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FEDERAL COMMUNICATIONS COMMISSION
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June 8, 2000

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Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Room TWB-204
Washington, D.C. 20554

Re: *Ex Parte Presentation in CC Docket No. 96-98*

Dear Ms. Salas:

Today Joseph Gillan and I, on behalf of the Promoting Active Competition Everywhere (PACE) Coalition, met with Jordan Goldstein of Commissioner Ness's office and Kyle Dixon of Commissioner Powell's office regarding the above-referenced proceeding. During the meetings, PACE reviewed a switching cross-over analysis performed by PACE, and asked the FCC to modify the rule specifying that incumbent local exchange carriers do not have to provide local switching as a mandatory UNE for customers with four lines or more in certain circumstances. A copy of the written materials distributed by PACE at the meetings are attached.

PACE submits that, consistent with the impairment standard in 47 U.S.C. § 251(d)(2)(B), the cutoff for availability of the local switching element should be DS1-based. PACE pointed out that access to the local switching UNE is necessary to serve analog lines in mass-market conditions and in that broad-based local competition will not develop if manual processing must be employed to migrate customers.

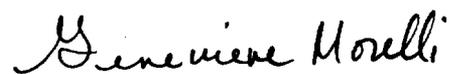
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M. Roman Salas
June 8, 2000
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In accordance with Section 1.1206 of the Commission's rules, an original and one copy of this letter and accompanying materials are being filed with your office.

Sincerely,

A handwritten signature in cursive script that reads "Genevieve Morelli".

Genevieve Morelli

Attachment

cc: Jordan Goldstein
Kyle Dixon

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The PACE Coalition
Promoting Active Competition Everywhere
June 8, 2000

**The Commission Should Increase the Line Restriction
To More Accurately Reflect Where a High-Capacity Facility Can Be
Used with Self-Provisioned Local Switching
CC Docket No. 96-98**

- I. **Access to unbundled local switching is necessary to achieve a competitive local telecommunications market.**
- A. A ubiquitous local switching UNE enables entrants to offer services across an entire geographic market.
 - B. The local switching UNE is a generic capability that supports product and price innovation.
 - C. Access to the local switching UNE allows entrants to expend their capital on building efficient customer-support systems and deploying advanced technologies.
 - D. The local switching UNE enables the electronic migration of customers, thereby minimizing transaction costs.
- II. **Manual migrations cannot effectively support broad-based local competition due to the cost, complexity and delay inherent in manual provisioning.**

**Comparing the Cost of Customer Migration
(Per Line)**

State	Electronic (UNE-P) Migration Cost	Manual Loop/Port Migration Cost
Georgia ¹	\$2.01	\$113.07 ²
Florida ³	\$1.46	\$178.00
Michigan ⁴	\$0.35	\$35.89
New York	\$3.82	\$67.18

¹ Order, Docket No. 10692-U, Georgia Public Service Commission, February 1, 2000.

² Includes a charge for coordinated cutover.

³ Order, No. PSC-98-0810-FOF-TP, Docket No. 97-1140-TP, Florida Public Service Commission, June 12, 1998.

⁴ Opinion and Order, Case No. U-11831, Michigan Public Service Commission, May 3, 2000.

- III. Because of provisioning barriers, CLEC-provisioned local switching is effectively limited to serving customers with “design services.”**
- A. Design services, such as high-capacity digital services, *require* manual provisioning, even when obtained from the ILEC. Consequently, CLECs do not face relative disadvantages in using manual processing to provide design services.
 - B. Because of these factors, ILEC local switching may not be necessary in very dense markets (i.e., markets with high concentrations of large customers) to serve customers with high-capacity (DS-1 and above) design service needs.
- IV. The best indicator of whether a customer is sufficiently large to be served by a high-capacity facility is whether the customer has already chosen such an access method.**
- V. Alternatively, the Commission can *estimate* when a customer has sufficient analog lines to be served less expensively through a high-capacity facility.**
- A. In reply comments in this proceeding, Birch Telecom provided an analysis which estimated when it becomes economically feasible to use a DS-1 unbundled loop and self-supply switching to serve a customer with multiple analog lines. The Birch Analysis was based on Birch’s actual costs to establish its Kansas City collocation facility.

Birch Analysis

Lines	UNE-P Monthly ⁵	DS-1		
		12 Month	24 Month	36 Month
12	\$173.82	\$283.45	\$238.17	\$227.18
13	\$188.27	\$283.45	\$238.17	\$227.18
14	\$202.72	\$283.45	\$238.17	\$227.18
15	\$217.17	\$283.45	\$238.17	\$227.18
16	\$231.62	\$283.45	\$238.17	\$227.18
17	\$246.07	\$283.45	\$238.17	\$227.18
18	\$260.52	\$283.45	\$238.17	\$227.18
19	\$274.97	\$283.45	\$238.17	\$227.18
20	\$289.42	\$283.45	\$238.17	\$227.18
21	\$303.87	\$283.45	\$238.17	\$227.18
22	\$318.32	\$283.45	\$238.17	\$227.18
23	\$332.77	\$283.45	\$238.17	\$227.18
24	\$347.22	\$283.45	\$238.17	\$227.18

Area where DS-1 is less costly than loops.

Conclusions from the Birch Analysis

1. Due to the high non-recurring charges to establish a high-capacity arrangement, this alternative is only viable in a contract environment, which ensures a sufficient time period for cost recovery.
2. Depending upon the contract term, the crossover to a high-capacity facility is between 16 (at three years) and 20 (at one year) lines.
3. The Birch Analysis evaluates only the cost to serve customers whose loops terminate at Birch's collocation arrangement. If the additional costs of an Enhanced Extended Link (EEL) are included, the crossover increases substantially to approximately 21 (three year contract) or 22 (two year contract) lines. One year contracts are not of sufficient duration to amortize the additional nonrecurring costs of establishing an EEL.⁶

⁵ The Birch Analysis does not include SBC's port costs or Birch's costs for its self-provisioned switch port, backhaul, interoffice transport, or the costs associated with call termination. These exclusions are equivalent to assuming that Birch's network is at least as (actually more) efficient as SBC's network, even though as a new entrant Birch is not able to achieve any of the scale economies of SBC.

⁶ The analysis includes only the fixed monthly and nonrecurring costs to establish a DS1-EEL of one mile in length. Longer EELs incur additional mileage-related costs that would increase the crossover, albeit slowly.

4. The Birch Analysis is deliberately conservative. Actual crossovers are likely to be higher. Given the conservative nature of the Birch Analysis, and customer resistance to committing to long-term contracts with new entrants, the Commission should not base any impairment decision on contracts longer than 2 years.

V. PACE Recommendations

- A. Because the annual contract most closely resembles the month-to-month environment that typifies analog services, the Commission should increase the availability of local switching to 20 lines.
- B. The Commission should clarify that the line restriction applies per CLEC/per customer location. That is, whether an arrangement qualifies for the local switching UNE should be based on the number of lines the customer purchases from a particular CLEC at a particular location.
- C. Any line-based restriction on the availability of the local switching UNE should not become effective until the ILECs have filed, and the FCC has approved, compliance plans that explain what procedures will be used to implement and enforce any limitation.
- D. Customers initially qualifying to be served through the Local Switching UNE should be grandfathered if they grow to exceed the maximum number of lines.
- E. Because the critical impairment justifying the availability of local switching is provisioning-related, local switching should remain a network element until the ILECs are able to provision analog loops electronically.