

Notice of Ex Parte Presentation; Electronic Filing

June 1, 2004

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW B204
Washington, DC 20554

Re: Pricing of UNES WC Docket No. 03-173

Dear Ms. Dortch:

On December 16, 2003 NASUCA filed the affidavit David Gabel and Robert Loube in WC Docket No. 03-173. At footnote 67 of this document, Gabel and Loube make reference to a paper written by Gabel and Guang-lih Huang, *Promoting Innovation: Impact Of Local Competition And Regulation On Deployment Of Advanced Telecommunications Services For Businesses*. The paper provides an econometric analysis of the how various economic, demographic, and regulatory variables affect the roll-out of advanced telecommunications services. One of the regulatory variables is the ratio of the UNE-loop price to the embedded cost of the loop. The purpose of this filing is to add to the record a copy of the aforementioned paper, as well as files that demonstrate how the ratio of the UNE price to the embedded cost was estimated. More specifically this filing includes:

1) The Paper Entitled: *Promoting Innovation: Impact Of Local Competition And Regulation On Deployment Of Advanced Telecommunications Services For Businesses* By Dr. David Gabel and Guang-Lih Huang;

2) The U20011OC.xls workbook. This workbook supplies the raw data which is the foundation for the U20011OC une embedded cost rate comparison.xls workbook.
And;

3) The U20011OC une embedded cost rate comparison.xls workbook. This workbook provides a comparison of UNE loop rate to the embedded cost of the UNE loop.

As stated in NASUCA's December 16, 2004 filing, the Gabel-Guang-lih paper shows how low UNE rates, relative to the embedded cost-of-service, can inhibit facility-based investment by the ILECs and CLECs (affidavit at par. 77). However, it does not follow from this that the Commission should set higher UNE prices in order to increase the level of investment. As Gabel and Loube point out in their Affidavit, regulatory commissions should focus their effort on their area of competency -- estimating the cost of providing a UNE using the current TELRIC methodology. Commissions should not presume that they can do a better job than Wall Street of estimating the optimal level of facility-based investments.