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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte

October 03, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

ORIGINAL

Re: CC Docket No. 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996.

Dear Ms. Salas:

On September 26, 2000, Molly Martin, Jeffry Brueggeman and the undersigned representing Qwest Corporation¹ met separately with Rebecca Beynon, Jordan Goldstein, Anna Gomez, Deena Shetler and Kyle Dixon of the Federal Communications Commission. The purpose of the meetings was to discuss the scope of the Commission's unbundled switching exception and the attached presentation prepared by Qwest. In addition, Qwest is committed to gathering additional data regarding the cost of collocation and performing Hot Cuts.

Attached is the additional information given to the staff regarding Qwest's position on these issues.

Sincerely,

Melissa E. Newman

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Attachment

¹ On June 30, 2000, U S WEST, Inc., the parent and sole shareholder of U S WEST Communications, Inc., merged with and into Qwest Communications International Inc. Further, on July 6, 2000, U S WEST Communications, Inc. was renamed Qwest Corporation.

QWEST EX PARTE PRESENTATION
September 26, 2000

The purpose of this ex parte presentation is to provide additional information and/or clarification of Qwest's position regarding the scope of the Commission's unbundled switching requirement. Qwest continues to believe that unbundled switching cannot satisfy the statutory impair standard in most areas of the country. Accordingly, the Commission should broaden the scope of the unbundled switching exception so that it better reflects the real world data provided by Qwest and others documenting the extensive collocation and deployment of competitive switches nationwide.

GEOGRAPHIC SCOPE

Collocation Continues To Increase

Qwest continues to see demand for collocation increase in all of its wire centers.

As of August 2000, CLECs had collocated in 442 wire centers in Qwest's 14-state territory:

- ◆ 70 CLECs are leasing collocation space from Qwest.
- ◆ The average number of CLECs per wire center is 5.
- ◆ 243 wire centers have between 1 and 3 collocated CLECs.
- ◆ 110 wire centers have between 4 and 8 collocated CLECs.
- ◆ 89 wire centers have between 9 and 18 collocated CLECs.
- ◆ Qwest has ported over one million numbers out of 393 Qwest wire centers to CLEC switches since 1998.

Demand for collocation in Qwest's wire centers in the Top 100 MSAs in the nation continues to grow:

Table 1. Collocated CLECs in Qwest MSAs in the Top 100 as of September 2000

MSA Rank	MSA Name	# CLECs Collocated
13	Seattle-Tacoma-Bellevue-Everett, WA	34
14	Phoenix-Mesa, AZ	21
16	Minneapolis-St. Paul, MN	25
19	Denver-Boulder-Longmont, CO	34
22	Portland-Salem-Vancouver, OR-WA	20
35	Salt Lake City-Ogden, UT	18
57	Tucson, AZ	16
61	Omaha, NE-IA	14

62	Albuquerque, NM	13
80	Colorado Springs, CO	13
92	Des Moines, IA	10
96	Spokane, WA	8
100	Boise City, ID	9

Qwest continues to believe this kind of collocation activity, along with the accompanying CLEC-switch deployment, provides ample evidence that CLECs are not impaired in their ability to obtain switching in the local service market.

CLEC Switch Deployment Continues To Increase

The following table shows that multiple CLECs have deployed switches and obtained NXX codes to provide local service in Qwest's territory:

Table 2. CLECs with One or More Switches in Qwest MSAs in the Top 50 as of July 2000

MSA Rank	MSA Name	# CLECs with One or More Switches	#NXX Codes assigned to CLECs
13	Seattle-Tacoma-Bellevue-Everett, WA	17	510
14	Phoenix-Mesa, AZ	12	171
16	Minneapolis-St. Paul, MN	10	171
19	Denver-Boulder-Longmont, CO	14	226
22	Portland-Salem-Vancouver, OR-WA	14	249
35	Salt Lake City-Ogden, UT	7	196

In addition, large numbers of CLECs have deployed switches in other MSA markets throughout Qwest's region. The following table shows the number of CLECs that have deployed switches and the number of NXX codes that have been assigned to CLECs for local service in MSAs *outside* of the top 50.

Table 3. CLECs with One or More Switches in Qwest MSAs Outside the Top 50 as of July 2000

MSA Rank	MSA Name	# CLECs with One or More Switches	#NXX Codes assigned to CLECs
57	Tucson, AZ	5	13
61	Omaha, NE-IA	5	41
62	Albuquerque, NM	6	57
80	Colorado Springs, CO	5	15
92	Des Moines, IA	4	17
96	Spokane, WA	5	104
100	Boise City, ID	3	50
109	Davenport-Moline-Rock Island, IA-IL	5	14
117	Provo-Orem, UT	1	1

122	Eugene-Springfield, OR	5	40
143	Duluth-Superior, MN-WI	4	8
152	Yakima, WA	1	2
168	Richland-Kennewick-Pasco, WA	1	2
169	Cedar Rapids, IA	3	18
173	Medford-Ashland, OR	1	1
177	Las Cruces, NM	1	1
179	Fargo-Moorhead, ND-MN	4	10
184	Sioux Falls, SD	4	11
185	St. Cloud, MN	4	8
222	Billings, MT	3	4
231	Waterloo-Cedar Falls, IA	1	1
232	Sioux City, IA-NE	3	7
238	Rochester, MN	3	4
242	Grand Junction, CO	2	2
256	Grand Forks, ND-MN	2	3
260	Bismarck, ND	1	2
263	Missoula, MT	2	3
264	Dubuque, IA	1	2
265	Rapid City, SD	1	1
270	Great Falls, MT	2	2
271	Cheyenne, WY	1	2

CUSTOMER LINE THRESHOLD

CLECs Can Compete Without Unbundled Switching

Qwest continues to oppose the Commission's arbitrary requirement that ILECs make unbundled switching available for requesting carriers serving customers who purchase a particular number of lines. Such a requirement has nothing whatsoever to do with whether the requesting carrier is impaired if it is unable to obtain switching at UNE rates. A CLEC that has deployed a competitive switch in a market is just as capable of serving a customer with three lines as it is a customer with five or more lines. Thus, Qwest believes any threshold based on the number of lines purchased by the customer is arbitrary and bears no relation to the impairment standard.

Nevertheless, a number of parties are seeking to raise the Commission's four-line threshold in an attempt to minimize the scope of the unbundled switching exception. One proposal that has attracted some attention and for which QWEST previously provided data to the Commission would modify the threshold from four lines to a "DS1 based" standard. CLECs have argued that the cost of "digitizing" or multiplexing the analog lines to a DS1 for transport to their switch

would prevent them from competing with ILECs in the small business market without access to unbundled switching. The facts do not support this claim.

Based on prices for Digital Loop Carrier (DLC) systems, a CLEC can install a DLC system for anywhere from \$11.00 per line to less than \$6.00 per line (including the cost of demultiplexing lines at the CLEC's switch). The CLEC would simply need to collocate the DLC system in the central office, then haul the feeder facilities back to its switch where the lines can be demultiplexed. If the CLEC serves 96 lines out of the central office, then the cost of the DLC system would only be about \$11 per line. By serving just 384 lines, the CLEC could reduce the cost of the DLC system to less than \$6.00 per line. (To put these figures in perspective, Qwest's central offices generally provide service to more than 30,000 lines.)

Therefore, even when the cost of multiplexing/demultiplexing is added to the cost of switching and the UNE loop, a CLEC can realize considerable revenue gains by serving customers with small numbers of business lines without the need for unbundled switching. Qwest's statewide average revenue per business line ranges from \$42.31 to \$64.75. In comparison, using the cost of the UNE Platform (which includes both the loop and switching) as an approximation of the cost of provisioning a single business line, a CLEC's actual cost would range from \$23.38 to \$37.82 in Qwest's territory. In other words, the addition of multiplexing/demultiplexing costs still leaves significant revenue for the CLEC from a customer with only one business line. Clearly, a profitable market opportunity exists for CLECs even if they incur the expense of multiplexing/demultiplexing.¹

Unbundled Switching Will Always Be Available From Qwest

Several CLECs that have commented on the customer line threshold for the unbundled switching requirement appear to believe that once a customer exceeds the three-line limit, the CLEC no longer will be able to obtain unbundled switching from Qwest. These CLECs cite customer inconvenience and service interruption as possible consequences of a customer expanding to four or more lines because they assume that they will be forced to change to a different switch provider. This assumption is wrong. *The availability of unbundled switching is not an issue in the case of Qwest, only the price that should be paid for it.* Because Section 271 of the Act requires ILECs to offer unbundled switching, Qwest will continue to make unbundled switching available upon request in all areas, but at a negotiated price rather than at state-ordered UNE prices. As a result, there will be no interruption of service and no requirement to change switch providers where a customer exceeds the four-line threshold – at most there will be a difference in the price of unbundled switching.

¹ This analysis does not include the cost of collocation or hot cuts. Because the FCC required ILECs to offer EELs as a condition for obtaining relief from the unbundled switching obligation, collocation costs should be minimized.

Hot Cut Data Belies CLECs' Impairment Claims

Some CLECs argue that the four-line threshold must be raised because the "Hot Cut" process impairs their ability to provide timely service to customers. Once again, the facts do not support the CLECs' claim. In fact, the vast majority of Hot Cut orders placed by CLECs between April 3, 2000 and June 23, 2000 (the most recent data available) in Qwest's MSAs in the Top 100 are for three lines or fewer. See Attachment 1-- Hot Cuts. Thus, CLECs already have access to unbundled switching in the vast majority of cases where they have requested Hot Cuts.

There is No Legal Basis for Requiring EEL

Qwest continues to maintain there is no legal basis for the Commission to require ILECs to offer EELs as a condition for obtaining relief from the unbundled switching requirement in a particular market. However, if the Commission is intent on maintaining the EELs requirement, then it should at least recognize that the availability of EELs obviates the need to raise the customer line threshold. Because UNE rates for EELs are often half the rates for the comparable tariffed service, CLECs will realize significant cost savings by utilizing EELs in those areas where unbundled switching is not available at UNE rates. Moreover, the availability of EELs allows CLECs to minimize their collocation costs because it eliminates the need to collocate in each end office. Thus, the cost comparisons that have been presented by CLECs such as Birch are significantly overstated by the inclusion of collocation costs on a loop-by-loop basis

Hot Cut Orders

MSA Ranking	City, State	# of Orders	Total # of Lines	Average lines per Order	% of Total Orders	% of Total Lines
13	Seattle-Tacoma-Bellevue-Everett, WA					
	0-3 lines	536	609	1.1	92%	69%
	4-8 lines	40	219	5.5	7%	25%
	9-16 lines	6	61	10.2	1%	7%
	16+ lines	0	0	0	0%	0%
14	Phoenix-Mesa, AZ					
	0-3 lines	751	973	1.3	93%	75%
	4-8 lines	53	259	4.9	7%	20%
	9-16 lines	6	71	11.8	1%	5%
	16+ lines	0	0	0	0%	0%
16	Minneapolis-St.Paul, MN					
	0-3 lines	986	2383	2.4	66%	37%
	4-8 lines	380	2448	6.4	25%	38%
	9-16 lines	116	1368	11.8	8%	21%
	16+ lines	12	294	24.5	1%	5%
19	Denver-Boulder-Longmont, CO					
	0-3 lines	1196	1570	1.3	90%	68%
	4-8 lines	126	632	5.0	9%	27%
	9-16 lines	9	100	11.1	1%	4%
	16+ lines	1	18	18.0	0%	1%
22	Portland-Salem-Vancouver, OR-WA					
	0-3 lines	449	643	1.4	73%	38%
	4-8 lines	141	734	5.2	23%	44%
	9-16 lines	25	259	10.4	4%	15%
	16+ lines	1	40	40.0	0%	2%
35	Salt Lake City-Ogden, UT					
	0-3 lines	298	317	1.1	96%	77%
	4-8 lines	11	62	5.6	4%	15%
	9-16 lines	1	13	13.0	0%	3%
	16+ lines	1	22	22.0	0%	5%
57	Tucson, AZ					
	0-3 lines	13	19	1.5	59%	21%
	4-8 lines	6	37	6.2	27%	41%
	9-16 lines	3	34	11.3	14%	38%
	16+ lines	0	0	0	0%	0%

Hot Cut Orders

MSA Ranking	City, State	# of Orders	Total # of Lines	Average lines per Order	% of Total Orders	% of Total Lines
61	Omaha, NE-IA					
	0-3 lines	45	109	2.4	68%	43%
	4-8 lines	18	111	6.2	27%	44%
	9-16 lines	3	34	11.3	5%	13%
	16+ lines	0	0	0	0%	0%
62	Albuquerque, NM					
	0-3 lines	103	103	1.0	98%	91%
	4-8 lines	2	10	5.0	2%	9%
	9-16 lines	0	0	0	0%	0%
	16+ lines	0	0	0	0%	0%
80	Colorado Springs, CO					
	0-3 lines	39	79	2.0	100%	100%
	4-8 lines	0	0	0	0%	0%
	9-16 lines	0	0	0	0%	0%
	16+ lines	0	0	0	0%	0%
92	Des Moines, IA					
	0-3 lines	1	1	1.0	100%	100%
	4-8 lines	0	0	0	0%	0%
	9-16 lines	0	0	0	0%	0%
	16+ lines	0	0	0	0%	0%
96	Spokane, WA					
	0-3 lines	17	26	1.5	77%	53%
	4-8 lines	5	23	4.6	23%	47%
	9-16 lines	0	0	0	0%	0%
	16+ lines	0	0	0	0%	0%
100	Boise City, ID					
	0-3 lines	2	2	1.0	100%	100%
	4-8 lines	0	0	0	0%	0%
	9-16 lines	0	0	0	0%	0%
	16+ lines	0	0	0	0%	0%
Total 0-3 lines		4436	6834	1.5	82%	50%
Total 4-8 lines		782	4535	5.8	14%	33%
Total 9-16 lines		169	1940	11.5	3%	14%
Total 16+ lines		15	374	24.9	0%	3%
TOTAL Qwest		5402	13683	2.5		