US OFFICE PRODUCTS

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),	)	CC Docket No. 00-176
NYNEX Long Distance Company	)	
(d/b/a Verizon Enterprise Solutions),	)	
and Verizon Global Networks Inc., for	)	
Authorization To Provide In-Region,	)	
InterLATA Services in Massachusetts	)	

REPLY DECLARATION OF MAURA C. BREEN

1. My name is Maura C. Breen. I submitted a Declaration in this proceeding on September 18, 2000. My qualifications are set forth in that Declaration.

2. I am filing this declaration in response to the Joint Declaration of Patricia Proferes, John Nolan, Paul Bobeczko, and Thomas Graham on Behalf of WorldCom, Inc. ("Proferes Decl."), which disputes claims I made in my initial declaration regarding the pro-competitive effects that Verizon has had on the long distance marketplace in New York. As I explain below, their comments in no way refute my claim that Verizon's entry into the New York long distance market has been a boon to consumers.

3. Verizon offers New York residents a range of plans superior to those offered by WorldCom, AT&T, and Sprint for almost every type of residential caller and continuously updates its offerings to meet the needs of consumers. For example, Verizon recently reduced the rates in its "Best Times" calling plan on October 16, 2000. That plan now offers customers rates of 7 cents per minute during peak hours (reduced from 10 cents) and 5 cents per minute during off-peak hours and weekends, with a monthly fee

of only $4.75 (reduced from $5.95). The peak hours for the Best Times plan, 8 a.m. to 5 p.m., remain shorter than those for comparable plans from AT&T, Sprint, and WorldCom. See Breen Decl. ¶ 21.

4. WorldCom challenges my claim that low-volume callers save money using Verizon's "Timeless" plan rather than its "7 Cents Anytime" plan. See id. ¶ 17; Proferes Decl. ¶ 13. WorldCom contends that the proper comparison is to its "9 Cents Anytime" plan, which it states is "preferable at most levels of usage to the Verizon 'Timeless' plan." See Proferes Decl. ¶ 13. Yet, anyone who makes an average of fewer than 50 minutes of calls per month would save money by using the Timeless plan, because WorldCom's plan requires subscribers to pay at least $5 each month regardless of long distance usage, while the Timeless plan has no monthly calling plan fee or minimum usage fee. See Att. A, Fig. 1. Low volume customers make up a sizeable part of the market; in 1998, 41% of households made 10 minutes or less of long distance calls per month.[1] These consumers would obtain substantial savings under the Timeless plan.

5. The same is true when comparing other Verizon and WorldCom plans: in each instance, as the TRAC study found, consumers would almost always do better by switching to a Verizon plan. See Breen Decl. ¶¶ 12-13. WorldCom claims the study is invalid because it uses information from June 2000, it allegedly assumes too low a percentage of calls during peak hours, and it allegedly assumes "abnormally high levels of directory assistance and calling card usage." Proferes Decl. ¶¶ 18-19. However,

[1] FCC Press Release, *FCC Reduces Access Charges by $ 3.2 Billion; Reductions Total $ 6.4 Billion Since 1996 Telecommunications Act; Monthly Minimum Usage Charges Eliminated for Immediate Savings for Consumers*, May 31, 2000.

Verizon's plans are better for almost all consumers using today's plans, regardless of the volume of peak usage, and ignoring directory assistance and calling card calls.

6. As noted above, Verizon's Timeless plan is superior to WorldCom's 9 Cents Anytime plan for low-volume customers. See Att. A, Fig. 1. So too is Verizon's "SmartTouch" plan, which offers consumers a rate of 8 cents per minute, twenty-four hours a day, with no minimum charges. See id., Fig. 2. Timeless and SmartTouch are also superior to WorldCom's "7 Cents Anytime" plan, which has a $3.95 monthly fee, for customers making fewer than 130 and 394 minutes per month of long distance calls, respectively. See id., Figs. 1-2. Verizon's revised Best Times plan is superior to the 7 Cents Anytime plan for any customer making more than 40 minutes of calls during off-peak hours or on the weekend. See id., Fig. 3. The revised Best Times plan is also superior to WorldCom's "MCI Weekends" at any level of calling volume. See id. Finally, both companies offer identical long distance plans through their web sites — Verizon's "e-Values" and WorldCom's "Net Savings."

7. In any event, WorldCom's criticism of the TRAC study is interesting for what it reveals about competition in the marketplace. If long distance plans have changed so substantially since June that the TRAC study no longer offers an accurate picture of the marketplace, then it seems clear that the market has become more dynamic and more competitive following Verizon's entry. Further, Verizon must be offering customers rates on directory assistance and calling card calls that are better than WorldCom's, otherwise an overestimate of customers' usage of those features would not result in increased savings from the use of Verizon's plans. See Breen Decl. ¶ 10 (describing Verizon's calling card rates). WorldCom's attacks on the TRAC study are

simply additional evidence that Verizon's entry into the long distance market has benefited consumers.

8. But Verizon has also brought further benefits to the long distance market in New York. Verizon's innovative approach to long distance — reducing the peak calling period, relieving low-volume callers from the expense and confusion of recurring monthly charges and monthly minimums, using a discount plan as the default plan, and introducing pre-paid long distance without special access codes — has caused its competitors to revamp their offerings. AT&T dramatically redesigned its long-distance plans in June and WorldCom did the same in August, when it launched 7 Cents Anytime, 9 Cents Anytime, and MCI Weekends. See Breen Decl. ¶ 15; Proferes Decl. ¶ 17.

9. In other words, Verizon's entry into the long distance market in New York has compelled its competitors to rethink their plans and to reduce their rates — all to the benefit of consumers in New York. And Verizon, in turn, has been forced to revise its plans to remain competitive, as evidenced by the recent rate reduction in the Best Times plan. Approval of Verizon's application would bring these same benefits to Massachusetts consumers.

10. Indeed, the likelihood of Verizon's entry into the New York market was sufficient to give WorldCom reason to reduce the rates on its Net Savings plan. See Breen Decl. ¶ 24. In light of the timing of that reduction, WorldCom's claim that Verizon's application for entry into the long distance market in New York had nothing to do with its decision is implausible, to say the least. See Proferes Decl. ¶ 14. WorldCom reduced its rates a mere three weeks before the FCC approved Verizon's application. See id. At that point, acceptance of Verizon's application and its imminent entry into the

market was widely anticipated.[2] In Massachusetts, AT&T officials responded to Verizon's application for 271 approval by announcing that it "hope[s] to offer their local broadband telephone customers this fall long-distance plans with no monthly fees and no minimum."[3] In any event, WorldCom's decision, a few months after Verizon entered the market in New York, to eliminate the $5 monthly minimum charge on its Net Savings plan was clearly designed to bring that plan into line with Verizon's e-Values plan, which has no monthly minimum.

11. Verizon's entry into the long distance market has also brought consumers reduced in-state long distance rates. Although WorldCom might charge rates of 10 cents per minute in Massachusetts, it does not dispute that customers on its flagship plan, 7 Cents Anytime, pay 14 cents per minute for in-state long distance calls in New York. See Breen Decl. ¶ 23; Proferes Decl. ¶ 17. Verizon's rates for in-state long distance, by contrast, range from 5 to 10 cents per minute, depending on a customer's plan and the time a call is placed.[4]

12. WorldCom, however, mistakenly claims that its recently introduced "One Company Advantage 7" plan offers consumers a better package of local and long distance service than is available from Verizon. See Proferes Decl. ¶ 16. WorldCom's

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[2] *See* Sandra Guy, *Bellwether Plan — What Will Bell Atlantic Do If The FCC Says Yes to Long Distance?*, tele.com (Nov. 22, 1999).

[3] P. Howe, *Here Comes Phone Fight*, Boston Globe, Sept. 10, 2000, at D1.

[4] In-state long distance rates for specific plans are as follows:

- e-Values: 9 cents/minute during the week; 5 cents/minute weekends
- SmartTouch: 8 cents/minute 7 days a week
- Timeless: 10 cents/minute 7 days a week
- Best Times: 7 cents/minute peak hours (8 a.m.-5 p.m.) during the week; 5 cents/minute off-peak hours during the week and all weekend

plan, priced at $24.99 per month, provides customers with unlimited local calling. By contrast, what WorldCom describes as Verizon's "comparable" plan gives customers unlimited local calling *plus* three value features, such as call waiting, Caller ID, and call forwarding, along with unlimited directory assistance for $33.95 per month. When those three features are added to WorldCom's OneCompany Advantage 7 plan, the total cost is $40.98 per month,[5] which is significantly more expensive than Verizon's plan and still does not include unlimited directory assistance calls.

13. Thus, a true comparison of Verizon's feature rich Standard Unlimited Local Package with WorldCom's One Company Advantage 7 — in which both have the three value features described above — shows the benefits of Verizon's plans. Adding Verizon's Best Times plan to its Standard Unlimited package would bring a customer's total monthly fee to $38.70, which is still less than the nearly $41 per month WorldCom charges. A customer choosing this combination from Verizon would pay less per month for the same package of local calling features than if she chose WorldCom's One Company Advantage 7 and would also receive free directory assistance calling and better long distance rates.

14. Another Verizon innovation, of great benefit to consumers, is the decision to use a discount plan, Timeless, as the default for customers who do not select a plan. See Breen Decl. ¶ 18. Although WorldCom is correct that Verizon has a "Plan A Service," see Proferes Decl. ¶ 15, Verizon does not actively market the plan and it is offered and provided only to those customers who explicitly request it. Not surprisingly,

[5] According to a WorldCom service representative, the prices for those value services are $4.93, $7.12, and $3.94, respectively. Telephone Interview with WorldCom Service Representative "Penny" (Denver, CO), Nov. 1, 2000, 9:50 a.m.

only 973 of the over 1.2 million lines (less than 0.1 percent) subscribed to Verizon long distance are on this plan. Moreover, a high percentage of the 973 lines are provided, at a 50 percent discount, to hearing-impaired persons needing TTY service. With the discounted rates —15 cents per minute for daytime calls, 10 cents per minute for evening calls, and 5 cents per minute for night and weekend calls — this plan can be a cost-effective choice over the default Timeless plan. By way of comparison, approximately 60 percent of AT&T's customers are not enrolled in any discount plan and are paying AT&T's incredibly high basic rates. See Breen Decl. ¶ 18.

15. In sum, the experience in New York confirms that the increased competition resulting from Verizon's entry into the long distance market reduces costs for consumers. If Verizon is allowed into the Massachusetts long distance market, consumers in that state will get to share in the benefits New York consumers have obtained. As in New York, Verizon will offer Massachusetts consumers an innovative mix of calling products that will provide significant savings and force competitors to revamp their local and long distance offerings.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on October 31, 2000

Maura C. Breen

Maura C. Breen

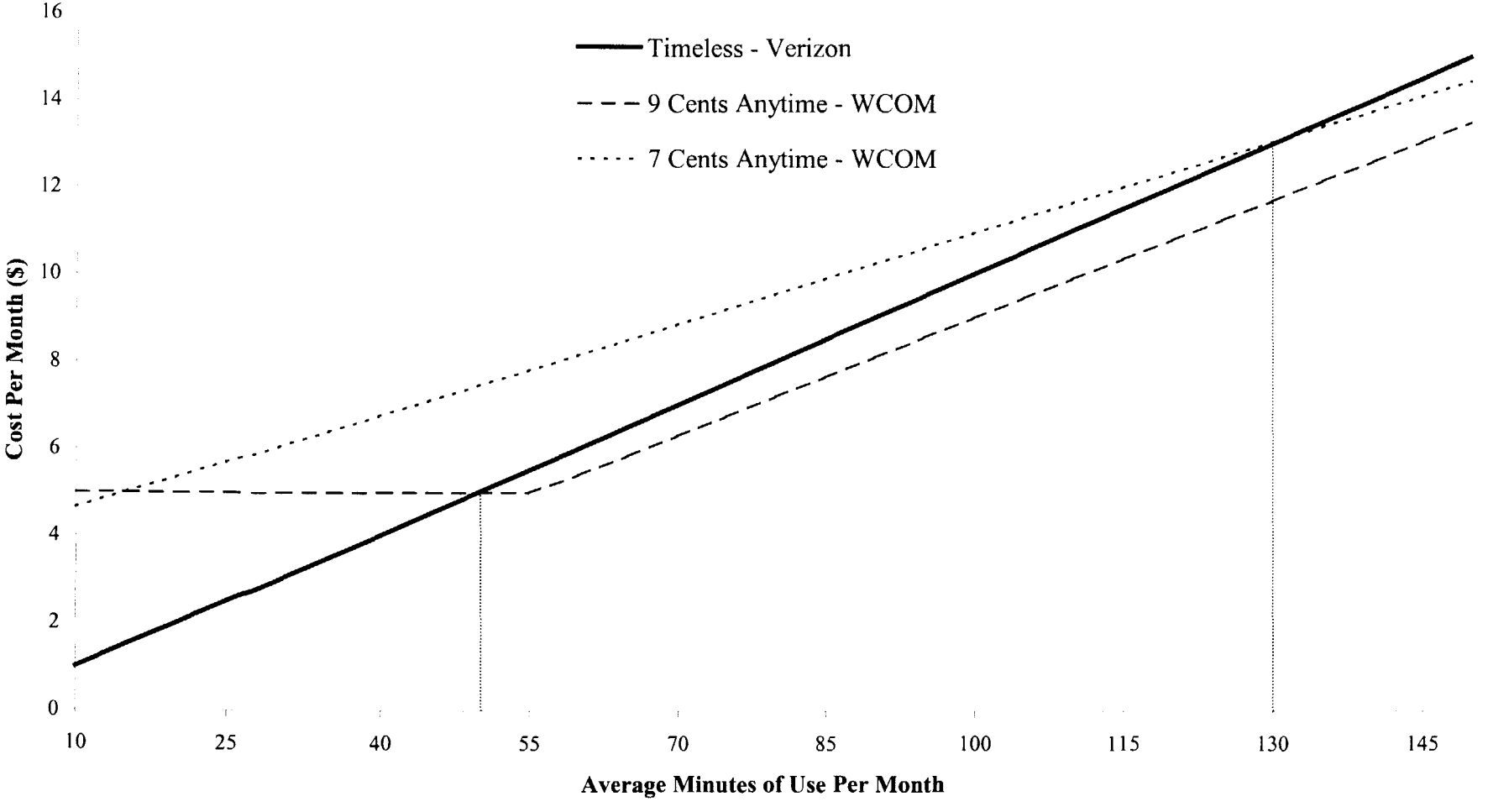
A

US OFFICE PRODUCTS

REPLY DECLARATION OF MAURA C. BREEN

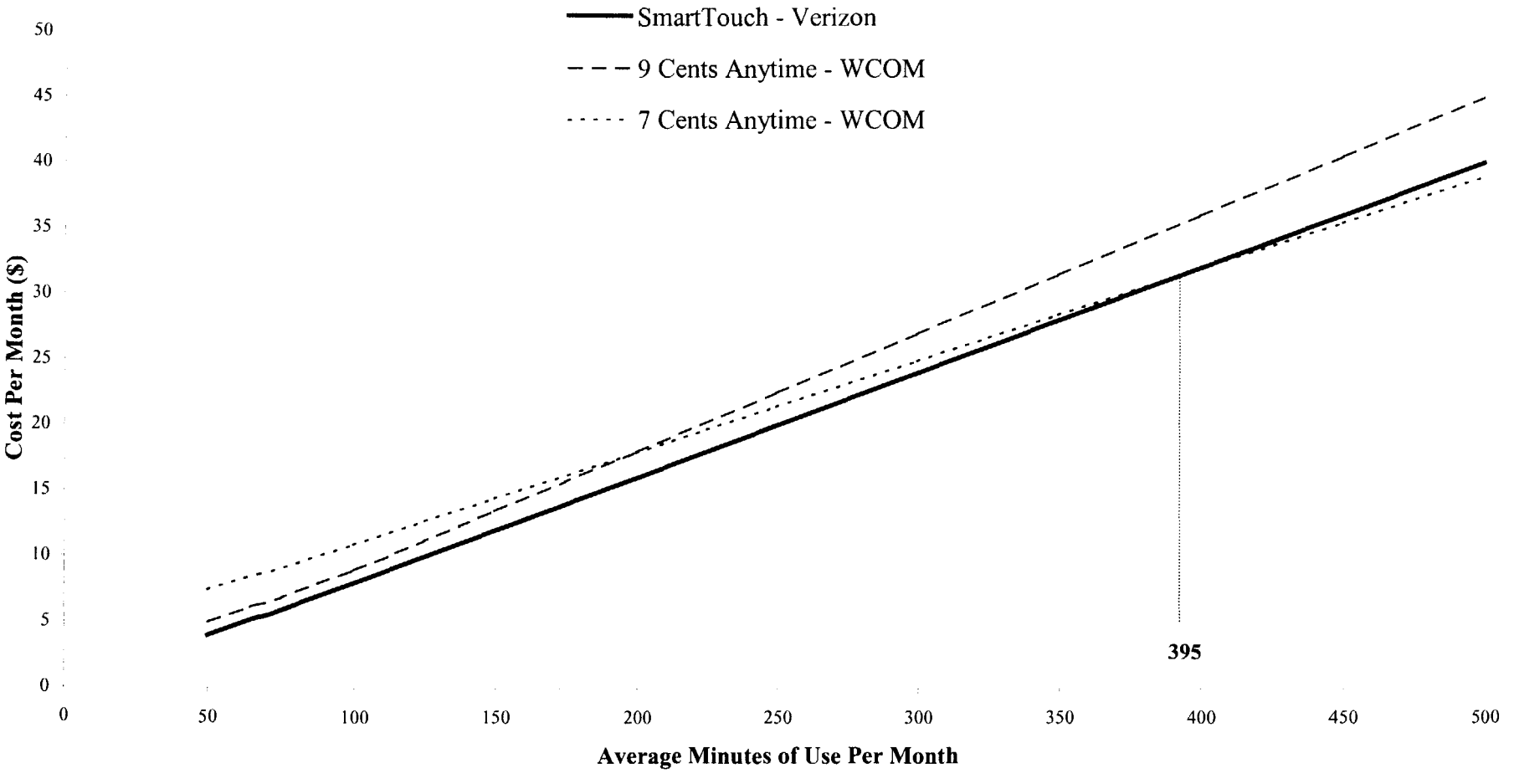
ATTACHMENT A

Figure 1. Verizon's Timeless vs. WorldCom's 9 Cents Anytime and 7 Cents Anytime



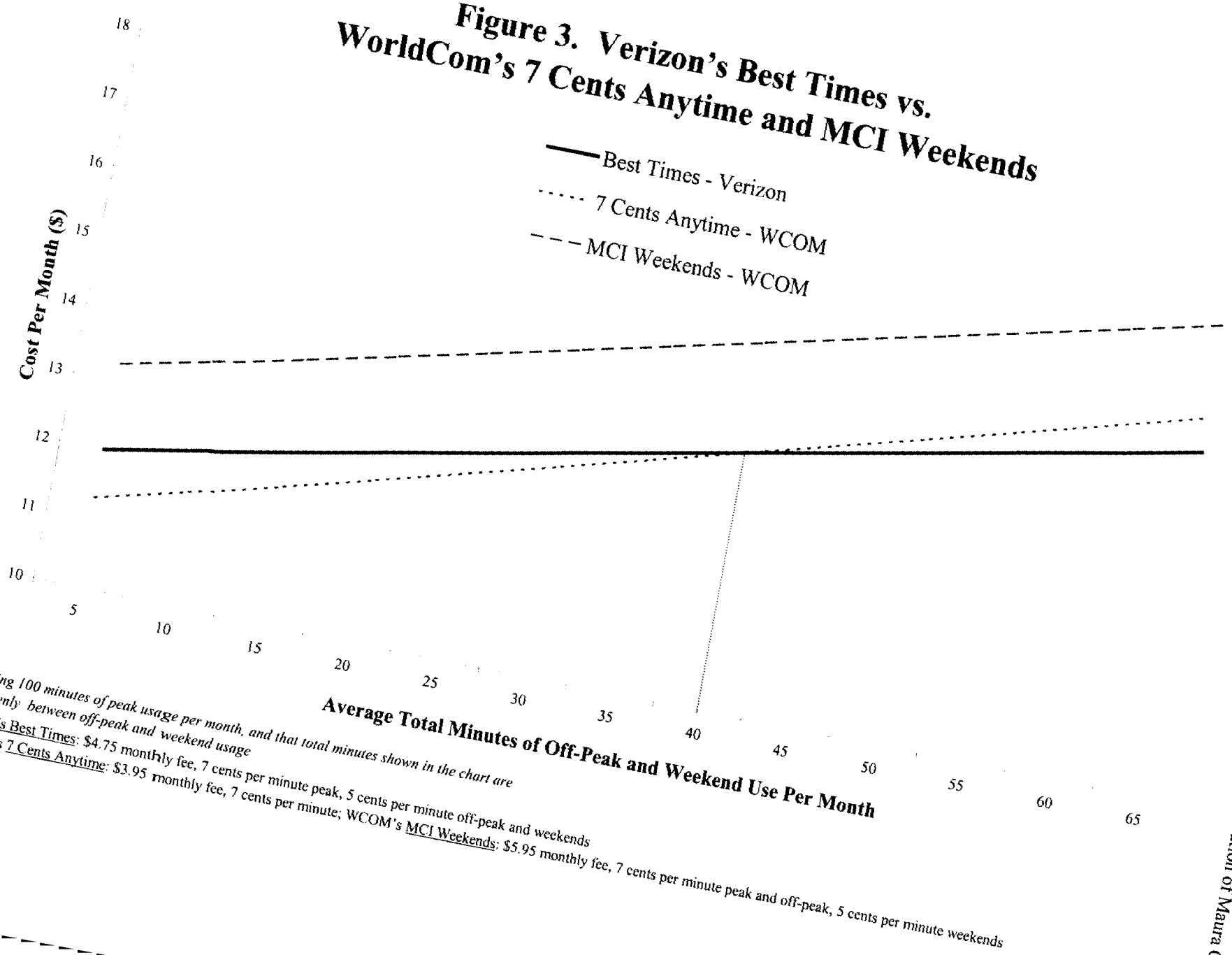
Timeless: No monthly fee or monthly minimum, 10 cents per minute
9 Cents Anytime: $5 minimum charge per month, 9 cents per minute; 7 Cents Anytime: $3.95 monthly fee, 7 cents per minute

Figure 2. Verizon's SmartTouch vs. WorldCom's 9 Cents Anytime and 7 Cents Anytime



SmartTouch: No monthly fee or monthly minimum, 8 cents per minute
9 Cents Anytime: $5 minimum charge per month, 9 cents per minute; 7 Cents Anytime: $3.95 monthly fee, 7 cents per minute

Figure 3. Verizon's Best Times vs. WorldCom's 7 Cents Anytime and MCI Weekends



Assuming 100 minutes of peak usage per month, and that total minutes shown in the chart are split evenly between off-peak and weekend usage

Verizon's Best Times: $4.75 monthly fee, 7 cents per minute peak, 5 cents per minute off-peak and weekends

WCOM's 7 Cents Anytime: $3.95 monthly fee, 7 cents per minute; WCOM's MCI Weekends: $5.95 monthly fee, 7 cents per minute peak and off-peak, 5 cents per minute weekends

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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	)	

REPLY DECLARATION OF WILLIAM E. TAYLOR

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I. INTRODUCTION

1. My name is William E. Taylor. I submitted a Declaration in this proceeding on September 22, 2000. My qualifications are set forth in that declaration.

2. Verizon has asked me—as an economist—to evaluate the merits of comments relating to the public interest by AT&T and WorldCom, and declarations by A. Daniel Kelley (for WorldCom), Patricia Proferes, John Nolan, Paul Bobeczko, and Thomas Graham (for WorldCom), and David J. Kowolenko (for AT&T).

II. VERIZON'S ENTRY INTO THE INTERLATA MARKET WILL INCREASE LOCAL AND TOLL COMPETITION.

A. Verizon's Entry into the InterLATA Market Will Increase Local Competition.

3. Verizon's entry into the long-distance market in Massachusetts will increase local competition. As I explained in my initial Declaration, customers' preferences for one-stop shopping and Verizon's competition for bundled services will induce interexchange carriers to increase their offerings of local services to retain their long-distance business. Taylor Decl. ¶¶ 16-23. I also showed that local competition in New York increased substantially after Verizon's long-distance entry in that state. *See* Taylor Decl. at ¶ 21. In the first seven months since Verizon's entry in New York, the number of facilities-based lines increased 36 percent, the number of UNE platform lines increased 258 percent, and the number of resale lines increased 18 percent. During the same period, the number of stand-alone loops increased by 154 percent, the number of collocation sites by 60 percent, the number of ported numbers by 149 percent, and the number of interconnection trunks by 37 percent. *See* Att. A.

4. Verizon's ability to offer one-stop shopping will increase the incentive that interexchange carriers have to enter or expand in the local market to meet that competition and share in the premium that customers are willing to pay for one-stop shopping. Proferes, *et al.*, deny that a local exchange carrier's entry into the long-distance market influences WorldCom's local entry and expansion plans. Proferes, *et al.* Decl. ¶¶ 34-37.

5. The trouble with this assertion is that it is not at all credible. Dr. Kelley, also on behalf of WorldCom, explains that many customers are willing to pay a premium to get their local and long-distance service from the same provider and that Verizon would take away customers who prefer one-stop shopping from interexchange carriers. Kelley Decl. Att. 3 at 4-5. It is not credible that WorldCom would not take into account this crucial factor in its local service entry decisions. WorldCom's behavior, and that of other large interexchange carriers, in New York and Texas belie the assertion that Verizon's entry into long distance would have no important effect on local exchange competition. The two states in which WorldCom, AT&T and Sprint have been actively submitting large volumes of orders to support their local mass market offerings are New York and Texas — the only two states where Bell Operating companies ("BOCs") have been allowed to enter the long distance market. *See* Taylor Decl. ¶ 21. Moreover, the implication of Dr. Kelley's assumption is that the presence or absence of the incumbent local exchange carrier in the long-distance market should make a substantial difference in the business cases that support WorldCom's entry decisions. So either one must reject the assertion of Proferes, *et al.* (*i.e.*, that a local exchange carrier's entry into the long distance market does not influence WorldCom's decision to enter the local market), or one must conclude that consumers' one-stop shopping preferences are too mild to affect market

outcomes, in which case we have another reason to reject Dr. Kelley's argument that customers' one-stop shopping preferences would give Verizon an important advantage.

B. Verizon's Entry into the InterLATA Market Will Increase Toll Competition.

6. My Declaration showed that Verizon's entry into the interLATA market will reduce long-distance prices. Taylor Decl. ¶¶ 6-15. Without support, Dr. Kelley asserts that the long-distance market is competitive. Kelley Decl. ¶ 53, Att. 3 at 3. To the contrary, the quantitative evidence is clear that the residential long-distance market is inadequately competitive, and consumers would benefit from the entry of an additional formidable competitor. The steady and substantial increase in long distance rates over the years demonstrates that the residential long distance market is not competitive. From 1991 to July 1999, AT&T raised basic interstate direct-dial rates by 204 percent.[1] Net of access charges and

[1] In 1994, AT&T raised basic residential interstate interLATA rates twice. The first increase was 6.3 percent in January 1994 (*AT&T Proposes $750 Million Rate Hike, New Calling Plan Aimed at High-Volume Residential Users*, Telecommunications Reports, January 3, 1994). The second increase was 3.7 percent in December 1994 (*AT&T and Rivals Boost Rates Further: Move Arms Critics Who Say Long Distance Market Needs More Competition*, Wall Street Journal, November 29, 1996 at A3). In 1995 the FCC reported, ". . . the record demonstrates that, since 1991, basic schedule rates for domestic residential service have risen approximately sixteen percent (in nominal terms), with much of the increase occurring since January 1, 1994." (*Motion of AT&T Corp. to Be Reclassified as a Non-Dominant Carrier*, Order, 11 FCC Rcd 3271, 3313 ¶ 81 (1995). Therefore, we deduce that AT&T increased rates by 1.16/(1.063*1.037)-1 = 0.05 from 1991 through 1993. AT&T raised basic rates by an additional 4.3 percent in February 1996 (*AT&T to Raise Basic Prices an Average 40c a Month*, Bloomberg News Services, February 16, 1996). See also *AT&T Increases Basic Rates, Extends Discount Plans*, Telecommunications Reports, February 26, 1996 at 27; and 5.9 percent in December 1996 (*AT&T Follows MCI, Sprint with Long Distance Rate Increases*, Telecommunications Reports, December 2, 1996 at 5-6. The remaining rate changes from December 1996 to July 1999 we calculate from AT&T tariffs and data on residential calling patterns from PNR and Associates' "Bill Harvesting II" and *MarketShare Monitor*. We calculate that AT&T reduced direct-dialed rates by 8.3 percent on July 2, 1997, but raised them by 3.0 percent on November 8, 1997. By imposing two new fixed monthly charges of $0.85 and $0.93 per residential customer, AT&T increased interstate basic rates paid by its New York residential customers by 80.2 percent by July 1998. In November 1998, AT&T decreased residential basic rates by 1.4 percent by decreasing the price of weekend calls. In April 1999, AT&T imposed the requirement that all basic-rate customers must pay bills of at least $3 per month; this requirement raised basic rates paid by AT&T's New York residential customers by another 28.7 percent. On July 1, 1999, AT&T decreased residential basic direct-dial interstate weekday rates by $0.02 per minute, which reduced overall basic rates for its New York residential customers by 4 percent. Yet simultaneously it raised its "carrier line charge" to $1.51 per month, and it raised its "universal connectivity

other fees that AT&T pays to serve its basic-rate customers, from 1991 to July 1999, AT&T increased basic rates by $0.315 per conversation minute, or 502.5 percent.[2] Figure 1 shows the increases in residential interstate basic rates and the changes in access charges and other fees that AT&T pays to serve its basic-rate customers.[3]

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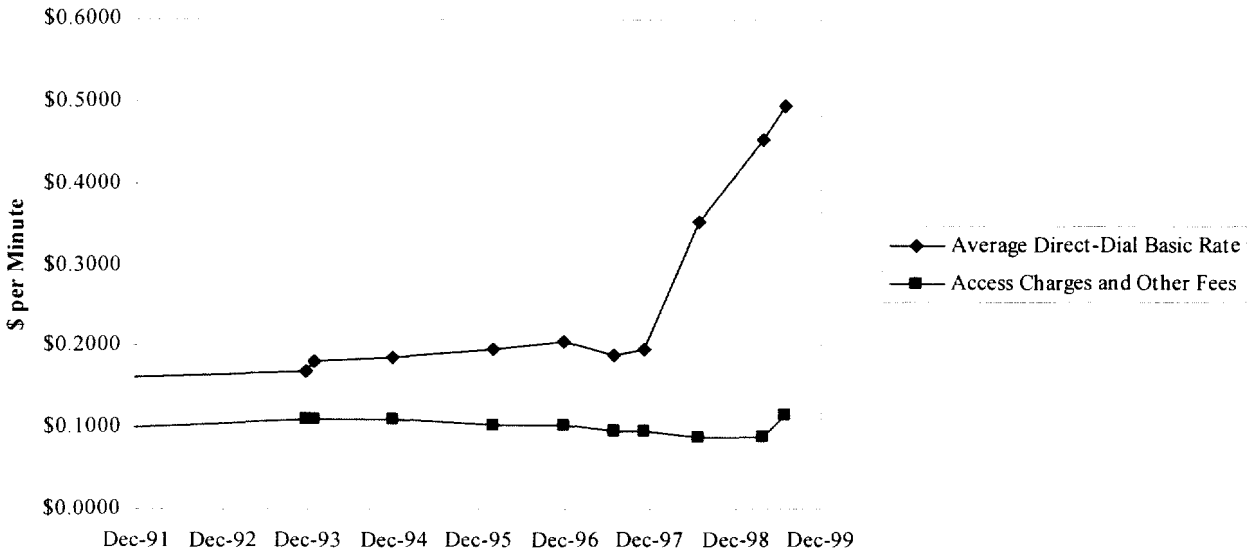
charge" to $0.99 per month. The latter actions raised the average price paid by New York residential basic-rate customers by $0.05 per minute, or 12 percent. The net effect of the various July 1 price changes was an increase of 9.8 percent. The cumulative increase in basic rates from 1991 to July 1999 was 1.05*1.063*1.037*1.043*1.059*(1-0.083)*1.030*1.802*(1-0.014)*1.287*1.098-1 = 2.04.

[2] William E. Taylor, Declaration, *Application by New York Telephone Company (d/b/a Bell Atlantic – New York), Bell Atlantic Communications, Inc., NYNEX Long Distance Company, and Bell Atlantic Global Networks, Inc., for Authorization to Provide In-Region, InterLATA Services in New York*, CC Docket 99-295 (September 29, 1999) ¶ 20 ("Taylor – New York Decl."). From 1991 to July 1999, per-minute access charges fell from $0.0697 to $0.0282 per conversation minute. (Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, *Trends in Telephone Service* (September 1999), Table 1.2. These figures are the U.S. average for all local exchange carriers, and they show the sum of originating and terminating switched access charges.)

[3] AT&T's residential basic-rate customers have lower average interstate usage than other residential customers. Thus, fixed monthly access fees charged to the interexchange carriers weigh much more heavily for basic-rate customers than for customers as a whole. Over the period 1991 to July 1999, per-minute access charges fell by 60 percent, while the FCC raised average fixed monthly fees per line by about 170 percent. The net result for AT&T's New York residential customers was a 15.8 percent *increase* in access charges and other fees for basic-rate customers but a 30 percent *decrease* for customers as a whole. Included in those calculations is the dramatic restructure on July 1, 1999. On that date, the local exchange carriers reduced per-minute access charges by about $0.009 per conversation minute, or 24 percent. But the FCC also significantly increased the universal service assessment recovered through access rates and authorized increases in the PICC, which raised the average PICC attributable to AT&T's New York residential customers by $0.49 per customer, or 80 percent. For residential plus business customers combined, the net effect was a rate reduction. For low-usage customers, however, effective access charges rose: for AT&T's New York residential customers, average access charges plus other fees rose only 0.7 percent, but they increased by 32.7 percent for residential basic-rate customers.

Figure 1
AT&T Raised Interstate Residential Basic Rates Relative To Access Charges and Other Fees



7. AT&T imposed its largest rate increases in 1998 and 1999, even while it and other interexchange carriers were asserting that the interexchange market was adequately competitive. About 60 percent of AT&T's subscribers do not enroll in one of the company's calling plans, and, instead, pay AT&T's basic rates. *See* J. Files, *Dialing for Dollars,* Dallas Morning News, January 26, 1999 at 1D. Given this substantial percentage of basic rate customers, any claim that basic rates are irrelevant should be disregarded.[4]

8. The average price actually paid by AT&T's residential customers as a whole for interstate domestic direct-dial minutes, *accounting for discounts*, increased by about $0.053 per

[4] See also Taylor – New York Decl., *op. cit.*, ¶ 14, based on an analysis of data from *MarketShare Monitor*, *op. cit.* In addition, according to a study by the consumer group United Homeowners Association, 60.1 percent of households in the nation—customers of all long-distance carriers combined—pay basic rates. (Pradnya Joshi, *The Big Savings Maze*, Newsday, January 11, 1998 at F8.)

conversation minute, or 36 percent from 1991 to July 1999.[5] Yet during the same period, the access costs and other fees that AT&T paid to serve residential customers as a whole declined by $0.023 per conversation minute, or 30 percent. AT&T's average price for interstate direct-dialed minutes paid by residential customers as a whole—net of access charges and other fees—increased by $0.076 per conversation minute, or 108 percent.[6] In the New York Section 271 proceeding, AT&T presented data that, although carefully disguised, confirmed that AT&T raised residential prices relative to access charges and other fees.[7]

9. If the interexchange market were truly competitive, then AT&T would have passed through the reductions in interstate access charges and other fees from which it has profited since 1991. Yet, as of July 1999, only one percent of AT&T's residential customers were paying prices that were as low as what AT&T's average rates would have been if only AT&T had passed through the reductions in access charges and other fees.[8]

10. Some parties might claim that implementing the FCC's Coalition for Affordable Local and Long Distance Service ("CALLS") Order reverses AT&T's price increases. However, even if one looks only at the changes in per-minute basic rates, excluding any fixed monthly charges, AT&T increased residential basic rates by about 39 percent from 1991 to

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[5] Taylor – New York Decl., *op. cit.*, ¶ 16.

[6] Taylor – New York Decl., *op. cit.*, ¶ 19.

[7] Taylor – New York Decl. Att. A. The AT&T data that I analyzed in the New York 271 proceeding came from R. Glen Hubbard and William H. Lehr, Affidavit on Behalf of AT&T Corp., *Application by New York Telephone Company (d/b/a Bell Atlantic – New York), Bell Atlantic Communications, Inc., NYNEX Long Distance Company, and Bell Atlantic Global Networks, Inc., for Authorization To Provide In-Region, InterLATA Services in New York*, CC Docket 99-295, Att. 8.

[8] Taylor – New York Decl., *op. cit.*, ¶ 28.

August 2000.[9] If AT&T only passed through the cost reductions it received from the CALLS order, then its average increase in prices net of access charges and other fees for residential customers as a whole remains unaffected.

11. Evidence of lower residential prices after local exchange carrier entry into the long-distance market confirms that, absent such entry, the residential long-distance market is inadequately competitive. In Connecticut, following SNET's long-distance entry, the prices actually paid by SNET's residential customers were 24 percent lower than those paid by AT&T's Connecticut customers for a comparable volume of calling. Taylor Decl. Att. C ¶¶ 1-2. Similarly, the actual prices paid by AT&T's customers in Connecticut were 24 percent lower than AT&T's customers in New York. Taylor Decl. Att. C ¶ 3. Also, ninety-seven percent of AT&T's residential customers in New York would have paid less for their interstate direct-dialed calls under Verizon's Timeless calling plan than they paid to AT&T in July 1999. Taylor Decl. ¶ 11. These customers would have saved an average of 46 percent off their AT&T interstate bill under Verizon's Timeless rates. *Id.*

12. The above comparison between the long-distance prices actually paid by long-distance customers of the newly-entered local exchange carriers and the prices actually paid by AT&T customers is particularly probative since AT&T has such a large sector of the market. However, Verizon's long distance rates are also more attractive than WorldCom rates for most residential customers. Contrary to WorldCom's claim that its "9 Cents Anytime" plan "is

[9] AT&T increased basic per-minute rates (as distinguished from the $3 monthly minimum, the carrier line charge, and the universal service charge) by about 13 percent from 1991 to July 1999. (Computed from fn. 1.) Based on the share of residential traffic among AT&T's three rate periods (per data from *MarketShare Monitor, op. cit.*), AT&T's increase in basic per-minute rates in August 2000 was about 23 percent. Thus, its cumulative rate increase from 1991 to July 1999 was about 39 percent. (1.13*1.23 – 1 = 0.39.)

preferable at most levels of usage to the Verizon 'Timeless' plan flat rate of $0.10/minute," because of WorldCom's $5.00 usage minimum on its plan, 67 percent of AT&T's residential customers would have paid more under WorldCom's calling plan than under Verizon's calling plan.[10] Proferes, *et al.* Decl. ¶ 13, Kelley Decl. ¶ 53.

13. AT&T's most popular optional calling plan has been AT&T One Rate®, which charges $0.15 per minute for interstate direct-dialed calls. In 1999, that calling plan charged $0.14 per minute for New York intrastate interLATA calls and $0.08 per minute for intrastate intraLATA calls.[11] But a customer signing up for AT&T's One Rate plan now will pay only $0.10 per minute for New York intrastate interLATA calls[12] and $0.06 per minute for intrastate intraLATA calls.[13]

14. Similarly, in Texas, where AT&T faces competition from Southwestern Bell's long-distance affiliate, AT&T's intrastate interLATA price for residential calling-plan customers is only $0.07. Yet, for example, its intrastate interLATA calling-plan rate in Arkansas, absent that competition, is almost twice as high—$0.12 per minute.[14] This is true although intrastate access charges are about $0.060 per minute in Texas and only about $0.047

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[10] This evidence is based on an analysis of calling data from *MarketShare Monitor*, *op. cit.*

[11] See United Communications Group, Telview Express tariff database, showing AT&T tariff rates effective April 30, 1999, http://www.telview.com/te_archive/te_03_36/te_html/te_prod.htm.

[12] See AT&T Website, *In-State Rate Finder,* http://www.shop.att.com/offer/isrf.jhtml;$sessionid$SHM4MUIAAAHJE5YAAAASELY?planCode=or7 (accessed November 1, 2000).

[13] See AT&T Website, *Local Toll Service,* http://www.shop.att.com/offer/ltl_result.jhtml?found=y&_requestid=14860&portal= (accessed November 1, 2000).

[14] See AT&T Website, *In-State Rate Finder,* http://www.shop.att.com/offer/isrf.jhtml;$sessionid$NORPYIAAAC1N05YAAAASEMA?planCode=or5 (October 19, 2000). AT&T's intrastate rates quoted above are for calling-plan customers only. Its intrastate rates for basic-rate customers are substantially higher than those rates in both states.