Dedicated Transport Cap for DS1 Loops and DS1 EELS

In requesting that the FCC forbear from applying the ten-line DS1 dedicated transport cap to EELS, petitioners argue that there is no rational basis for the rule. Because DS1 transport is used almost exclusively in connection with a DS1 EEL, EEL impairment will always exist regardless of the number of DS1 transport circuits obtained by a carrier, and the CLECs' inability to provision EELS without access to more than ten DS1 transport circuits per route will unnecessarily thwart competition.

Citynet's Comments:

CityNet agrees that there is no rationale for this rule and that it will severely hamper competition. The 10-DS1 cap appears to have been chosen arbitrarily. In fact, an effective market mechanism already exists to ensure that CLECs upgrade from DS1 to DS3 dedicated transport facilities once a certain "fill level" of DS1 EELs is achieved between any two ILEC offices. Please see the spreadsheet below, which is based on existing Interconnection Agreements (ICAs) which CityNet has in place with the predominant ILECs in its service territory. The spreadsheet below compares the existing cost of Dedicated Transport for DS1s to the cost which will be incurred if the 10-DS1 cap goes into effect.

IMPACT OF 10 DS1 CAP ON EELS							
	Market 1		Market 2		Market 3		Market 4
	MRC		MRC		MRC		MRC
Dedicated Transport DS1	$ 47.53		$ 35.22		$ 29.58		$ 22.20
Mileage (assumes 10 Miles)	N/A		$ 6.00		$ 16.40		$ 16.50
Total	$ 47.53		$ 41.22		$ 45.98		$ 38.70
Dedicated Transport DS3	$ 798.41		$489.55		$255.50		$213.58
Mileage (assumes 10 Miles)	N/A		$169.40		$218.10		$286.20
DS3-DS1 Mux	$ 261.11		$242.57		$372.85		$260.24
Total	$1,059.52		$901.52		$844.45		$760.02
Divided by 28 DS1s	$ 37.84		$ 32.20		$ 30.16		$ 27.14
Effective Cost based on fill:							
# DS1s							
11	$ 96.32		$ 81.96		$ 76.77		$ 69.09
12	$ 88.29		$ 75.13		$ 70.37		$ 63.34
13	$ 81.50		$ 69.35		$ 64.96		$ 58.46
14	$ 75.68		$ 64.39		$ 60.32		$ 54.29
15	$ 70.63		$ 60.10		$ 56.30		$ 50.67
17	$ 62.32		$ 53.03		$ 49.67		$ 44.71
18	$ 58.86		$ 50.08		$ 46.91		$ 42.22
19	$ 55.76		$ 47.45		$ 44.44		$ 40.00
20	$ 52.98		$ 45.08		$ 42.22		$ 38.00
21	$ 50.45		$ 42.93		$ 40.21		$ 36.19
22	$ 48.16		$ 40.98		$ 38.38		$ 34.55
23	$ 46.07		$ 39.20		$ 36.72		$ 33.04
24	$ 44.15		$ 37.56		$ 35.19		$ 31.67
25	$ 42.38		$ 36.06		$ 33.78		$ 30.40
26	$ 40.75		$ 34.67		$ 32.48		$ 29.23
27	$ 39.24		$ 33.39		$ 31.28		$ 28.15
28	$ 37.84		$ 32.20		$ 30.16		$ 27.14
Break-even Point (# DS1s)	23		22		19		20

Using CityNet's ICA for Market 1, for example, the effective cost of Dedicated Transport at the DS1 rate is $47.53. Dedicated Transport at the DS3 rate costs $1,059.52; dividing that amount by 28 would mean a rate of $38.84 per DS1 equivalent – but only if CityNet had 28 EELs in that particular route. In this example, CityNet pays a penalty for every DS1 between 10 and 22, but starts to save money once a level of 23 EELs has been achieved. In fact, once CityNet goes from 10 DS1s to 11 DS1s, the effective cost per DS1 goes more than doubles from $47.53 to $96.32.

Clearly, no rational basis exists for a ten-line DS1 dedicated transport cap to EELS.