AS THE BASIS FOR THE PER MINUTE OF USE RATE FOR COMMON TRANSPORT?

5 A. The cost studies for Ameritech's Call Plans contain all the right cost elements needed to
6 identify the costs for common transport. The studies for the Call Plans determine the costs
7 to Ameritech of offering, among other functionalities, interoffice transport, including tandem
8 switching. Indeed, the interoffice transport functions identified in the Call Plan cost studies
9 are precisely those functions that constitute common transport -- as the FCC ordered,
10 CLECs need access "to the same interoffice transport facilities that the incumbent uses for
11 its own traffic." (Paragraph 2, Third Order on Reconsideration.) Therefore, since
12 Ameritech's Call Plans use interoffice transport that should also be available to CLECs as
13 common transport, the cost studies for Ameritech's Call Plans are the appropriate studies to
14 determine the costs for common transport for CLECs.

15 Q. WHICH COST ELEMENTS OF AMERITECH'S CALL PLAN TELRICS DID YOU USE
16 TO DETERMINE THE COSTS FOR COMMON TRANSPORT?

17 A. The TELRIC studies for Ameritech's Call Plan are found in Ameritech's cost studies as

1 Ameritech-Michigan, Call Plan 50 - Exhibit A, pages 1 - 4 (Bates 000782R - 000784R) and
2 Ameritech-Michigan, Call Plan 400 - Exhibit A, pages 1 - 4 (Bates 000785R - 000788R).
3 The studies for Ameritech's call plans identify the costs for end-to-end use of Ameritech's
4 network, including the network access line, local switching, and use of the interoffice
5 transport facilities. To determine the costs for common transport to be used in conjunction
6 with ULS services, I selected the cost elements that relate to interoffice transport and tandem
7 switched transport. They are the following:

8 Switched Transport

9 Termination

10 - Set-up

11 - Duration

12 Facility

13 - Set-up

14 - Duration

15 Switching

16 Tandem Switching

17 - Set up

18 - Duration

19 Together, these cost elements reflect the costs to Ameritech of providing interoffice transport
20 on a call-by-call basis, i.e., common transport. To see that these cost elements are in fact the
21 relevant ones, the Commission should examine page 2 of 4, of Ameritech-Michigan, Call
22 Plan 50 - Exhibit A. The elements I have selected are all the elements that are left after all
23 other cost elements that are *not* relevant have been eliminated. To wit, the cost elements that

1 are not relevant are those relating to the Network Access Channel, Network Access Channel
2 Connection, Ancillary Services and End-Office Switching. The End-Office Switching
3 elements (Intraoffice Switching and Interoffice Switching In & Out) are not relevant because
4 on the originating side of the call CLECs will already be paying for ULS usage and on the
5 terminating side of the call they will be paying end-office termination charges or the call
6 will be handed off at an IXC POP. Thus, to avoid double recovery (and also for conceptual
7 reasons) the costs of end-office switching should not be included in the costs for common
8 transport.

9 Q. HOW DID YOU CONVERT THE PER MESSAGE COSTS IN AMERITECH'S STUDIES
10 TO A PER MINUTE OF USE COST?

11 A. The call set-up costs in Ameritech's studies are identified on a per message basis, since the
12 costs occur on a per message basis, i.e., only once per call. To convert these costs to per
13 minute of use costs, I used the same 4.5 minutes of use per message as Ameritech did in the
14 studies. That is, the per message costs were divided by 4.5 to arrive at a per minute of use
15 cost so that an average cost per minute of use and, finally, a rate per minute of use could be
16 determined. Again, this method follows Ameritech's own in these studies.

17 Q. IS IT APPROPRIATE TO JUST ADD-UP THE VARIOUS COST ELEMENTS WITHOUT

TAB H

Nov. 3. 1997 10:42PM O'KEEFE ASHENDEN LYONS & WARD

No. 4011 P. 5/31

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION)	
On its Own Motion)	
)	No. 96-0486
Investigation into forward looking cost)	
studies and rates of Ameritech Illinois for)	
interconnection, network elements, transport)	
and termination of traffic)	(Consolidated)
ILLINOIS BELL TELEPHONE COMPANY)	
)	
Proposed rates, terms and conditions for)	No. 96-0569
unbundled network components)	

WORLDCOM TECHNOLOGIES, INC.
POST ORAL ARGUMENT BRIEF

Michael W. Ward
John F. Ward, Jr.
Henry T. Kelly
O'Keefe, Ashenden Lyons & Ward
30 North LaSalle, Suite 4100
Chicago, IL 60602
312-621-0400

November 3, 1997

Nov. 3. 1997 10:46PM CHEEPE ASHENDEN LYONS & WARD

No. 4011 F. 19/31

open up local markets to competition prior to the Federal Act and subsection 251(d)(3) was designed to preserve such work. *Iowa Utilities Board*, 120 F.2d at 807. In no state would this be more applicable than Illinois.

Elsewhere the Federal Act proceeds even further to generally preserve the state's authority to regulate after the enactment of the Federal Act.

SEC. 261. EFFECT ON OTHER REQUIREMENTS.

* * *

(b) EXISTING STATE REGULATIONS. - Nothing in this part shall be construed to prohibit any State commission from enforcing regulations prescribed prior to the date of enactment of the Telecommunications Act of 1996, or from prescribing regulations after such date of enactment, in fulfilling the requirements of this part, if such regulations are not inconsistent with the provision of this part.

(c) ADDITIONAL STATE REQUIREMENTS. - Nothing in this part precludes a state from imposing requirements on a telecommunications carrier for intrastate services that are necessary to further competition in the provision of telephone exchange service or exchange access, as long as the State's requirements are not inconsistent with this part or the Commission's regulations to implement this part.

47 U.S.C. § 261 (b) and (c).

It is the intent of Congress for the states to continue in a dual system of telecommunications regulation where state regulation does not prevent the implementation of federal requirements. This does not mean that the states may only require what is already required by federal law. Such would impose exclusive federal jurisdiction. No purpose is served by having the states merely repeat what the federal government already requires. Here, Congress clearly elected not to establish exclusive

TAB I

Ameritech

EX PARTE OR LATE FILED

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Washington, D.C. 20005
Office 202/326-3815

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James K. Smith
Director
Federal Relations

June 6, 1997

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JUN - 6 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

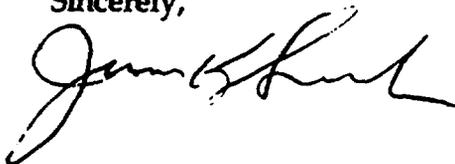
Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

Re: Ex Parte Statement
CC Docket 96-98 (Shared Transport)

Dear Mr. Caton:

On June 5, 1997, Mr. John Lenahan, Ms. Lynn Starr and I met with Ms. Regina Keeney, Chief, Common Carrier Bureau; Mr. Richard Metzger, Deputy Bureau Chief, Common Carrier Bureau; Mr. Richard Welch, Chief, Policy and Program Planning Division; Mr. Jim Schlichting, Chief, Competitive Pricing Division and members of their respective staff to discuss Ameritech's position on shared transport as set forth in comments filed in this proceeding. The attached information was used as part of our discussion.

Sincerely,



Attachment

cc: R. Keeney
R. Metzger
R. Welch
J. Schlichting

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022



"COMMON TRANSPORT" IS NOT UNBUNDLED INTEROFFICE TRANSMISSION FACILITIES

On September 30, 1996, WorldCom filed a Petition for Clarification in Docket 96-98. WorldCom notes -- and Ameritech agrees -- that "it is clear" that ILECs must provide an end office-to-tandem link as shared transport and the tandem-to-SWC link as dedicated transport. WorldCom concedes that it is "not clear" whether the Commission's rules require ILECs to provide "tandem-switched transport on a network element basis" WorldCom asks the Commission to clarify that ILECs must provide ". . . tandem-switched transport as a single, combined network element pursuant to an end-to-end, usage-based rate with airline mileage measured between the end office and the SWC" See Petition for Clarification, pp. 1-2.

Likewise, AT&T in numerous ex partes filed in this docket contends that "shared transport" is synonymous with tandem-switched transport. Similar to WorldCom, AT&T claims that "shared transport is a blended, direct-trunked and tandem-trunked arrangement with tandem switching included." See AT&T letter from Bill Davis to Ameritech, dated May 14, 1997.

1. Statutory Definitions And Principals

- **The definition of Network Element requires access to a particular facility or equipment.** The Act defines "network element" as a "facility or equipment" used to provide a telecommunications service. A network element also includes features, functions, and capabilities that are provided "such facility or equipment" Therefore, in order to obtain a "feature, function or capability," -- as a network element -- the requesting carrier must designate a discrete facility or equipment, in advance, for a period of time.
- **The Commission's recent interpretation of "facilities" in the Universal Service docket is consistent with the statutory definition of network element.** The Commission construed the term "facility" as used in Section 214(e) to refer solely to "physical components of the telecommunications network that are used in the transmission or routing" of calls. See ¶¶ 150-151. Notwithstanding fn. 388 of the Universal Service Order, this interpretation is consistent with the statutory definition of network element and confirms that an interpretation of "network" which would include undifferentiated access to features and functionality, without obtaining access to a particular facility or equipment is inconsistent with the statutory definition of network element.
- **On-demand, and undifferentiated access to the features, functions and capabilities provided by multiple elements is a service.** The definition in the Act does not support an interpretation that a requesting carrier can purchase undifferentiated access to network capabilities, without purchasing access to a