offerings. The Mode of Entry components are designed to measure Verizon's performance with regard to the different ways a competitor can enter the local exchange market. Treating DSL as its own Mode of Entry makes sense because DSL-based services differ significantly from analog voice service, the current focus of the PAP. In addition, a separate DSL Mode of Entry provides another means of ensuring that the performance metrics and level of DSL performance required by this Commission in its prior section 271 approvals are implemented and enforced, and will enable state regulators to ensure that Verizon supports the full suite of DSL-based services that are and will become available.[82/]

It is equally important that any dollars placed at risk for a DSL mode of entry category be in addition to the existing dollars at risk in the PAP. Otherwise, if the total amount at risk under the Plan remain constant, increasing the amount at risk for DSL performance would necessarily decrease the amount at risk for traditional analog voice service. This would diminish Verizon's incentive to provide voice services or voice related UNEs at appropriate levels. In fact, the result of reallocating dollars at risk instead of adding new dollars for the new DSL metrics could easily be that in both instances – for voice and data services – the amount of bill credits at risk will be too low to motivate Verizon to ensure that its delivery of services and unbundled network elements will promote competition.

C. DSL Issues Have Not Been Sufficiently Resolved To Permit Competition.

Verizon argues repeatedly that its application should be approved because it is analogous to the application submitted by Bell Atlantic in New York last year. But while the FCC declined

82/ Rapid roll-out of DSL-based services by BOCs including Verizon and SBC make it critical that there be a powerful economic incentive for BOCs to facilitate competition for advanced services.

to require BA-NY to provide a separate showing of its DSL-related service because the issue had only recently been raised in New York and the technology was only then emerging, the Commission has mandated an independent showing of nondiscriminatory DSL provisioning in all subsequent section 271 applications. See NY Order ¶¶ 330-335; TX Order ¶ 282. Verizon fails to make that showing here.

This Commission looks primarily for proof of nondiscriminatory DSL performance through "comprehensive and accurate reports of performance measures," specifically addressing DSL and approved by state commissions. TX Order ¶ 282; NY Order ¶¶ 333-335. As explained above, Verizon has not supplied such proof. Verizon has yet to report any results for two of four DSL measures designated as critical under the Massachusetts PAP. Kinard Decl. ¶ 9. And those measures of loop provisioning and maintenance for DSL on which Verizon has reported results demonstrate an almost uniform absence of parity.[83/] Verizon's excuses cannot substitute for a

83/ Verizon-MA's DSL track record is quite short, as it began disaggregating DSL results for loop provisioning and maintenance only in the second quarter of this year, after KPMG had evaluated the performance metrics. See KPMG Final Report, at 674 (VZ-MA App. I, Tab 1) (noting metrics not disaggregated for two-wire xDSL). KPMG did not replicate the metrics for 2 wire DSL services. See Transcript of 8/29/2000 Hearing at 3385-3388 (VZ-MA App. B, Tab 547).

KPMG's testing of DSL functionality was also limited. In particular KPMG's testing of pre-ordering and ordering functions, especially for residential service, was primarily conducted using LSOG 2 and not LSOG 4, the latest OSS interface. Compare, e.g., KPMG Final Report at 18, 73 (VZ-MA App. 1, Tab 1) (testing loop qualification under LSOG 2) with id. at 22, 78 (same under LSOG 4, confined to business); id. at 21, 76 (volume testing under LSOG 2 confined to business; no volume testing under LSOG 4). KPMG's testing is plainly inadequate under the Common Carrier Bureau's standard that an adequate "third-party test would test significant volumes of xDSL orders." Sept. 27, 1999 letter from Lawrence E. Strickling, Chief, Common Carrier Bureau, to Nancy E. Lubamersky, U S West (attached hereto at Tab G).

genuine track record of nondiscriminatory service. On this record, Verizon fails to prove that it offers nondiscriminatory access to loops for DSL.[84]

In addition to its required showing regarding provisioning of stand-alone DSL-capable loops, Verizon is the first section 271 applicant that is also obligated to provide line sharing, making "the high frequency portion of the loop separately available . . . [in] those instances in which the incumbent LEC is providing, and continues to provide, voice service on the particular loop to which the requesting carrier seeks access." TX Order ¶ 324. To do so, it must show that it has "implemented the loop facility and OSS modification necessary to accommodate requests for access to the line sharing unbundled network element as required by our December 9, 1999 Line Sharing Order." TX Order ¶ 321. But Verizon has not made the necessary changes to its OSS to support flow through of orders for line sharing, without which CLEC orders can be mishandled or delayed due to manual processing, and has indicated that it cannot do so until at least April 2001.[85] Indeed, as the Massachusetts DSL Order makes clear, implementation of line sharing OSS is not required by the state until April 2001, or one month after Verizon implements the changes in Pennsylvania, whichever is later, meaning that Massachusetts CLECs still lack a firm date for this critical deployment.

Moreover, Verizon has provided virtually no evidence of its ability to provide line sharing with an unaffiliated data CLEC, pointing only to a limited trial offering and the results of

---

84/ As an alternative to proof of actual nondiscriminatory performance as measured by state-approved standards, this Commission has indicated that the establishment of a "fully operational" separate affiliate for advanced services "may provide significant evidence" of nondiscrimination. TX Order ¶ 282; NY Order ¶ 331. But Verizon's advanced services affiliate is not yet operational in Massachusetts, and will not be fully so for some time to come. See Lacouture/Ruesterholz Decl. ¶ 111.

85/ See Massachusetts DSL Order at 20-21.

Verizon-NY's provisioning to Verizon's own data affiliate in that state. See Lacouture/Ruesterholz Decl. ¶¶ 111-114, 116. Indeed, at the time of its filing with this Commission, Verizon's tariff regarding line sharing had not been ruled on by the Massachusetts DTE and was not in effect. And not only does Verizon lack any significant commercial experience with CLEC line sharing, KPMG did no testing of its line sharing capability, so there is little assurance that Verizon can in fact provide this service today. Given the critical and growing role of advanced services offering in the overall local service market, these failures should preclude Verizon's section 271 approval at this time.

Verizon also fails to prove that it can or will accommodate line splitting that would allow a data CLEC and a voice CLEC to use the same loop to provide data and voice services, respectively. The Massachusetts DTE terms this configuration "line sharing between two CLECs." Massachusetts DSL Order at 35. A customer who receives voice service from Verizon and data from a data CLEC, and who wishes to change her voice carrier to WorldCom without disturbing her data service is apparently just plain out of luck.[86/]

To make matters worse, subsequent to Verizon's application being filed, at Verizon's request the DTE has ruled that Verizon "is not obligated to provide line sharing between two CLECs"[87/] and rejected "the CLECs' request to permit a CLEC's UNE-P arrangement to remain intact after line splitting."[88/] Instead, the DTE concludes that Verizon need only allow "line

---

86/ See Transcript of 8/1/2000 Hearing at 224-25 (VZ-MA App. E, Tab 405). Verizon admitted that no physical work is required as a technical matter to transfer the voice portion of a line sharing arrangement to a CLEC but nonetheless has refused to commit to permit this conversion.

87/ Massachusetts DSL Order at 39.

88/ Id. at 38.

splitting" in the sense that the same CLEC can provide both voice and data over a single loop. See Massachusetts DSL Order at 39.[89/] At Verizon's request, the DTE has given it an open door to evade even its minimum UNE-provisioning obligations with respect to joint CLEC efforts to provide voice and data on a single loop.

This is a clear violation of FCC rules. This Commission has concluded that to comply with the requirements of the section 271 checklist, an ILEC must "provide requesting carriers with access to unbundled loops in a manner that allows the requesting carrier 'to provide any telecommunications service that can be offered by means of that network element.'" TX Order ¶ 325. "As a result, incumbent LECs have an obligation to permit competing carriers to engage in line splitting over the UNE-P where the competing carrier purchases the entire loop and provides its own splitter." Id. (emphasis added). In other words, when one CLEC is collocated and provides the splitter, DSLAM, and data service, a BOC has an obligation to provide a cross-connect to bring the voice channel of the loop back from the CLEC collocation to the ILEC switch, and then to lease to another CLEC the combination of cross-connect, unbundled switching and unbundled shared transport necessary to provide a complete UNE-P voice service.

Verizon contends that it satisfies this requirement because "nothing precludes CLECs from engaging in a line splitting arrangement by ordering the necessary unbundled network elements to offer integrated voice and data service." Lacouture/Ruesterholz Decl. ¶ 186. But given that Verizon successfully lobbied the DTE to rule that line splitting between two CLECs is

89/ The DTE held that where a customer who has voice service from Verizon and data service from a CLEC on the same line, using line sharing, decides to terminate his relationship with Verizon, the data CLEC's only option is to lease the entire loop from Verizon. At that point, the DTE held, it is the data CLEC's option to enter into a voluntary line sharing agreement with a voice CLEC, but Verizon has no obligations with respect to this arrangement. Id. at 39.

not required, this vague statement gives no assurance that Verizon is committed to compliance with the FCC's rule. It is one thing to promise that if a data CLEC wishes to lease a DSL-capable loop and bring it into its own collocation cage, it is free to split the line and hand off the voice channel to a voice provider, who would then provide its own transport and switching to provide voice service. But Verizon fails to promise that it will enable the voice carrier in this configuration to use Verizon's own switching and shared transport to provide a voice service – in other words, Verizon fails to promise that the CLEC voice provider will still be able to use the UNE platform to provide voice service.

Moreover, even if the DTE had ordered line splitting over the UNE-P – which it has not – and even if Verizon had committed to provision it – which it has not – Verizon still would be required to prove that it actually can provision it. And Verizon points to no procedures in place that prove it is actually capable of providing this combination of elements in a timely manner. Instead, as indicated above, Verizon relies on its general evidence of provisioning individual elements. Lacouture/Ruesterholz Decl. ¶ 186. This is palpably inadequate. Verizon provides no evidence of how line splitting over UNE-P would be ordered, how it would be provisioned, how the various actions that would need to be taken by the Verizon and the two CLECs would be coordinated, what the charges would be to the two CLECs who order the service,[90/] or how quickly the work would be performed.

90/ The Commission has noted that the "cross-connect rates, as well as rates associated with other elements such as cable support and installation, . . . can have a significant impact on . . . total service provisioning costs," and that unless the relevant prices and procedures are firmly established, a BOC "could load excessive overhead costs onto this critical input." In re Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Report and Order, 10 F.C.C.R. 6375, ¶ 72 (1995).

In sum, Verizon has failed to "explain clearly the method" by which CLECs can order and combine UNEs at cost-based rates. LA II Order ¶ 141. This obligation follows from Verizon's basic obligation to demonstrate that it can provision UNEs for combination in an efficient, accurate, and timely manner. See SC Order ¶ 146. Until Verizon concretely explains how and on what terms these elements will be offered in a manner that permits this configuration, it cannot be said to be offering, let alone providing in a nondiscriminatory manner, access to unbundled elements in a manner that allows data and voice to be provided on the same circuit.

This is an issue of critical competitive importance to WorldCom and other voice providers who intend to provide their local customers high-speed data services by teaming with one of the so-called "data CLECs" that specialize in DSL-based data services. Verizon's failure to provide this combination of elements is in and of itself a sufficient reason to deny this application.

III. THE PUBLIC INTEREST WOULD NOT BE SERVED BY GRANTING THIS APPLICATION.

Verizon has failed to demonstrate that its entry into the in-region long-distance market is in the public interest. As a direct consequence of network element pricing that is neither cost-based nor forward-looking, Verizon does not presently face substantial residential local competition in Massachusetts. If Verizon is allowed to enter the long-distance market now, any incentive it has to improve its pricing and the competitive situation in its local market will disappear. On the other hand, long-distance customers would see only marginal benefits as a result of Verizon's entry into that market. On balance, therefore, the public will be much better served by denying this application and requiring Verizon to open its local market before it wins long-distance entry.

A. Legal Standard.

The term "public interest" in a regulatory statute "takes meaning from the purposes of the regulatory legislation." NAACP v. FPC, 425 U.S. 662, 669 (1976). The Act is premised on the public policy judgment that competition is superior to regulation in efficiently allocating resources and maximizing consumer welfare in the telecommunications market.[91] The Act relies upon competition in the local exchange market to bring benefits to consumers in that market and to minimize the ability of incumbent local exchange firms to engage in anticompetitive conduct in all telecommunications markets. Congress thus intended that in making the various public interest determinations required under the Act the Commission would consider whether the proposal at issue "will promote competition." Conf. Rep. No. 104-458, at 113 (Jan. 13, 1996). The public interest test thus serves as a critical "reality check" to ensure that local markets are truly open to competition before in-region long-distance entry is permitted.

The Commission has therefore properly concluded that the public interest test requires "an assessment of whether all procompetitive entry strategies are available to new entrants," and whether "the BOC has undertaken all actions necessary to assure that its local telecommunications market is, and will remain, open to competition." MI Order ¶¶ 386-387.

91/ The Conference Report explained that the Act was intended

> to provide for a pro-competitive, deregulatory national framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition. . . .

Conf. Rep. No. 104-458, at 113 (Jan. 31, 1996).

Critically, the Commission also has made clear that competitive pricing is "a relevant concern in [its] public interest inquiry under section 271(d)(3)(C)." Id. ¶ 287.

B. The State of Local Competition.

1. Local Residential Competition in Massachusetts is Lacking.

While the Commission has eschewed reliance on a metrics test, it has recognized that the absence of actual competition in large segments of a market is critical in the evaluation of whether BOC authorization to offer long-distance services in its region is in the public interest. [FCC Cite] As the Department of Justice explained, "[t]he lack of competitive entry into local markets, however, suggests that local markets are not yet fully open, and it will be necessary to ask why entry is not occurring." DOJ OK Eval. 43.

Verizon faces de minimis local residential competition in many parts of Massachusetts. Most customers in Massachusetts lack a viable alternative to Verizon for local exchange service. According to Verizon's own figures, there are only 5,900 UNE-P residential lines in Massachusetts, which means that only 0.2% of the state's residential consumers receive UNE-P-based services. This is a trivial number of lines – WorldCom and AT&T provision more UNE-P lines than that in Texas, New York and Pennsylvania on a typical day. See Proferes Decl. ¶ 23. Even crediting Verizon's numbers, CLEC residential customers amount to less than 3 percent of the nearly 3 million residential lines served by Verizon at the end of 1999. See Kelley Decl. ¶ 9. These numbers demonstrate that the state of competition in Massachusetts is far from vibrant, but instead are a clear indication that many parts of the local exchange market in Massachusetts are effectively closed.

Massachusetts is a state that would be high on WorldCom's entry list if the barriers to entry were removed.[92/] Massachusetts consumers are missing out on the very real benefits local competition brings. Individual savings vary with usage and customer location, but WorldCom local residential customers in New York, for example, who subscribe to a flat rate plan can save 40% over Bell offerings. See id. ¶ 10.

Moreover, most of WorldCom's new residential local customers have chosen WorldCom as their carrier for both local and long distance services, increasing their convenience and savings. Customers who choose WorldCom to carry their intrastate toll as well as interstate long distance receive the same low rates for both, minimizing confusion. In addition to the local savings reported above, they also receive access to the lowest WorldCom long distance rates.

WorldCom has also recently launched an innovative "all distance" product, OneCompany Advantage, which includes unlimited local calls, long distance calls at seven cents/minute, and one hour of free calling on Sunday, among other features. Another version of this product offers the same features as well as 200 free minutes of long-distance each month. Customer reaction to this innovative product has been outstanding. Verizon makes dubious claims about the consumer benefits of its long-distance entry, but the fact remains that WorldCom's bundled product offers both better long-distance and better local rates than Verizon's in New York and SBC's in Texas. See Proferes Decl. ¶¶ 13-21. It is hardly surprising that consumers benefit more when regulators pry open the monopoly local market than when they allow an additional competitor into the already competitive long-distance market.

92/ Proferes Decl. ¶ 22.

2. The Absence of Residential Competition is Caused by Deficient UNE Pricing.

There is one overriding reason why most Massachusetts consumers are deprived of the benefits of local competition. Leasing unbundled elements from Verizon is currently the only feasible means of broad-based entry into Massachusetts, but existing UNE pricing makes such broad-based entry economically impossible. Proferes Decl. ¶¶ 22-32. The UNE platform offers CLECs flexibility to offer innovative products to consumers that resale does not, and permits pervasive market entry, which pure facilities-based offering does not. Id. ¶ 8.

As indicated above at supra pp. 31-33, in Massachusetts, a price squeeze prevents WorldCom from entering the local exchange market. Under the rates approved by the Massachusetts Commission, even as improved with the Z-Tel switching discount, WorldCom would lose on average $4.00 each month for each customer it served, even before it considered its costs. When those internal costs are considered, they reflect that UNE service in Massachusetts is a losing proposition of staggering proportion. Proferes Decl. ¶ 25

Because WorldCom and other CLECs who would use UNE-P are prevented from profitably entering the Massachusetts local market due to the entry barriers erected by Verizon, Verizon's application to enter the long-distance market is contrary to the public interest. Getting the unbundled network element prices right prior to long-distance entry involves far less regulatory oversight than attempting to address after the fact the anticompetitive behavior that will occur due to premature entry. Once Verizon is authorized to enter the long-distance market, its incentives to cooperate with regulators and its rivals evaporate.

3. Neither Cable Telephony Nor Resold Services Provide Broad-Scale Competition Within Massachusetts' Residential Market.

Neither cable telephony nor resale provide an answer to the problem created by the absence of UNE-P competition in Massachusetts. The evident problems with cable are its limited reach and lack of consumer acceptance. Verizon states that AT&T serves 2.1 million cable subscribers with a cable network that passes 80% of all Massachusetts households and "has been upgraded to provide telephony services." Taylor Decl. ¶ 19 & Att. A. But both of these assertion are false. According to the DTE's own figures, AT&T has only 60% of the 1.9 million Massachusetts cable subscribers.[93] More importantly, much of AT&T's cable plant has not been upgraded to provide telephone service. In truth, AT&T's cable telephony product is available to no more one-third of the households in Massachusetts, Kelley Decl. ¶ 23, and less than 3% of residential lines are currently served through cable telephony. Id. ¶ 20.

Verizon's claim that AT&T can provide cable telephony to 80% of the households in Massachusetts is based on a pair of assumptions that Verizon must know to be false. First, Verizon apparently has supplemented AT&T's cable subscribership by counting as AT&T's the network of an entirely different company – Cablevision. It is true that AT&T and Cablevision have announced their intention to "swap" cable properties, and if that swap occurs, then AT&T will have approximately an 80% share of Massachusetts cable television subscribers. But as yet, there is no evidence that AT&T has even reached a formal agreement with Cablevision, let alone completed the transaction.

Second, and more troubling, Verizon falsely states that a combined AT&T/Cablevision network is already fully upgraded for telephony. The truth is that AT&T has not yet even

93/ See spreadsheet at http://www.magnet.state.ma.us/dpu/catv/index.htm completed the upgrade of its own network. Moreover, there is no evidence that any part of the Cablevision network is ready to provide telephony. The upgrading of cable networks to provide telephony is a costly, time-consuming operation. It will in all probability take some time to complete the upgrade that Verizon casually asserts has already occurred. Kelley Decl. ¶¶ 20-23.

Even where cable telephony is available, it provides only a second choice for consumers in addition to Verizon, while UNE-P permits multiple competitors. And even when fully upgraded, cable will never provide ubiquitous service because cable does not go everywhere – rural portions of Massachusetts have no cable TV and little prospect of ever having cable telephony. Nor is it likely that cable facilities, much less cable telephony, reach all the households even in areas generally served by cable. For all of these reasons, cable is not a sufficient alternative to UNE-P service.

The resale story is even less attractive. The Commission has recognized that resale presents fewer competitive opportunities for CLECs than UNE service, noting the inability of resellers to offer products that are not offered by incumbent LECs and the limited ability of resellers to differentiate their products from those offered by incumbent LECs on the basis of price. First Report and Order, ¶ 322. Practical experience confirms this conclusion: WorldCom has learned in New York and Texas that popular competitive products are those that are different from the Bell's products.[94/] The Department of Justice's economic expert also concluded that resale is a less attractive entry alternative that is less effective in disciplining the behavior of incumbents and exerting downward pressure on retail prices than UNE-P entry.[95/]

94/ Kelley Decl. ¶ 11.

95/ Schwartz Decl. ¶ 177 ("Competitive Implications of Bell Operating Company Entry Into Long-Distance Telecommunications Services"), attachment to DOJ Okla.Eval.

The experience thus far in Massachusetts demonstrates that resale is an unprofitable entry mode for CLECs. Resale has attracted less than 5% of the state's residential and business customers, and most of those customers are business customers. This is an especially insignificant showing given the fact that resale has been available since 1996 at prices that compare favorably to Massachusetts' UNE prices. Kelley Decl. ¶ 11. The fact remains that resale pricing, even "good" resale pricing, does not allow for profitable entry.[96/] Nor is resale an effective provisional strategy – allowing entry until there are either competing facilities or cost-based UNE prices. The cost of constructing resale OSS, and then the cost of converting customers to some other system after it is made available, is simply too high. Id.

4. Granting This Application Will Not "Force" CLECs Into Massachusetts.

In a last-ditch effort to persuade the FCC that entry will lead to some public benefit, Verizon speculates that if the FCC grants this application it will "forc[e]" WorldCom to "get off the dime" and compete in the Massachusetts residential market. Verizon Br. at 61; see also Taylor Decl. ¶ 22. Verizon evidently assumes that WorldCom will take this step because it will view the losses that it will suffer in local markets as a fair price to pay to retain long-distance and intra-LATA toll customers.

But the record establishes that it is not fear of erosion of long-distance and intraLATA toll customers that has dictated WorldCom's local market entry decisions, but the existence of working OSS and competitive wholesale prices in the local market.

WorldCom entered the New York local market in December 1998, and the Pennsylvania market in August 2000, a full year before Verizon won long-distance authority in New York and

---

96/ Id.; Proferes Decl. ¶ 8.

well before Verizon applied for such authority in Pennsylvania. Similarly, WorldCom began its development efforts in Texas many months prior to SBC's first section 271 application in that state. The fact of the matter is that Bell long-distance entry or no, WorldCom wants the growth and profits that local residential markets offer, and where there is competitive pricing and working OSS, WorldCom will take advantage of these opportunities. Proferes Decl. ¶ 35.

Equally false is Verizon's related claim that to protect their long-distance base WorldCom and the other long-distance carriers will have no choice but to enter markets like Massachusetts once Verizon long-distance entry is granted. Once again, WorldCom's actual market behavior disproves that proposition, because WorldCom is not in fact soliciting local customers in significant portions of New York and Texas, and all of Connecticut where the pricing does not support local entry, even though Verizon, Southwestern Bell and SNET, respectively, are actively competing for WorldCom's long-distance customers in these same sections of these states. Id. ¶ 36.

If WorldCom is not willing to compete for millions of New York consumers in the face of Verizon competition where it anticipates its gross margin would be a positive $4.70/customer/month, there is no reason to think Verizon's section 271 entry will "force" WorldCom to compete for Massachusetts' local residential customers when the anticipated statewide gross margin for all but 2% of the population that live in downtown Boston is below that number. See Proferes Decl. ¶ 44.[97/]

97/ This is especially so when there is no added capital cost of attracting rural New York and Texas customers, since WorldCom has products and systems in place and is providing local service in the state.

C. The State of Long Distance Competition.

While large segments of the Massachusetts local residential market remain tightly shut, "in the long-distance arena, the marketplace is competitive and robust."[98/] Consequently, consumers do not necessarily benefit when an additional competitor is added to the long-distance market, and Verizon's claim that the experience in New York proves otherwise is based on a selective, misleading and outdated set of comparisons about long-distance competition in New York. See Proferes Decl. ¶¶ 13-21; Kelley Decl. ¶ 53.

On the other hand, the potential risks to long-distance competition of premature entry by Verizon are substantial. As the Commission has recognized, authorizing a BOC to enter the in-region long-distance market reinstates the anticompetitive incentives that historically repressed competition in the long-distance market. See In re Access Charge Reform, CC Docket No. 96-262, First Report and Order, 12 F.C.C.R. 15982, ¶ 278 (1997). In the absence of significant local competition, Verizon will have the incentive and ability to withhold its cooperation from long-distance competitors, drive up its competitors' costs, and reduce the quality of service its competitors provide to customers. An open local exchange market will best prevent competitive harm to the long-distance market by in-region entry by Verizon.

In sum, the harm to consumers resulting from Verizon's premature entry into the local market greatly outweighs the marginal gain to consumers from having another long-distance carrier to choose from. For that reason, it does not serve the public interest to grant this application now.

98/ Oral Testimony of William E. Kennard, Chairman, FCC, Before the Senate Commerce Comm., 1999 WL 332555, at 5 (rel. May 26, 1999).

CONCLUSION

Verizon Massachusetts' application should be denied.

Respectfully submitted,

Mary Brown

Mary L. Brown
Keith L. Seat
Henry G. Hultquist
Elizabeth Yockus
WORLDCOM, INC.
1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006

(202) 887-2993

Mark D. Schneider
Nory Miller
Milton Marquis
Paul W. Cobb, Jr.
Marc A. Goldman
Jeffrey I. Ryen
Elena N. Broder-Feldman
JENNER & BLOCK
601 13th Street, N.W., Suite 1200
Washington, D.C. 20005

(202) 639-6000

Anthony C. Epstein
STEPTOE & JOHNSON LLP
1330 Connecticut Avenue, N.W.
Washington, D.C. 20036

(202) 429-8065

October 16, 2000

CERTIFICATE OF SERVICE

I, Mark D. Schneider, hereby certify that I have this 16th day of October, 2000, caused a true copy of Comments of WORLDCOM, Inc. and Appendices to be served on the parties listed below:

Josh Walls
Department of Justice
Telecommunications Task Force
Antitrust Division, Suite 8000
1401 H Street, N.W.
Washington, D.C. 20530
(Via Hand Delivery)

Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
(Via Hand Delivery)

Henk Brands
Kellogg, Huber, Hansen, Todd
& Evans P.L.L.C.
1301 K Street, N.W.
Suite 1000 West
Washington, D.C. 20005
(Via Hand Delivery & Email)

Thomas Reilly
Attorney General, Massachusetts
200 Portland Street
4th Floor
Boston, MA 02114
(Via Federal Express & Email)

Cathy Carpino
Massachusetts Dept. of Telecommunications
and Energy
One South Station
Boston, MA 02110
(Via Federal Express & Email)

Janice M. Myles
Common Carrier Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554
(Via Hand Delivery)

ITS, Inc.
The Portals
445 12th Street, S.W.
Washington, D.C. 20554
(Via Hand Delivery)

Mark D Schl

Mark D. Schneider

RECEIVED

OCT 16 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of	)	
	)	
Application by Verizon New England Inc.	)	
Bell Atlantic Communications, Inc.	)	
(d/b/a Verizon Long Distance), NYNEX	)	CC Docket No. 00-176
Long Distance Company (d/b/a Verizon	)	
Enterprise Solutions), and Verizon Global	)	
Networks Inc., for Authorization to Provide	)	
In-Region, InterLATA Services in Massachusetts	)	
	)	

APPENDIX TO COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN MASSACHUSETTS

October 16, 2000

TABLE OF DECLARATIONS

TAB	DECLARANT	SUBJECT
A	Joint Declaration of Patricia Proferes, John Nolan, Paul Bobeczko, and Thomas Graham	Competitive Requirements
B	Declaration of Mark T. Bryant	Pricing
C	Declaration of Karen A. Kinard	Performance Remedy Plan
D	Joint Declaration of Patty Kwapniewski and Sherry Lichtenberg	Operations Support Systems
E	Declaration of Dan Kelley	Public Interest

TABLE OF ADDITIONAL EXHIBITS

TAB	DESCRIPTION
F	Order, Massachusetts D.T.E. 98-57-Phase III, Investigation by the Department on its own motion as to the propriety of the rates and charges set forth in M.D.T.E. No. 17, filed with the Department by Verizon New England, Inc. d/b/a Verizon Massachusetts on May 5 and June 14, 2000, to become effective October 2, 2000 (DTE issued Sept. 28, 2000)
G	Sept. 27, 1999, letter from Lawrence E. Strickling, Chief, Common Carrier Bureau, to Nancy E. Lubamersky, U S West

A

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

In the Matter of	)	
	)	
Application by Verizon New England Inc.,	)	
Bell Atlantic Communications, Inc.,	)	
(d/b/a Verizon Long Distance), NYNEX	)	CC Docket No. 00-176
Long Distance Company (d/b/a Verizon	)	
Enterprise Solutions), and Verizon Global	)	
Networks Inc., for Authorization to Provide	)	
In-Region, InterLATA Services in Massachusetts	)	

JOINT DECLARATION
OF PATRICIA PROFERES, JOHN NOLAN,
PAUL BOBECZKO, AND THOMAS GRAHAM
ON BEHALF OF WORLDCOM, INC.

Based on our personal knowledge and on information learned in the course of our duties, we, Patricia Proferes, John Nolan, Paul Bobeczko, and Thomas Graham declare as follows:

1. My name is Patricia Proferes. I am the Vice President of Local Markets for WorldCom. In that position, I am responsible for the overall marketing strategy for all of WorldCom's local consumer and small business-related products, including our integrated local and long distance offering, OneCompany Advantage, and "unbranded" products like 1-800-COLLECT and 10-10-321. I have worked for WorldCom (or its predecessor MCI) in a variety of sales and marketing positions throughout the company.

2. My name is John Nolan. I am the Vice President of Finance for the Mass Markets Division of WorldCom. In that position, I am responsible for Business Planning and

Analysis, Local Business Development, and Operational Reporting. I have been with the company for ten years working in various finance management positions.

3. My name is Paul Bobeczko. I am the Director of Local Business Development for the Mass Markets Division of WorldCom. In that position, I am responsible for, at a national level, the financial planning, operational and business analysis, and new market development in support of WorldCom's entry into the residential local business. I have been with WorldCom for almost 9 years and have served in a number of finance positions at the Corporate level as well as in Mass Markets. I have been dedicated to supporting our local efforts for the last four years.

4. My name is Thomas Graham. I am the Vice President of Business Development and Analysis for WorldCom. In that position, I am responsible for evaluating and approving capital, marketing, and sales programs for consumer and small business long distance related products and services. I have worked for WorldCom (and its predecessor MCI) for 9 years in a variety of financial positions throughout the company.

5. The purpose of our declaration is to explain why local service is critical to WorldCom's plans for the residential market, where WorldCom stands today in competing to provide both local and long distance residential services, and how Massachusetts' network element pricing makes widespread competition in Massachusetts' residential markets impossible.

WorldCom's Plans to Compete in the Local Residential Market

6. A strong local presence is critical to WorldCom's competitive success in providing service to residential customers. Many residential customers are seeking fully integrated telecommunications services, from local to long distance to Internet access, and

everything in between. Customers also seek the opportunity to benefit from new and innovative products and to save on their telephone bills. WorldCom wants to be a fully integrated telecommunications provider, able to fulfill all of its customers' telecommunications needs. Offering a package of services, including local, is critical to building on WorldCom's existing customer base. WorldCom also seeks profitable revenue growth, and extending its mass market long distance line of business into local service is a natural and attractive way to obtain that growth.

7. Consistent with these goals, WorldCom has devoted substantial resources and effort to entering the local residential markets in New York, Texas, and Pennsylvania, and has aggressive plans to expand its local residential presence into other states -- including *** *** -- where and when local conditions make entry reasonably possible. For reasons that we will explain in this declaration, however, Massachusetts is not yet on WorldCom's list of states targeted for entry because of unworkable UNE pricing.

<u>WorldCom's UNE-P Mode of Entry Into Local Markets</u>

8. UNE-P, the combination of all unbundled elements necessary to provide local service, is the only service entry vehicle that WorldCom uses to offer local residential service throughout the country, and it is the only service delivery vehicle that WorldCom currently views as even potentially viable.[1/] The UNE-P mode of entry provides WorldCom with greater flexibility to offer innovative products to consumers than resale, and permits much faster

1/ MCI initially entered several markets using resold services, which was an experience that was both unsatisfactory and unprofitable. WorldCom still has a small base of resale customers left over from this initial effort.

and more pervasive market entry than a pure facilities-based offering. Moreover, when UNE prices are set at truly cost-based rates, they generally allow CLECs to compete profitably with the ILECs. WorldCom used UNE-P to offer residential service in New York beginning late in 1998, and in Texas and Pennsylvania this year. In contrast, our experience with the Act's resale discount is that it does not allow for profitable entry. If barriers to entry such as anti-competitive pricing and discriminatory OSS are eliminated, WorldCom will use UNE-P to enter residential markets throughout the country.

9. WorldCom's experience with UNE-P-based service demonstrates just how eager customers are for competition. Since entering the market in New York with its UNE-platform based offering, WorldCom has sold hundreds of thousands of residential lines, and now has *** *** customers. We have also achieved success in Texas despite obstacles to effective competition: Since WorldCom's market launch in April 2000, its customer base has grown to *** ***.

10. Competition from CLECs such as WorldCom is bringing savings and new choices to consumers. Individual savings vary with usage and customer location, but to take just one example: In New York, WorldCom's flat rate local residential service with unlimited calling is $19.99 per month, whereas according to Verizon's website, Verizon's best unlimited local calling plan is $33.95 per month.[2/] Local residential customers who want unlimited calling

---

2/ Verizon's "Standard Unlimited Local Package" also includes 3 vertical features. See http://www.bellatlantic.com/foryourhome/NY/Products/LPX-02/index.html (downloaded Oct. 5, 2000). Also, Verizon may have other unlimited calling plans that are not promoted on the website.