

**A SURVEY OF UNBUNDLED NETWORK ELEMENT PRICES
IN THE UNITED STATES
(Updated January 1, 2003)⁽¹⁾**

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Introduction

Since the last update of this survey in July 2002, at least twenty-five states have reduced the prices of unbundled network elements (UNEs). As a result, **the national average unbundled loop price has fallen by 3.4%, from \$13.43 per month to \$12.98 per month, while the basic UNE-P⁽²⁾ price has fallen by 7.8%, from \$17.48 per month to \$16.12 per month.**⁽³⁾ 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.⁽⁴⁾ Under the Act and Federal Communications Commission (FCC) regulations, states were empowered to arbitrate disputes between carriers on the prices of UNEs.⁽⁵⁾ Most states rendered initial UNE pricing decisions in the 1997-1998 time period. Subsequent FCC decisions on geographic de-averaging of UNE loop prices⁽⁶⁾ 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 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 and phone company personnel.⁽⁷⁾ The UNE prices presented in the survey are for the incumbent RBOC in each state, except where noted.⁽⁸⁾ This survey has been updated to incorporate changes in UNE rates and end-user charges as of January 1, 2003.

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. 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, but at the same time reduce complexity, the transport rate column typically was limited to rates for tandem switching and common transport.

Table 1A presents the different UNE rates for loop and port which are used when these elements are combined, as in a UNE-P. These lower combination rates exist in most BellSouth states, and are used in the UNE-P comparisons presented on Table 2, Table 3 and Table 4.

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 B 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.⁽⁹⁾ 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.⁽¹⁰⁾

Table 2, Table 3 and Table 4 compare the total monthly basic UNE-P price in each state to three different benchmarks of the local market in that state. Table 2 compares the total monthly UNE-P 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⁽¹¹⁾ and is taken from the latest state revenue report included in the FCC's Trends in Telephone Service.⁽¹²⁾ 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 basic UNE-P 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⁽¹³⁾ and are adjusted for changes in monthly rates caused by changes in the subscriber line charge (SLC) cap and federal universal service fund (FUSF) surcharges effective January 1, 2003.⁽¹⁴⁾ In the last column on Table 3, the total UNE-P price is expressed as a percentage of the residential rate in that state.⁽¹⁵⁾

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⁽¹⁶⁾ 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 basic UNE-P prices for the RBOC in each state using average rates for loops, ports and switching, and assuming 1000 minutes of use per month.⁽¹⁷⁾ 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 for basic UNE-P shown on page 1 of Appendix 3 using assumed switching usage of both 1000 and 2000 minutes of use (MOU), and also ranks stand-alone loop rates from Table 1. The

average loop rates and basic 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. Several states are still considering proposals to adjust UNE rates. Many other states are still working on permanent UNE rates. Even after all RBOCs complete their Section 271 filings with the FCC during the next year, it is likely that states will continue to fine tune UNE prices in light of evidence at the local level.

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. Includes corrections through April 30, 2003.
2. "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.
3. It should be noted that a portion of this reduction in the basic UNE-P is due to a methodological change in the survey. Beginning with this update, rates for loops and ports, which apply in combinations rather than stand-alone rates, are used in determining the cost of a basic UNE-P. This change in methodology accounts for \$0.32 of the decline in the reported average UNE-P rate. In January 2002, the national average price for unbundled loops stood at \$14.18 per month, and the price of a basic UNE-P was \$18.95.
4. 47 USC 251.
5. 47 USC 252; 47 CFR §51.501 - 51.515.

6. 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.

7. A listing of useful Web sites is set forth at the end of this report.

8. A list of acronyms used in the survey is presented in Appendix 1, at the end of the survey.

9. 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 3 and Tables 2 - 4 do not contain a cost for transport.**

10. Several parties have argued that the 1000 minutes of use (MOU) used in this survey for switching cost are too low to give an accurate measure of the cost of a basic UNE-P. It is pointed out that the national average monthly MOU is approximately 1400 MOU, and that several states have average MOU in excess of 2000 MOU per month. In order to present the impact of assuming a larger amount of switching usage, page 2 of Appendix 3 presents a ranking of the cost of basic UNE-P in the states based on both 1000 MOU and 2000 MOU. However, the UNE-P costs presented in Tables 2 - 4 continue to assume 1000 MOU.

11. 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.

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

13. 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.

14. 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. The average SLC is \$5.52 per month. FUSFs charged by local carriers now average 534 per month, and are subject to quarterly adjustment. The FUSF surcharge and SLC for each company are shown in Appendix 2.

15. 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.

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

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