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May 23, 2001

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

**Ex Parte: Implementation of the Local Competition Provisions in the
Telecommunications Act of 1996 - CC Docket No. 96-98**

Dear Ms. Salas,

On May 23, 2001, Augie Trinchese, Ed Shakin, and the undersigned met with Kyle Dixon and Bill Quirk of Chairman Powell's office to discuss reconsideration of the UNE Remand Order, more specifically, the obligations of ILECs to provide the switching unbundled network element ("UNE"). The attached materials were used in the discussions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Scott Randolph".

W. Scott Randolph
Director - Regulatory Matters

cc: Kyle Dixon
Bill Quirk

VERIZON

UNE REMAND
ACCESS TO UNBUNDLED LOCAL SWITCHING

May 23, 2001

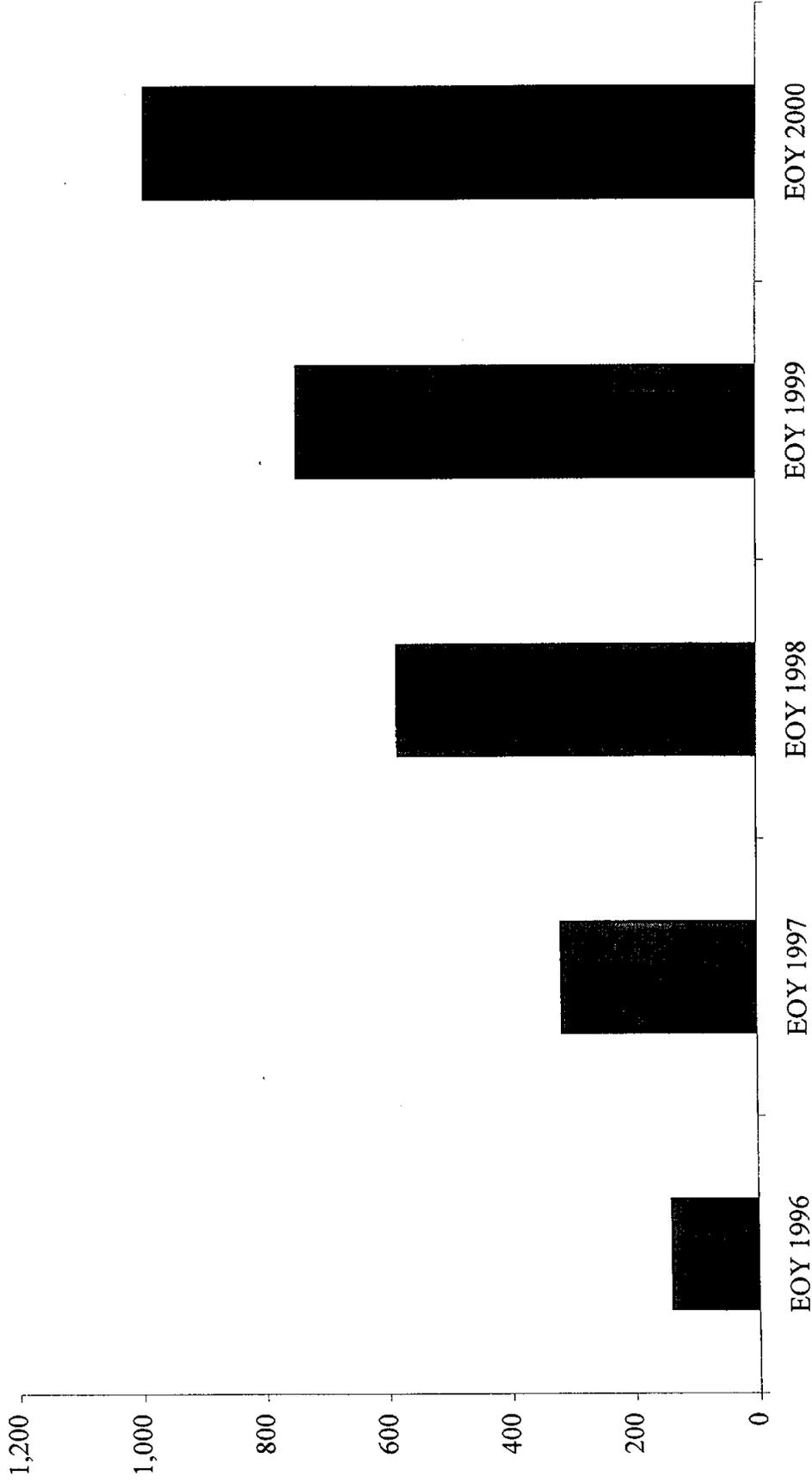
As Than Commissioner Michael K. Powell Recognized, The UNE I Missed The Mark With Respect To The Unbundled Local Switching

- **“The Commission Has Failed to Meet Its Burden of Showing That Unbundle Switching Would Impair CLECs from Providing Service”**
- **“Evidence of CLEC switch deployment strongly suggests that the CLEC is significantly impaired without access to unbundled switching, both in areas where CLECs have deployed switches and in areas where they have not done so.”**
- **“CLECs have deployed switches in numerous markets throughout the state.”**
- **“The Order suggests that CLECs may be deploying these switches *despite* impairment. Yet it is equally possible that the evidence of CLEC switch deployment means that CLECs, *as a general matter*, are not significantly impaired by the incumbent is not forced to unbundle switching.”**
- **“ I am uncomfortable with the extent the Order suggests that the primary reason CLECs have not deployed in some smaller markets is that they lack adequate access to the incumbent’s network.”**

Market Facts Have Shown That The Chairman Was Correct in His Dissent:

- **As of November 2000, there are more than 600 CLEC switches deployed in the Verizon region.**
- **Nationwide, according to the CLEC trade association, there are at least 1000 competitive voice switches – up from roughly 700 a year ago – and another 2000 competitive data switches (that also could be used to provide voice service).**
- **In New York alone, more than 1.2 million lines are being served by CLECs using their own switches, with another million in Pennsylvania and Massachusetts.**

CLEC Switch Deployment



Sources: New Paradigm Resources Group and Connecticut Research, *1997 Annual Report on Local Telecommunications Competition* Ch. 1 at Table 2 (8th ed. 1997) (1996); New Paradigm Resources Group, *1999 CLEC Report*, Ch. 6 at Table 6 (10th ed. 1999) (1997, 1998); New Paradigm Resources Group, *CLEC Report 2001* Ch. 6 at Table 6 (13th ed. 2001) (1999, 2000).

At a minimum, the Commission should remove the unbundled switching obligation for lines serving business customers:

- **The FCC's recent local competition report shows that CLECs today serve more than 20% of large and medium business lines, 96% growth in a single year.**
- **They are achieving these results without reliance on ILEC switches. For example in Verizon east, 90% of the UNE-P line losses are residential customers, not businesses.**

There is also small business competition without reliance on unbundled switching:

- **Verizon East lost more than 400,000 small business customer lines in the year 2000 alone. The rate of line loss is even faster in 2001.**
- **Approximately 80% of orders for "hot-cuts" performed since January 2000, were for orders with 3 lines or less.**
- **Carriers like Allegiance have demonstrated that they can serve small businesses using their own switches. In fact, according to Allegiance approximately a third of its customers are business customers with one or two lines.**

Competitive switches can also serve residential markets:

- **There is no limitation for type of customer, once a switch is in place it can serve residential customers along with business customers.**
- **In just three Verizon states, there are close to 300,000 residential lines served by competitors using their own switches.**
- **Carriers offer even more – AT&T “premium local” service offers “digital telephone service” to residential customers in 97 different towns in Massachusetts.**

The Commission should be careful to avoid “importing into the impairment analysis” other unrelated problems:

- **No Requirement For EELs**
- **No section 271-type performance measures.**
- **No collocation requirement.**

Once the Commission eliminates a UNE obligation, that relief should apply to all carriers.

CLEC Facilities-Based Lines by Area Code

