LAWLER, METZGER & MILKMAN, LLC

2001 K STREET, NW
SUITE 802
WASHINGTON, D.C. 20006

A. RICHARD METZGER, JR.
PHONE (202) 777-7729

PHONE (202) 777-7700
FACSIMILE (202) 777-7763

January 23, 2003

BY ELECTRONIC DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte Presentation,* Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98, 98-147

Dear Ms. Dortch:

On January 22, 2003, Paul Bobeczko, Donna Sorgi, and Kimberly Scardino of WorldCom, Inc. (WorldCom), Michael Pelcovits of Microeconomic Consulting and Research Associates (MiCRA) and the undersigned, counsel for WorldCom, met with Jordan Goldstein, Senior Legal Advisor to Commissioner Copps. Later on the same day, Mr. Bobeczko, Dr. Pelcovits, and the undersigned separately met with Mathew Brill, Senior Legal Advisor to Commissioner Abernathy. During those meetings, representatives for WorldCom discussed the importance of the unbundled network element platform (UNE-P) for serving residential customers and the conditions under which competitive local exchange carriers could transition from UNE-P to the unbundled loop (UNE-L). As part of this discussion, WorldCom provided Messrs. Goldstein and Brill with copies of the attached presentation materials.

Pursuant to section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), this letter is being provided to you for inclusion in the public record of the above-referenced proceeding.

Sincerely,

/s/ A. Richard Metzger, Jr.
A. Richard Metzger, Jr.

Attachments

cc: Matthew Brill
Jordan Goldstein

WHAT THE MiCRA MODEL DEMONSTRATES:

1. **Competitive LECs are impaired in their ability to provide service to residential customers everywhere in the United States without access to unbundled loops, switching, and transport.**

2. **In central offices serving 25,000 or more residential lines, competitive LECs that over time attain a reasonable (*e.g.* seven per cent) market share will be able to overcome scale economies enjoyed by incumbent LECs as a result of their historical monopoly control of local networks and migrate UNE-P customers to competitive LEC switches, provided that state commissions are able to ensure that the following operational and economic barriers are substantially reduced or removed prior to compelling a transition to UNE-L:**

    - **Incumbent LEC inability to handle efficiently hundreds of thousands of monthly "hot cuts" required to migrate competitive LEC residential customers from UNE-P to their own switches**

    - **Excessive incumbent LEC charges for hot cuts, including failure to establish discounted charges for migrating lines in batches**

    - **Excessive incumbent LEC charges for collocation space**

    - **Inability of competitive LECs to gain access to loops other than through collocation in all central offices**

3. **Once these operational and economic barriers are removed, customers acquired via UNE-P can be transitioned to a competitive LEC's switch through a seamless, efficiently priced, "scaled up" manual hot cut project process. UNE-P, however, must remain available as a customer acquisition vehicle unless and until the incumbent LECs develop a process that enables competitive LECs to acquire new UNE-L customers that is functionally equivalent to the system incumbent LECs currently offer to permit the acquisition of new UNE-P customers.**

Three Cases Modeled

- Case 1: WCOM is collocated at the BOC CO, and is "on-net"
- Case 2: BOC CO is in a LATA where there is an existing WCOM local switch. Includes a few cases with collocation
- Case 3: BOC CO is <u>not</u> in a LATA where there is an existing local WCOM switch

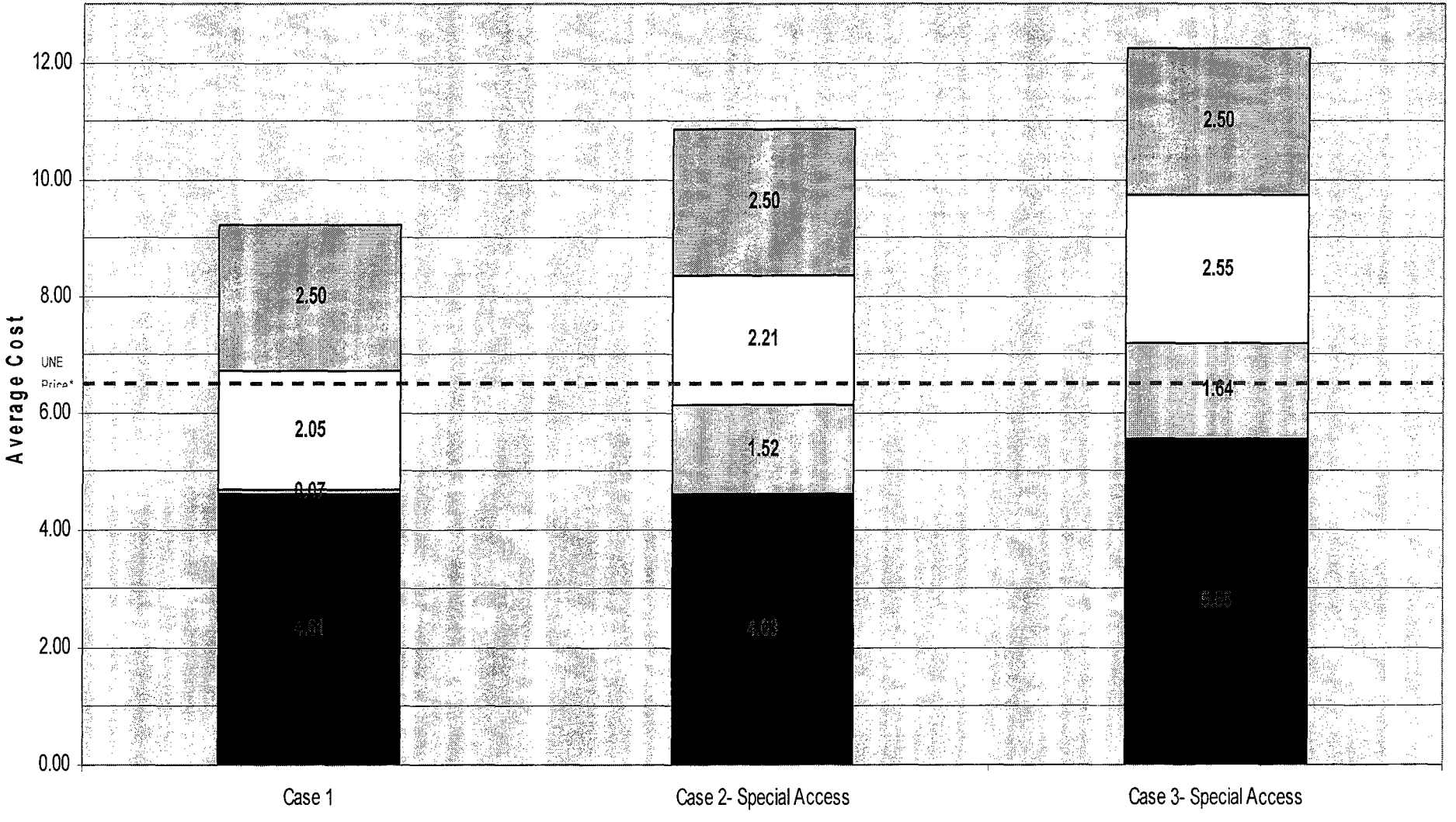
Table 7: Average Cost per Month for Three Cases: CLEC Market Share of 7%

Category	Number of COs	Number of BOC Lines	UNE-L Cost (excludes loops)	UNE-P (excludes loops)	Cost Increment UNE-L over UNE-P
Case 1	431	12,557,038	$10.03	$6.44	56%
Case 2	4343	47,248,573	$17.92	$6.44	178%
Case 3	3164	19,487,802	$25.84	$6.44	301%

Table 8: Average Cost per Month at Different CLEC Market Shares

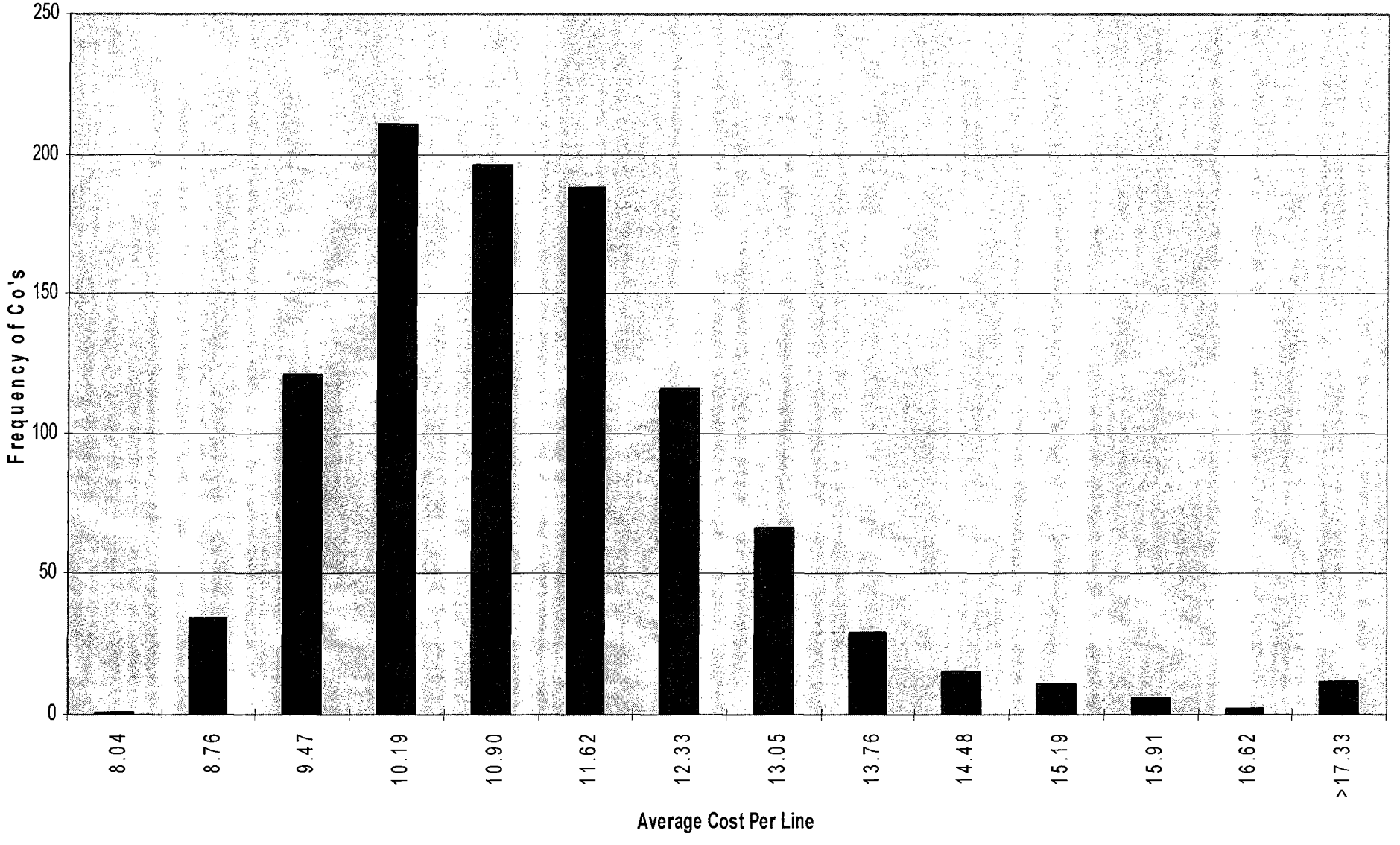
	5% Market Share	7% Market Share	10% Market Share	15% Market Share
Case 1	$11.08	$10.03	$9.22	$8.61
Case 2	$21.38	$17.92	$15.21	$13.03
Case 3	$32.07	$25.84	$21.03	$17.04

Appendix: Table 3
7% Market Share
>25,000 Residential Lines



* Includes switching and transport- excludes loop

Appendix: Table 2
7% Market Share Histogram
>25,000 Residential Lines



Appendix: Table 1

		5% Market Share					7% Market Share					10% Market Share					# of Obs	
		SDO	Trans	Collo	Hot Cut	Average	SDO	Trans	Collo	Hot Cut	Average	SDO	Trans	Collo	Hot Cut	Average	CO	Lines
Case 1	Lines>25k	4.73	0.07	2.66	2.50	**9.96**	4.61	0.07	2.05	2.50	**9.23**	4.51	0.07	1.58	2.50	**8.66**	229	9,675,499
	25k>Lines>15k	5.13	0.07	5.02	2.50	**12.72**	4.86	0.07	3.73	2.50	**11.17**	4.69	0.07	2.76	2.50	**10.03**	98	1,979,360
	15k>Lines>5k	5.66	0.07	8.94	2.50	**17.18**	5.37	0.07	6.53	2.50	**14.48**	4.91	0.07	4.73	2.50	**12.20**	77	832,337
	Lines<5k	8.46	0.07	35.56	2.50	**46.59**	7.64	0.07	25.60	2.50	**35.81**	6.97	0.07	18.11	2.50	**27.65**	27	69,842
	All	4.87	0.07	3.64	2.50	**11.08**	4.72	0.07	2.74	2.50	**10.03**	4.58	0.07	2.07	2.50	**9.22**	431	12,557,038
Case 2: SA	Lines>25k	4.76	1.93	2.89	2.50	**12.08**	4.63	1.52	2.21	2.50	**10.86**	4.53	1.21	1.70	2.50	**9.94**	619	23,647,711
	25k>Lines>15k	5.14	2.29	5.16	2.50	**15.09**	4.87	2.44	3.83	2.50	**13.65**	4.70	2.29	2.83	2.50	**12.33**	490	9,604,473
	15k>Lines>5k	6.02	6.36	10.59	2.50	**25.47**	5.53	4.87	7.71	2.50	**20.60**	5.09	3.74	5.55	2.50	**16.88**	1,079	9,756,196
	Lines<5k	10.09	18.39	46.50	2.50	**77.49**	8.58	16.04	33.45	2.50	**60.57**	7.53	13.50	23.62	2.50	**47.15**	2,155	4,240,193
	All	5.58	4.41	8.89	2.50	**21.38**	5.22	3.71	6.50	2.50	**17.92**	4.95	3.06	4.70	2.50	**15.21**	4,343	47,248,573
Case 2: UNE	Lines>25k	4.76	0.85	2.89	2.50	**11.01**	4.63	0.82	2.21	2.50	**10.15**	4.53	0.76	1.70	2.50	**9.49**	619	23,647,711
	25k>Lines>15k	5.14	0.99	5.16	2.50	**13.79**	4.87	0.97	3.83	2.50	**12.17**	4.70	0.95	2.83	2.50	**10.99**	490	9,604,473
	15k>Lines>5k	6.02	1.36	10.59	2.50	**20.47**	5.53	1.29	7.71	2.50	**17.02**	5.09	1.23	5.55	2.50	**14.38**	1,079	9,756,196
	Lines<5k	10.09	2.86	46.50	2.50	**61.96**	8.58	2.51	33.45	2.50	**47.03**	7.53	2.18	23.62	2.50	**35.83**	2,155	4,240,193
	All	5.58	1.17	8.89	2.50	**18.14**	5.22	1.10	6.50	2.50	**15.31**	4.95	1.02	4.70	2.50	**13.18**	4,343	47,248,573
Case 3: SA	Lines>25k	6.18	1.93	3.37	2.50	**13.98**	5.55	1.64	2.55	2.50	**12.23**	5.24	1.20	1.94	2.50	**10.87**	160	5,093,255
	25k>Lines>15k	6.36	2.24	5.20	2.50	**16.31**	5.70	2.35	3.86	2.50	**14.41**	5.29	2.24	2.85	2.50	**12.88**	247	4,802,388
	15k>Lines>5k	7.45	6.55	11.14	2.50	**27.65**	6.46	5.07	8.11	2.50	**22.14**	5.78	3.85	5.83	2.50	**17.96**	663	5,683,296
	Lines<5k	11.87	17.64	48.96	2.50	**80.98**	9.76	15.28	35.22	2.50	**62.76**	8.32	12.92	24.86	2.50	**48.60**	2,094	3,908,863
	All	7.75	6.53	15.30	2.50	**32.07**	6.70	5.56	11.08	2.50	**25.84**	6.03	4.59	7.91	2.50	**21.03**	3,164	19,487,802
Case3: UNE	Lines>25k	6.18	0.82	3.37	2.50	**12.87**	5.55	0.80	2.55	2.50	**11.40**	5.24	0.76	1.94	2.50	**10.43**	160	5,093,255
	25k>Lines>15k	6.36	0.96	5.20	2.50	**15.02**	5.70	0.94	3.86	2.50	**13.00**	5.29	0.92	2.85	2.50	**11.56**	247	4,802,388
	15k>Lines>5k	7.45	1.37	11.14	2.50	**22.47**	6.46	1.30	8.11	2.50	**18.37**	5.78	1.25	5.83	2.50	**15.36**	663	5,683,296
	Lines<5k	11.87	2.80	48.96	2.50	**66.14**	9.76	2.44	35.22	2.50	**49.92**	8.32	2.13	24.86	2.50	**37.82**	2,094	3,908,863
	All	7.75	1.42	15.30	2.50	**26.96**	6.70	1.31	11.08	2.50	**21.59**	6.03	1.22	7.91	2.50	**17.66**	3,164	19,487,802

Appendix: Table 1 Continued

		15% Market Share					# of Obs	
		SDO	Trans	Collo	Hot Cut	Average	CO	Lines
Case 1	Lines>25k	4.45	0.07	1.22	2.50	**8.24**	229	9,675,499
	25k>Lines>15k	4.55	0.07	2.01	2.50	**9.13**	98	1,979,360
	15k>Lines>5k	4.77	0.07	3.32	2.50	**10.66**	77	832,337
	Lines<5k	6.01	0.07	12.25	2.50	**20.83**	27	69,842
	All	4.49	0.07	1.55	2.50	**8.61**	431	12,557,038
Case 2: SA	Lines>25k	4.46	1.09	1.30	2.50	**9.35**	619	23,647,711
	25k>Lines>15k	4.56	1.54	2.05	2.50	**10.66**	490	9,604,473
	15k>Lines>5k	4.84	3.25	3.87	2.50	**14.46**	1,079	9,756,196
	Lines<5k	6.49	10.68	15.94	2.50	**35.61**	2,155	4,240,193
	All	4.74	2.49	3.30	2.50	**13.03**	4,343	47,248,573
Case 2: UNE	Lines>25k	4.46	0.70	1.30	2.50	**8.95**	619	23,647,711
	25k>Lines>15k	4.56	0.88	2.05	2.50	**9.99**	490	9,604,473
	15k>Lines>5k	4.84	1.19	3.87	2.50	**12.40**	1,079	9,756,196
	Lines<5k	6.49	1.93	15.94	2.50	**26.86**	2,155	4,240,193
	All	4.74	0.95	3.30	2.50	**11.49**	4,343	47,248,573
Case 3: SA	Lines>25k	4.88	1.09	1.46	2.50	**9.93**	160	5,093,255
	25k>Lines>15k	4.85	1.51	2.07	2.50	**10.93**	247	4,802,388
	15k>Lines>5k	5.22	3.32	4.05	2.50	**15.10**	663	5,683,296
	Lines<5k	6.99	10.34	16.77	2.50	**36.60**	2,094	3,908,863
	All	5.40	3.70	5.44	2.50	**17.04**	3,164	19,487,802
Case3: UNE	Lines>25k	4.88	0.71	1.46	2.50	**9.55**	160	5,093,255
	25k>Lines>15k	4.85	0.86	2.07	2.50	**10.28**	247	4,802,388
	15k>Lines>5k	5.22	1.21	4.05	2.50	**12.98**	663	5,683,296
	Lines<5k	6.99	1.89	16.77	2.50	**28.15**	2,094	3,908,863
	All	5.40	1.13	5.44	2.50	**14.47**	3,164	19,487,802