

A SURVEY OF UNBUNDLED NETWORK ELEMENT PRICES IN THE UNITED STATES

(Updated February 2005)

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Introduction

According to the latest report of the Federal Communications Commission (FCC) on local telecommunications competition,⁽¹⁾ over half of the 32 million access lines served by competitive local exchange carriers are provided by means of the unbundled network element-platform (UNE-P).⁽²⁾ However, since the last update of this survey in August 2004, the death sentence of the UNE-P has been handed down. Under current FCC rules, the UNE-P will no longer be available after the first quarter of 2006. The end of UNE-P will fundamentally alter the competitive telecommunications landscape that has developed since the passage of the Telecommunications Act of 1996.

In March 2004, the Circuit Court of Appeals for the District of Columbia vacated the Triennial Review Order of the Federal Communications Commission (FCC),⁽³⁾ which had continued UNE-P, pending state-by-state reviews of "impairment"⁽⁴⁾ in the absence of unbundled switching. In June 2004 the FCC decided not to appeal the Court's ruling, and in August issued rules extending current UNE's for six months, pending adoption of final rules.⁽⁵⁾ These rules were adopted by the FCC on December 14, 2004, and the text of the order was released on February 4, 2005.⁽⁶⁾

Under the final FCC rules, the unbundled element for mass market local circuit switching is eliminated. This also effectively eliminates UNE-P, which requires the combination of unbundled switching with loop, port and transport elements. The FCC established a twelve-month transition period within which competitors providing service to customers by means of UNE-P can transition these customers to some other permanent service arrangement, such as resale or UNE-Loop in combination with the competitor's own switching facilities. During the transition period, the price of UNE-P for existing customers will generally be the existing rate, plus one dollar.⁽⁷⁾ This means that in order to ascertain the UNE-P prices that will apply over the next year, the prices set forth in this survey should be increased by one dollar. Unbundled loop, port and transport elements will continue to be available at state-established rates.⁽⁸⁾

In spite of the upheaval and uncertainty on the national level over the past year, states have continued to review and modify UNE rates. Since August 2005 average prices for unbundled loops and UNE-P have risen. This continues an upward trend in UNE prices that began in the latter half of 2003. **Since August 2004 the national average unbundled loop price has increased by 3.5%, from \$13.23 per month to \$13.69 per month, and the basic UNE-P price has increased by 4.4%, from \$16.00 per month to \$16.71 per month.**⁽⁹⁾

Between August 2004 and February 2005, eighteen states changed rates for at least one UNE.⁽¹⁰⁾ Four other states did not change rates, but reported new statewide UNE averages based on changing numbers of lines in different UNE zones.⁽¹¹⁾ However, unlike past years, few states currently have ongoing proceedings concerning UNEs. As a result, it appears that any price changes in the near term future will occur pursuant to the FCC's December order on UNE pricing and availability. Although the use of UNE-P at TELRIC prices appears to have a limited future, individual UNE's - especially unbundled loops - will continue to play an important role in providing competitive telecommunications services to consumers. States will continue to have oversight role in establishing prices for individual UNEs.

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.⁽¹²⁾ Under the Act and FCC regulations, states were empowered to arbitrate disputes between carriers concerning prices for UNEs.⁽¹³⁾ Most states rendered initial UNE pricing decisions in the 1997-1998 time period. Subsequent FCC decisions on geographic de-averaging of UNE loop prices⁽¹⁴⁾ and Section 271 proceedings on RBOC requests to provide interLATA services resulted in reexamination of UNE rates in many states.

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.⁽¹⁵⁾ The survey has been conducted twice a year since then. The UNE prices presented in the survey are for the incumbent RBOC in each state, except where noted.⁽¹⁶⁾ This survey has been updated to incorporate changes in UNE rates and end-user charges as of February 2005.

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 changed UNE rates since the last survey update, and the rates which were changed, are indicated in bold type on Table 1. This table also shows the number of access lines served by the RBOC in each state. These access line counts came from the latest Universal Service submission to the FCC by the National Exchange Carrier Association.⁽¹⁷⁾

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 loops and ports 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.⁽¹⁸⁾ 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.⁽¹⁹⁾

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 local service revenues and end-user charges⁽²⁰⁾ and is taken from the latest state revenue report included in the FCC's *Trends in Telephone Service*.⁽²¹⁾ In the last column for each state in Table 2, the total UNE-P 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⁽²²⁾ and adjusted for changes in monthly rates caused by changes in the subscriber line charge (SLC) and federal universal service fund (FUSF) surcharges effective February 1, 2005.⁽²³⁾ In the last column on Table 3, the total UNE-P price is expressed as a percentage of the residential rate in that state.⁽²⁴⁾

Table 4 compares the total monthly UNE-P 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,⁽²⁵⁾ and adjusted for changes in the SLC and FUSF. In the last column on Table 4, the total UNE-P 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 weighted average rates for loops, ports and switching, and assuming 1000 minutes of use per month. 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, as reported in the NECA Universal Service submission. 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 will increase over the next year as a result of the FCC's order of December 14, 2004. A listing of the national average UNE

prices for loops, port, switching and UNE-P reported in each update of this UNE survey since January 2002 is set forth in Appendix 4, along with a graphic depiction of the changes in this price data.

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. Tables 3 and 4, [Local Telephone Competition: Status as of June 30, 2004](#), FCC Wireline Competition Bureau, IAD (Dec. 2004). Table 3 shows that competitive carriers provided 31,983,000 lines, while Table 4 shows that 17,136,000 million of these lines were provisioned by UNE-P.
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. *United States Telecom Association v. FCC*, Nos. 00-1012 et al. (D.C. Cir. March 2, 2004).
4. Under Section 251(d)(2) of the Telecommunications Act of 1996, in determining which network elements should be made available to competitors, the FCC is required to consider whether the failure to provide access to a particular UNE would impair the ability of the competitor to provide service.
5. *In the Matter of Unbundled Access to Network Elements*, WC Docket No. 04-313, Order and Notice of Proposed Rulemaking, FCC 04-179 (Aug. 20, 2004).
6. *In the Matter of Unbundled Access to Network Elements*, WC Docket No. 04-313, Order on Remand, FCC 04-290 (Feb. 4, 2005) ("Order on Remand").

7. The FCC directed that during the transition period the UNE-P price shall be the higher of (a) the price under which the competitor leased the UNE-P existing on June 16, 2004, plus one dollar; or (b) the rate established by the state commission for UNE-P between June 16, 2004, and the effective date of the FCC Order. *Order on Remand*, ¶5.

8. The FCC Order, however, established certain restrictions on the availability of high-capacity interoffice transport elements. *Id.*

9. However, as shown in Appendix 4, since January 2002 average loop rates have actually fallen 3.5%, from \$14.18 per month to \$13.69 per month, while UNE-P rates have fallen by 11.8%, from \$18.95 per month to \$16.71 per month. Within the UNE-P, switching costs have shown the biggest decline, dropping 56.4% since January 2002, from \$2.36 per month to \$1.03 per month for 1000 minutes of use. A large portion of the drop in switching costs results from states adopting port rates which include unlimited switching.

10. Alaska, California, Connecticut, Illinois, Indiana, Maine, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, Texas, Vermont, Virginia, Washington and Wisconsin.

11. Kansas, Missouri, Nevada and Oklahoma.

12. 47 USC 251.

13. 47 USC 252; 47 CFR '51.501 - 51.515.

14. 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 ¶120.

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

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

17. Universal Service 2004 Submission to FCC, National Exchange Carrier Association (Oct. 1, 2004), Table 6.

18. 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.**

19. 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.

20. 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.

21. Tables 7.2 and 15.7, [Trends in Telephone Service](#), FCC Wireline Competition Bureau, IAD (May 2004).

22. Table 1.3, [Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service](#), FCC Wireline Competition Bureau, IAD (July 2004). 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.

23. The ceiling for residential and single-line business SLCs was increased to \$6.50 per month on July 1, 2003, although 29 states have SLCs below the cap. The average SLC is \$5.71 per month. FUSFs charged by local carriers now average 624 per month, and are subject to quarterly adjustment. The FUSF surcharge and SLC for each company are shown in Appendix 2.

24. 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.

25. Table 1.10, [Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service](#), FCC Wireline Competition Bureau, IAD (July 2004).