

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Application of SBC Communications Inc.,)
Southwestern Bell Telephone Company,)
And Southwestern Bell Communications)
Services, Inc. d/b/a Southwestern Bell Long)
Distance for Provision of In-Region)
InterLATA Services in Texas)

CC Docket No. 00-65

APPENDIX TO SUPPLEMENTAL REPLY COMMENTS OF
AT&T CORP. IN OPPOSITION TO SBC's
SECTION 271 APPLICATION FOR TEXAS

Filed: May 19, 2000

ORIGINAL

**APPENDIX TO SUPPLEMENTAL REPLY COMMENTS OF AT&T CORP.
IN OPPOSITION TO SBC's SECTION 271 APPLICATION FOR TEXAS**

CC Docket No. 00-65

EXH.	DECLARANT	SUBJECT(S) COVERED	RELEVANT STATUTORY PROVISIONS
H	Robert Dapkiewicz	AT&T Market Entry – Business	§ 271(c)(2)(B)(ii), (iv), (xi); § 271 (d)(3)(C)
I	Sarah DeYoung/Mark Van de Water	UNE Loop Provisioning–Hot Cuts	§ 271(c)(2)(B)(ii), (iv), (xi)
J	Julie S. Chambers/ Sarah DeYoung	Operations Support Systems	§ 271(c)(2)(B)(ii), (iv), (x)
K	Julie S. Chambers	Pricing – Glue Charges	§ 271(c)(2)(B)(ii); § 271(d)(3)(C)
L	Sarah DeYoung/Eva Fettig	Interconnection	§ 271(c)(2)(B)(i)
M	C. Michael Pfau	Performance Measurements	§ 271(c)(2)(B)(i), (ii); § 271(d)(3)(C)



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Inc. d/b/a Southwestern Bell Long Distance)
for Provision of In-Region, InterLATA)
Services in Texas)

SUPPLEMENTAL REPLY

DECLARATION OF

ROBERT DAPKIEWICZ

ON BEHALF OF

AT&T CORP.

REDACTED FOR PUBLIC INSPECTION

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**SUPPLEMENTAL REPLY DECLARATION OF
ROBERT DAPKIEWICZ ON BEHALF OF AT&T CORP.**

1. My name is Robert Dapkiewicz. I am Division Marketing Manager in Metro Markets, a part of AT&T Business Services. Metro Markets generally markets AT&T services to small business customers.

2. I joined AT&T in 1993 as an account executive for small business markets. In 1995, I became staff manager with responsibility for the management of marketing programs to small business customers, and in 1996, I was named offer manager for AT&T Worldnet services. In 1997 and 1998, I served as executive assistant to Mr. Clifford S. Holtz, President of Metro Markets, and in 1998, I was named district manager with responsibility for offer and marketing of AT&T local services. Since January 2000, I have been responsible for all marketing for Metro Markets, including both long distance and local services, and for the development and implementation of AT&T's business plan for providing those services to small business customers. I have a Bachelor of Science degree from Kutztown University, and I am presently studying for an MBA degree through Columbia University.

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3. The purpose of my Declaration is to describe the competitive impact on AT&T's attempts to serve small business customers in Texas of the many problems that have been experienced with SWBT's hot cut provisioning. The bottom line is that AT&T has been unable to roll out its services to small business customers in Texas on a substantial scale because of the inability of SWBT to transfer business customers to AT&T facilities in an effective and reliable manner. This Declaration supplements the Declaration of Clifford S. Holtz ("Holtz Decl."), which was previously submitted on behalf of AT&T on January 31, 2000, as part of AT&T's comments on SWBT's initial Texas application.

4. AT&T estimates that there are more than 1.4 million telephone lines in SWBT territory in Texas that are used by small to mid-sized businesses, and that this market is growing. Thus, this market segment in Texas represents a greater number of lines than the total number of lines in a large number of states.

5. AT&T's primary product to serve Texas small business customers is now referred to as "All in One" (formerly known as "Seamless Link"). All in One is a switched bundled local and long distance offering that provides customers with local business lines and enhanced features (*e.g.*, voice mail, speed dialing, call forwarding, call waiting and basic hunting) without the requirement of special equipment (*e.g.*, PBX). Our All in One offering targets small businesses, generally described as firms with 1 to 6 telephone lines. In December through February, the three months on which SWBT bases its application, our small business customers had an average of [] lines. *See* DeYoung/Van de Water Supplemental Declaration, filed April 26, 2000 ("DeYoung/Van de Water Supp. Decl."), ¶ 102.

6. AT&T's All in One service utilizes unbundled loops purchased from SWBT, which are then connected to AT&T facilities at collocated cages in various locations throughout

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Texas. Although AT&T would prefer to provide services using exclusively its own facilities, AT&T is unable to do so today. AT&T is upgrading its cable facilities to provide telephone services, but AT&T has no such properties in Texas outside the Dallas-Fort Worth area. AT&T also is beginning to provide telephone service through "fixed wireless" technology, but this technology is not presently available for small business customers in Texas. AT&T is thus critically dependent on unbundled loops purchased from and efficiently provisioned by SWBT.

7. An overwhelming majority of potential All in One customers in Texas already receive telephone service from the incumbent local exchange carrier, SWBT. In order to convert these customers from SWBT to AT&T, the loops over which they receive service must be disconnected from SWBT's switch and then connected to AT&T's switch. This process is known as a "hot cut." Because AT&T's only means of serving small business customers throughout Texas is through the purchase of unbundled loops from SWBT, hot cuts are critical to facilities-based competition in the small business market.

8. AT&T is committed to becoming a significant competitor in the small business market in Texas. AT&T has already spent many millions of dollars just on switches and collocation cage facilities in Texas, proof of AT&T's commitment to compete aggressively throughout Texas in the small to mid-sized business market. Moreover, AT&T is prepared to expand its investment if it can earn a return on it, and that means being able to serve its customers. As described below, however, AT&T's ability to expand is constrained by SWBT's inadequate hot cut provisioning.

9. The primary reason that CLECs have used unbundled loops for only a small portion of the customers served in Texas is that SWBT has failed to develop and implement provisioning processes that are robust and accurate enough to enable CLECs such as AT&T to

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ramp up their marketing efforts and serve this market at commercial volumes. No serious inroads into SWBT's virtual monopoly of the small business market will occur until SWBT substantially improves its processes for provisioning hot cut orders.

10. SWBT offers two different procedures for performing UNE loop hot cuts – an uncoordinated frame due time (“FDT”) process and a coordinated hot cut (“CHC”) process. Both processes require the manual transfer of the customer's physical loop from the SWBT switch to the AT&T switch and coordinated software changes on both the SWBT and AT&T switches. If the various steps of the hot cut are not completed in a timely and synchronized manner, the customer's service is disrupted. Such disruptions can take several forms, including the total loss of the customer's dial tone (which eliminates the customer's ability to make or receive calls) or the loss of the customer's ability to receive inbound calls. *See Holtz Decl. ¶ 22.*

11. At the present time, neither of the hot cut processes offered by SWBT is capable of supporting commercial entry into the small business market in Texas.

12. A detailed review of AT&T's recent experience with the FDT process is set forth in the Supplemental Joint Declaration of Sarah DeYoung and Mark Van de Water, filed by AT&T on April 26, 2000 (“DeYoung/Van de Water Supp. Decl.”). Among other things, the reconciled data show that in December through February, AT&T's customers experienced service outages on 20.8 percent of the hot cut orders on which the FTD process was used. In other words, one out of every five AT&T customers experienced a service outage during the cutover that exceeded one-half hour. *DeYoung/Van de Water Supp. Decl. ¶ 20 & n.6.* Furthermore, the outages experienced by AT&T customers lasted for extended periods of time. Thus, the average duration of the hot cut outages experienced by AT&T customers for December

through February where the FDT process was used was 8.42 hours. *See id.* at ¶ 30.¹ As a business person, such severe performance deficiencies convince me that AT&T cannot use SWBT's FDT process to expand AT&T's entry into the small business market.

13. Likewise, the data show that SWBT's CHC process does not provide accurate, reliable and timely hot cuts even at the low order volumes that currently exist today. In December through February, AT&T's customers experienced service outages in excess of one hour on 11.1 percent of the orders on which the CHC process was used. *See DeYoung/Van de Water Supp. Decl.* ¶ 20 & n.6. The duration of the CHC outages has also been substantial. The average duration of the hot cut outages experienced by AT&T customers for December through February where the CHC process was used was 6.49 hours. *See id.* at ¶ 30.²

14. These hot cut outages pose a substantial barrier to AT&T's commercial roll-out of its switch-based products for the small business market in Texas. Reliable, quality telephone service is an essential tool for the success of AT&T's business customers. AT&T's customers will not tolerate service outages that close their businesses for a day – with the attendant costs of idle employees and the loss of revenue and customer goodwill. A damaged business is far too high a price to pay for changing local service providers. Given the virtual certainty that SWBT's hot cut processes will result in substantial numbers of AT&T's customers losing service for prolonged periods of time, it is my firm conclusion that neither of those processes is commercially viable for AT&T.

15. I understand that SWBT has distorted these reconciled outage numbers and now contends that the December-February outage rate on AT&T's CHC orders (the only type of order

¹ *See also DeYoung Decl.* ¶¶ 68, 338.

² *See also DeYoung Decl.* ¶¶ 95, 338.

that SWBT now claims is relevant) was really only 1.68 percent, and that the TPUC, without reviewing AT&T's view of the facts, used SWBT's "refinement" of the data. See TPUC Comments at 18. The DeYoung/Van de Water Supplemental Reply Declaration provides a full explanation of why this distortion of the outage data is inappropriate. I would like to add, however, that while it may be tempting to simply give up when faced with the prospect of trying to determine which data is the right data, it is critically important to AT&T and other CLECs that regulators not abandon that task. Reliable and efficient hot cut procedures are vital to the ability of AT&T and other CLECs to enter the small business market, and any significant number of hot cut outages is a preclusive barrier to the development of effective competition in the local business market.

16. The prolonged outages caused by SWBT's provisioning errors impose a substantial hardship on AT&T's customers and materially undermine the customers' relationship with AT&T, as well as tarnishing its reputation as an efficient and reliable service provider, thereby crippling AT&T's ability to compete effectively. To appreciate the impact of day-long, or even hours-long, service outages on AT&T's customers, it is critical to understand the nature of AT&T's targeted market – the small business customer. In many instances, these business customers are themselves in customer service-oriented businesses – *e.g.*, restaurants, beauty saloons, plumbers, locksmiths, dry cleaners, movie theaters, grocers, shoe repair, etc. These small businesses depend for their livelihood on the ability of their customers to contact them. As a financial matter, most of these small businesses can ill afford to lose a day's revenue waiting for a new local telephone competitor to install service. Moreover, they plainly cannot risk angering their own customers by being unreachable.

17. Even at the extremely modest volumes that AT&T is doing at the present time, there is substantial evidence in the record of the devastating impact that hot cut outages have had on AT&T and its customers. Thus, AT&T has submitted affidavits from several of its customers whose orders were among the many that experienced SWBT-caused service outages. *See* DeYoung Declaration, filed Jan. 31, 2000 (“DeYoung Decl.”), ¶¶ 99-100 and Attachments 14, 15, 16.³ These customer affidavits attest to the substantial disruption, inconvenience and lost revenue their businesses suffered as the result of the prolonged service outages they were forced to endure. For example, [] recounts that his coffee vending business lost phone service for two days when converting from SWBT to AT&T. As a result, he was forced to cut short a trip and lost at least approximately \$5,000 in sales to regular customers who could not place orders, not to mention thousands of dollars in lost equipment sales from buyers who had seen his display at a national trade show two weeks before. *See* Attachment 1.

18. Another AT&T customer, [], who is employed by a computer software company, reported that when his firm chose to convert its local service to AT&T, it lost service for 2 and one-half hours on the day *before* the scheduled conversion. Although this period of service outage was relatively brief, the unexpected nature of the outage caused his firm and its clients substantial distress. As he explains, his firm not only sells software systems to banks, but provides maintenance support services by telephone, and thus depends on its phone lines to promptly and reliably address its customers problems. According to [], once service was finally restored, between 10 and 15 of the firm’s clients called demanding to know what had happened and “why they were unable to receive help when they needed it.” Not surprisingly,

³ These customer affidavits are attached to this Declaration as Attachments 1, 2 and 3.

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[] concludes that his firm's reputation could be seriously "impacted by this type of business interruption." *See* Attachment 2.

19. Similarly, [], who works for an estate planning consulting firm, reports that her firm lost service for an entire day when it converted to AT&T from SWBT. She describes the impact of that lost business day on her firm, pointing out that "I do know that people who were unable to reach us when they needed to were angered by it. Our reputation is impacted when people who rely on us are unable to obtain service at the time they need it." *See* Attachment 3.

20. As these customer affidavits show, when business customers suffer prolonged, SWBT-caused service outages, their businesses are placed in jeopardy, and they have little patience for explanations or excuses. What these customers understand is that their telephone service worked (and so did their businesses) with SWBT, but that troubles arose as soon as they attempted to switch to AT&T. Further, as these unhappy customers share their bad experiences with friends and colleagues, AT&T's reputation in the market as a provider of high quality service is severely undermined.

21. As a result, customers simply will not switch their service over to a new provider if the outage rate is too high, and in my judgment, and that of AT&T, SWBT's outage rate is much too high. AT&T strives for a performance target of zero percent defects, and SWBT should do the same. The Communications Act and the Commission's procompetitive objectives require SWBT to provide the lowest level of service outages and delays that is technically and commercially feasible. At present, SWBT is not providing anywhere near that level of performance on hot cut conversions.

22. Further, competition will also not be viable with an outage rate of 5 percent such as the Commission suggested in its *Bell Atlantic New York Order*. See *Bell Atlantic New York Order* ¶ 309. For example, we believe that a fully competitive market in Texas would support AT&T orders of [] orders per day. If AT&T were to reach commercial volumes of [] orders per day, a 5 percent outage standard would allow SWBT to cause unexpected service outages to [] AT&T customers each day, [] customers each week, and over [] customers each month. In my judgment, no CLEC could sustain a level of outages anywhere near that high and still manage to become a viable competitor in the market.

23. SWBT's actual hot cut performance, of course, is far worse. At the 16.7 percent outage level experienced by AT&T in December-February (combining both FDT and CHC orders), and assuming that AT&T had [] orders per day, AT&T could expect SWBT to cause prolonged and unexpected service outages to [] customers each day, [] customers each week, and about [] customers each month. This is clearly not a performance level that would permit AT&T to remain a viable competitor in the market.

24. In addition to the impact which SWBT's poor provisioning has on AT&T's customers, SWBT's provisioning defects impose a number of other, potentially severe costs on AT&T, including serious harm to AT&T's reputation in the marketplace, loss of long distance revenue, and additional administrative costs. As noted above, dissatisfied customers are likely to share their complaints with their friends and colleagues. Particularly severe service problems, such as the lost orders problems recently experienced by Bell Atlantic New York,⁴ are even likely to be reported in the press. When the word spreads that converting from SWBT's local

⁴ See Order, *Bell Atlantic-New York Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service In the State of New York*, File No. EB-00-IH-0085 (released Mar. 9, 2000).

service to that of AT&T is likely to cause service outages for the customer, AT&T's reputation in the market as a provider of high quality service is severely undermined. AT&T simply cannot afford to ramp up its marketing efforts where there is a substantial risk that SWBT's poor hot cut performance will tarnish or destroy AT&T's reputation.

25. Further, the impact of SWBT's inadequate hot cut performance is not limited to the loss of potential local service revenues. It can also have a substantial impact on AT&T's long distance revenues. Many of the business customers approached by AT&T to switch their local service to AT&T also generate significant long distance revenues. Customers who try to switch their local service to AT&T and have a bad provisioning experience are not only likely to leave AT&T's local service, they are also likely to take their long distance business with them to another carrier. More is at stake, therefore, than simply potential local service revenues.

26. In addition, poor hot cut performance by SWBT imposes substantial and wholly unwarranted administrative costs on AT&T. As a result of continued poor performance by SWBT, our Mesa, Arizona provisioning center, which handles the All in One product for Texas and other states, estimates that SWBT-caused provisioning problems relating to unbundled loops in Texas require [

]. The total annual cost of this effort to AT&T is estimated to be [], which is enormous considering the relatively small volume of orders that AT&T is currently sending to SWBT. Needless to say, competition cannot flourish where margins are eroded by the poor performance of a vendor who, not coincidentally, is a direct competitor. *See Holtz Decl.* ¶ 32 n.6.

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I declare under penalty of perjury that the foregoing is true and correct. Executed
on May 19, 2000.


Robert Dapkiewicz

ATTACHMENT 1
TO THE SUPPLEMENTAL REPLY
DECLARATION OF
ROBERT DAPKIEWICZ

FILED UNDER SEAL

ATTACHMENT 2
TO THE SUPPLEMENTAL REPLY
DECLARATION OF
ROBERT DAPKIEWICZ

FILED UNDER SEAL

ATTACHMENT 3
TO THE SUPPLEMENTAL REPLY
DECLARATION OF
ROBERT DAPKIEWICZ

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