

## **A SURVEY OF UNBUNDLED NETWORK ELEMENT PRICES IN THE UNITED STATES**

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The Telecommunications Act of 1996 (the Act) envisioned three paths to local service competition: resale of an incumbent's service, overbuild of separate competitor facilities, and leasing of unbundled elements of the incumbent's network.<sup>(1)</sup> Under the Act and Federal Communications Commission (FCC) regulations, states were empowered to arbitrate disputes<sup>(2)</sup> between carriers on the prices of unbundled network elements (UNEs). Most states rendered initial UNE pricing decisions in the 1997-1998 time period. Subsequent FCC decisions on geographic de-averaging of UNE loop prices<sup>(3)</sup> and Section 271 proceedings on regional Bell operating company (RBOC) requests to provide interLATA services have resulted in reexamination of UNE rates in many states. A number of these proceedings are still ongoing.

In order to compare the results of five years of state oversight of UNE pricing, in the spring of 2001 a survey was conducted of UNE prices in all fifty states and the District of Columbia. Data contained in the survey came from state commission and RBOC Web sites, supplemented with phone and e-mail contacts with state commission personnel. The UNE prices presented in the survey are for the incumbent RBOC in each state, except where noted.<sup>(4)</sup>

Table 1 presents the actual UNE rates and their billing basis: per line, per minute, per mile, etc. Rates are presented for unbundled loops, switching, line port and transport. Where a state has de-averaged loop prices into geographic zones, these zone prices are presented along with a statewide average loop price, if available. State transport rates were the most difficult to present in an easily comparable manner. Transport rate structure varies widely from state to state, and the need for particular transport elements depends on the network architecture in an area served by a competitor. In order to present complete information, but at the same time reduce complexity, the transport rate column was typically limited to rates for tandem switching and common transport.

In order to translate the different rates in different states to a common basis for comparison -- in other words, to present an apples-to-apples comparison - the UNE rates for loop, switching and line port for each state were converted to monthly dollar amounts and added together to derive a monthly per line UNE price.<sup>(5)</sup> Per minute switching rates were converted to dollar amounts by assuming monthly switching usage of 1000 minutes per line. In states with on-peak/off-peak switching rates, the 1000 minutes were allocated 50/50. In states with day/evening/night switching rates, the 1000 minutes were allocated 50/30/20.

Table 2, Table 3 and Table 4 compare the total monthly UNE price in each state to three different benchmarks of the local market in that state. Table 2 compares the total monthly UNE price in each state to the average monthly per line revenue in that state. The per line revenue is limited to basic service revenues<sup>(6)</sup> and is taken from the FCC's latest State by State Revenue Report.<sup>(7)</sup> In the last column for each state in Table 2, the total UNE price is expressed as a

percentage of the average per line revenue in that state. In states with de-averaged loop or port prices, the percentage changes for each cost zone.

Table 3 compares the total monthly UNE price in each state to the average monthly per line residential rate in that state. These residential rates are taken from the latest FCC rate survey<sup>(8)</sup> and adjusted for changes in monthly rates caused by the FCC's CALLS decision.<sup>(9)</sup> In the last column on Table 3, the total UNE price is expressed as a percentage of the residential rate in that state.<sup>(10)</sup>

Table 4 compares the total monthly UNE price in each state to the average monthly per line business rate in that state. These business rates are also taken from the latest FCC rate survey and are adjusted for CALLS. In the last column on Table 4, the total UNE price is expressed as a percentage of the business rate in that state.

As mentioned earlier, the UNE rates presented in this survey are subject to change. At least two states - North Carolina and Wisconsin - have current proceedings underway to consider de-averaged loop prices. The expected increase in Section 271 filings during the next two years may also result in further changes in UNE prices. It is hoped that the National Regulatory Research Institute (NRRI) can act as a national clearinghouse for maintaining updated, accurate UNE pricing information for each of the states.

State commissions that change UNE prices - or anyone who detects erroneous information in any of the tables in this survey - are urged to contact Billy Jack Gregg at [bjgregg@verizon.net](mailto:bjgregg@verizon.net) or 304-562-3507.

### **Useful Web sites**

#### **AT&T/BellSouth**

AT&T/BellSouth Tariffs and Notifications  
<http://cpr.bellsouth.com>

AT&T/BellSouth CLEC Contracts  
[http://cpr.bellsouth.com/clec/docs/all\\_states/index7.htm](http://cpr.bellsouth.com/clec/docs/all_states/index7.htm)

AT&T Wholesale - Southeast Region  
<http://wholesale.att.com/>

AT&T/BellSouth UNE Zones  
[http://wholesale.att.com/reference\\_library/become\\_a\\_clec/deaverage.html](http://wholesale.att.com/reference_library/become_a_clec/deaverage.html)

#### **AT&T/SBC**

SBC Tariffs  
<http://www.search.att.com/search/tariffs.jsp>

AT&T Regulatory and Legal Documents

<http://www.att.com/gen/public-affairs?pid=3181>

## **Qwest**

Multi-State Negotiation Interconnection Agreement

<http://www.qwest.com/wholesale/clecs/sgatswireline.html>

Qwest Tariffs

[http://tariffs.qwest.com:8000/Q\\_Tariffs/index.htm](http://tariffs.qwest.com:8000/Q_Tariffs/index.htm)

Qwest SGATs

<http://www.qwest.com/about/policy/sgats>

Qwest UNE Zones

<http://www.qwest.com/wholesale/guides/geozone.html>

## **Verizon**

Verizon Wholesale Resources

<http://www22.verizon.com/wholesale>

Verizon Tariffs

<http://www22.verizon.com/tariffs/>

Verizon UNE Zones

[http://www22.verizon.com/wholesale/searchportal/index.jsp?datapath=http://www22.verizon.com/wholesale/&ip\\_text=density&category](http://www22.verizon.com/wholesale/searchportal/index.jsp?datapath=http://www22.verizon.com/wholesale/&ip_text=density&category)

## **Federal Communications Commission**

Wireline Competition Bureau Statistical Reports

<http://www.fcc.gov/wcb/iatd/stats.html>

1. 47 USC 25 1.

2. 47 USC 252; 47 CFR §51.501 - 51.515.

3. 47 CFR §51.507(f); In re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Ninth Report and Order and Eighteenth Order on Reconsideration* (rel. Nov. 2, 1999) at paragraph 120.

4. A list of company acronyms used in the survey is presented in the Appendix to this introduction.

5. While in most instances it is necessary to also purchase unbundled transport in order to have a basic UNE platform capable of supplying local service, state transport rates were too variable to reduce to monthly dollar figures. The reader is cautioned that the total monthly UNE prices presented in Tables 2 - 4 do not contain a cost for transport.

6. While it can be argued that winning a line will provide a competitor with access to all of the revenues produced by that line -- such as long distance and internet revenues - these other revenue sources were not included since costs to provide these other services were not considered in the survey.

7. Table 5, [State-by-State Telephone Revenues and Universal Service Data](#), FCC Common Carrier Bureau, IAD (April 2001).

8. Table 1.3, [Reference Book of Rates, Price Indices and Expenditures for Telephone Service](#), FCC Common Carrier Bureau, IAD (June 1999).

9. As a result of CALLS, the residential federal subscriber line charge (SLC) was increased from \$3.50 per month to \$4.35 per month on July 1, 2000. Local companies were also authorized to begin charging a monthly per line fee on end users to recover contributions to the federal universal service fund (USF). This fee now averages 37¢ per month, although it is subject to quarterly adjustment.

10. It should be noted that most of the cities used in the FCC's rate surveys are larger cities, typically falling in the lowest cost UNE loop zone in each state. It would be useful to augment the survey with representative residential and business rates for areas falling in the higher cost zones in each state.