BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of requirements arising From Federal Communications Commission Triennial UNE review: Local Circuit Switching For Mass Market Customers /	Docket No. 030851-TP Filed: January 7, 2004

REBUTTAL TESTIMONY AND EXHIBITS

OF

JOSEPH GILLAN

ON BEHALF OF

THE FLORIDA COMPETITIVE CARRIERS ASSOCIATION

PUBLIC VERSION

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Table of Contents

I. Introduction

Q. Please state your name and the party you are representing.

A. My name is Joseph Gillan. I filed direct testimony on behalf of the FCCA in this proceeding.

Q. What is the purpose of your rebuttal testimony?

A. The principal purpose of my rebuttal testimony is to address the claim by BellSouth and Verizon that there is sufficient mass market local competition by switch-based CLECs in Florida to justify the Commission concluding that the FCC-described "triggers" are satisfied. Since Sprint, which is also a major ILEC in Florida, is not joining in the challenge to the FCC's finding of switching impairment, I refer in this testimony to BellSouth and Verizon as the "challenging ILECs," to distinguish them from Sprint. As I explain below, the trigger candidates proffered by BellSouth and Verizon do not satisfy even the most basic criteria needed to qualify as self-providing switch triggers for mass market services. Among other deficiencies, the challenging ILECs count enterprise switches (which the FCC has ruled may not be included in a trigger analysis), ignore whether carriers are *actively providing* mass market services today (indeed they count carriers that may never have offered mass market services), and entirely disregard whether such trigger candidates are likely to continue providing mass market services in the future.

The Commission's evaluation of potential trigger candidates must not be taken lightly. As the FCC explained, the purpose of its trigger analysis is to consider whether "actual marketplace evidence shows whether new entrants, as a practical matter, have surmounted barriers to entry in the relevant market,"[1] so that "...it is feasible to provide service without relying on the incumbent LEC."[2] Particularly now that the Commission has authorized the ILECs to raise the basic local rates charged to mass market customers throughout the state (as intended by the Legislature), the Commission must be especially diligent that it protect the mass market competition that those increases were intended to encourage. Fortunately for Florida consumers, the facts show that the mass market switching triggers have not been satisfied in Florida. Thus the challenging ILECs' claims that they should be excused from their federal obligation to offer unbundled local switching should be denied.[3] This will allow Florida customers to continue to benefit from the emerging POTS competition that unbundled local switching permits.

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1 Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, CC Docket Nos. 01-338, 96-98 and 98-147, Released August 21, 2003 ("Triennial Review Order" or "TRO") ¶ 99.

2 TRO ¶ 93.

3 As explained in the Direct Testimony of Joseph Gillan, the challenging ILECs are required to offer unbundled local switching under state law (as part of a package of regulatory reforms that deregulated their profits), and BellSouth remains obligated to offer unbundled local switching under section 271's competitive checklist.

Q. In addition to responding to the challenging ILECs' claims regarding the self-provider switch trigger candidates, does your rebuttal testimony address any other issues?

A. Yes. In addition to evaluating the trigger assertions of BellSouth and Verizon, the rebuttal testimony also addresses:

* The appropriate "market area" that the Commission should use for the evaluation of impairment, and

* The appropriate DS0 to DS1 crossover point that sets the "regulatory" upper limit of the mass market.

As the testimony below explains, the Commission should reject BellSouth's proposal to use "component economic areas" (CEAs) to define the relevant geographic area of the mass market. These areas have nothing to do with telecommunications – indeed, prior to BellSouth's testimony in this proceeding, the Commission would have been hard pressed to find anyone in the industry that was even familiar with the term. The Commission should instead adopt a larger area that more closely reflects the broad nature of the mass market, such as the LATA boundaries that have defined Florida's "exchange markets" for the past two decades.

As to the calculation of the "DS0-to-DS1" crossover, Verizon is correct – in the real world, the *customer* decides whether it wants analog (i.e., mass market) or digital (i.e., enterprise) service. The DS0/DS1 crossover is an artificial *regulatory* limit that the Commission should approach with caution. I agree with Verizon that the customer is in the best position to know what type of facilities arrangements it needs for the services it buys and that, therefore, the most *accurate* dividing line between the analog mass market and the digital enterprise market tracks the service choice made by the customer.[4] To the extent that an ILEC (such as BellSouth) insists that the mass market be defined by regulatory rule, however, the Sprint proposal should be used. In no event should the Commission adopt BellSouth's proposed "3-line cutoff," which is not (and could not be) supported by any evidence in this proceeding.

Q. Have you completed your analysis of the challenging ILECs' trigger candidates?

A. No. As the Commission is aware, BellSouth has recently revised its trigger claims, substantially reducing the number of switches that it alleges provide mass market services from 77 switches to 30, and eliminating some trigger candidates.[5]

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[4] Of course, I disagree with Verizon that, after properly *defining* the scope of the mass market, CLECs should be *denied* access to unbundled local switching to compete within the mass market.

[5] BellSouth Corrected Direct Testimony of Ms. Tipton (correction at page 3) and Corrected Exhibit PAT-5 (filed December 30, 2003).

More importantly, the data that I need to fully evaluate various trigger candidates have only recently been provided to me in paper form.[6] I am currently seeking access to the data in electronic form so that it may be more readily analyzed, but as of the date of this testimony, counsel is still negotiating with BellSouth to receive this data in an electronic format. We will conclude our review as expeditiously as possible (after we gain access to the underlying data in electronic form) and will update the testimony accordingly.

Q. Before you begin, do you have any preliminary comments?

A. Yes. The Florida Commission recently approved the proposals by BellSouth, Verizon and Sprint to raise the basic rates of mass market customers throughout the State, with the hope (and indeed based on assertions by the ILECs) that competition would emerge and, over time, produce lower rates and better choices. The only realistic strategy for providing mass market services in the near term, however, is through the use of unbundled local switching. Only unbundled local switching provides CLECs access to the monopoly loop network of the incumbent in a manner (i.e., electronically) that supports mass market competition.

[6] BellSouth Response to AT&T's Subpoena Duces Tecum, Item No. 125 (Dec. 23, 2003) and Verizon Response to AT&T's Second Request for the Production of Documents, Item Nos. 32, 112, and 113.

The most recent local competition statistics for the State of Florida compiled by the FCC bear this out. The following table summarizes how each of the principal entry strategies grew/decayed in Florida during the first half of last year.

Table 1: Local Entry Strategies in Florida[7]

	December 2002	June 2003	Change
Resale	110,507	72,284	-38,223
UNE-L	162,899	157,996	-4,903
UNE-P	493,891	609,132	115,241
Other Loop[8]	727,835	698,220	-29,615
	1,495,132	1,537,632	

As Table 1 demonstrates, the only entry strategy that continues to grow in Florida is UNE-P. What Table 1 does not show – but what my testimony will reinforce – is that UNE-P's importance to mass market competition is even more pronounced.

Q. Is UNE-P critical to <u>both</u> mass market residential and mass market business customers?

A. Yes. Table 2 analyzes the most *recent* competitive activity (the past six months) that relies on UNE-P and UNE-L (in each BellSouth LATA), and analyzes the

[7] Source: BellSouth Reports to FCC Form 477 and FCC Local Competition Report, December 2003.

[8] The reported number of lines reported in the "other" category is for all Florida ILECs combined. The FCC does not report the data in a manner that would enable "other CLEC lines" to be accurately assigned to the specific territories of each ILEC. This category includes self-provisioned lines, as well as lines ordered as special access from the ILEC, and does not differentiate between lines provided to enterprise and mass market customers.

1 importance of UNE-P across the entire mass market, which includes both
2 residential and small business customers.

Table 2: Current Competitive Activity in BellSouth LATAs (Most Recent Six Months – April to Sept. 2003)[9]

BellSouth LATA	Share Gain by Method		UNE-P Share by Customer	
	UNE-P	UNE-L	Residential	Business
Daytona Beach	5.9%	0.2%	5.2%	8.9%
Gainesville	4.3%	0.0%	3.9%	6.4%
Jacksonville	4.5%	0.4%	4.6%	4.1%
Orlando	4.5%	0.5%	4.4%	4.7%
Panama City	3.0%	0.0%	2.9%	3.5%
Pensacola	5.6%	0.0%	5.5%	6.3%
Southeast	6.8%	0.6%	6.9%	6.4%
Statewide	5.9%	0.5%	5.9%	5.9%

3
4 As Table 2 demonstrates, competitive activity from UNE-P is roughly 12 times
5 that of UNE-L statewide, and even more in a number of LATAs. As shown in my
6 direct testimony, UNE-P brings competition to more places, the competition that
7 it brings is far more extensive, and it is focused on mass market rather than
8 enterprise customers. Moreover, UNE-P is just as important to competition for
9 the mass market business customer as it is for the mass market residential
10 customer.[10]

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9 Source: BellSouth Response to AT&T No. 56 and FCCA No. 3.

10 I remind the Commission that the mass market is defined by access method – analog or digital – and not the "customer label" used in retail tariffs. Table 2 underscores the fact that UNE-P is a critical entry strategy across the *entire* mass market, including the segment of mass market customers represented by small businesses.

II. Market Definition: Geographic Area and the DS0/1 Cutover

Q. Have you reviewed the proposed geographic areas suggested by the challenging ILECs for the Commission to use in its review of impairment?

A. Yes. Verizon is recommending that the Commission adopt the Office of Management and Budget's Metropolitan Statistical Area (MSA), while BellSouth is recommending that the Commission rely on the Bureau of Economic Analysis' "component economic areas" (CEA). Each challenging ILEC recommends further that the geographic areas be subdivided according to UNE rate zones.

Q. Do you support either of these approaches?

A. No. First, as FCCA noted in my direct testimony, one of the defining characteristics of the mass market is that mass market customers reside *throughout* Florida. Artificially limiting an analysis to only those customers located within the Tampa-St. Petersburg-Clearwater MSA – or, in the case of BellSouth, redlining and thus excluding customers from having competitive alternatives according to "component economic areas" having nothing to do with competitive activity –ignores the primary defining characteristic of the mass market as a broadly dispersed customer set.

Q. What area should the Commission use to evaluate impairment for Verizon?

A. The Commission should evaluate impairment across the entire Verizon footprint in Florida. Most of the lines in its territory are going to fall within the MSA boundary in any event. But there is no reason for the Commission to exclude customers from its unbundling inquiry merely because they are served by wire centers *outside* the boundary of a MSA. Moreover, as the Commission is aware, the TRO prohibits the Commission from adopting any "market" that is so narrow that "... a competitor serving that market alone would not be able to take advantage of available scale and scope economies from serving a wider market."[11]

Importantly, the unstated consequence of Verizon's suggestion to use the MSA boundary in the Tampa-St Petersburg area is the creation of a *residual* market comprised of Verizon customers located outside the MSA. If the Commission were to adopt Verizon's recommendation to consider only the MSA, then it would also have to determine that the residual market created by that decision did not violate the FCC's requirement that the market not be so small that the competitor could not fully realize the available scale and scope economies. It is unlikely that the residual market "left over" by Verizon's preferred MSA analysis would be large enough to meet the FCC's standard.

[11] TRO ¶ 495.

Q. Is there evidence that the mass market is appropriately defined as the entire area served by Verizon?

A. Yes. Exhibit JPG-4 (attached to the Direct Testimony of Joseph Gillan) demonstrated that carriers were serving mass market customers throughout Verizon's exchanges (albeit at relatively low levels). The mass market is spread throughout Verizon's territory, and the mass market entry strategy –UNE-P – is enabling competition to emerge throughout the area as well.

Q. Should the Commission adopt "component economic areas" as suggested by BellSouth?

A. No. As a threshold observation, after more than 20 years of telecommunications experience dealing with a wide range of competitive issues, I had never come across any mention of the Bureau of Economic Analysis' ("BEA's") "component economic area" until BellSouth's testimony was filed here. Without becoming too caught up in common sense, just how relevant can the CEA be to market entry and impairment if it had never surfaced in any industry discussion before now?

Second, the BEA's *component* economic areas are exactly that – a "middle step" in the process of defining economic areas that "serve as centers of economic activity." Not only do these areas have nothing to do with telecommunications, they are not even the final product in the BEA's effort to identify economic areas

that include, so far as possible, "the place of work and the place of residence of its labor force."[12] Although the BEA begins with "component areas," these are intended to be building blocks that aggregate into economic areas that are "economically large enough to be part of the BEA's local area economic projections."

This last observation highlights the final problem with the "CEA approach." The BEA itself has decided that CEAs are not sufficiently large even for *its* purpose of developing projections of economic activity. In effect, BellSouth is claiming that areas that are too *small* for economic modeling are somehow sufficiently *large* that an entrant serving that area alone would be able to take advantage of available scale and scope economies.

Q. Does it make sense for the Commission to use UNE -- which is to say loop -- rate zones in evaluating impairments associated with unbundled local switching?

A. Generally, no. As the question indicates, UNE rate zones create different rates for the loop element. Although there are modest price differences between loops used individually and loops obtained as part of UNE-P, the effect of deaveraged

[12] For completeness, I have attached as Exhibit JPG-5, an article published in the Survey of Current Business that describes the development of "economic areas," including the intermediate step of the "component economic area."

loop rates should have little effect on the *relative* ability of a CLEC to use (or not use) its own switching to compete. Whether a CLEC is using UNE-P or UNE-L, the constant is the need to purchase the unbundled loop. In other words, while UNE rate zones may affect competition overall, the issue here concerns the relative operational and other barriers to competition for mass market customers that are mitigated by access to unbundled local switching. The consideration of UNE loop rate zones thus has no place in the analysis of impairment as it relates to the availability of unbundled local switching.

Q. Do you have an overall comment about BellSouth's proposed "markets?"

A. Yes. Mass market competition is interdependent – that is, competition in rural wire centers is possible because of competition in suburban wire centers; and competition in suburban wire centers is possible because of competition in urban centers. It is simply misleading to "force" granularity for the sake of granularity. The fact is that the mass market is not discrete, and it requires – as its very name suggests – *mass* in order for a competitor to succeed. BellSouth's proposal would subdivide its territory into 32 discrete areas, as though carriers could individually enter as few as one and compete for residential and small business customers. Notably, several CEAs are smaller than many of BellSouth's wire centers, and BellSouth claims its wire centers are too small to qualify as "markets" under the TRO. Table 3 shows the number of retail lines located in each of BellSouth's

claimed "mass markets" (i.e., each of the 32 discrete areas that it claims should be used for impairment analysis).

Table 3: Access Lines in BellSouth's Proposed Markets[13]
(Markets Where BellSouth Claims Triggers are Satisfied in Bold)

Component Economic Area	Zone 1	Zone 2	Zone 3
Daytona Beach	2,161	206,724	36,651
Dothan			9,610
Fort Lauderdale	**299,439**	**523,784**	
Fort Pierce - Port St Lucie		92,672	124,225
Gainesville		88,234	85,436
Jacksonville	**70,728**	**347,922**	**116,580**
Melbourne-Titusville-Palm Bay		270,710	
Miami	**534,544**	**550,424**	45,600
Ocala			14,363
Orlando	**39,468**	**337,090**	9,396
Panama City		53,413	19,355
Pensacola	13,020	**139,415**	43,639
Tallahassee			8,758
Tampa-St Pete-Clearwater		34,907	37,430
West Palm Beach	**123,975**	**551,939**	58,833

Q. Do you believe that CLECs would approach the mass market in the highly discrete manner claimed by BellSouth?

A. No. The mass market is located throughout the state and the issue (as it relates to the "triggers") is to determine whether there is sufficient competition *across* that market from alternatives to determine that unbundled access to local switching is not necessary.[14]

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[13] Source: BellSouth Response to AT&T's 3rd Set of Interrogatories, Item No. 122.

[14] I remind the Commission, but do not repeat here, my general caveats concerning BellSouth's continuing obligations under section 271, and both challenging ILECs' obligations under state law.

Although BellSouth's "market definition" approach is needlessly complex and gratuitously granular, it is essentially irrelevant as well, because even after splitting the state into 32 discrete pieces, BellSouth claims that the triggers are met virtually everywhere anyway. BellSouth combines its preferred market definition with a flawed interpretation of the FCC's trigger criteria that would have the effect of ending competition statewide. Indeed, BellSouth claims that the triggers are met in "markets" containing roughly 75% of its access lines and over 83% of the UNE-P lines. Adding those "markets" where BellSouth claims that CLECs are unimpaired based on its "potential deployment" analysis would foreclose UNE-P based competition in roughly 90% of the state.

Q. Would BellSouth's recommendation essentially close Florida to local competition for mass market customers?

A. Yes. As Table 2 shows, UNE-P produces competition at a completely different level and scope than UNE-L. UNE-P brings competition to the heart of the mass market (the residential customer), it brings needed competition to the forgotten mass market customer (the small business), and it brings competition to essentially every BellSouth wire center in the state. With rates increasing throughout the state, it is critical that the mass market enjoy competition that is equally broad. The attached Exhibit JPG-6 contrasts the share gain of UNE-P to that of UNE-L for each of BellSouth's wire centers during the most recent six months (June to September, 2003). Exhibit JPG-6 demonstrates that the

competitive benefits achieved by UNE-P are both broader and more substantial than that possible without access to unbundled local switching. In the past six months, UNE-P lines were added in 96% of the wire centers in Florida, roughly twice as many wire centers as added UNE-L lines. After having just raised rates in all those wire centers (claiming that it was doing so to increase competition), BellSouth is now seeking to eliminate the only promising source of that competition, UNE-P.

Q. What geographic areas do you recommend?

A. I recommend that the Commission use LATAs to evaluate impairment. As I noted repeatedly above, the mass market is spread throughout BellSouth's service territory in Florida and *any* lesser area could potentially camouflage the importance of this fact. However, the evidence (see Table 2) suggests that each LATA is sufficiently comparable to the state overall that the Commission's analysis would not be distorted by using these pre-existing areas in its analysis. Other advantages are that LATA boundaries conform to wire center boundaries (which are the fundamental building block of any analysis), the boundaries are well understood (at least within the industry), and the boundaries were once drawn to approximate the "local market" (albeit 20 years ago).

Q. What DS0/DS1 crossover should the Commission use to define the "upper limit" of the mass market?

A. In the Verizon territory, I recommend that the Commission accept Verizon's proposal to *not* impose an artificial upper bound to the mass market. Although Verizon witness Fulp suggests that the CLEC decides what the customer wants,[15] the reality is that all carriers, CLECs as well as ILECs, offer various products designed for different customer interfaces (such as analog phone service or a DS-1 to a PBX) and the customer decides, based on those service offerings, whether it is to be served as an enterprise customer or part of the mass market.

Where the ILEC insists that the Commission establish a regulatory "cap" on the mass market, the basic principles on how such a cap should be calculated were included in my direct testimony. My review of the testimony of Sprint's witness Kent Dickerson indicates that Sprint's calculation conforms to those principles and I would recommend the Commission adopt a crossover of 12 lines for the territories of Sprint and BellSouth.

[15] Fulp Direct, page 13.

Q. Do you have any comment on BellSouth's suggestion that the "default" 3-line limit should apply?

A. Yes. To begin, it is important to understand that there is no "default" 3-line cap on the mass market. Rather, the FCC gave specific direction that, to the extent a cap is adopted, it should be established at the point where "it is economically feasible for a competitive carrier to provide voice service with its own switch using a DS1 or above loop."[16] Indeed, the FCC explicitly *did not* (except for an interim period during which State Commissions address impairment issues) preserve the "three line" (sometimes called the 4-line) rule, which was a point of controversy with Commissioner Abernathy:

> Commissioner Abernathy claims that our decision not to preserve the previous Commission's four-line carve-out represents a "potentially massive expansion" of unbundled switching. *Commissioner Abernathy Statement* at 8 n.27. This claim makes no sense. If a state finds that the appropriate cut-off for distinguishing enterprise from mass market customers in density zone 1 of the top 50 MSAs is four lines, there will be no more unbundled switching available than there was under the previous carve-out.[17]

Moreover, the prior limitation applied only in *selected* end-offices (i.e., those Zone 1 end offices in the top 50 MSAs),[18] with *no limit* in any other area. Such a

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16 TRO ¶421, n.1296.

17 TRO ¶ 497, n. 1546, emphasis added.

18 It should be noted that the "Zone 1" offices are those used by the FCC for special access pricing flexibility, and are not the same as the "Zone 1" used for deaveraged UNE rates.

structure is incompatible with a crossover point developed based on the evidence related to the relative costs of serving customers using analog loops or DS-1 loops and the necessary customer premise equipment and other costs associated with provisioning the DS-1 (even in a simple calculation).

III. Evaluating the Alleged Mass Market Switching Trigger Candidates

Q. Please provide an overview of your testimony as it relates to the ILEC claims that the FCC's triggers have been satisfied.

A. Each of the challenging ILECs makes the same general claim regarding the purpose and analytical rigor required by the "trigger analysis" called for by the TRO. Each essentially claims that the trigger analysis is so straight-forward, that it could be conducted blindfolded, by simply counting to three:

> The self-provisioning trigger is deliberately objective. It is assessed entirely through the application of data, rather than by the consideration of more subjective experiences, theories, estimates, opinions, and predictions.[19]
>
> ***
>
> ... satisfaction of the trigger is just dependent upon counting the number of entities self-provisioning switching – if there are three or more, the commission must make a finding of no impairment.[20]

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[19] Fulp Direct, page 6.

[20] Tipton Direct, page 5.

Q. Do you agree that the trigger analysis is a mere counting exercise?

A. No. It is true that the trigger analysis is different than a potential deployment analysis in that it requires that the Commission focus on an objective standard (three self-providers) and objective data regarding deployment of alternative switching that is actually serving the mass market. That does not mean that the Commission is not expected to interpret the data to make sure that each proffered trigger candidate is a "true alternative" that is "...actively providing voice service to mass market customers in the market."[21]

The TRO calls for common sense alongside objectivity and does not compel state commissions to check their judgment at the door when conducting a trigger analysis. To the contrary, the TRO offers substantial guidance as to the type of carriers and services that can legitimately be considered "actual marketplace evidence" that "...new entrants, as a practical matter, have surmounted barriers to entry in the relevant market."[22]

The reviewing criteria that I recommend are drawn directly from the TRO and parallel, wherever possible, comparable findings and analysis of the FCC. This is precisely the type of analysis that the FCC intended, with the states evaluating

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21 TRO ¶ 499.

22 TRO ¶ 93, emphasis removed.

local conditions and the guidance found in the TRO. Where those conditions and/or circumstances are comparable to the FCC's national review, the FCC says that states should reach similar findings. For example, the FCC held:

> For example, we note that CMRS does not yet equal traditional incumbent LEC services in its quality, its ability to handle data traffic, its ubiquity, and its ability to provide broadband services to the mass market. Thus, just as CMRS deployment does not persuade us to reject our nationwide finding of impairment, at this time, we do not expect state commissions to consider CMRS providers in their application of the triggers.[23]

In direct contrast to my criteria and the FCC's direction, the challenging ILECs would have the Commission ignore the relevant guidance contained in the TRO in the application of the triggers. There are a number of instances where the challenging ILECs present data that essentially parallels information that the FCC used to *reject* ILEC claims of non-impairment. Based on that same data, however, the ILECs claim that the TRO compels the Florida Commission to *overturn* the FCC's finding of impairment here. Such a result is absurd – how could the FCC possibly insist that the states reach opposite conclusions simply by reviewing local (i.e., more granular) data that *confirms* the same data the FCC used to determine that CLECs were impaired in serving the mass market without access to unbundled local switching?

[23] TRO ¶ 499, n. 1549, footnotes omitted, emphasis added.

Q. Do you have an example where the challenging ILECs are asking the Commission to reach decisions that are inconsistent with the FCC's reasoning in the TRO?

A. Yes. In the TRO, the FCC concluded that there was not sufficient evidence of non-impairment based on self-deployed switching, in part because such switches served such a small percentage of the market:

> ...the record indicates that competitive LECs have self-deployed few local circuit switches to serve the mass market. The BOCs claim that, as of year-end 2001, approximately three million residential lines were served via competitive LEC switches.... Even accepting that figure, however, it represents only a small percentage of the residential voice market. It amounts to less than three percent of the 112 million residential voice lines served by reporting incumbent LECs.[24]

Verizon's entire "trigger case" is based on the allegation that CLECs serve 27,044 mass market loops using their own switches. Even if one accepts this figure as accurate – and there are a number of reasons to challenge the estimate[25] -- this represents a market share of only 1.2%.[26] Under Verizon's apparent reading of the TRO, the FCC would demand (through the mandatory triggers) that the Florida Commission find *non-impairment* based on a CLEC switch-based market

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[24] TRO ¶ 438, footnotes omitted, emphasis added.

[25] For instance, several of the carriers cited by Verizon do not actively provide service or own facilities that are appropriately classified as enterprise switches and, therefore, should not be counted in a trigger analysis.

[26] Source: ARMIS 2002 Switched Access Lines.

share of a mere 1.2%, even though the FCC found *impairment* based on statistics that indicated that CLEC switch-based share was more than twice that on a national basis.[27]

Q. What objective criteria must a trigger candidate satisfy?

A. The full criteria are addressed in my direct testimony in this proceeding.[28] The analysis here focuses on the "self-provisioning" trigger, since neither of the challenging ILECs asserts that the "competitive wholesale facilities" trigger is satisfied in any Florida market.[29] In short form, a self-provisioning trigger candidate must satisfy each of the following:

1. The self-provisioning trigger candidate's switches must not be "enterprise" switches.

2. The self-provisioning trigger candidate must be actively providing voice service to mass market customers in the designated market, including residential customers, and must be likely to continue to do so.

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[27] I would expect that the CLEC switch-based share in Verizon territory would be even lower if it was directly comparable to the data considered by the FCC in TRO ¶ 438 quoted above (which focused on switch-based share in the residential market).

[28] For a full discussion, see Direct Testimony of Joseph Gillan, on behalf of the Florida Competitive Carriers Association, filed December 4, 2003, pages 36-52.

[29] Tipton Direct, at 14-15 (BellSouth has not identified two or more carriers satisfying the wholesale facilities trigger); Fulp Direct, at 5 ("Verizon is not attempting at this time to make a showing under the competitive wholesale facilities trigger for switching. ...")

3. The self-provisioning trigger candidate should be relying on ILEC analog loops to connect the customer to its switch.

4. If the self-provisioning trigger candidate provides an "intermodal service," its service must be comparable to the ILEC service in cost, quality, and maturity.

5. The self-provisioning trigger candidate may not be affiliated with the ILEC or other self-provisioning trigger candidates.

6. The existence of the self-provisioning trigger candidate should be evidence of sustainable and broad-scale mass market competitive alternatives in the designated market.

In addition, my direct testimony emphasized the importance that any alternative should exhibit the same "competitive signature" within the market – that is, a comparable geographic pattern of entry – as today's entry based on UNE-P.[30]

Q. Does your testimony evaluate each trigger candidate against each of these criteria?

A. No, not completely. First, it is important to understand that a potential trigger candidate must satisfy each and every criterion in order to be legitimately considered as one-of-three providers sufficient to support a finding that

[30] In my testimony filed in subsequent BellSouth states, the "competitive signature" standard is directly incorporated into the criteria list, and the requirement that the CLEC rely on ILEC loops is combined with the other criteria related to potential intermodal competitors (i.e., criterion 3 and 4 are combined). This organizational improvement, however, does not change the substantive points in my testimony.

impairment has been overcome in the specific geographic area. Consequently, if a trigger candidate fails any single criterion, it may not be counted as a trigger and further analysis is not necessary. In addition, my review is ongoing as additional discovery is provided. Additional analysis will be provided once that discovery is obtained and analyzed. Finally, some of the criteria outlined in the TRO – in particular, the "key consideration" as to "whether the providers are currently offering and able to provide service, and are likely to continue to do so"[31] – may require a detailed examination of a particular candidate that would be unnecessary if the candidate is disqualified for other reasons.

Q. The challenging ILECs maintain that the Commission is precluded from evaluating "any other factors, such as the financial stability or well-being of the competitive switching providers" in conducting a trigger analysis.[32] Do you agree?

A. Obviously I agree that the sentence does appear in the TRO. Where I part company with the challenging ILECs is with their interpretation that this *single* sentence wipes away every other statement in the TRO that explains how the trigger analysis is to be conducted. For example, consider the paragraph that this sentence introduces in its entirety:

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31 TRO ¶ 500, emphasis added.

32 Tipton Direct, page 5, and Fulp Direct, page 6, citing TRO ¶ 500.

> For the purposes of these triggers, we find that states shall not evaluate any other factors, such as the financial stability or well-being of the competitive switching providers. Competing carriers in Chapter 11 bankruptcy protection are often still providing service. Regardless of their financial status, the physical assets remain viable and may be bought by someone else and remain in service. We note that requiring states to determine the financial ability of competitive wholesale providers to provide service in the future could hamper economic recovery efforts of companies in financial distress. The key consideration to be examined by state commissions is whether the providers are currently offering and able to provide service, and are likely to continue to do so.[33]

Thus, within the very same paragraph that the ILECs cite favorably, the FCC directs the states that "the key consideration" in a trigger review is the ability of the provider to continue to offer service. Notably, the FCC's directive does *not* exclude all the other factors identified in the TRO. The only way that this paragraph is internally consistent is if it explains that a *past* bankruptcy is not to be considered, but that any factor that would likely affect the *future* ability of the CLEC to provide service must be a critical part of the analysis. Moreover, there is nothing in the passage that suggests that the FCC was directing the states to ignore all the other guidance it provided, including requirements that enterprise switches not be counted, that CLECs relying on their own loops should be

[33] TRO ¶ 500, footnotes omitted.

afforded less weight, and other factors and criteria described in my direct testimony.[34]

Q. Turning to specific trigger candidates, which CLECs do the challenging ILECs claim are self-providers of local switching to provide mass market services?

A. The following table summarizes the trigger candidates identified by BellSouth and Verizon in their direct testimony. In addition to these candidates, BellSouth also initially named Time Warner Communications, but it has since withdrawn that claim.

[34] TRO ¶ 508 ("switches serving the enterprise market do not qualify for the triggers"), and footnote 1560, emphasis added, ("when one or more of the three competitive providers is also self-deploying its own local loops, this evidence may *bear less heavily* on the ability to use a self-deployed switch as a means of accessing the incumbent's loops.")

Table 4: Named Trigger Candidates[35]

Trigger Candidate	BellSouth Territory	Verizon Territory
KMC Telecom	X	X
PaeTec	X	
ITC^DeltaCom/BTI	X	X
Comcast	X	
TCG (AT&T)	X	X
SBC Telecom	X	X
Allegiance Telecom	X	X
XO Communications	X	
Supra	X	
Nuvox	X	
MCI/WorldCom	X	X
US LEC	X	
AllTel	X	
Xspedius	X	X
Sprint Communications	X	
Florida Multimedia	X	
Orlando Telephone	X	
Network Telephone	X	
FDN/Mpower	X	X

[35] In the Direct Testimony of BellSouth's Pamela A. Tipton, she references Exhibit PAT-5 which she asserts "is a list of the CLECs that are using their own switching to serve mass-market customers in the market areas that I have identified as meeting the trigger." Ms. Tipton's testimony further indicates that "BellSouth requests that Exhibit PAT-5 be treated as confidential because while this Commisison needs to know where CLECs have self-provisioned switching serving mass market customers, these locations and the identify of the CLEC customers are proprietary and it is very important to the CLECs that this information not be made available to their competitors." Based on conversations with BellSouth, BellSouth has indicated that it is the specific CLEC and the specific market/location that is deemed confidential information and not the individual CLEC. Therefore, FCCA will maintain the confidentiality of that information in this testimony by avoiding references to the specific market in which BellSouth asserts the particular CLEC meets the trigger.

Q. On what basis did BellSouth and Verizon conclude that the named CLECs were candidates for this Commission to consider as self-providers of local switching offering mass market services?

A. It appears that the challenging ILECs based their conclusions primarily on their own wholesale and provisioning records. As the suppliers of unbundled loops (UNE-L) in their service territory, these ILECs *should* have records of which CLECs have purchased unbundled loops in the various markets in Florida.

For instance, BellSouth maintains a loop inventory database along with a class of service indicator with the identity of the CLEC that purchased the UNE-L. On the basis of this information, BellSouth claims that it "could determine how many CLECs were providing local services to mass-market customers in each of the geographic markets."[36] BellSouth also claims that it relied on information obtained through discovery from CLECs, where it asked "CLECs to identify the market areas where they serve mass market customers using their own switches."[37]

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[36] Tipton Direct, page 11.

[37] Tipton Direct, page 9.

Q. Did BellSouth correctly request relevant information from the CLECs?

A. No. In fact, BellSouth admits that it "did not request that CLECs provide the number of mass market customers served by each CLEC switch. BellSouth has made an *assumption* that the switches identified by CLECs serve the general geographic area within which the switch resides."[38]

Moreover, the interrogatories served by BellSouth on CLECs did not ask for information on mass market lines. Rather, BellSouth sought information on "qualifying services."[39] The term "qualifying services," however, is not limited to mass market services. A qualifying service is a defined term and means:

> A qualifying service is a telecommunications service that competes with a telecommunications service that has been traditionally the exclusive or primary domain of incumbent LECs, including, but not limited to, local exchange service, such as plain old telephone service, and access services, such as digital subscriber line services and high-capacity circuits.[40]

Thus, the data collected by BellSouth did not differentiate between mass market and enterprise lines and, therefore, is useless for drawing the critical distinction between an enterprise and mass market switch. For its part, Verizon appears to

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38 BellSouth Response to AT&T Interrogatory No. 126, emphasis added.

39 *See* BellSouth's 1st Set of Interrogatories to AT&T, Definition No. 32.

40 47 C.F.R. Sec. 51.5, emphasis added.

have collected data on both 2-wire and 4-wire loops,[41] and thus also appears to be confusing enterprise with mass market lines.[42]

The bottom line is that it does not appear that the challenging ILECs made any effort to determine whether the named mass market switching candidates are, in fact, actively providing switch-based services to the mass market in a manner that would satisfy the criteria outlined in the TRO.

Q. Have you evaluated the named mass market switching trigger candidates to determine whether they satisfy the criteria in the TRO?

A. Yes. In an effort to determine whether the named trigger candidates satisfy the criteria to qualify as self-provisioning trigger candidates, I investigated (within the limits of the time frame available to me) the types of services these carries offered to determine whether they were actively offering mass market services and were likely to continue to do so. This investigation involved, in some instances, a discussion with representatives of the trigger candidates, an examination of their marketing and other materials contained on their public websites and tariffs, a review of the data utilized by the challenging ILECs, and a

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[41] Fulp Direct, page 19.

[42] The FCC has provided considerable guidance concerning the difference between a mass market customer (or line) and an enterprise customer (or line). The key differences are summarized in Exhibit JPG-7, attached.

review of the data concerning the types of customers and loops being provisioned on the CLEC trigger candidate's switch.[43]

I understand that AT&T/TCG, MCI/WorldCom, Sprint, and Supra will file testimony that directly rebuts assertions made by the challenging ILECs that those companies are serving the mass market with their own local switching and meet the criteria to be considered a "trigger" candidate. Therefore, my testimony will focus on addressing the remaining trigger candidates.

KMC Telecom

Q. Based on your review of information provided by KMC, does KMC qualify as a trigger candidate?

A. No. Based on the information supplied by KMC, KMC should be considered an enterprise-oriented carrier and it should not be counted as a trigger candidate. I base this conclusion on the following:

* KMC does not actively market services to customers who desire to be served over analog DS0-level loops. KMC actively markets only to

[43] Given the limited amount of time available to conduct this research, much of the research was conducted informally since the formal discovery process would not provide the needed information in time for the rebuttal filing date, and our review is ongoing.

customers who plan to purchase digital service at capacities that justify the use of DS1-level loops.

* There are two specific instances in which KMC may offer DS0 level service while marketing only to DS1 level enterprise customers. First, existing enterprise customers who order additional voice services from KMC may, on occasion, be at capacity on their existing DS1 facility, necessitating the provisioning of individual DS0 level facilities at an existing location. The second instance occurs when a prospective or existing enterprise customer wishes to include other locations into their service package, but those locations do not have sufficient volume to justify a full DS1. KMC would also provision individual DS0s to such locations.

Q. Did the FCC recognize that enterprise switches (such as those operated by KMC) would include some analog lines?

A. Yes. The FCC understood that enterprise switches would serve some analog lines, but that did not change its conclusion that enterprise switches should not be counted in a trigger analysis.[44] For instance, the FCC specifically recognized data that showed enterprise switches serving analog lines, and cited that data as

[44] TRO ¶ 508.

evidence that simply counting switches did not address the critical distinction between the enterprise and mass markets:

> Incumbent LECs claim that the Commission should remove virtually all unbundling obligations regarding local switching on a national basis simply because competitive carriers have deployed 1,300 switches and are serving, according to the BOC UNE Fact Report 2002, over 16 million lines with those switches. This argument, however, ignores significant differences in the evidence concerning the enterprise market and mass market. The record is replete with evidence showing that competitive LECs are successfully using their own switches to serve large business customers that require high-capacity loops (which can be connected to competitive carrier switches with few of the obstacles that affect voice-grade loops). For example, BiznessOnline.Com cites data compiled by a coalition of competitive carriers which examined six representative markets and found that approximately 90 percent of the loops used by competitive carriers in these markets are DS1 capacity or higher loops.[45]

As the above paragraph makes clear, the FCC was under no delusion that carriers serving the enterprise market did so to the exclusion of all others. Rather, it understood that such carriers would be predominately using DS-1 (or higher) loops, even though some amount of analog activity might occur. Generally, the carriers cited by the FCC as evidence that competitive CLECs were using their switches to compete in the enterprise (but not mass) market relied on digital (DS-1 and higher) loops for 80% to 90% of their connectivity. The specific study referenced by the FCC is attached as Exhibit JPG-8 (Table 4).

[45] TRO ¶ 437, emphasis added.

Q. Are KMC's switches "enterprise switches" or "mass market switches"?

A. KMC has agreed to provide FCCA with the line-counts on each of the switches claimed by the challenging ILECs as trigger evidence. As shown below, each of KMC's switches should be considered "enterprise switches" based on the analysis used by the FCC.

Table 5: KMC Switch Data

Switch	VGE Analog	VGE Digital	Percent Enterprise

Moreover, none of the lines served by KMC are residential lines, further demonstrating that KMC is not a legitimate trigger candidate. Residential lines constitute roughly 80% of the mass market lines in BellSouth's Florida territory.[46] Any carrier that ignores 80% of the mass market cannot be plausibly considered to be "actively providing" mass market services.

[46] Source: ARMIS 2001.

PaeTec

Q. Is PaeTec a legitimate trigger candidate?

A. No. A review of PaeTec's public website demonstrates that is not actively providing mass market service. The following describes PaeTec's strategic focus:

> The telecommunications industry is arguably the most complex single sector of the world economy. There's good reason for this - the variety and complexity of the markets we serve is virtually unlimited. No company can service every part of this vast structure and hope to do it all well. PAETEC specializes in developing targeted solutions for medium and large businesses, governmental organizations, and affinity groups across North America. Business size, then, is an important factor in assessing strategic fit. But there's more. PAETEC has adopted a "vertical market" approach to marketing and developing our products and services. This means that we invest the time and resources necessary to carefully analyze and thoroughly understand the specific challenges faced by organizations in a wide variety of industries. We then tailor our portfolio to provide precise, highly targeted solutions, industry by industry, business by business.
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> ***
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> Today, PAETEC has achieved a leadership position in a variety of significant vertical markets, including higher education, health care, manufacturing, professional services, hospitality, and finance. Our customer retention rates are phenomenal, and our rapport with industry leaders, customers, and partners is remarkable. There's a simple reason for this -we take the time to understand our customer's businesses as if they were our own. Only then do we offer solutions that are precisely tailored to the problem set. It's an

approach that solves short-term problems with long-term solutions.[47]

Consistent with its enterprise market orientation, PaeTec does not list *any* analog-based services in its product offering,[48] instead showing the "integrated T" (a shared-use DS-1 product offering designed for the enterprise market) as its basic voice offering.

Comcast

Q. BellSouth has named Comcast as a triggering candidate. Is this appropriate?

A. No. To begin, the TRO makes clear that candidates that are not relying on use of the ILEC loop should be given less weight in determining whether CLECs in general are impaired without unbundled local switching.[49] There are a number of reasons, including the fact that the source of the national finding of impairment (the hot cut process) is not rebutted by the presence of a CLEC that does not rely on access to incumbent loops. As the FCC found:

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47 Source: http://www.paetec.com/2_1/2_1_3__1.html.

48 Source: http://www.paetec.com/1_1/1_1__1.html.

49 TRO footnotes 1560 and 1572.

> ...both cable and CMRS are potential alternatives not simply for switching, but for the entire incumbent LEC telephony platform, including the local loop. We are unaware of any evidence that either technology can be used as a means of accessing the incumbents' wireline voice-grade local loops. Accordingly, neither technology provides probative evidence of an entrant's ability to access the incumbent LEC's wireline voice-grade local loop and thereby self-deploy local circuit switches. Rather, competition from cable telephony and CMRS providers only serves as evidence of entry using *both* a self-provisioned loop *and* a self-provisioned switch.[50]

Moreover, Comcast does not "self-provide" its own local switching. In November 2002, Comcast acquired the cable properties of AT&T Broadband and the AT&T Broadband cable franchises and customer base in parts of Ft. Lauderdale, Miami and Jacksonville. As a result of this transaction, Comcast was able to maintain the leasing arrangement that AT&T Broadband had obtained from AT&T Local Services. That arrangement provides for AT&T Local Services to own and maintain the Local Class 5 circuit switch that previously served the AT&T Broadband (now Comcast) cable telephony customers and to provide services, including maintenance, transport from the cable "headend," and switching through to the public switched telephone network ("PSTN") for those customers. This unique circumstance is thus best viewed as evidence of AT&T's *withdrawal* from cable telephony rather than Comcast's *entry* into the POTS market. Indeed, Comcast has been reporting a decaying telephony base for several quarters, refuting the notion that it is actively providing POTS services.

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[50] TRO ¶ 446, footnotes omitted.

Beyond the fact that Comcast does not "self-supply" its own mass market switching, there is also the question as to whether it is likely to continue offering POTS services (to the extent that it does so at all) in the future. Around the time of the announcement of Comcast's planned acquisition of AT&T Broadband it was reported:

> AT&T/Comcast should pass about 11.2 million telephony ready homes by the end of the year [2002]. Comcast, which is currently pushing video-on-demand, had been targeting telephony for 2003. 'They're not touching circuit switched telephony with a 10-foot pole … They'll maintain what AT&T has done because … the expense has already been incurred' [quoting Kenneth Goodman of the Yankee Group]. That expense doesn't include buying switches, which Comcast has repeatedly disdained.[51]

By year-end 2002, Comcast's intention to essentially abandon the analog telephony business became even clearer with the report that:

> Comcast will reverse AT&T Broadband's aggressive telephony acquisition policies and implement its own corporate policy of trailing and then deploying voice over IP services, a senior executive said today. AT&T enlisted more than 1 million telephony customers using conventional constant bit rate [CBR] phone technology. Comcast will maintain these customers, but it won't go looking for more, John Alchin, Comcast's executive vice president and treasurer, said during a luncheon presentation at the Warburg Media day in New York City. 'There is an element of cutback on telephony', said Alchin, discussing Comcast's plans to

[51] Jan. 7, 2002, Telephony Online "Comcast Pulls Telephony Turnaround." To the extent that Comcast offers VOIP based services in the future, such services are unlikely to satisfy the FCC's requirements concerning quality, cost and maturity for some time. In any event, a debate concerning VOIP-based alternatives is not ripe for this proceeding.

> spend more than $2 billion to upgrade AT&T Broadband plant next year. 'While we haven't yet shared with you the details of the capital plans for 2003, you should not expect us to take the telephony product into a whole host of new markets. It will be a case of supporting the product where it is today without expanding.'[52]

Comcast confirmed this view during the 1st quarter of 2003, announcing that the "number of Comcast Cable phone subscribers is expected to remain flat or decline by up to 150,000 during 2003.[53] In its Third Quarter 2003 Results, Comcast further reiterated its retrenchment from the provision of cable telephony utilizing circuit switched technology. "As a result of the Company's reduced marketing efforts and focus on telephone service profitability, Comcast now expects to lose approximately 175,000 Comcast Cable phone customers this year, a modest adjustment from the original expectation of up to a 150,000 telephone customer decline [announced in the February 27, 2003 guidance]."[54]

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[52] "Comcast Curtailing AT&T Telephony Deployments," Dec. 12, 2002, Telephony Online.

[53] Source: http://www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-newsArticle&t=Regular&id=445839&.

[54] 3 Q 2003 Earnings Release, October 30, 2003, at http://www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-newsArticle&t=Regular&id=464588&.

SBC Telecom

Q. The challenging ILECs each claim that SBC Telecom is actively providing mass market services. Is this correct?

A. No. Based on the information that I have reviewed concerning SBC Telecom, the Commission should not consider SBC Telecom to be actively providing analog POTS services to the mass market in Florida. The data provided by Verizon indicates that SBC Telecom has less than [redacted] in its territory, while BellSouth data indicates even fewer.

In addition to this data, it is useful for the Commission to consider the circumstances that led to SBC Telecom's "entry" into the Florida market. SBC Telecom is a wholly-owned subsidiary of SBC Communications that was formed in the fall of 1999 as a condition of SBC's merger agreement with Ameritech. As a part its merger approval, SBC made specific commitments to provide local telephone services in 30 markets outside of its 13-state region, including Florida. Specifically, SBC agreed to do the following in those out-of region markets:

* Install a local telephone company exchange switch;

* Provide facilities-based local exchange service to at least one unaffiliated business customer or one non-employee residential

customer in that market. The term "facilities-based service" means service provided by SBC utilizing its own switch;

* Collocate facilities in at least 10 wire centers that can be used to provide facilities-based service to customers served by those wire centers; and

* Offer facilities-based local exchange service to all business and residential customers served by the wire centers in the market where SBC is collocated.

Failure to meet the FCC condition requirements could result in a payment of up to $40 million for each market.[55] Moreover, SBC's merger commitments sunset after three years (in October 2002). Obviously, a company that is (in effect) bribed to enter a local market under a multimillion dollar penalty structure cannot reasonably be used as evidence of non-impairment by other providers, particularly when the company's "competitive activities" are as trivial as SBC Telecom's have been in Florida.

The available data suggests that in Florida and elsewhere, SBC Telecom never aggressively challenged local incumbents. Rather, it did the bare minimum

[55] SBC 2000 Annual Report, page 12.

needed to satisfy its governmental merger mandate. According to New Paradigm Resources Group, SBC Telecom installed 30 Class 5 local (Lucent 5ESS) circuit switches in 30 cities across the nation, as it committed to do. From these 30 markets/switches, however, SBCT provisioned a total of only 5,400 access lines in service in 2002 and 6,000 access lines in service in 2003. Thus by 2003, SBCT had an average of only 200 access lines in service on each of its required 30 switches. Little wonder, considering SBC Telecom's nationwide sales force included only 12 people.[56]

Q. Has SBC Telecom publicly "scaled back" even these minimal competitive activities?

A. Yes. Relatively soon after "entering" its out-of-region markets, SBC Telecom began scaling back its plans:

> SBC Telecom, which appeared to be the first serious competitor to BellSouth for providing local phone service to consumers, is scaling back its operations.[57]
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> ***
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> This week, it's adios, SBC Telecom. Almost one year to the day that SBC Telecom said it would open a call center at Tampa's upscale Hidden River Corporate Park, the Texas phone giant is

[56] 18th Edition CLEC Report 2004, New Paradigm Resources Group.

[57] *SBC Scales Back Staff*, Miami Herald, March 7, 2001.

> calling it quits and canning 400 very surprised employees who had grown very close to their 15 bucks-an-hour paychecks.[58]

SBC has recently announced a "new" national strategy to utilize a digital connectivity and Voice over Internet Protocol (VoIP) technology to provide data and voice services outside of its region. As SBC explained:

> VoIP could be introduced anywhere, just by purchasing special access [i.e. a DS1 or T-1] from carriers – ILECs or CLECs. This approach is a lot easier than trying to enter another ILEC territory with traditional circuit switched service.[59]

Even in the IP-based arena, however, SBC still shows an unwillingness to undertake entry plans that (like a CLEC UNE-L business plan) must be executed on a central office-by-central office basis. One SBC executive was quoted recently as stating that SBC is "not looking to move forward with Centrex IP; we have put that on a sales hold," explaining that IPCentrex services had to be deployed on a central office-by-central office basis, "and, there is a fair capex associated with that."[60]

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[58] *SBC's Call Center Closing a Case of Last In*, First Out, St. Petersburg Times, March 7 2001.

[59] *Communications Daily*, December 10, 2003 (quoting SBC Senior Vice-President Dorothy Attwood).

[60] SBC To Take VoIP Nationwide, XCHANGE, January 2004, available online at http://www.xchangemag.com/articles/411buzserv1.html (quoting Marianne Gedeon, SBC's director of voice data convergence).

Whether SBC Telecom's "VoIP strategy" ultimately proves as empty as its circuit-switched "national local" plan remains to be seen. What is clear, however, is that its current activities cannot plausibly be deemed "active competition" for mass market services.

Allegiance Telecom

Q. Does Allegiance Telecom qualify as a trigger candidate for mass market services.

A. No. To begin, Allegiance Telecom (prior to its bankruptcy and expected exit from the end-user business) only tangentially provided services that overlapped into the mass market. Although some of its customers may have obtained analog-based services from it, its principal focus was on providing the "small to medium sized business and government organizations a complete package of telecom services, including local, long distance, and international calling as well as high-speed data transmission and internet services."[61] As Allegiance stated in a July 2002 filing at the FCC, Allegiance's "business model calls for it to use its own switching with unbundled high capacity loops, usually DS-1s, to provide innovative integrated access services to small and medium sized enterprises."[62] Moreover, it is my understanding that Allegiance does not offer any residential

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[61] Source: http://www.algx.com/about/investor_faq.jsp.

[62] Corrected Version Reply Comments of Allegiance Telecom, Inc.,CC Docket 01-338, CC Docket 96-98, CC Docket 98-147 at p. 39 (July 22, 2002).

service, which represents the largest segment of the mass market. Most importantly, however, recent events indicate that the Commission cannot conclude that Allegiance is "likely to continue" to offer (even those limited) services that may be considered mass market today.

Q. Why is it uncertain that Allegiance will continue to offer service in the future?

A. On December 18, 2003, Allegiance announced that as part of its plan to emerge from bankruptcy court protection, the company was being put up for auction, with Qwest designated the "stalking horse" bidder for its assets.[63] Significantly, analysts predict a very different use for Allegiance's assets if they are acquired by Qwest. As reported by TR Daily on December 19, 2003:

> Analysts from 2 Wall Street investment firms said the deal would give Qwest strategic access and cost advantages, viewing the proposed purchase more in terms of reducing access costs. "We view this as purely an access [reduction]-driven move and would not be surprised if significant portions of Allegiance's business fall off over time and Qwest simply utilizes the assets for its own purposes" Frank Louthan of Raymond James & Associates.
>
> Frank Governali, telecom analyst with Goldman Sachs & Co. said "Qwest's long-term benefit from the acquisition would come mainly from lowered access costs, rather than revenue generated by Allegiance, which has mainly targeted smaller business accounts. From Qwest's perspective, Allegiance's attractiveness is

[63] The initial bidder with whom the debtor negotiates a purchase agreement is called the "stalking horse" bidder.

> on the cost savings side, not the revenue side. We would expect Allegiance's $550 million of revenues [from the smaller business accounts] to deteriorate quickly, as the target markets of the two companies do not overlap." (emphasis supplied)

Given the extraordinary uncertainty surrounding Allegiance's future, and the evidence that its future will unlikely mirror its present, Allegiance cannot be found to be a trigger candidate that is "likely to continue" providing mass market services (to the extent it even provides such services today in Florida).

NuVox

Q. Is NuVox an active provider of mass market services in Florida?

A. No. Based on a review of information provided by NuVox, it cannot be considered a self-providing trigger candidate in Florida. Specifically:

* NuVox was initially founded in 1997 under its former name of State Communications, Inc. ("State"). State initially focused on total service resale to residential and small business customers. This initial business plan was unsuccessful and resulted in a substantial loss of capital and other resources.

* In 1999 the company changed its direction by revising its business model to deploy its own facilities and provide local and long distance

telecommunications services as well as high-speed data services, web hosting and web design to small business customers. That same year the company changed its name to Trivergent Communications, Inc. While the company worked to deploy its own switching facilities and complete collocations, Trivergent entered into negotiations regarding a potential merger with Gabriel Communications, Inc. ("Gabriel"), a facilities-based Competitive Local Exchange Provider ("CLEC") headquartered in Chesterfield, Missouri. The merger of Gabriel and Trivergent was completed on November 1, 2000. The combined company adopted NuVox Communications as its new operating name in February of 2001. The company focused on continuing to build out its own facilities to provide broadband products and services to business customers.

* NuVox currently offers bundled local voice and data services, domestic and international long distance services, dedicated high speed Internet access including business class calling features and wide area network management, virtual private networks, website design and hosting and domain services in thirty markets across thirteen states One of NuVox's standard product offerings, the NuBundle Business Package, includes unlimited high speed Internet access, web design, hosting and domain services, and feature-rich local and long distance services.

* NuVox's principal business is to actively market and provide bundled voice and data services to certain small, medium and large size business customers within the company's limited marketing and service footprint. These bundled voice and data services are provided utilizing digital connectivity via T-1(i.e. DS-1) loops.

* The only residential customers that NuVox serves in Florida today are "legacy" customers being served via resale, who are holdovers from the former State marketing and sales efforts in Florida. NuVox is not actively providing residential analog voice service under its present business plan and has no plans to do so in the future.

Q. Are NuVox's switches enterprise switches or mass market switches?

A. NuVox is clearly an enterprise-oriented CLEC and its switches are clearly enterprise switches. The basic method by which NuVox serves business customers' bundled voice and data needs in Florida is through a T-1 provisioned to the NuVox switch in Miami or Atlanta (which serves the Jacksonville area). NuVox may install equipment at the customer's demarcation point and at its collocation site at the ILEC wire center. As shown in Table 6, NuVox's switches serve a total of [redacted], less than [redacted] of its total voice grade equivalent lines. They are obviously enterprise switches that do not qualify under the trigger analysis.

Table 6: NuVox Switch Data

Switch	VGE Analog	VGE Digital	Percent Enterprise
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Xspedius

Q. Is Xspedius a legitimate candidate as a self-providing mass market switching trigger?

A. No. As is the case with NuVox, Xspedius exemplifies the exaggeration the challenging ILECs have relied upon in their effort to demonstrate that triggers have been satisfied in Florida. Verizon listed Xspedius as a self-provider of local switching even though it knew that Xspedius had purchased a total of 5 unbundled analog loops in its territory.[64] Furthermore, based on information provided by Xspedius:

* Xspedius does not serve the small business and residential market utilizing its switches.

[64] Xspedius has given permission to reveal this information contained in Verizon Exhibit ODF-2.

* Xspedius's switches are enterprise switches and the principal business of Xspedius is to serve the enterprise and not the mass market in the areas in Florida where these switches are located. Today, Xspedius actively markets to medium and large business enterprise customers with a high demand for a variety of sophisticated data-centric telecommunications services and solutions.

* Xspedius currently serves [redacted] voice grade equivalents (VGEs) in Florida, of which only [redacted] are analog (i.e[redacted]). These DS-0 customers are an incidental part of Xspedius' business. Serving these DS-0 customers is not currently, and never has been, a significant part of Xspedius sales and marketing efforts.

* Xspedius' principal product is Complete Xchange,™ an integrated T-1 product designed for and marketed to sophisticated small and midsize companies with complex voice and data telecommunications needs.

* Xspedius utilizes an individualized contract with each customer.

As the above demonstrates, Xspedius is not actively providing mass market voice services in Florida.

Network Telephone

Q. Does Network Telephone qualify as a self-providing switch trigger?

A. No. Based on a review of information provided by Network Telephone, it is apparent that Network Telephone should not be considered as a self-provider of local switching to serve the mass market

* Network Telephone's principal business is to actively market and provide bundled voice and data services to the small to medium size business customers within its limited marketing footprint. These bundled voice and data services are provided utilizing digital connectivity via unbundled DS1 loops and ADSL-compatible/UDC network elements. In addition, Network Telephone does not actively provide analog POTS services to residential customers from its switch in Pensacola.

* The only residential customers that Network Telephone serves in Florida today are "legacy" customers being served either via resale or UNE-P and not via Network Telephone's switch.

* The basic method by which Network Telephone serves the small and medium business customers' bundled voice and data needs in Florida are via an unbundled DS1 loop, a 2 wire ADSL-compatible loop, or a UDC

loop, each provisioned to the Network Telephone switch in Pensacola. With any of these configurations, Network Telephone is required to install equipment at the customer's location and to make a connection at its collocated DSLAM in order to provide the customer with voice service.

* Approximately [redacted] of the loops provisioned to Network Telephone's Pensacola switch are DS1 loops and the remaining [redacted] are ADSL-capable or UDC loops. These loops provide customers with Network Telephone's bundled voice and data services. While there are approximately [redacted] presently provisioned to Network Telephone's switch to provide small business customers with voice services, these analog loops would have been provisioned for a legacy customer. There would be no instance today where Network Telephone would provision such a loop to provide a small business customer with analog POTS service.

Consequently, Network Telephone clearly cannot be counted as a self-provider of mass market services.

Florida Multimedia

Q. Is Florida Multimedia a self-provider of mass market local switching?

A. No. A review of information provided by Florida Multimedia shows the following:

* The principal business of Florida Multimedia is to provide bundled telecommunications services to customers located in developments such as apartment buildings, condominiums, and office complexes. Florida Multimedia does not provide "POTS" service to the "mass market" in the areas where its switches are located in Florida. Rather, it offers a product called "Bulk Billing," which is structured to be sold to a homeowner's association, as opposed to individual homeowners. These services are provisioned via dedicated access lines to such developments, as opposed to individual home owners.

* Florida Multimedia only markets dedicated access to developments with an intense and high demand for a variety of sophisticated data-centric telecommunications services and solutions, including entertainment television and internet bundled with local and long distance service.

Florida Multimedia is, as with the other claimed trigger candidates, an enterprise-oriented provider, albeit one where the enterprise may include individual buildings and/or developments that may house some residential customers. However, that does not change the nature of the service, which is not mass market service offered generally to the public.

Orlando Telephone

Q. Does Orlando Telephone qualify as a self-providing mass market switch trigger?

A. No. I have obtained information about Orlando Telephone from its marketing materials and a listing of its target market on its website.

Orlando Telephone Company's website makes clear that the company is affiliated with three telephone equipment businesses – Orlando Business Telephone Systems, Brevard Business Telephone Systems, and Gulfcoast Business Telephone Systems. These telephone equipment businesses sell and install data equipment, PBX and key systems and offer professional cabling and management services to the business market and not the mass market.[65]

[65] Source: http://www.orlandotelco.com/pages/aboutus.htm.

As described on Orlando Telephone's website:

> Our business plan encompasses serving the telecommunications needs for hospitality, large and small businesses, multiple dwelling units and Greenfield projects in the state of Florida.

And, even more specifically:

> Services are for hospitality and business customers with a minimum of 15 lines.[66]

Assuming the Commission adopts the Sprint recommended cutover of 12 lines (which we endorse), the Orlando Telephone Company is unambiguously a provider of enterprise services.

ITC^DeltaCom

Q. BellSouth and Verizon identify ITC^DeltaCom as a trigger. Is this appropriate?

A. No. Based on a review of information provided by ITC^DeltaCom ("ITCD"), it cannot be considered a self-providing trigger candidate in Florida. Specifically:

[66] Source: http://www.orlandotelco.com/pages/otcproducts.htm.

* ITCD's switches in Florida are enterprise switches. The lines served over ITCD's switches in [redacted] and [redacted] overwhelmingly serve digital enterprise customers. Table 7 depicts information on the analog versus digital profile of ITCD's switches serving Florida.

Table 7: ITC^DeltaCom Switch Data

Switch	VGE Analog	VGE Digital	Percent Enterprise
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

ITCD recently acquired the assets of BTI, a company that also operated a switch in the [redacted] market. ITCD is in the process of decommissioning the BTI [redacted] switch, since ITCD already has a switch there. BTI formerly provided some DS0 lines off its [redacted] switch, and there still [redacted] on the switch prior to its decommissioning. Even if the BTI DS0 lines were added to the ITCD line counts in Table 7, the percent enterprise served by the combined switches would still exceed [redacted].

* ITCD is not actively providing service to the mass market using self-provisioned switches. ITCD did cut over analog customers to its switch in the years 1997-2000. Since that time, however, operational and economic problems with its UNE-L strategy led it to serve mass market customers using UNE-P. ITCD thus has some legacy retail mass market customers served on DS0 loops connected to its Florida switches, but ITCD is not

actively marketing such services to new customers. The vast majority of DS0 loops provisioned to ITCD switches were provisioned prior to the year 2000. DS0 loops provisioned since then were mainly to support changes to existing legacy customers on the company's UNE-L platform. ITCD's direction in this regard is clear from examining the number of DS0 loops it has ordered in recent months. As of March 2003, ITCD had [redacted]; by August 2003, the number had decreased to [redacted]. [redacted], ITCD had [redacted] in March, and the analog loops declined by August 2003 to [redacted]. The de minimus use of DS0 analog loops by ITCD's switches is shrinking rather than growing.

* Contrary to Verizon's claims, ITCD is not using the switch formerly operated by BTI as a mass market switch in Verizon territory. Verizon's response to discovery requests show that over [redacted]% of the loops connected to the former BTI switch are digital DS1 loops. As with the ITCD switches discussed above, the [redacted] is an enterprise switch. In addition, ITCD does not plan to continue marketing DS0 switch-based services to customers in Verizon's Florida territory.

* ITCD is not likely to continue providing the few mass market services it provides today using its own switches. As noted above, ITCD no longer markets to DS0 analog customers (except for service via UNE-P), and

provides analog service to customers served by the [redacted] only on a "grandfathered" basis.

* ITCD serves business customers almost exclusively. Any use of ITCD's switches to serve residential customers would be strictly incidental (such as company employees or business associates). ITCD markets its residential services through its Grapevine division, which offers service exclusively via UNE-P.

Q. Is BellSouth's description of ITCD's switch deployment in Florida accurate?

A. No. In Exhibit PAT-1, BellSouth witness Tipton fails to accurately describe ITCD's network in Florida. According to information from ITCD, several pieces of switching equipment in Florida are used by ITCD strictly to off-load data traffic from Internet Service Providers ("ISPs"). These switches are neither designed nor used for providing voice service to mass market or enterprise customers. Nevertheless, BellSouth identifies this equipment as being available to mass market customers in a way that would satisfy the self-provisioning triggers.

In addition, BellSouth incorrectly identifies ITCD as meeting the trigger criteria in the [redacted] LATA. In that LATA, neither ITCD nor

BTI have any DS0 facilities-based voice capability since neither have collocated any equipment there capable of providing such services. ITCD could not be providing mass market services (or any voice services) in [redacted], and it is difficult to understand what data BellSouth reviewed to reach a contrary conclusion.

Q. How does this information affect application of the self-provisioning trigger criteria?

A. The information provided by ITCD makes clear that ITCD is operating enterprise rather than mass market switches, is not actively providing POTS services to mass market customers in Florida using self-provisioned switches, and has no intention of doing so. In addition, much of the switching equipment identified by BellSouth to claim ITCD as a self-provisioning trigger is either being decommissioned (the [redacted]) or is not designed or used for mass market services (the switches dedicated to ISP data traffic).

US LEC

Q. BellSouth identified US LEC as a trigger. Is US LEC a legitimate trigger candidate?

A. No. Information from US LEC shows that all services provided by US LEC in Florida are provided at the digital DS-1 and above level. US LEC's switch therefore is an enterprise switch, and it provides no services to mass market customers. That fact alone disqualifies US LEC as a self-provisioning trigger candidate.

Q. Are there other factors that lead you to conclude US LEC does not satisfy the self-provisioning trigger criteria?

A. Yes. Information provided by US LEC shows that US LEC is not a CLEC providing service to the mass market in Florida. The principal business of US LEC is to serve the enterprise and not the mass market in the areas in Florida where its switches are located . Today, US LEC actively markets to medium and large business enterprise customers with an intense and high demand for a variety of sophisticated data-centric telecommunications services and solutions. US LEC serves medium to large size business customers and does not serve residential customers in Florida.

As discussed in US LEC's marketing materials on its web site, the US LEC "Advantage T" product offers a bundle of multiple voice and data services on a single T-1 facility for one rate. The "Advantage T" service features bandwidth allocation to give customers control over the specific amount of bandwidth required for each service they choose. Using the service, US LEC states that its customers can combine any of the following services at a single price: local, long distance, inbound, outbound, toll-free, digital private line and US LECnet (dedicated high-speed Internet access). There is no question that this is not a POTS voice service that would be included in the FCC's concept of the mass market for switching trigger analysis.

Other CLECS

Q. Are there other trigger candidates for whom you have not yet completed your review?

A. Yes. I have only recently received data from BellSouth and have not yet been able to fully analyze it. In addition, I am continuing to investigate BellSouth's and Verizon's trigger claims regarding certain CLECs. As a result, I will need to supplement my analysis for several CLECs (including FDN, AllTel, and XO in particular), and I may need to refine my analysis of others as information becomes available as well. (My preliminary review of XO, however, indicates that the

only portion of its business that is growing is it enterprise voice/data line,[67] and there is no indication that the company serves residential customers.) Moreover, as noted above, several CLECs (including AT&T, MCI/WorldCom, Sprint, and Supra) are presenting their own evidence rebutting the challenging ILECs' assertions in rebuttal testimony.

Even with the need for additional analysis, however, it is clear that the mass-market local switching triggers are not satisfied in Florida at this time. In addition, it is equally clear that the analysis conducted by the challenging ILECs asserting triggers have been met is dramatically insufficient. As discussed herein, the ILECs' misleadingly simplistic "count to three" approach identifies as triggers companies that do not come near satisfying the criteria identified in the TRO. The information provided by the challenging ILECs in their direct testimony, however, falls far short of providing the Commission the information it would need to find the self-provisioning trigger satisfied in any Florida market.

IV. Conclusion

Q. Please summarize your rebuttal testimony.

A. The challenging ILECs desire their cake and want to eat it as well. At roughly the same time that these companies asked that the Commission authorize rate

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67 Source: XO 3rd Q 2003 10Q.

increases for the mass market for the purpose of encouraging local competition, the challenging ILECs were filing testimony asking the Commission to *eliminate* the principal source of that competition, unbundled local switching and UNE-P.

Fortunately, and in direct contrast to what the challenging ILECs claim, the TRO does not require that the Florida Commission follow its rate increase decision with an order that dramatically reduces mass market competition around the state. As I explain above, the alleged "trigger candidates" proffered by the challenging ILECs do not meet even the most basic criteria required by the TRO. Although my review is continuing, I have prepared Exhibit JPG-9 to track the various criteria that disqualify the carriers identified as candidates by the challenging ILECs. This exhibit (which now includes only the information gathered thus far and is thus preliminary in nature) is intended to provide a summary scorecard of the status of the challenging ILECs' claims that mass market switching triggers have been met in Florida.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Redefinition of the BEA Economic Areas

By Kenneth P. Johnson

THIS ARTICLE presents the new regional economic areas defined by the Bureau of Economic Analysis (BEA) and discusses the procedures used to arrive at this disaggregation of the Nation on an economic basis.[1] The new disaggregation has 172 economic areas, and it replaces the 183-area disaggregation that BEA first defined in 1977 and then revised slightly in 1983 (table 1 and charts 1 and 2). The redefinition was undertaken in 1993 largely to incorporate newly available information on commuting patterns.[2]

To facilitate regional economic analysis, BEA provides geographically detailed economic data by economic area, as well as by State and by local area. BEA assembles economic area data on earnings by industry, employment by industry, total personal income, population, and per capita personal income. These data may be used to analyze local area economic activity, local interindustry economic relationships, and interarea population movements. In addition, the areas are used as major units for BEA's local area economic projections.[3] Historical and projected economic area data are used by government agencies for planning public-sector projects and programs, by businesses for determining plant locations and sales territories, and by university and other research groups for doing regional economic studies.

Each economic area consists of one or more economic nodes—metropolitan areas or similar areas that serve as centers of economic activity—and the surrounding counties that are economically related to the nodes. The main factor used in determining the economic relationships among counties is commuting patterns, so each economic area includes, as far as possible, the place of work and the place of residence of its labor force. The decision to redefine the areas reflects substantial changes in the commuting patterns, as indicated by data from the 1990 Census of Population, and changes in the definitions of metropolitan areas.[4]

In general, the redefinition procedure has three major elements. The first element is the identification of nodes. The second element is the assignment of counties to relatively small economic units known as "component economic areas" (CEA's); each CEA consists of a single economic node and the surrounding counties that are economically related to the node.[5] The third element is the aggregation of the CEA's to the larger economic areas. For a diagrammatic representation of the redefinition procedure, see chart 3.

Identification of nodes

Economic nodes are metropolitan areas or similar areas that serve as centers of economic activity. Of the 3,141 counties in the Nation, 836 are metropolitan counties that make up the 310 metropolitan areas; each of these areas was identified as the node of a CEA.[6] In addition, in parts of the Nation remote from metropolitan areas, 38 nonmetropolitan counties were each identified as a node.

Identification of most of the nonmetropolitan nodes was a four-part process. First, analysis of commuting data for the Nation's 2,305 nonmetropolitan counties showed that 1,112 of these counties are not closely related to a metropolitan area. Second, of these 1,112 counties, 130

1. See "Proposed Redefinition of the BEA Economic Areas," *Federal Register* 59 (November 7, 1994): 55,416–20, and "Final Redefinition of the BEA Economic Areas," *Federal Register* 60 (March 10, 1995): 13,114–18.

2. See "Intent to Revise the Boundaries of the BEA Economic Areas," *Federal Register* 58 (March 9, 1993): 13,049–50. See also Kenneth P. Johnson and Lyle Spatz, "BEA Economic Areas: A Progress Report on Redefinition," SURVEY OF CURRENT BUSINESS 73 (November 1993): 77–79.

3. See Regional Economic Analysis Division, "BEA Economic Area Projections of Income, Employment, and Population to the Year 2000," SURVEY 70 (November 1990): 39–43.

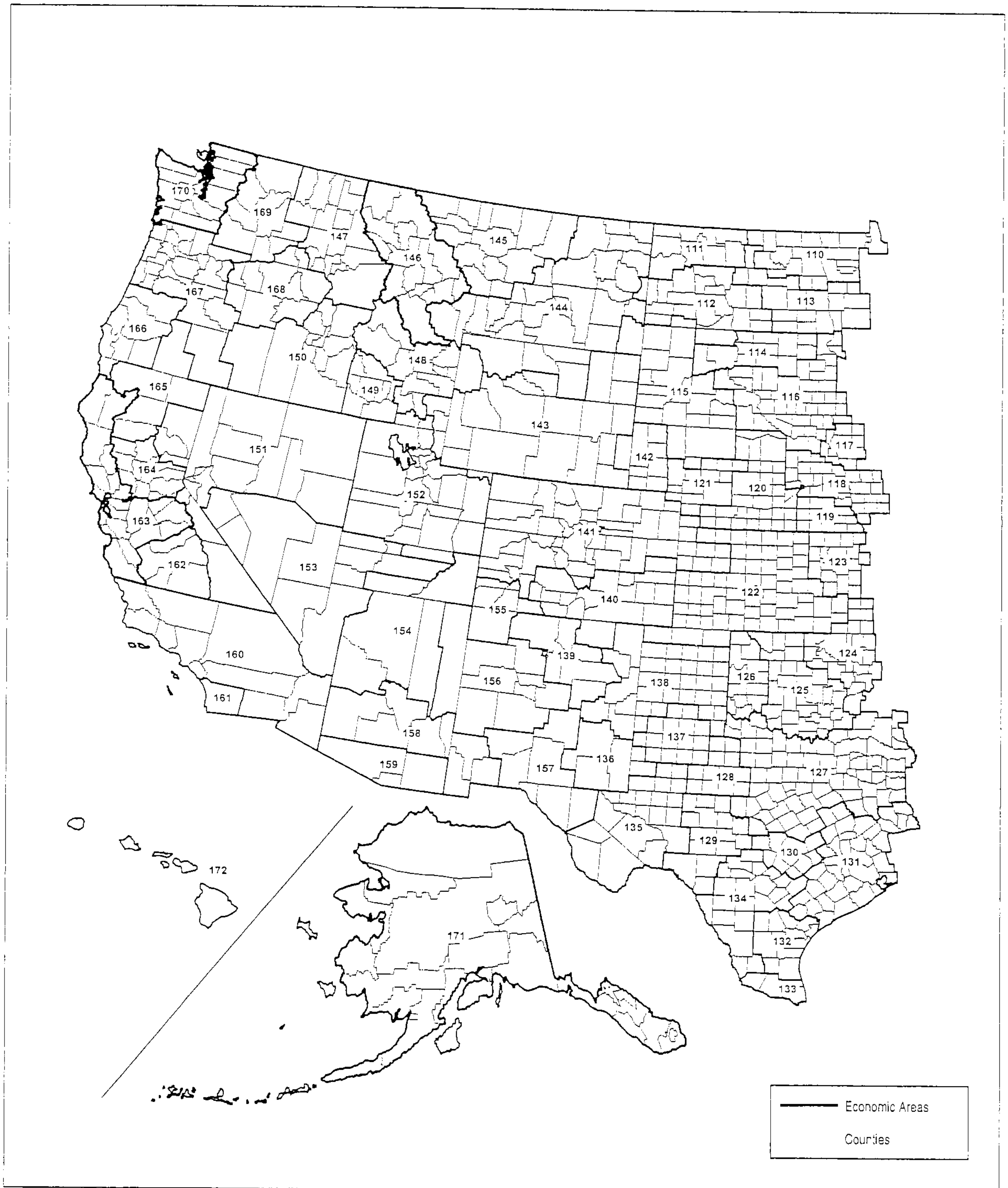
4. The redefinition reflects the changes in the metropolitan-area definitions issued in June 1993 by the Office of Management and Budget for statistical purposes. The definitions of metropolitan areas used by BEA are the county-based definitions. The 310 metropolitan areas consist of 240 metropolitan statistical areas, 59 primary metropolitan statistical areas (PMSA's), and 11 New England county metropolitan areas (NECMA's). (BEA treats the New Haven-Bridgeport-Stamford-Danbury-Waterbury, CT NECMA as a PMSA.)

5. Data for the CEA's can be used by government agencies for administering regulatory programs for small areas and by businesses for developing marketing programs for small areas.

6. The 3,141 counties are those defined as of January 1, 1990; they consist of counties and of areas classified as county equivalents for the 1990 CENSUS.

CHART 1

BEA Economic Areas, 110–172

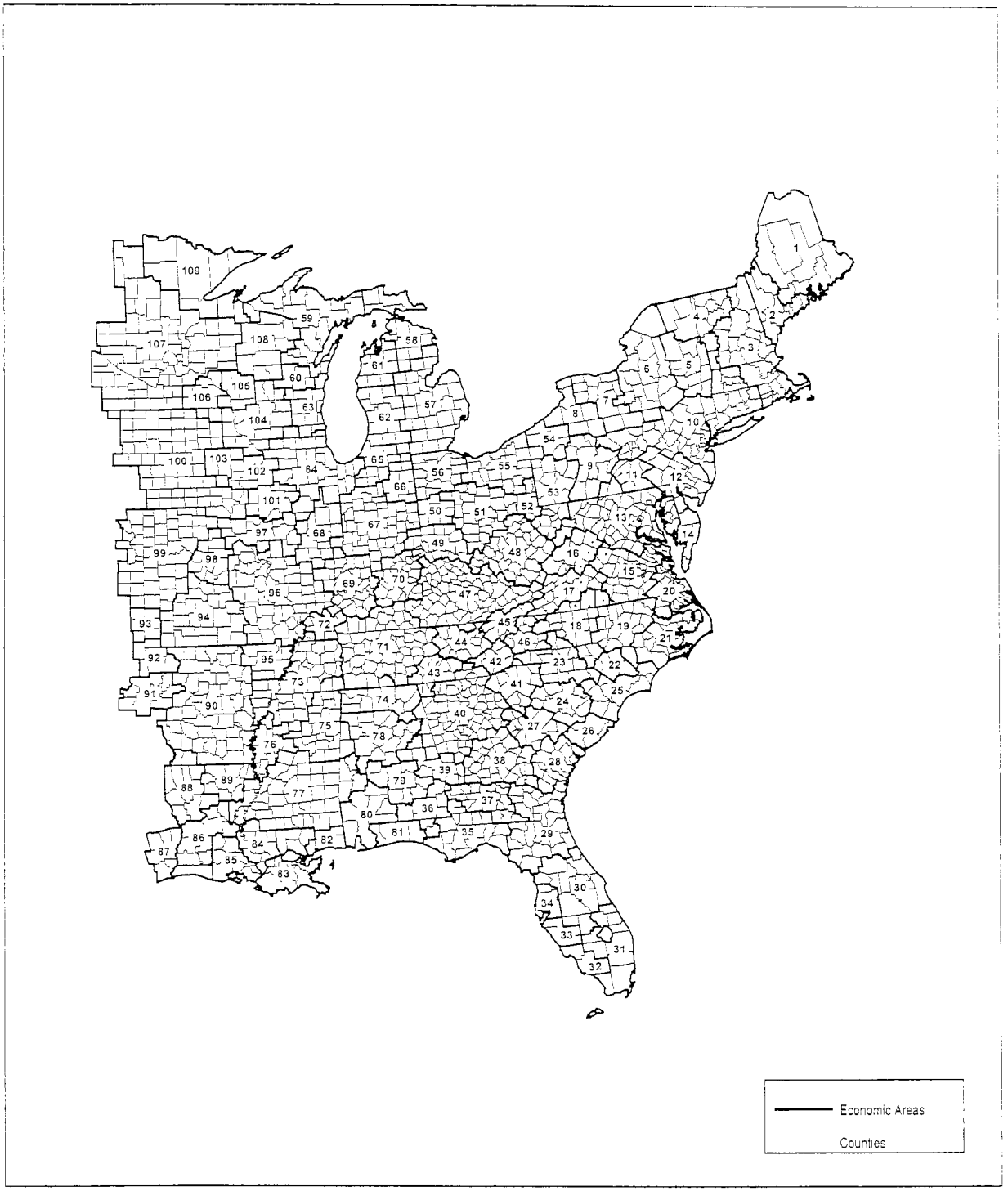


NOTE.—The 172 BEA Economic Areas are defined as of February 1995. For economic-area codes and names, see table 1.

U.S. Department of Commerce, Bureau of Economic Analysis

CHART 2

BEA Economic Areas, 1–109

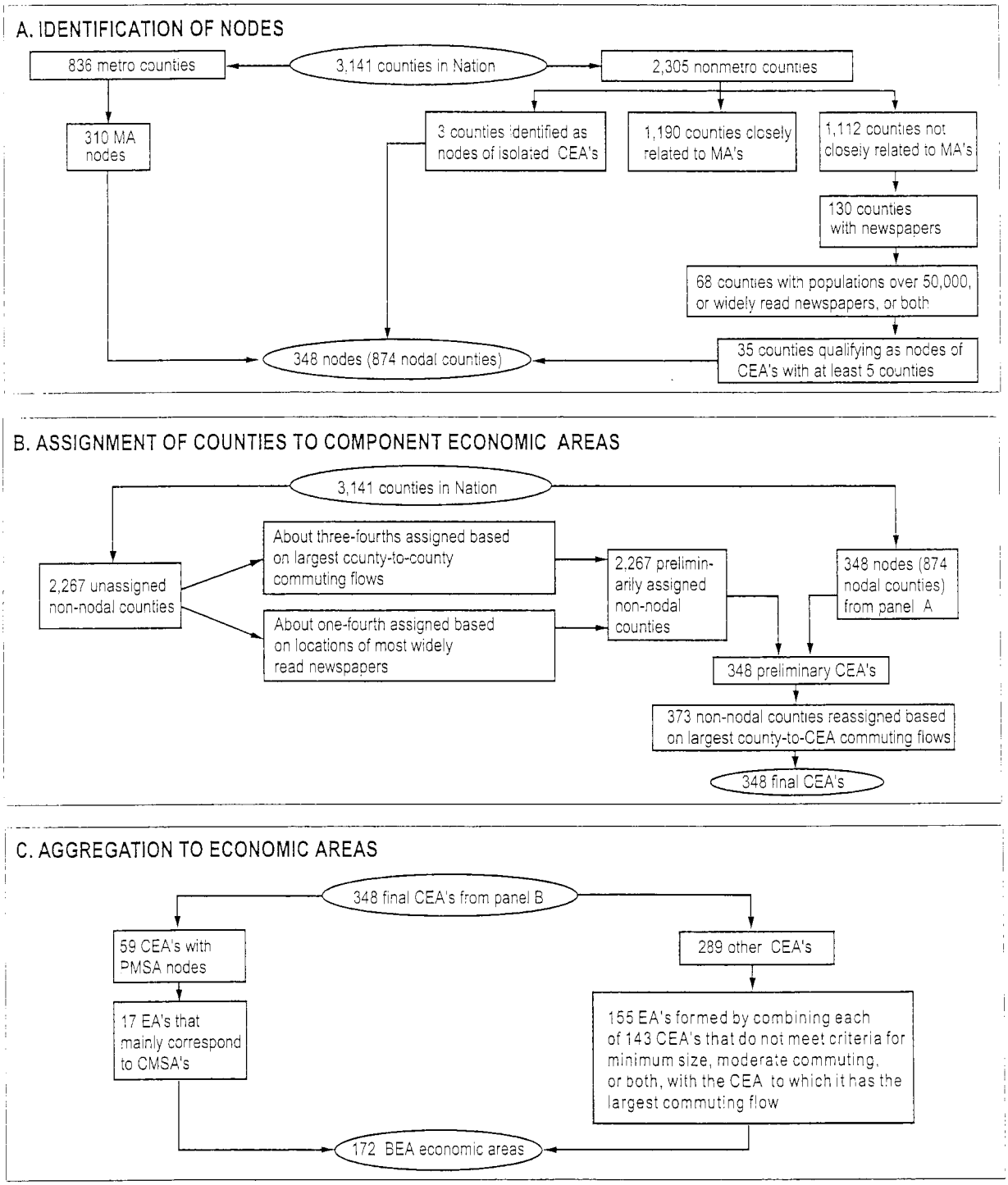


NOTE —The 172 BEA Economic Areas are defined as of February 1995. For economic-area codes and names, see table 1.

U.S. Department of Commerce, Bureau of Economic Analysis

CHART 3

Redefinition Procedure



CEA Component economic area
CMSA Consolidated metropolitan statistical area
EA Economic area
MA Metropolitan area
Metro Metropolitan
Nonmetro Nonmetropolitan
PMSA Primary metropolitan statistical area

U.S. Department of Commerce, Bureau of Economic Analysis

are locations of newspapers.[7] Third, of these 130 counties, 68 have populations of more than 50,000, or their newspapers are widely read in at least five counties, or both. Fourth, only 35 of the 68 counties qualified as nodes of CEA's that could contain at least five counties. The CEA of each of these 35 nodal counties was named for the city in which the county's major newspaper is published.[8]

In addition, three nonmetropolitan counties were identified as nodes of CEA's because the county contained the largest city in the CEA. These CEA's, which are characterized by their relative economic isolation, are the Alaska panhandle, western Oklahoma, and northern Michigan.

Assignment of counties to component economic areas

Of the 3,141 counties in the Nation, 836 counties constitute the 310 metropolitan area nodes, and 38 counties are identified as nonmetropolitan nodes; together, these 874 counties constitute 348 nodes. Each of the remaining 2,267 nonnodal counties was analyzed to determine the node to which it is most closely related. About three-fourths of these counties were preliminarily assigned to nodes on the basis of their largest county-to-county commuting flows, according to journey-to-work data from the 1990 census. In many instances, the assignment reflected commuting flows to non-nodal counties already assigned to nodes rather than commuting flows to nodal counties. Most of the other counties were preliminarily assigned to nodes on the basis of the locations of the regional newspapers that are most widely read in those counties, according to newspaper circulation data.[9] For all preliminary assignments, the non-nodal counties had to be contiguous to either the nodes or to non-nodal counties already assigned to the nodes.

The preliminary assignment of non-nodal counties to nodes—based on data at the county level—resulted in a preliminary set of CEA's. Data at both the county and CEA levels were then analyzed to ensure that, to the extent possible, each county was assigned to the CEA to which it has the largest commuting flow. This analysis resulted in the reassignment of 373 counties and in the definition of the final set of 348 CEA's.

Availability of Additional Information

The codes, names, and numbers of the counties in each economic area and CEA and of the CEA's in each economic area are available electronically on the Economic Bulletin Board (EBB) from the Commerce Department's STAT-USA. To access the EBB, use a personal computer and modem, dial (202) 482–3870, and follow the instructions. To access the EBB through Internet, use Telnet address "ebb.stat-usa.gov" for remote login, and download the file named "eacodes.exe." For prices and other information about these services, call (202) 482–1986.

The economic area information is also available on a 3½-inch, high-density diskette for $20. When ordering, please specify the BEA Accession Number 61–95–40–101. Send your order, along with a check or money order payable to "Bureau of Economic Analysis," to Public Information Office, Order Desk, BE-53, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230. For further information or to order using MasterCard or VISA, call (202) 606–3700.

Aggregation to economic areas

The 348 CEA's were used as "building blocks" for the new 172 economic areas. The CEA's were aggregated to economic areas so that (1) each economic area includes, as far as possible, the place of work and the place of residence of its labor force and (2) each economic area is economically large enough to be part of BEA's local area economic projections program.[10] In general, the aggregation had two parts. First, the 59 CEA's with primary metropolitan statistical areas (PMSA's) as nodes were combined into 17 economic areas, which mainly correspond to the 17 consolidated metropolitan statistical areas (CMSA's) that comprise the PMSA's.[11] Second, each of the 143 CEA's that do not meet criteria for minimum size, for moderate commuting across CEA boundaries, or for both, was combined with the CEA to which it has the largest commuting flow.[12]

7 Data by county on newspaper publication and circulation are from the Audit Bureau of Circulations, an organization whose membership accounts for about 98 percent of U.S. newspaper circulation.

8 The cities are Flagstaff, AZ; Jonesboro, AR; Idaho Falls, ID; Twin Falls, ID; Quincy, IL; Manhattan, KS; Paducah, KY; Bowling Green, KY; Salisbury, MD; Traverse City, MI; Marquette, MI; Mankato, MN; Worthington, MN; Hattiesburg, MS; Meridian, MS; Tupelo, MS; Greenville, MS; Missoula, MT; Butte, MT; Grand Island, NE; North Platte, NE; Norfolk, NE; Scottsbluff, NE; Lebanon, NH; Hobbs, NM; Farmington, NM; Minot, ND; Pendleton, OR; Aberdeen, SD; Watertown, SD; Cookeville, TN; Lufkin, TX; Staunton, VA; Clarksburg, WV; and Bluefield, WV. Hattiesburg, MS was defined as a metropolitan statistical area by the Office of Management and Budget in mid-1994, after the redefinition was under way (see footnote 4).

9 The preliminary assignment of a small number of counties with special features, such as unusually small populations, was based on other procedures.

10 In its forthcoming set of regional projections, BEA plans to publish projections for States in the summer of 1995 and projections for the new economic areas and for metropolitan areas in early 1996.

11 A CMSA has more than 1 million residents and comprises two or more PMSA's.

12 The criteria for minimum size were developed from a combination of data on land area, on number of employed residents, and on number of

By definition, the labor force of an economic area should work and reside in that area, so commuting across boundaries should be limited. An evaluation of journey-to-work data from the 1990 census indicated that net numbers of commuters across the new economic area boundaries are indeed relatively low.[13] About 80 percent of the 172 areas have net commuting rates of 1 percent or less.[14] In contrast, again according to the 1990 journey-to-work data, only about 60 percent of the 183 areas defined in 1977 have net commuting rates of 1 percent or less.[15]

Table 1 follows.

counties, and the commuting criteria were developed from journey-to-work data from the 1990 census.

13 The net number of commuters is the difference between the number of in-commuters (nonresidents who commute to work in an economic area) and the number of out-commuters (residents who commute to work out of an economic area)

14 The net commuting rate is the difference between the in-commuting rate and the out-commuting rate. the rate of in-commuting (or out-commuting) is the number of in-commuters (or out-commuters) as a percentage of the number of employed residents, regardless of their place of work.

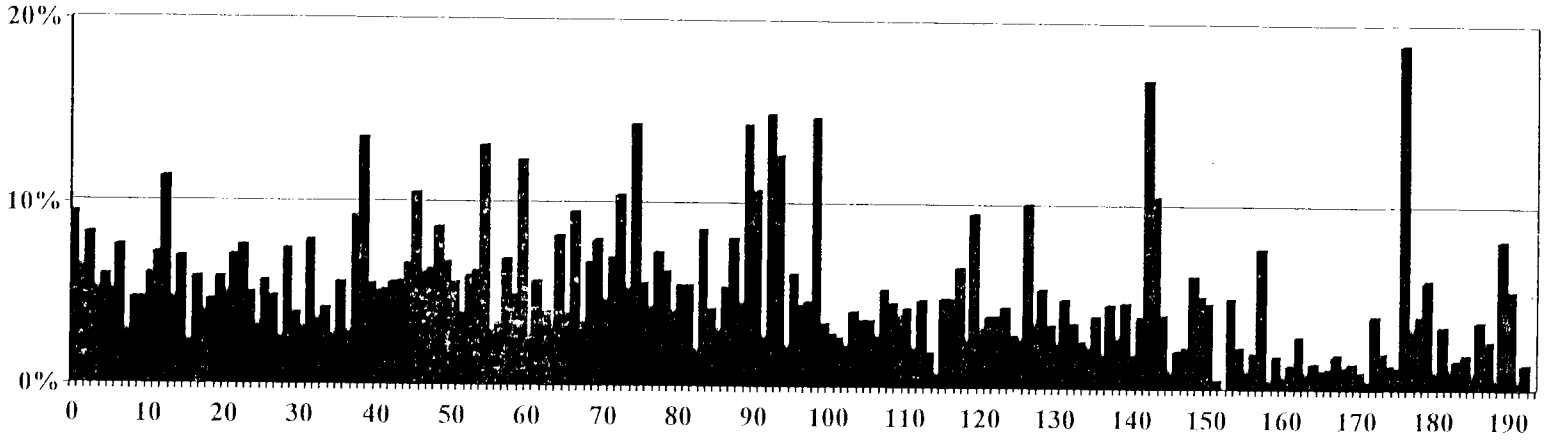
15 In the early 1980's, when definitions of the 183 areas were confirmed on the basis of commuting data from the 1980 census, about 80 percent of the 183 areas then had net commuting rates of 1 percent or less

Table 1.—Codes and Names for BEA Economic Areas

Code	Name	Code	Name
001	Bangor, ME	088	Shreveport-Bossier City, LA-AR
002	Portland, ME	089	Monroe, LA
003	Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH-RI-VT	090	Little Rock-North Little Rock, AR
004	Burlington, VT-NY	091	Fort Smith, AR-OK
005	Albany-Schenectady-Troy, NY	092	Fayetteville-Springdale-Rogers, AR-MO-OK
006	Syracuse, NY-PA	093	Joplin, MO-KS-OK
007	Rochester, NY-PA	094	Springfield, MO
008	Buffalo-Niagara Falls, NY-PA	095	Jonesboro, AR-MO
009	State College, PA	096	St. Louis, MO-IL
010	New York-No. New Jersey-Long Island, NY-NJ-CT-PA-MA-VT	097	Springfield, IL-MO
011	Harrisburg-Lebanon-Carlisle, PA	098	Columbia, MO
012	Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	099	Kansas City, MO-KS
013	Washington-Baltimore, DC-MD-VA-WV-PA	100	Des Moines, IA-IL-MO
014	Salisbury, MD-DE-VA		
015	Richmond-Petersburg, VA	101	Peoria-Pekin, IL
016	Staunton, VA-WV	102	Davenport-Moline-Rock Island, IA-IL
017	Roanoke, VA-NC-WV	103	Cedar Rapids, IA
018	Greensboro-Winston-Salem-High Point, NC-VA	104	Madison, WI-IL-IA
019	Raleigh-Durham-Chapel Hill, NC	105	La Crosse, WI-MN
020	Norfolk-Virginia Beach-Newport News, VA-NC	106	Rochester, MN-IA-WI
		107	Minneapolis-St. Paul, MN-WI-IA
021	Greenville, NC	108	Wausau, WI
022	Fayetteville, NC	109	Duluth-Superior, MN-WI
023	Charlotte-Gastonia-Rock Hill, NC-SC	110	Grand Forks, ND-MN
024	Columbia, SC	111	Minot, ND
025	Wilmington, NC-SC	112	Bismarck, ND-MT-SD
026	Charleston-North Charleston, SC	113	Fargo-Moorhead, ND-MN
027	Augusta-Aiken, GA-SC	114	Aberdeen, SD
028	Savannah, GA-SC	115	Rapid City, SD-MT-NE-ND
029	Jacksonville, FL-GA	116	Sioux Falls, SD-IA-MN-NE
030	Orlando, FL	117	Sioux City, IA-NE-SD
031	Miami-Fort Lauderdale, FL	118	Omaha, NE-IA-MO
032	Fort Myers-Cape Coral, FL	119	Lincoln, NE
033	Sarasota-Bradenton, FL	120	Grand Island, NE
034	Tampa-St. Petersburg-Clearwater, FL		
035	Tallahassee, FL-GA	121	North Platte, NE-CO
036	Dothan, AL-FL-GA	122	Wichita, KS-OK
037	Albany, GA	123	Topeka, KS
038	Macon, GA	124	Tulsa, OK-KS
039	Columbus, GA-AL	125	Oklahoma City, OK
040	Atlanta, GA-AL-NC	126	Western Oklahoma, OK
041	Greenville-Spartanburg-Anderson, SC-NC	127	Dallas-Fort Worth, TX-AR-OK
042	Asheville, NC	128	Abilene, TX
043	Chattanooga, TN-GA	129	San Angelo, TX
044	Knoxville, TN	130	Austin-San Marcos, TX
045	Johnson City-Kingsport-Bristol, TN-VA	131	Houston-Galveston-Brazoria, TX
046	Hickory-Morganton, NC-TN	132	Corpus Christi, TX
047	Lexington, KY-TN-VA-WV	133	McAllen-Edinburg-Mission, TX
048	Charleston, WV-KY-OH	134	San Antonio, TX
049	Cincinnati-Hamilton, OH-KY-IN	135	Odessa-Midland, TX
050	Dayton-Springfield, OH	136	Hobbs, NM-TX
051	Columbus, OH	137	Lubbock, TX
052	Wheeling, WV-OH	138	Amarillo, TX-NM
053	Pittsburgh, PA-WV	139	Santa Fe, NM
054	Erie, PA	140	Pueblo, CO-NM
055	Cleveland-Akron, OH-PA		
056	Toledo, OH	141	Denver-Boulder-Greeley, CO-KS-NE
057	Detroit-Ann Arbor-Flint, MI	142	Scottsbluff, NE-WY
058	Northern Michigan, MI	143	Casper, WY-ID-UT
059	Green Bay, WI-MI	144	Billings, MT-WY
060	Appleton-Oshkosh-Neenah, WI	145	Great Falls, MT
		146	Missoula, MT
061	Traverse City, MI	147	Spokane, WA-ID
062	Grand Rapids-Muskegon-Holland, MI	148	Idaho Falls, ID-WY
063	Milwaukee-Racine, WI	149	Twin Falls, ID
064	Chicago-Gary-Kenosha, IL-IN-WI	150	Boise City, ID-OR
065	Elkhart-Goshen, IN-MI	151	Reno, NV-CA
066	Fort Wayne, IN	152	Salt Lake City-Ogden, UT-ID
067	Indianapolis, IN-IL	153	Las Vegas, NV-AZ-UT
068	Champaign-Urbana, IL	154	Flagstaff, AZ-UT
069	Evansville-Henderson, IN-KY-IL	155	Farmington, NM-CO
070	Louisville, KY-IN	156	Albuquerque, NM-AZ
071	Nashville, TN-KY	157	El Paso, TX-NM
072	Paducah, KY-IL	158	Phoenix-Mesa, AZ-NM
073	Memphis, TN-AR-MS-KY	159	Tucson, AZ
074	Huntsville, AL-TN	160	Los Angeles-Riverside-Orange County, CA-AZ
075	Tupelo, MS-AL-TN		
076	Greenville, MS	161	San Diego, CA
077	Jackson, MS-AL-LA	162	Fresno, CA
078	Birmingham, AL	163	San Francisco-Oakland-San Jose, CA
079	Montgomery, AL	164	Sacramento-Yolo, CA
080	Mobile, AL	165	Redding, CA-OR
		166	Eugene-Springfield, OR-CA
081	Pensacola, FL	167	Portland-Salem, OR-WA
082	Biloxi-Gulfport-Pascagoula, MS	168	Pendleton, OR-WA
083	New Orleans, LA-MS	169	Richland-Kennewick-Pasco, WA
084	Baton Rouge, LA-MS	170	Seattle-Tacoma-Bremerton, WA
085	Lafayette, LA	171	Anchorage, AK
086	Lake Charles, LA	172	Honolulu, HI
087	Beaumont-Port Arthur, TX		

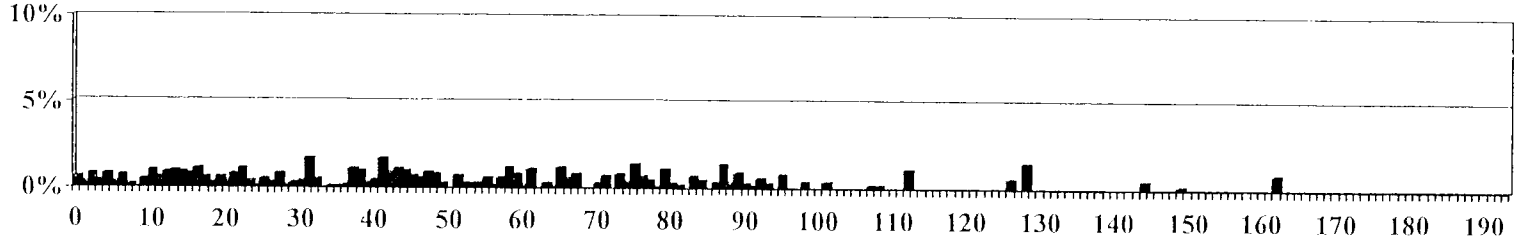
NOTE.—*Codes are assigned, beginning with 001 in northern Maine, continuing south to Florida, then north to the Great Lakes, and continuing in a serpentine pattern to the West Coast. Except for the Western Oklahoma economic area (126), the Northern Michigan economic area (058), and the 17 economic areas mainly corresponding to CMSA's, each economic area is named for the metropolitan area or city that is the node of its largest CEA and that is usually, but not always, the largest metropolitan area or city in the economic area. The name of each economic area includes each State that contains counties in that economic area.*

Competitive Profile of UNE-P – BellSouth Territory in Florida – Last 6 Months



Largest Wire Centers ---------- Smallest Wire Centers

Competitive Profile of UNE-L – BellSouth Territory in Florida – Last 6 Months



Largest Wire Centers ---------- Smallest Wire Centers

Docket No. 050851-TP
J. Gillan, Exhibit No. ____ (JPG-6)
Page 1 of 1
Competitive Profile of UNE-P-BellSouth Territory in Florida - Last 6 Months

Distinctions between Mass Market and Enterprise Customers

The Mass Market and Mass Market Customers

- Residential and small business customers; TRO ¶ 497
- Do not require high bandwidth digital connectivity (i.e., DS1 and above) unlike enterprise customers; TRO ¶ 497
- Accounts tend to be smaller, lower revenue accounts characterized by low margins and are often serviced on a month to month basis and not pursuant to annual contracts; TRO ¶ 459 and Note 1402
- Consumers of analog plain old telephone service or "POTS"; TRO ¶ 459
- Purchase a limited number of POTS lines can only economically be served via analog loops; TRO ¶ 497 and TRO ¶ 459
- Move freely from carrier to carrier which can cause a significant amount of churn and; TRO ¶ 471
- Expect the ability to change local service providers in a seamless and rapid manner. TRO ¶ 467

The Enterprise Market and Enterprise Customers

- Typically medium or large business customers with high demand for a variety of sophisticated telecommunications services that use loops with DS1 capacity and above; TRO ¶ 452
- Characterized by relatively intense, often data centric, demand for telecommunications services sufficient to justify service via high-capacity loops at the DS1 capacity and above; TRO ¶ 451
- Purchase extensive local services resulting in significant revenues to the service provider, allowing a greater opportunity to recover any non-recurring costs associated with the 'set-up' of the loop and switch facilities necessary to provide service; TRO ¶ 452
- Generate comparably greater revenues than residential customers sufficient to justify the sunk and fixed costs of installing the switch; TRO ¶ 452; and
- Willing to sign annual or term commitments. TRO ¶ 452

STATE OF CLEC COMPETITION

Introduction

Understanding precisely how CLECs offer competitive services is made difficult by the lack of public data on network operations. To provide greater understanding in this area, CCG Consulting, Inc. of Riverdale, Maryland was retained to develop survey data on CLEC network operations in six markets: Albany, NY, Augusta, GA, Boston, MA, Chicago, IL, Corpus Christi, TX and Portland, OR. These cities were selected because they represented a fairly broad cross-section of populations, business concentrations and serving incumbents.

CCG collected data from as many network-based competitors as possible in each of these markets. To protect the confidentiality of each CLEC, survey data was collected and aggregated by CCG Consulting. Companies that agreed to participate in the survey (in one or more markets) include:

Allegiance Telecom
AT&T
Birch Telecom
Broadview Networks
Choice One Communications
Conversent Communications
Covad
Electric Lightwave
Eschelon Telecom
Focal Communications
Ionex Communications
KMC Telecom
MCI Metro
McLeodUSA
New Edge Networks
NewSouth Communications
PaeTec Communications
TDS Metrocom
WorldCom
XO Communications

State of CLEC Competition

Although the survey does not include every provider in each market, we believe the sample to be sufficiently large to be representative of CLEC network operations in the market overall. For five of the markets we collected data for the entire MSA. In Boston, the MSA was so large that the CCG collected data for the area inside of Interstate 495. The number of CLEC Class 5 switches in each market is as follows:

	Albany	Augusta	Boston	Chicago	Corpus	Portland
Number of CLEC Switches[1]	5	1	17	15	1	7

The selection of the "market footprint" for analysis was made more difficult by the wide variation in the statistical areas (such as the MSA) defined by the Census Bureau, as well as the variation in the market focus of the individual CLECs. Although individual CLECs do not generally define their target market to match MSA boundaries, we worked with each CLEC to make sure that the data was compiled across the same footprint for each participant. This issue foreshadows a characteristic that is common to each of the following summaries: each market is unique, with different factors, geographies and competitive conditions influencing CLEC activity.

Although this summary of the data collected by CCG is intended to be presented in as a neutral a manner as possible, we are compelled to report one common finding: Competitive facilities development is not only modest (compared to the incumbent and the market), it is kaleidoscopic with no clear pattern that applies to all markets. What the data confirms is that emerging investment strategies of the competitive industry are nearly as diverse as the industry itself. While the majority of competitors in each market rely extensively on incumbent facilities, there is nearly always an exception to this rule. Such diversity is to be expected in a competitive environment, particularly one in which no single strategy has shown itself to be inherently superior to all others. With this overall conclusion in mind, the following summarizes the data we collected.

[1] None of the CLECs in any of these markets offer wholesale switching to any other CLECs.

State of CLEC Competition

Leased Customer Access

The starting point for our survey focused on how CLECs are leasing loops to gain access to end-user customers. We asked each CLEC to identify and quantify the different sources for leased facilities to end-user premises. The results are presented in Table 1.

Table 1: Source of Leased Loop Facilities by Surveyed CLECs

	Albany	Augusta	Boston	Chicago	Corpus	Portland
CLECs in Study	4	3	11	10	4	8
Total Market Voice Access Lines	560,487	270,157	3,567,497	5,688,622	220,866	762,382
Voice Grade 2-Wire UNE Loop	27,380	2,472	57,433	82,446	1,715	9,976
DSL UNE Loop	851	74	12,145	37,248	258	3,837
T1 UNE Loop	13	208	1,375	5,073	255	533
Retail T1 from ILEC	162	92	5,972	10,833	7	1,601
Retail T1 from 3rd Party[2]	7	0	422	2,161	0	0
DS3 UNE Loop	3	0	56	5	6	1
Retail DS3 from ILEC	17	0	217	501	0	128
Total	28,433	2,846	77,620	138,267	2,241	16,076

Table I relies on the following definitions of each loop type:

- **CLECs in Study.** This is the total number of CLECs who provided data for each of the markets.
- **Total Market Voice Access Lines.** This is the combination of the RBOC and the CLEC voice access lines for the study area. RBOC access lines came from HAI Model: Release FCC, loop counts as of 10/99. CLEC access line counts are roughly from the first quarter of 2002 (slightly different months for various CLECs). We did not have reliable RBOC data loop counts by MSA so we used voice access lines in order to demonstrate the relative size of the total market. However, the lack of data access lines understates total access lines.
- **Voice Grade 2-Wire UNE Loops** are Unbundled Network Element loops purchased directly from the ILEC from an interconnection agreement. A CLEC must be collocated to be able to order a 2-wire UNE Loop.

[2] This category includes DS-1s where the billing entity differs from the ILEC, but where the DS1 facility itself may be provisioned using the ILEC network facility. Thus this category is the maximum *potential* number of DS1s obtained from 3rd parties in that market and may, or may not, indicate the emergence of a nascent market in that MSA.

State of CLEC Competition

- **Digital Subscriber Line (DSL) UNE Loop** consists of a 2-wire clean copper DSL-capable loop. These quantities include DSL with and without line-sharing. Without line-sharing the CLEC gets a copper pair certified to have unimpeded signal to at least 12,000 feet. With line-sharing the CLEC gets the ability to offer DSL over a pair that is also providing ILEC voice service to the subscriber. These lines can be used to support a variety of types of DSL and the lines can often support data or voice. The use of these loops requires the collocation of DSLAMs, or DSL base stations.
- **T1 UNE Loop** consists of a 4-wire 1.544 Mbps capable unbundled loop purchased from an interconnection agreement. The CLEC must be collocated in order to utilize T1 UNE loops. The ILEC supplies these loops with T1 capable electronics.
- **T1 Retail Loop from the ILEC** consists of a 4-wire 1.544 Mbps retail circuit purchased from ILEC's retail tariff or access tariff. As a retail purchaser the CLEC is treated like any other ILEC customer in terms of product, price and term.
- **T1 Retail Loop from a 3rd Party** is a 4-wire 1.544 Mbps retail circuit purchased from a carrier other than the ILEC. The other providers in these particular markets are always interexchange carriers. None of the CLECs in these particular markets sell wholesale loops of any kind to other CLECs. We believe that the majority of these loops are ultimately served by and resold from the ILEC local network. Purchasing from a third party does not automatically equate to using an alternate network from the ILEC. In fact, we believe that the majority of these loops are really RBOC loops.
- **DS3 UNE Loop** is a UNE fiber loop cable of supporting a DS3 purchased from the ILEC from an interconnection agreement. These loops come with ILEC-provided electronics.
- **Retail DS3 from the ILEC** is a retail DS3 purchased from ILEC's retail tariff or access tariff. As a retail purchaser the CLEC is treated like any other ILEC customer in terms of product, price and term.

State of CLEC Competition

Table 2: Relative Size of the Largest CLEC for each Loop Category

	Albany	Augusta	Boston	Chicago	Corpus	Portland
Voice Grade 2-Wire UNE Loop	85%	100%	50%	31%	100%	77%
DSL UNE Loop	100%	100%	84%	94%	96%	91%
T1 UNE Loop	100%	71%	81%	80%	100%	47%
Retail T1 from ILEC	62%	96%	33%	44%	100%	55%
Retail T1 from 3rd Party	100%	N/A	93%	99%	N/A	N/A
DS3 UNE Loop	100%	N/A	84%	100%	100%	100%
Retail DS3 from ILEC	100%	N/A	82%	62%	N/A	47%

CLECs vary significantly in the manner in which they conduct business and thus in the way that they use loops. Table 2 shows the relative size of the single largest CLEC in each market for each loop category. This table is driven from the loop numbers presented in Table 1 above. As an example, Table 2 shows that in Albany that one CLEC uses 85% of the 27,380 voice grade 2-wire UNE loops shown in Table 1. Since the business plans of CLECs vary so widely, the CLEC that uses the greatest number of one type of loop may not necessarily use loops of other types. Again, using Albany as an example, the CLEC who uses 85% of the voice grade 2-wire UNE loops may not be the same CLEC who uses 100% of the DSL UNE loops.

State of CLEC Competition

On-Net Customer Access

In addition to relying on leased facilities, some CLECs have developed limited fiber networks that enable them to reach some buildings entirely over their own facilities. In our survey we define On-Net facilities to be those facilities where the CLEC owns both the physical loop and the electronics at both ends of the loop.

We have quantified CLEC On-Net opportunity by the number of buildings connected, the potential capacity of these systems and the number of T1 equivalents actually operating in Table 3. In addition, we have analyzed the geographic focus of CLEC facilities, which generally serve limited portions of each market (discussed below).

Table 3: On-Net Capability of Surveyed CLECs

	Albany	Augusta	Boston	Chicago	Corpus	Portland
Fiber CLECs/Total CLECs	1/4	1/3	4/11	5/10	1/4	4/8
Number of Connected Buildings	24	13	473	390	18	183
Buildings with Wholesale Loops	0	0	0	0	0	0
Buildings with Wholesale Dark Fiber	0	0	0	0	0	0
Number of Establishments in MSA	16,616	7,728	127,453	184,912	7,390	48,881
Number of Fiber Terminals	24	13	560	501	18	217
Fiber Terminal Capacity						
OC-48	0	0	224	236	1	47
OC-12	2	1	144	146	2	40
OC-3	22	12	192	118	15	130
Equivalent T1s Activated	85	66	4,332	4,394	125	551
Active T1s per Building	3.5	5.1	9.2	11.3	7.0	3.0

Following are the definitions of each line of the Table 3:

Fiber CLECs / Total CLECs. Fiber CLECs are those CLECs with at least one customer defined as an On-Net customer. On-Net is defined as a customer where the CLEC owns the loop and the electronics to reach the customer. All CLECs reported that On-Net customers in these markets were being served using fiber. Total CLECs are the total CLECs who participated in the survey for the given market.

Number of Connected Buildings represents the number of discrete street addresses with On-Net customers. These are often referred to as "lit" buildings. Note that lit buildings

State of CLEC Competition

are lower than fiber terminals in markets where some buildings are served by multiple CLECs.

Buildings with Wholesale Loops. Of the connected buildings, these are the buildings where a CLEC offers wholesale loops to other CLECs. None of the CLECs in these markets offers wholesale loops to other CLECs.

Buildings with Wholesale Dark Fiber. Of the connected buildings, these are the buildings where a CLEC offers dark fiber to other CLECs. None of the CLECs in these markets offers dark fiber to other CLECs.

Number of Establishments represents the total number of businesses in the market. The source of the number is Census Bureau data of Business Establishments/MSA.

Fiber Terminal Capacity shows the quantity of various sizes of fiber terminals installed in the lit buildings. The CLECs all reported that very few of these facilities are fully equipped or are fully utilized. For example, a CLEC may have an OC-48 terminal in a building but only have it equipped with a few OC-3 cards.

Equivalent T1s Activated represents the active total equivalent T1s of service that are in place in lit buildings. We also show the number of equivalent T1s per lit building.

Location of On-Net Buildings

The On-Net locations tend to be in the downtown area where CLEC owned fiber networks are most likely to exist. As discussed below, nearly all On-Net buildings are located in very limited geographical sections and pockets in each MSA.

Albany

Of the 41 On-Net buildings in Albany, 37 are within the City limits. Of those, 32 are in the downtown area.

Augusta

In Augusta all of the On-Net buildings are downtown. Eleven of the thirteen lit buildings are on two city streets.

Boston

There are 473 lit buildings in Boston. Of these, 325, or 69% are located in the three exchanges serving the downtown area. The remaining buildings are scattered throughout the study area. However, there is a low density of lit buildings in suburban area and very

State of CLEC Competition

few exchanges outside of the downtown area have more than 2 or 3 lit buildings in the entire exchange.

Chicago

Chicago has 390 lit buildings. 190 of these buildings are within the city limits. The majority of the remaining lit buildings are relatively close to major highways (i.e., Interstate 90, Interstate 84, Interstate 88 and Interstate 290.

Corpus Christi

There are 18 lit buildings in Corpus Christi. 12 of these buildings are clustered downtown.

Portland

The Portland MSA has 183 lit buildings. 132 of the buildings are within the city limits or Portland. The remaining On-Net buildings are clustered at various locations around the MSA. For example, there are 27 buildings clustered close together in Beaverton and 11 buildings clustered together in Vancouver, Washington.

State of CLEC Competition

Network Connectivity

As indicated above, CLECs depend heavily on ILEC access to reach and serve customers. As shown in Table 4 below, CLECs facilities are predominately deployed in digital configurations.

Table 4: Comparing Analog and Digital Connectivity[3]

	Albany	Augusta	Boston	Chicago	Corpus	Portland	Overall
Analog Connectivity[4]	27,380	2,472	57,433	82,446	1,715	9,976	181,422
DS1 Connectivity	6,408	8,784	290,424	539,064	9,288	64,440	918,408
DS3 Connectivity	13,440	0	183,456	340,032	4,032	86,688	627,648
Percent Digital	42.0%	78.0%	89.2%	91.4%	88.6%	93.8%	89.5%

[3] The quantities in this table are Voice Grade Equivalents.

[4] CCG is aware that some analog loops are being used to provide xDSL services and, as such, should more properly be counted as a form of digital connectivity. CCG does not, however, have the data to identify the percentage of the purchased analog loops that have been configured to provide such service.

Preliminary Summary Comparison of Trigger Candidates to Criteria

Trigger Candidate	Switches are not Enterprise	Actively Serving the Mass Market			Serving the Geographic Market	Relying on ILEC Loops or Offering Comparable Services	Not Affiliated with ILEC	Sufficient Activity to Demonstrate for Finding
		Actively Providing Service	Serving Residential	Likely to Continue				
KMC Telecom	NO	NO	NO					
PacTec	NO		NO					
ITC^DeltaCom	NO	NO	NO					
Comcast		NO		NO		NO		
TCG (AT&T)								
SBC Telecom	NO	NO	NO	NO			NO	
Allegiance	NO		NO	NO				
Time Warner	Claim Withdrawn by BellSouth							
XO			NO					
Supra								
NuVox	NO	NO						
MCI/WCOM								
US LEC	NO	NO	NO					
AllTel								
Xspedius	NO	NO	NO					
Network Telephone	NO	NO	NO					
Florida Multimedia	NO	NO	NO	NO				
Orlando Telephone	NO	NO	NO	NO				
Sprint								
FDN/MPower								

Note: Blanks do not mean that a trigger candidate satisfies a particular criterion. Analysis is ongoing and some trigger candidates will address whether they qualify directly in rebuttal testimony. Moreover, some criteria (such as geographic coverage and de minimus standard) require analysis of discovery that is not yet complete.

Docket No. 030851-TP
J. Gillan, Exhibit No ___ (JPG-9)
Page 1 of 1
Preliminary Summary Comparison of Trigger Candidates to Criteria

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing PUBLIC Rebuttal Testimony and Exhibits of Joseph Gillan on behalf of the Florida Competitive Carriers Association has been provided by (*) hand delivery, (**) email and U.S. Mail this 7th day of January 2004, to the following:

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