

1 **Costs of Unbundled Loop Service**

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3 **Q. What recurring costs has Bell estimated for unbundled loops?**

4 A. The results of Bell's proprietary cost studies indicate direct average monthly loop costs
5 ranging from *****Begin Proprietary*****

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20 *****End Proprietary*****

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22 **Q. How do these estimates compare to those prepared by Bell in other recent**
23 **proceedings?**

24 A. While I am not familiar with all of the various cost studies that have been presented
25 recently, the Company provided some summary data in response to discovery in this
26 proceeding, as shown below. *****Begin Proprietary*****

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This data indicates that the cost estimates in this proceeding are higher than some of the analogous cost estimates that it has presented in these other proceeding, which were focused on retail services, despite the fact that one would expect wholesale costs to be less than retail costs:

Q. Bell also presents results for its studies of nonrecurring costs. Have you reviewed these?

A. Yes. Bell's categories are as follows:

(1) Service Ordering Costs: service order negotiation, issuance, close-out, completion, and establishment of a billing court. Total TSLRIC of *****Begin Proprietary***** *****End Proprietary*****;

(2) Installation Costs: running cross-connect and jumper from Bell's main distribution frame to co-carrier's collocated equipment. Total TSLRIC of *****Begin Proprietary***** *****End Proprietary***** ; and

(3) Coordinated Cut over Costs: work done at co-carrier's request to prevent or minimize interruption of service during carrier changeover. Total TSLRIC of *****Begin Proprietary***** *****End Proprietary*****. Id. at 15.

1 The total anticipated one-time cost of switching carriers, the sum of the three
2 costs cited above, is thus *****Begin Proprietary*** ***End**
3 **Proprietary*****

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5 **Q. Do you accept these cost estimates?**

6 A. No. These cost estimates appear too high, particularly in situations where large
7 numbers of circuits are being transferred at the same time, and thus economies of scale
8 can be achieved. If a competitive carrier wins the account of a business with 100 lines,
9 for example, I find it hard to believe that it would cost Bell Atlantic-PA more than
10 \$3,000 to process the service order. Similarly, it doesn't seem plausible that it would
11 take more than a few minutes to run jumpers from Bell's main distribution frame to a
12 co-carrier's collocated equipment--particularly where this activity is being done for
13 many different loops at once. Assuming this work is done efficiently, I don't understand
14 why it would cost more than \$35 for each pair of wires that is routed from Bell's
15 equipment to the co-carrier's adjacent equipment.

16 If these costs are accepted, and non-recurring charges imposed at or above the
17 level proposed by the Company, it will create a significant impediment to the transition
18 to effective competition, since it will discourage customers from changing carriers.

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20 **Q. What cost estimates has Bell provided of unbundled port facilities?**

21 A. Bell says the unbundled port provides dial tone, ringing, pulse or tone recognition and
22 reception, and mandated options on 900 blocking. It allows local and toll origination
23 and termination, 911 and E911 access, and access to Bell operators, including
24 directory assistance; however, usage and access charges for these services are not
25 included, nor are charges for the various vertical services available in and through Bell's
26 switch. Since port unbundling has not been tested with a co-carrier, the cost estimate

1 remains preliminary. “Bell’s current rough estimate is that the TSLRIC plus shared cost
2 of a port is likely to be less than *****Begin Proprietary*****

3 **End Proprietary*****

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5 **Q. Do you accept this figure?**

6 A. Yes; this estimate appears to be roughly consistent with the economic costing model
7 provided by OCA in its December 20, 1995 filing in the universal service docket.
8 However, it isn’t clear how much additional cost Bell would estimate for usage. Since
9 an unbundled port would not be useful without the use of other parts of Bell’s central
10 office (e.g. the main processor), the estimated and rate for the remaining unbundled
11 switching components would need to be evaluated carefully.

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13 **Q. What sort of markup does Bell propose?**

14 A. Bell proposes adding a markup to its TSLRIC and joint and common costs, consistent
15 with the Commission’s Order. It suggests that the markup should parallel the markup
16 on the “closest substitute already available in Bell’s tariffs, the voice grade channel
17 termination services.” That markup is *****Begin Proprietary*** ***End**
18 **Proprietary***** Id. The resulting suggested unbundled loop rates, for recurring
19 monthly charges, are thus *****Begin Proprietary*** ***End**
20 **Proprietary***** depending on the density cell. Id. at 18.

21 *****Begin Proprietary*****

22 *****End Proprietary*****

23 Id.

24 While rejecting MFSI’s suggestion of a wholesale discount, Bell notes that its
25 Unbundled Loop Cost Study excluded retail marketing and sales costs and thus has

1 made a distinction between costs charged to carriers and costs charged to end-use
2 customers. At the same time, Bell claims that the cost of providing an unbundled loop is
3 actually higher than the cost of providing a dial tone line to an end-use customer
4 [presumably, because of the expense of retrofitting and the other nonrecurring charges],
5 and that there is no evidence of any economies of scale in serving wholesale customers,
6 despite the fact that these customers are likely to use large volumes of bops.

7 Bell says it lacks sufficient information to price an unbundled port.
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9 **Q. Do you accept these proposed rates?**

10 A. No. As noted earlier, Bell's bop cost estimates are too high. Using more appropriate
11 cost figures, it is apparent that the rates are also too low. The rates proposed by Bell
12 would discourage smaller carriers from entering the market and competing with Bell,
13 particularly in the residential market, where customer inertia is likely to be considerable,
14 and thus the cost of gaining market share is likely to be quite high. As to nonrecurring
15 charges, the underlying costs need to be examined further, but I suspect these costs
16 have also been overstated. Even if new entrants attempt to absorb these charges, and
17 recover them from their customers over an extended period of time, they could
18 significantly increase the average monthly bill, and thus make it difficult for carriers to
19 gain market share.
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