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**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. 01-9
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)

**JOINT DECLARATION
OF PAUL BOBECZKO AND VIJETHA HUFFMAN
ON BEHALF OF WORLDCOM, INC.**

Based on our personal knowledge and on information learned in the course of our duties, we, Paul Bobeczko and Vijetha Huffman, declare as follows:

1. My name is Paul Bobeczko. I am the Director of Local Business Development and Long Distance Planning for the Mass Markets Division of WorldCom. In that position, I am responsible for, at a national level, the financial planning for long distance and local as well as new market development in support of WorldCom's entry into the residential local business. I have been with WorldCom (and its predecessor MCI) for almost 9 years and have served in a number of finance positions at the Corporate level as well as in Mass Markets.
2. My name is Vijetha Huffman. I am Senior Manager of Local Business Development for the Mass Markets Division of WorldCom. I am responsible for financial planning, operational and business analysis, and new market development in support of

WorldCom's entry into the residential local business. This includes evaluating the financial viability of providing residential local service in markets that WorldCom has not yet entered and determining price changes necessary for WorldCom to enter. I have worked for WorldCom (and its predecessor MCI) for 5 years in a number of finance positions.

3. The purpose of our declaration is to explain why even with Verizon's reduction of unbundled switching, transport and port rates to levels comparable with New York, widespread competition in Massachusetts' residential markets continues to be precluded.

4. As WorldCom stated in its comments in opposition to Verizon's first Massachusetts section 271 application, Verizon's revised tariff filed on October 13, 2000 will not have any effect on WorldCom's market entry plans for Massachusetts.^{1/} According to WorldCom's calculations at that time, Verizon's revised rates result in the gross margin for competitive local providers in Massachusetts statewide to be only \$2.83, even if CLECs are able to charge customers as much as Verizon. See Proferes, Nolan, and Bobeczko Joint Reply Declaration ¶ 5 & Attachment 1, p. 1 (attached to WorldCom 11/3/00 Reply Comments). WorldCom noted, however, that the \$2.83 gross margin was overstated because the "Total

^{1/} WorldCom views UNE-P to be the only local service delivery vehicle that is potentially viable in residential markets in Massachusetts and other states. See Proferes, Nolan, Bobeczko, and Graham Joint Declaration ¶ 8 (attached to WorldCom 10/16/00 Comments). UNE-P is currently the service entry vehicle that WorldCom uses to offer local residential service in New York, Texas, Pennsylvania, Michigan and Illinois. The UNE-P mode of entry provides WorldCom with greater flexibility to offer innovative products to residential consumers than resale, and permits much faster 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. See id.

Revenue” figure reflects the assumption that local revenue in all urban and suburban areas would be same as in Boston, while local revenue in urban and suburban areas outside of Boston is actually \$2.12 lower. See id., Attachment 1, p. 2 fn. 1.

5. We have had the opportunity to further analyze Verizon’s local revenue streams around Massachusetts and can now differentiate between urban and suburban zones located within Boston (where local revenue is \$26.65, the same as metro Boston) and urban and suburban areas located elsewhere around the state (where local revenue is \$24.53, the same as in rural areas). This more detailed analysis demonstrates that the statewide “Total Revenue” is only \$29.48 and, therefore, the statewide gross margin is actually only \$1.32. See Attachment 1 hereto.

6. As explained by WorldCom earlier, see Proferes, Nolan, and Bobeczko Joint Reply Declaration ¶ 5 (attached to WorldCom 11/3/00 Reply Comments), the statewide gross margin does not take into account internal CLEC costs such as billing, customer service, sales/acquisition costs, and bad debt that typically amount to more than \$10.00 per line per month. Thus, Verizon’s revised rates do not come close to providing a sustainable framework for CLECs to enter the local market.

7. The revised rates also do not permit WorldCom to enter local markets in individual zones. Under the revised rates, the gross margin in the metro, urban Boston, urban Other, suburban Boston, suburban Other, and rural zones are, respectively, \$11.04, \$4.38, \$2.26, \$2.37, \$0.25, and minus \$3.67. See Attachment 1 hereto. While the \$11.04 margin in the metro zone might otherwise permit UNE-P entry, the Metro zone contains only two percent of the

state's potential residential customers, which is not a large enough market to justify the huge fixed cost of entry. See Proferes, Nolan, Bobeczko, and Graham Joint Declaration ¶ 44 (attached to WorldCom 10/16/00 Comments). And entry into the other three zones – which have gross margins ranging from \$4.38 to negative numbers – offers no prospect of providing profitable UNE-P service, given the need to factor in CLEC internal costs of over \$10/line/month, apart from significant upfront development costs.

8. Moreover, the fact that local minutes of use have significantly increased in recent years, and continue to increase, exacerbates the impact of Verizon's inflated switching rates in Massachusetts. Growth in minutes of use translates directly into ever worsening margins for CLECs in Massachusetts, because switching rates are based on usage.

9. Comparing the potential gross margin in Massachusetts with margins in areas WorldCom has entered, it is clear that the Massachusetts rates do not provide a viable path to entry. As WorldCom has stated, see Proferes, Nolan, and Bobeczko Joint Reply Declaration, Attachment 1, p. 3 (attached to WorldCom 11/3/00 Reply Comments), WorldCom is not actively marketing in local markets where the gross margin is not economically viable. We are aware of no factors that would cause WorldCom to adopt a different strategy in Massachusetts. In fact, WorldCom is not offering bundled services in areas in New York, Texas and Pennsylvania where poor margins exist even when it has systems in place. Nor would Verizon's entry into the Massachusetts long distance market change this calculation, any more than it has in large parts of New York and Texas where we face unworkable margins, as we do in the Massachusetts local market.

10. Finally, WorldCom's inability to enter the Massachusetts local market does not stem from low retail rates. Although lower than in New York, the retail rates in Massachusetts are generous compared with other areas in the country. For example, retail rates in several states, including Pennsylvania and Texas are less than those in Massachusetts, yet WorldCom has found it commercially viable to market actively in areas of those states. The simple explanation for the unprofitability of local entry is that Massachusetts' UNE costs are still unreasonably high, even after Verizon's October rate reduction.

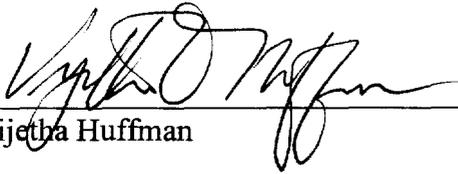
11. This concludes our Joint Declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing is true and correct. Executed on
February 2, 2001.



Paul Bobeczko

I declare under penalty of perjury that the foregoing is true and correct. Executed on
February 2, 2001.



Vijetha Huffman



**JOINT DECLARATION OF
PAUL BOBECZKO AND
VIJETHA HUFFMAN**

ATTACHMENT 1

Massachusetts - Verizon (by zone)

	<u>MA--STATE</u>	<u>METRO</u>	<u>URBAN BOSTON</u>	<u>URBAN OTHER</u>	<u>SUBURBAN BOSTON</u>	<u>SUBURBAN OTHER</u>	<u>RURAL</u>
Households (000)	2,376	48	517	148	120	1,377	166
Zone Density	100%	2%	22%	6%	5%	58%	7%
Revenue:							
Local	\$25.14	\$26.65	\$26.65	\$24.53	\$26.65	\$24.53	\$24.53
Access	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>
Total Revenue (1)	\$29.48	\$30.99	\$30.99	\$28.87	\$30.99	\$28.87	\$28.87
Telco:							
Unbundled switch port	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Unbundled loop	\$15.66	\$7.54	\$14.11	\$14.11	\$16.12	\$16.12	\$20.04
UNE switching & transport	<u>\$10.50</u>	<u>\$10.41</u>	<u>\$10.50</u>	<u>\$10.50</u>	<u>\$10.50</u>	<u>\$10.50</u>	<u>\$10.50</u>
Total Telco (2)	\$28.16	\$19.95	\$26.61	\$26.61	\$28.62	\$28.62	\$32.54
Gross Margin	\$1.32	\$11.04	\$4.38	\$2.26	\$2.37	\$0.25	(\$3.67)

1 BOC retail rates, without discount. Includes line fee, usage, touch tone, 1 feature (call waiting @ \$2.84) and SLC.

2 Does not include \$0.19 NRC.

Note: Analysis does not include WorldCom or other CLEC internal costs (e.g., billing, customer service, sales/acquisition, bad debt)