

**A SURVEY OF UNBUNDLED NETWORK ELEMENT PRICES
IN THE UNITED STATES
(Updated July 1, 2002)**

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Introduction

Since the last update of this survey in January 2002, at least twelve states have reduced the prices of unbundled network elements (UNEs). **As a result, the national average unbundled loop price has fallen by 5.3%, from \$14.18 per month to \$13.43 per month, while the basic UNE-P⁽¹⁾ price has fallen by 7.8%, from \$18.95 per month to \$17.48 per month.** This trend is expected to continue over the next six months as more states review Section 271 filings by regional Bell operating companies (RBOCs), or conduct updates of existing UNE pricing.

Background

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.⁽²⁾ Under the Act and Federal Communications Commission (FCC) regulations, states were empowered to arbitrate disputes between carriers on the prices of UNEs.⁽³⁾ Most states rendered initial UNE pricing decisions in the 1997-1998 time period. Subsequent FCC decisions on geographic de-averaging of UNE loop prices⁽⁴⁾ and Section 271 proceedings on 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, FCC and RBOC Web sites, supplemented with phone and e-mail contacts with state commission personnel.⁽⁵⁾ The UNE prices presented in the survey are for the incumbent RBOC in each state, except where noted.⁽⁶⁾ This survey has been updated to incorporate changes in UNE rates and end-user charges as of July 1, 2002.

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. States which have de-averaged loop rates or have otherwise substantially changed UNE rates since the last survey update are indicated in bold type on Table 1.

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 and reduce complexity at the same time, 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 basic UNE-P price.⁽⁷⁾ 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, or originating/terminating 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. In states with per call or set-up rates, it was assumed there were 100 calls per month.

Tables 2 - 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 and end-user charges⁽⁸⁾ and is taken from the latest state revenue report included in the FCC's Trends in Telephone Service.⁽⁹⁾ 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⁽¹⁰⁾ and adjusted for changes in monthly rates caused by changes in the subscriber line charge (SLC) cap and federal universal service fund (FUSF) surcharges effective July 1, 2002.⁽¹¹⁾ In the last column on Table 3, the total UNE price is expressed as a percentage of the residential rate in that state.⁽¹²⁾

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⁽¹³⁾ and adjusted for changes in the SLC and FUSF. In the last column on Table 4, the total UNE price is expressed as a percentage of the business rate in that state.

Appendix 3, page 1, shows the derivation of UNE-P prices for the RBOC in each state using average rates for loops, ports and switching.⁽¹⁴⁾ Page 1 also shows the weighted national average rate for each element. The weighting is based on the number of access lines served by each RBOC. Appendix 3, page 2, sorts the data shown on page 1. The average loop rates and UNE-P rates for the RBOC in each state are ranked from highest to lowest cost.

As mentioned earlier, the UNE rates presented in this survey are subject to change. At least two states - Wisconsin and New Hampshire - have issued orders reducing UNE prices and currently considering compliance filings by the affected companies. Many other states are still

working on permanent UNE rates. The expected increase in Section 271 filings during the next year will likely also result in further changes in UNE prices.

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 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

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

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

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

Federal Communications Commission

Wireline Competition Bureau Statistical Reports

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

1. "UNE-P" stands for "UNE platform," the minimum elements necessary to provide local service to a retail customer. As discussed below, the basic UNE-P used in this survey includes only loop, port and switching.
2. 47 USC 251.
3. 47 USC 252; 47 CFR '51.501 - 51.515.
4. 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.
5. A listing of useful Web sites is set forth at the end of this report.
6. A list of company acronyms used in the survey is presented in Appendix 1 at the end of this introduction.
7. 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 Appendix 2 and Tables 2 - 4 do not contain a cost for transport.**
8. 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 B these other

revenue sources were not included since costs to provide these other services were not considered in the survey.

9. Table 16.8, [Trends in Telephone Service](#), FCC Wireline Competition Bureau, IAD (May 2002).

10. Table 1.3, [Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service](#), FCC Wireline Competition Bureau, IAD (July 2002). Rates for RBOCs in twelve states were not included in the FCC's rate survey: Delaware, Idaho, Iowa, Kansas, Nevada, New Hampshire, North Dakota, Oklahoma, South Carolina, South Dakota, Vermont and Wyoming. Rates for these states were taken from local service tariffs, and include the applicable SLC and FUSF.

11. The ceiling for residential and single-line business SLCs was increased to \$6.00 per month on July 1, 2002, although 19 states have SLCs below the cap. FUSFs charged by local carriers now average 50¢ per month, and are subject to quarterly adjustment. The FUSF surcharge and SLC for each company are shown in Appendix 2.

12. 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.

13. Table 1.10, [Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service](#), FCC Wireline Competition Bureau, IAD (July 2002).

14. When weighted averages for de-averaged port and switching rates were not available for a particular state, arithmetical averages were used for that state.