

BEFORE THE ILLINOIS COMMERCE COMMISSION

Docket No. 06-0027

**Direct Testimony of W. Karl Wardin
On Behalf of AT&T Illinois**

AT&T Illinois Exhibit 1.0

PUBLIC

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1 **DIRECT TESTIMONY OF W. KARL WARDIN**

2 **ON BEHALF OF AT&T ILLINOIS**

3
4 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 A. W. Karl Wardin, 225 West Randolph Street, Floor 27C, Chicago, Illinois 60606.

7
8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. I am Executive Director – Regulatory for Illinois Bell Telephone Company (“AT&T
10 Illinois”).

11
12 **Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN THAT CAPACITY?**

13 A. My primary responsibility is to assist in the development and presentation of AT&T
14 Illinois’ regulatory positions on wholesale issues. In my current position, I am
15 responsible for oversight of the company’s wholesale regulatory activities, as well as the
16 management of AT&T Illinois’ wholesale proceedings before the Illinois Commerce
17 Commission (the “Commission” or “ICC”).

18
19 **Q. HOW LONG HAVE YOU SERVED IN THAT CAPACITY?**

20 A. I have served in my current capacity since January, 2001.

21
22 **Q. WHAT IS YOUR TELECOMMUNICATIONS EXPERIENCE?**

23 A. I have 23 years of experience in telecommunications with Wisconsin Bell, Ameritech
24 Services, Ameritech Corporate, Ameritech International, SBC Illinois and AT&T Illinois.
25 I have held a wide variety of assignments in the regulatory organization. Prior to
26 assuming my current position, I worked for Ameritech International as an advisor to
27 Matáv in Budapest, Hungary. My responsibilities included directing and developing
28 policies and positions for market liberalization, specifically telecommunications
29 legislation and the development of Matáv's reference interconnection offer. Prior to that
30 assignment, I was Director of New Services and Regulatory Design in Ameritech's
31 Regulatory Policy organization. In that capacity I directed and developed regulatory
32 positions and policies for issues related to wireless, CATV, network regulatory,
33 alternative regulation and federal access policy. Prior to that, I was Director – Regulatory
34 in Ameritech's Public Policy Organization. In that capacity I directed and developed
35 regulatory positions for Ameritech's business unit that served IXC customers.

36

37 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

38 A. I earned a B.S. in Accounting from the College of St. Thomas (1981), and earned an
39 M.B.A. degree from Marquette University (1982).

40

41 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

42 A. In this testimony, I will describe generally the residential basic local exchange services
43 ("BLES") that AT&T Illinois has reclassified as "competitive" under Section 13-502 of
44 the Illinois Public Utilities Act (the "PUA"). With other witnesses for AT&T Illinois, I

45 will provide support for that reclassification. I will also present an overview of the
46 testimony of the other witnesses presented on behalf of AT&T Illinois in this proceeding.

47

48 **Q. DO YOU HAVE ANY SCHEDULES SUPPORTING YOUR TESTIMONY?**

49 A. Yes, I have the following Schedules:

- 50 • Schedule WKW-1: Map of AT&T Illinois Exchanges in the Chicago
51 LATA.
- 52 • Schedule WKW-2: List of CLECs providing Residential Service in the
53 Chicago LATA
- 54 • Schedule WKW-3: Total Number of CLECs Providing Residential
55 Service by Exchange
- 56 • Schedule WKW-3A: CLECs Providing Residential Service by Exchange.
57 (Confidential)
- 58 • Schedule WKW-4: Number of Exchanges in which each CLEC is serving
59 Residential Customers
- 60 • Schedule WKW-5: CLEC and Wireless Residential Counts by Exchange.
61 (Confidential)
- 62 • Schedule WKW-6: CLEC Functional Equivalent and Price Comparison
- 63 • Schedule WKW-7: Commission's *Annual Report on Telecommunications*
64 • *Markets in Illinois*, issued May 24, 2005.

- 65 • Schedule WKW-8: FCC Report: *Local Telephone Competition: Status*
66 *as of December 31, 2004; Industry Analysis and Technology Division,*
67 *Wireline Competition Bureau; July 2005.*
- 68 • Schedule WKW-9: CLEC Residential Counts by E9-1-1, LWC, Resale,
69 UNE-L and UNE-P (Confidential)
- 70 • Schedule WKW-10: Telephone Numbers Assigned to CLECs
- 71 • Schedule WKW-11: Chicago LATA Exchange Map with Cable Franchise
72 Overlay
- 73 • Schedule WKW-12: Chicago LATA Exchange Map with Cable Modem
74 Overlay
- 75 • Schedule WKW-13: Total by CLEC Collocation Arrangements in the
76 Chicago LATA
- 77 • Schedule WKW-13A: Detailed CLEC Collocation Arrangements in the
78 Chicago LATA

79

80 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPETITIVE LANDSCAPE**
81 **FOR RESIDENTIAL LOCAL EXCHANGE SERVICE IN ILLINOIS AND THE**
82 **CHICAGO LATA.**

83 A. As will be discussed in detail in this testimony and the testimony of AT&T Illinois' other
84 witnesses, AT&T Illinois faces considerable competition from a variety of
85 telecommunications service providers which provide basic local exchange service or its
86 functional equivalent to residential customers in the Chicago LATA. These competitors
87 fall into three general groups: (1) Traditional wireline competitors, consisting of 75

88 competitive local exchange carriers (“CLECs”), including Comcast, RCN, TDS
89 MetroCom, MCI, McLeodUSA, Sage, Z-Tel (Trinsic), Talk America, etc.¹; (2) Wireless
90 carriers, such as Verizon, US Cellular, T-Mobile, Cingular, Sprint/Nextel, Virgin Mobile,
91 TracPhone, Illinois Valley Cellular, etc; and (3) Voice over Internet Protocol (“VoIP”)
92 providers, such as Vonage, lingo, VoiceWing, SunRocket, BroadVox Direct, AOL
93 TotalTalk, etc.

94
95 Competition from wireline basic local exchange providers in AT&T Illinois’ Chicago
96 LATA exchanges is widespread and is not limited to certain geographic areas within the
97 Chicago LATA. On average, there are 29 CLECs operating in each of the 118 Chicago
98 LATA exchanges, with the number of CLECs providing service in each exchange
99 ranging from 4 to 68. In 108 of the 118 exchanges, there are 10 or more CLECs
100 providing residential basic local exchange service.²

101
102 In the *Illinois Public Service Commission Report: Results of 4th Annual Report on*
103 *Telecommunications Markets in Illinois*, submitted to the Illinois General Assembly in
104 May, 2005, the Commission found that CLECs provided service to more than 950,000
105 residential lines in the Chicago LATA. This represents 28% of the overall residential
106 access lines in the Chicago LATA.³ The Report, at page 19, notes that “a notably
107 higher percentage of all CLEC Illinois customers are located in the Chicago LATA as

¹ For a complete list of the 75 CLECs who are providing residential local exchange service in the Chicago LATA see Schedule WKW-2.

² See Schedule WKW-3 for a list of the number of CLECs by exchange.

³ See Schedule WKW-7.

108 compared to the percentage of all ILEC customers,” meaning that CLECs have focused
109 their strategies in the Chicago LATA.

110
111 Furthermore, people are increasingly using their wireless phones as substitutes for
112 wireline service. A survey by The Yankee Group shows that consumers who have
113 wireless phones make 36% of their local calls and 60% of their long distance calls using
114 their wireless service from inside their home. A survey of customers in the Chicago
115 LATA presented by Mr. Harry Shooshan shows that 24% of all residential wireless
116 customers do not have any wireline connection in their home. Mr. Shooshan’s survey
117 further shows that, even among those wireless users who still subscribe to traditional
118 wireline telephone service, 24% use wireless phones as their primary phones to make and
119 receive calls at home.

120
121 By any measure, AT&T Illinois’ residential wireline service has been significantly
122 impacted by competition. Since January 2001, the number of residential lines served by
123 AT&T Illinois has dropped by more than 1.3 million, a 32% decrease, while the number
124 of CLEC-served lines has increased by over 900,000, an increase of about 113%, and
125 wireless carriers have added about 4 million users, a 57% increase.

126
127 AT&T Illinois’ revenues also show the effects of competition. Since January 2001,
128 AT&T Illinois’ annual basic local service revenues have dropped \$1.2 billion, or about
129 45%, while nationally wireless revenues increased from \$45 billion to \$108 billion, an

130 increase of 140%. Since January 2001, AT&T Illinois' basic local service revenues
131 dropped by a higher percentage (45%) than the number of its residential lines (32%).

132
133 AT&T Illinois' annual switched access minutes of use, since 2000, have dropped by
134 about 16 billion minutes, about 50%. During the same time period, wireless minutes,
135 nationally, have increased by about 460%.

136
137 In sum, the market for the provision of residential local exchange service in the Chicago
138 LATA is clearly competitive. Residential consumers are not only choosing CLECs for
139 their communications needs, but are also using wireless and VoIP as substitutes for
140 traditional wireline services to meet their need for local voice communications.

141

142 **II. SERVICES CLASSIFIED AS COMPETITIVE**

143 **Q. ARE THERE ANY RESIDENTIAL BLES SERVICES THAT ARE ALREADY**
144 **CLASSIFIED AS "COMPETITIVE" UNDER THE PUA?**

145 A. Yes. Pursuant to Section 13-502.5, all retail vertical services (excluding caller
146 identification and call waiting) were classified as competitive as of June 1, 2003. In
147 addition, operator services and local directory assistance have also been classified as
148 competitive since 1999 and 1996 respectively. Residence local toll service has been
149 classified as competitive since 1995.

150

151 **Q. WHAT SERVICES DID AT&T ILLINOIS RECLASSIFY AS COMPETITIVE IN**
152 **ITS NOVEMBER 10, 2005 TARIFF FILING?**

153 A. In that filing, AT&T Illinois reclassified as “competitive” most of the residential BLES
154 services in the Chicago LATA that are not already classified as competitive. In general,
155 those services are:

- 156 1. Residence Network Access Line
- 157 2. Residence usage services, Bands A and B (including all Residence Local
158 Calling Plans and Local Saver Pack Plans)⁴
- 159 3. Residence calling features (Caller ID and Call Waiting)
- 160 4. ISDN Residential Service
- 161 5. Directory Listings (customer number service, private listing, additional
162 listing, semi-private listing)

163 Each of the services listed above is provided under AT&T Illinois’ tariffs on a stand-
164 alone (or ala carte) basis. In addition, AT&T Illinois offers through the tariffs a variety
165 of packages containing these services. Those packages also were reclassified as
166 competitive. A detailed list of all the services and related packages subject to the
167 November competitive reclassification filing is contained in Schedule SSM-1 of Ms.
168 Moore’s testimony.

169

170 **Q. FOR WHAT GEOGRAPHIC AREA HAS AT&T ILLINOIS RECLASSIFIED**
171 **THE RESIDENTIAL LOCAL EXCHANGE SERVICE AT ISSUE IN THIS**
172 **CASE?**

⁴ Usage Service in Band C, which is called Local Toll Service, is not considered to be a BLES service and has previously been classified as competitive.

173 A. The geographic area for which AT&T Illinois has reclassified the residential local
174 exchange services at issue in this case is MSA 1.

175

176 **Q. WHAT IS MSA 1?**

177 A. MSA 1 is a contiguous geographic area in Northeast Illinois, as established in ICC
178 Docket 82-0268. It is also referred to as Local Access and Transport Area (LATA) 358.⁵
179 AT&T Illinois' service area in MSA 1 covers the Chicago metropolitan area, including
180 all of Cook County and all of the surrounding collar counties of Lake, DuPage, Kendall
181 and Will; most of McHenry, Kane, Grundy and Kankakee counties; part of LaSalle and
182 Iroquois counties; and a fraction of Livingston county. A map of MSA 1 which identifies
183 AT&T Illinois' service area within MSA 1 is attached as Schedule WKW-1. Hereinafter,
184 I refer to this area as the Chicago LATA.

185

186 **Q. IS AT&T ILLINOIS THE ONLY INCUMBENT LOCAL EXCHANGE CARRIER**
187 **IN THE CHICAGO LATA?**

188 A. No. Verizon North, Verizon South and several Independent Local Exchange Carriers,
189 which are incumbent local telephone companies, also provide service in the Chicago
190 LATA.

⁵ LATAs are the contiguous geographic areas within which Bell Operating Companies (BOCs), such as AT&T Illinois, were permitted to carry telephone traffic following their divestiture from AT&T. The terms of the 1984 divestiture initially prohibited BOCs from carrying telephone traffic across LATA boundaries (termed interLATA traffic), but permitted them to carry telephone traffic, including toll calls, within LATA boundaries (intraLATA traffic). The Telecommunications Act of 1996 provided that the "interLATA restriction" would be lifted once a BOC demonstrated that its local markets had become sufficiently open to competition. In 2003, the ICC and FCC determined that AT&T Illinois has opened its markets to competition and, therefore, ruled that AT&T Illinois satisfied the requirement.

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Q. DOES AT&T ILLINOIS' RECLASSIFICATION FILING AFFECT THE CLASSIFICATION OF RESIDENTIAL SERVICES IN THE AREAS WHERE OTHER INCUMBENT LOCAL EXCHANGE CARRIERS SERVE IN THE CHICAGO LATA?

A. No. AT&T Illinois' filing only pertains to the services offered by AT&T Illinois in its service territory.

III. STATUTORY REQUIREMENTS

Q. ARE YOU FAMILIAR WITH THE STATUTORY REQUIREMENTS UNDER ILLINOIS LAW FOR CLASSIFYING A SERVICE AS COMPETITIVE?

A. Yes. Section 13-502 of the PUA specifies the requirements that must be met for a noncompetitive telecommunications service, such as residence local exchange service, to be classified as competitive. Specifically, Section 13-502(b) defines a telecommunications service as "competitive only if, and only to the extent that, for some identifiable class or group of customers in an exchange, group of exchanges, or some other clearly defined geographical area, such service, or its functional equivalent, or a substitute service is reasonably available from more than one provider, whether or not any such provider is a telecommunications carrier subject to regulation under this Act." Section 13-502 (c) provides that, in determining whether a service is competitive under the above definition, the Commission is to consider, at a minimum, the following five criteria:

- 213 (1) the number, size, and geographic distribution of other providers of the
214 service;
- 215 (2) the availability of functional equivalent services in the relevant geographic
216 area and the ability of telecommunications carriers or other persons to
217 make the same, equivalent, or substitutable service readily available in the
218 relevant market at comparable rates, terms and conditions;
- 219 (3) the existence of economic, technological, or any other barriers to entry
220 into, or exit from the relevant market;
- 221 (4) the extent to which other telecommunications companies must rely upon
222 the service of another telecommunications carrier to provide
223 telecommunications service; and
- 224 (5) any other factors that may affect competition and the public interest that
225 the Commission deems appropriate.
- 226

227 **IV. OVERVIEW OF AT&T ILLINOIS' EVIDENCE**

228 **Q. DOES AT&T ILLINOIS HAVE EVIDENCE THAT THE RESIDENTIAL BASIC**
229 **LOCAL EXCHANGE SERVICES AT ISSUE IN THIS CASE MEET THE**
230 **REQUIREMENTS FOR CLASSIFICATION AS COMPETITIVE UNDER**
231 **SECTION 13-502?**

232 **A.** Yes. That evidence is being presented in my testimony and the testimony of AT&T
233 Illinois witnesses Sandy Moore, Dr. William Taylor, Harry Shooshan, Eric Panfil and
234 David Barch.

235

236 **Q. PLEASE PROVIDE AN OVERVIEW OF THAT TESTIMONY.**

237 **A.** In my testimony, I present data regarding the size, number and geographic distribution of
238 providers of residential basic local exchange services that compete with AT&T Illinois in
239 the Chicago LATA. I also present data regarding the percentage of residential lines
240 currently served by competitors of AT&T Illinois in the Chicago LATA. I will present
241 information showing the extent to which such competitors rely on their own facilities and
242 networks, rather than the services of AT&T Illinois, to provide residential service in the
243 Chicago LATA. The evidence that I present shows that basic local exchange services of
244 the type provided by AT&T Illinois, or the functional equivalents of, or substitutes for,
245 such services, is reasonably and readily available from numerous competitive local
246 exchange carriers (“CLECs”), wireless carriers and independent VoIP providers
247 throughout the “Chicago LATA” on comparable rates, terms and conditions.

248
249 Sandy Moore, Executive Director-Core Voice Services for AT&T Illinois’ marketing
250 organization, will identify specific competitors for the provision of residential local
251 exchange services in the Chicago LATA. AT&T Ill. Ex. 2.0. She will provide
252 descriptions of the residential services those competitors provide and how they market
253 those services in competition with AT&T Illinois. Ms. Moore’s testimony provides
254 additional support for the conclusions that these competitors have the ability to, and in
255 fact do, make the same, equivalent or substitute services readily available in the Chicago
256 LATA at rates, terms and conditions comparable to those at which AT&T Illinois
257 provides residential local exchange service.

258

259 Dr. William Taylor, an economist, and Senior Vice President of NERA Consulting, will
260 discuss, from an economic perspective, what it means for a service to be “reasonably
261 available” and to be a “functionally equivalent or substitute service.” AT&T Ill. Ex. 3.0.
262 He will also discuss, from an economic perspective, what constitutes a “relevant market”
263 for AT&T Illinois’ residential local exchange service and “barriers to entry to or exit
264 from” that market. Dr. Taylor will explain how economic principles provide guidance
265 for the proper interpretation and application of Section 13-502. Taking into account the
266 quantitative measures of competitive market activities I present in my testimony, Dr.
267 Taylor concludes that the residential local exchange services at issue in this case are
268 competitive under Section 13-502. Dr. Taylor also explains why the classification of
269 residential services in the Chicago LATA as competitive is also consistent with the public
270 interest. Dr. Taylor also discusses the imputation requirement for the pricing of
271 competitive services and shows how price squeeze requirements are met for the
272 residential services classified as competitive in this case.

273
274 Harry M. Shooshan, a principal in and co-founder of Strategic Policy Research, Inc., a
275 public policy and economic consulting firm that specializes in telecommunications,
276 provides evidence regarding the extent to which AT&T Illinois faces competition in the
277 market for residential local telecommunications services from cable operators, wireless
278 providers and independent VoIP providers. AT&T Ill. Ex. 4.0. The evidence being
279 presented by Mr. Shooshan includes the results of a survey of residential customers in the
280 Chicago LATA regarding their use of wireless and VoIP services as substitutes for the
281 residential local exchange services offered by AT&T Illinois.

282

283 Eric Panfil, Director – Regulatory, addresses the imputation, LRSIC and aggregate
284 revenue tests applicable to the rates for competitive services and demonstrates that the
285 current rates for the services classified as competitive in this docket meet those tests.

286 AT&T Ill. Ex. 5.0. He also provides information regarding the impact of the
287 reclassification on AT&T Illinois’ Alternative Regulation Plan.

288

289 David Barch, Associate Director – Cost Analysis and Regulatory for SBC Services, Inc.,
290 presents the Long Run Service Incremental Cost results which are used as inputs in the
291 imputation, LRSIC and aggregate revenue tests sponsored by Mr. Panfil. AT&T Ill. Ex.
292 6.0.

293

294 **Q. IS AT&T ILLINOIS SUBMITTING A VERIFIED RESPONSE TO THE**
295 **COMMISSION’S REQUESTS FOR INFORMATION CONTAINED IN**
296 **APPENDIX B TO THE ORDER, DATED JANUARY 11, 2006, INITIATING THIS**
297 **PROCEEDING?**

298 A. Yes. The “Verified Response of AT&T Illinois to Commission Request for Information”
299 (“Response”) is contained in AT&T Illinois Exhibit 7.0, which is being filed concurrently
300 with AT&T Illinois’ direct testimony. Much of the information responsive to the
301 Commission’s requests is contained in the testimony and schedules of AT&T Illinois’
302 witnesses, as summarized above. The Response contains cross-references to the
303 testimony and schedules where applicable.

304

305 **V. NUMBER, SIZE AND GEOGRAPHIC SCOPE OF CLECS**

306 **Q. HAVE YOU PERFORMED AN ANALYSIS OF THE EXTENT TO WHICH BLES**
307 **IS AVAILABLE TO RESIDENTIAL CUSTOMERS LOCATED IN THE**
308 **CHICAGO LATA FROM PROVIDERS OTHER THAN AT&T ILLINOIS?**

309 A. Yes, I have.

310

311 **Q. PLEASE DESCRIBE THE NATURE OF YOUR ANALYSIS.**

312 A. The focus of my analysis is on the extent to which residential BLES service is available
313 in the Chicago LATA from CLECs. These are carriers certificated by the Commission to
314 provide local exchange service and which provide such service on a wireline basis
315 through the public switched telephone network. I performed research to determine the
316 number of such carriers and the number and percentage of residential local exchange
317 customers served by those carriers in the Chicago LATA. I also analyzed the extent to
318 which such carriers currently are capable of providing such service over their own
319 switching and/or loop facilities. I also considered the impact of services being provided
320 by wireless carriers and non-CLEC independent VoIP providers. As I will discuss, my
321 analysis of the growing level of competition from CLECs in the market for residential
322 BLES in the Chicago LATA is corroborated by independent sources, including the
323 Commission's *Annual Report on Telecommunications Markets in Illinois*.

324

325 **Q. WHAT ARE THE KEY FINDINGS OF YOUR ANALYSIS?**

326 A. My analysis of the data produced the following observations:

- 327
- There currently are 75 CLECs providing basic local exchange service to
- 328 residential customers in the Chicago LATA.
- 329
- On average, there are 29 CLECs in each of AT&T Illinois' exchanges
- 330 within the Chicago LATA that are providing basic local exchange
- 331 residential service. In 108 of the 118 exchanges, there are 10 or more
- 332 CLECs providing basic local exchange residential service. The fewest
- 333 number of CLECs in any given exchange is 4.
- 334
- CLECs have captured 17% of the residential local exchange market in the
- 335 Chicago LATA. This percentage rises to 24% when wireless is included.
- 336
- 54% of CLEC residential lines use CLEC-owned switching and 48% of
- 337 CLEC lines use both CLEC-owned loops and CLEC switching.
- 338
- There have been 5.6 million telephone numbers assigned to CLECs.
- 339 They have 50 switches deployed in the Chicago LATA.
- 340
- Nationally, wireless minutes have increased 460% since 2000 and
- 341 consumers with wireless service make 36% of their local calls and 60% of
- 342 their long distance calls using their wireless service from their home.
- 343
- As a conservative estimate, 9% of the households in the Chicago LATA
- 344 have "cut the cord", i.e., they do not have a wireline phone connection
- 345 within the home and rely exclusively on wireless phones to make and
- 346 receive calls within the home.
- 347
- There are more wireless phones in Illinois than wireline phones.
- 348
- Comcast's and RCN's service territory overlaps about 98% of AT&T
- 349 Illinois residential lines.

- 350 • Comcast and RCN currently are offering service in exchanges that
351 represent *** **BEGIN PROPRIETARY*****END PROPRIETARY*****
352 of AT&T Illinois' residential lines.

353

354 **Q. IN PERFORMING YOUR ANALYSIS, WHAT DATA SOURCES DID YOU USE?**

355 A. I primarily used two data sources to determine which CLECs are providing residential
356 basic local exchange service in competition with AT&T Illinois. The first source was
357 data maintained by AT&T Illinois in the course of its business as a wholesale provider of
358 facilities to CLECs. The data included data associated with provisioning of unbundled
359 network elements ("UNEs"), resale services, and interconnection. Specifically, I
360 examined AT&T Illinois' wholesale records related to UNE loops ("UNE-Ls"), UNE-Ps,
361 Local Wholesale Complete ("LWC") (a negotiated commercial arrangement offered by
362 AT&T Illinois as a replacement for UNE-P) and resold lines provided to competitors. I
363 also looked at current collocation data. The second source of data was the CLEC entries
364 in the E9-1-1 database, which provided me with information regarding those CLECs
365 which provide their own switching.

366

367 To determine the extent to which substitutable services are reasonably available from
368 wireless carriers, I used four data sources: (1) reports generated by the FCC; (2) reports
369 generated by CTIA – the Wireless Association; (3) reports of investor analysts such as
370 the Yankee Group; and (4) the results of the customer surveys presented by Mr.
371 Shooshan.

372

373 **Q. HOW DID YOU DETERMINE WHICH CLECs ARE PROVIDING SERVICE**
374 **THROUGH RESALE, UNEs AND LWC?**

375 A. CLECs can resell AT&T Illinois' basic retail residence exchange services (including the
376 various forms of Caller ID and Call Waiting that are provided in conjunction with local
377 services). CLECs can also lease UNEs from AT&T Illinois to combine with their own
378 facilities to provide local service, or CLECs can provide end-to-end service wholly
379 through UNEs, which is called the UNE-Platform, or UNE-P. AT&T also offers to
380 CLECs LWC, a market-priced commercially negotiated replacement for UNE-P. AT&T
381 maintains records containing data on sales to CLECs of resale services, UNEs and LWC.
382 These data were collected by CLEC for each exchange. The data was then summed up to
383 reflect the level of competition from CLECs using resale, UNEs and LWC to provide
384 residential service in the Chicago LATA. This data comes from the same internal
385 databases and records that AT&T Illinois uses to respond to the Commission's data
386 request for its *Annual Report on Telecommunications Markets in Illinois*. I also used the
387 same data pull method that AT&T Illinois has used to respond to the that data request.

388

389 **Q. HOW DID YOU ANALYZE CLECs THAT PROVIDED THEIR OWN**
390 **SWITCHING?**

391 A. I used the E9-1-1 database to identify market volumes for CLECs providing their own
392 switching. CLECs (and ILECs) which use their own switches to provide residential basic
393 local exchange service must report certain information about each customer to the Illinois
394 E9-1-1 bureau. This data base permits the identification of CLECs (and ILECs)
395 provisioning residential service through their own switch(es). E9-1-1 data is available by

396 NPA-NXX. Each NPA-NXX is mapped to a particular exchange, which enabled me to
397 determine which entries are associated with the Chicago LATA exchanges versus other
398 parts of the state.

399

400 **Q. ARE THE E9-1-1 DATABASES ACCURATE?**

401 A. Yes. It is widely recognized that E9-1-1 databases are very important to public safety,
402 and extreme accuracy is thus required. It is in the interest of ILECs and CLECs alike to
403 ensure that the data are carefully maintained. These databases, derived from both ILEC
404 and CLEC customer records, are maintained on behalf of various emergency services,
405 and it is in the interest of each local provider, including cable companies, to ensure that
406 its customers are accurately listed in the E9-1-1 databases.

407

408 **Q. HAVE E9-1-1 DATA BEEN FOUND TO BE RELIABLE IN REGULATORY**
409 **PROCEEDINGS?**

410 A. Yes. The FCC and the Department of Justice have relied on E9-1-1 listings to estimate
411 facilities-based lines in section 271 proceedings. For example, in evaluating SBC
412 Oklahoma's request to be allowed to provide in-region, interLATA toll service, pursuant
413 to Section 271 of the Telecommunications Act, the Department of Justice relied upon E9-
414 1-1 records in determining the number of facilities-based CLEC providers.⁶

415

⁶ <http://www.usdoj.gov/atr/public/comments/sec271/sbc/7095.htm>. See footnote 9: "Counting CLEC lines as the sum of E9-1-1 + UNE-P + Resale, there are approximately 1.8 million access lines in SBC's Oklahoma service area."

416 **Q. ARE ALL OF THE CLECS INCLUDED IN YOUR ANALYSIS UNAFFILIATED**
417 **WITH AT&T ILLINOIS?**

418 A. Yes. None of the CLECs included in my analysis is affiliated with AT&T Illinois. Thus,
419 I excluded data for the Illinois operating telecommunications subsidiaries of AT&T
420 Corp.⁷ (“pre-merger AT&T”) from the CLECs’ data and included the data for those
421 subsidiaries with AT&T Illinois’ data. Effective November 19, 2005, pre-merger AT&T
422 merged with AT&T Illinois’ ultimate parent, SBC Communications. After the merger,
423 SBC Communications changed its name to AT&T.

424

425 **Q. WHAT DOES THE DATA THAT YOU ANALYZED SHOW REGARDING THE**
426 **LEVEL OF CLEC COMPETITION IN THE CHICAGO LATA?**

427 A. The data shows that the level of competition by CLECs providing residential BLES is
428 significant across the Chicago LATA. As shown in Schedule WKW-2, there are 75
429 CLECs that provide residential BLES in the Chicago LATA.

430

431 **Q. ARE CLECS PROVIDING RESIDENCE BLES IN EACH OF THE EXCHANGES**
432 **IN THE CHICAGO LATA?**

433 A. Yes. These CLECs are geographically distributed throughout the Chicago LATA.
434 Schedules WKW-3 and WKW-3A show that, on average, there are 29 CLECs currently
435 providing BLES to residential customers in each of AT&T Illinois’ 118 Chicago LATA

⁷ The operating subsidiaries of pre-merger AT&T include AT&T Communications of Illinois, Inc., TCG Chicago, TCG Illinois, and TCG St. Louis.

436 exchanges. In 108 of those exchanges, there are 10 or more CLECs providing residential
437 BLES. In the remaining 10 exchanges, the average number of CLECs providing
438 residential BLES is seven. The fewest number of CLECs providing residential BLES in
439 any exchange is four. Thus, residential BLES service is reasonably available from CLEC
440 alternatives to AT&T Illinois throughout the Chicago LATA.

441

442 **Q. HOW BROAD IS THE AREA COVERED BY EACH CLEC?**

443 A. The area within the Chicago LATA in which most CLECs currently have residential
444 customers is generally quite broad. The average CLEC currently serves customers in 45
445 AT&T Illinois exchanges within the Chicago LATA. Schedule WKW-4 shows the
446 number of exchanges served by each CLEC. Two CLECs currently serve residential
447 customers in all of the 118 exchanges and three more CLECs each serve residential
448 customers in 111 or more of the 118 exchanges. Eleven CLECs currently serve
449 residential customers in 100 or more exchanges each. An additional seven CLECS are
450 each currently serving residential customers in between 80 and 99 exchanges.

451

452 **Q. OF THE 75 CLECS OPERATING IN ILLINOIS, CAN YOU PROVIDE A SENSE**
453 **OF THEIR SIZE?**

454 A. The 75 CLECs which currently serve residential customers in the Chicago LATA vary in
455 size. Almost every single CLEC operating in the Chicago LATA has operations in
456 multiple states.

457

458 **Q. PLEASE PROVIDE SOME SPECIFIC EXAMPLES OF THE CARRIERS**
459 **WHICH ARE OPERATING IN THE CHICAGO LATA.**

460 A. Listed below are ten examples⁸, that give a sense of the size of the competitive carriers
461 which have residential customers in the Chicago LATA. These companies are well
462 established communications companies, with cumulative revenues in excess of \$100
463 billion, over 100 million connections and in excess of 250,000 employees.

464

465 **Comcast** is a leading provider of cable, entertainment and communications products and
466 services, with 21.4 million cable customers, 8.1 million high-speed Internet customers,
467 and 1.2 million voice customers.⁹

468

469 **McLeodUSA** provides integrated communications services, including local services, in
470 25 Midwest, Southwest, Northwest and Rocky Mountain states. McLeodUSA is a
471 facilities-based telecommunications provider with, as of September 30, 2005, 38 ATM
472 switches, 38 voice switches, 697 collocation arrangements and 432 DSLAMs.
473 McLeodUSA has approximately 1,700 employees.¹⁰

474

475 **MCI** operates complex and sophisticated custom networks for a wide variety of
476 customers and more than 75 U.S. federal government agencies. MCI also is a provider of
477 audio, video, and Net conferencing services that enable customers to meet and

⁸ These company descriptions can be found either in the company's press releases or on its web site.

⁹ See www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-newsArticle&ID=777730&highlight=.

¹⁰ See www.mcleodusa.com/CompanyInformation/OurNetwork.do

478 collaborate remotely. MCI is the United States' second largest long distance company for
479 residential customers. In April 2002, MCI launched The Neighborhood built by MCI, an
480 any-distance, all-inclusive offering combining local and nationwide long distance calling
481 from home.¹¹ MCI was recently acquired by Verizon.

482

483 **Verizon** is a Dow 30 company, and provides broadband and other communication
484 innovations to wireline and wireless customers. Verizon operates America's second
485 largest wireless network, serving 49.3 million customers nationwide; and one of the
486 largest wireline and IP networks, serving home, business and wholesale customers.
487 Based in New York, Verizon has a diverse workforce of nearly 250,000 and generates
488 annual consolidated operating revenues of approximately \$90 billion.¹²

489

490 **RCN Corporation** is a facilities-based provider of bundled cable, high-speed Internet
491 and telephone services delivered over its own fiber-optic local network to residential
492 customers in the most densely populated markets in the U.S. RCN Business Solutions is
493 a growing business that also provides bulk video, high-capacity and voice services to
494 business customers. RCN provides 1,000,000 customer connections in the Boston, New
495 York, Philadelphia, Washington, D.C., Chicago, San Francisco and Los Angeles
496 metropolitan markets.¹³

497

¹¹ See www.global.mci.com/about/company/.

¹² See www.newscenter.verizon.com/proactive/newsroom/release.vtml?id=93131.

¹³ See www.rcn.com/company/index.php and www.investor.rcn.com/ReleaseDetail.cfm?ReleaseID=181366.

498 **TDS Metrocom** is a member of the Telephone and Data Systems (TDS) family of
499 companies. TDS Metrocom is a facilities based company and provides local, long-
500 distance and high-speed Internet services to residential and businesses customers in
501 communities throughout Wisconsin, Illinois, Michigan, Minnesota and North Dakota.
502 TDS is a Chicago-based, Fortune 500 telecommunications corporation founded in 1969
503 with established wireless and local wireline businesses and rapidly growing competitive
504 local phone service operations. Through its strategic business units, U.S. Cellular and
505 TDS Telecom, TDS provides wireless, local telephone and broadband service to
506 customers in rural and suburban markets around the country. The company employs
507 approximately 11,500 people and serves more than 6 million wireless and local telephone
508 customers in 36 states. TDS Metrocom is also deploying a network based on Alvarion's
509 BreezeACCESS® VL broadband wireless system with non-line-of-sight (NLOS),
510 extended reach of more than 12.5 miles, which will eliminate TDS Metrocom's reliance
511 on AT&T Illinois' unbundled loops.¹⁴

512
513 **WOW!** is a provider of high-speed Internet access, telephone and advanced cable
514 television services. WOW! offers customers a choice of bundled services sized to fit
515 their needs and budget. WOW operates in Michigan, Ohio and Illinois and has about
516 300,000 customers and 850 employees.¹⁵

517

¹⁴ See www.tdsmetro.com/ViewAnnouncement.aspx?AnnouncementID=0b737fbe-63f9-41ad-9250-cbdc3654a720.

¹⁵ See www.woway.com.

518 **Talk America** provides phone services and high speed internet access to both residential
519 and business customers. Talk America has sales in excess of \$500 million per year, has
520 in excess of 650,000 lines and operates in Alabama, California, Maryland, Michigan,
521 Pennsylvania, Washington, Virginia, Illinois and Ohio. Talk America employs about
522 1,200 people.¹⁶

523
524 **Sage Telecom** provides telephone service to more than 550,000 residential and small
525 business customers. Sage is currently certified to provide local telephone service and
526 nationwide long distance service throughout all eleven states where it provides service.¹⁷

527
528 **Sprint Nextel** offers wireless and wireline communications services to consumer,
529 business and government customers. Sprint Nextel operates two wireless networks
530 offering mobile data services; instant national and international walkie-talkie capabilities;
531 and a global Tier 1 Internet backbone. In addition, Sprint Nextel provides in excess of
532 160,000 CLEC lines in various states across the country.¹⁸

533
534 **Trinsic** offers consumers and businesses traditional and IP telephony services. Trinsic's
535 products include proprietary services such as Web-accessible, voice-activated calling and
536 messaging features. Trinsic is a member of the Cisco Powered Network Program and
537 makes its services available on a wholesale basis to other communications and utility

¹⁶ www.10kwizard.ccbn.com/fil_list.asp?TK=TALK&CK=948545&FG=0&allId=ON&FC=000000&LK=003060&AL=003060&VL=003060&TC=FFFFFF&SC=ON&DF=OFF.

¹⁷ See www.sagetelecom.net/aboutus.html.

¹⁸ See http://www2.sprint.com/mr/news_dtl.do?id=9820.

538 companies. Trinsic, Inc. changed its name from Z-Tel Technologies, Inc. on January 3,
539 2005. Trinsic has sales of about \$200 million, operates in 46 states, retails and manages
540 375,000 lines and has about 700 employees.¹⁹

541
542 **ACN Communication Services** is a privately held company, headquartered
543 in Farmington Hills, Michigan, and operates in 18 countries throughout North America,
544 Europe and Australia. It has over \$500 million in sales and over 1,000 employees. ACN
545 entered the local telephone market in 2003 and today features a variety of calling plans,
546 bundling local and long distance services.²⁰

547

548 **VI. AVAILABILITY OF RESIDENTIAL LOCAL EXCHANGE SERVICES FROM**
549 **CLECS AND WIRELESS CARRIERS**

550

551 **Q. DO YOU HAVE EVIDENCE THAT CLECS AND WIRELESS CARRIERS HAVE**
552 **BEEN ABLE TO SUCCESSFULLY COMPETE IN THE PROVISION OF**
553 **RESIDENTIAL BLES IN THE CHICAGO LATA?**

554 A. Yes. As shown in Schedule WKW-5, I conservatively estimate that CLEC and wireless
555 competitors serve approximately 24% of the residence lines in AT&T Illinois' service
556 territory in the Chicago LATA. This figure is comprised of two components: (1) 17%
557 represents residential lines served by CLECs and (2) 9% represents residential wireless
558 customers who have "cut the cord", i.e., customers who rely exclusively on wireless

¹⁹ See <http://phx.corporate-ir.net/phoenix.zhtml?c=104231&p=irol-homeProfile&t=&id=&> and
www.10kwizard.ccbn.com/fil_list.asp?TK=TALK&CK=948545&FG=0&alld=ON&FC=000000&LK=003060&AL=003060&VL=003060&TC=FFFFFF&SC=ON&DF=OFF.

²⁰ See www.acninc.com/acn/us/about_us/acn_story/index.jsp.

559 service for their network access and local usage and have no wireline service in their
560 homes.²¹

561

562 **Q. HOW DID YOU DEVELOP THE CLEC PERCENTAGE?**

563 **A.** I arrived at this percentage by first determining the total number of CLEC lines in the
564 Chicago LATA. This figure was derived by adding the number of lines served by UNE-
565 P, LWC and resale arrangements together with the number of residential telephone
566 numbers submitted by CLECs for inclusion in the E9-1-1 database. As explained above,
567 the E9-1-1 database reflects CLEC lines used to make outgoing calls. It will reflect
568 some, but not all, lines provisioned through UNE-Ls. It will also reflect some, but not
569 all, lines provisioned using non-AT&T Illinois loops. While conservative, it provides a
570 reasonable approximation of the number of CLEC lines served by means other than
571 resale, LWC or UNE-P. Next, I added the number of AT&T Illinois' retail lines to arrive
572 at the total number of lines in the market. Finally, I divided the total CLEC lines by the
573 total number of lines to arrive at the CLEC market share of 17%.

574

575 **Q. DID YOU INCLUDE PRE-MERGER AT&T'S CLEC LINES IN AT&T**
576 **ILLINOIS' LINE COUNT?**

²¹ I estimated residential wireless-only lines in two steps. First, I assumed that the total number of all local access lines is the number of landline residential lines in an AT&T exchange divided by 91% (100% minus that 9% of residential customers that rely solely on wireless). Second, I estimated the number of wireless-only lines by taking the difference between the estimate of the total number of local access lines and the total number of wireline local access lines. Due to the formula, the combined percentage of wireless and CLEC market percentages is not the simple sum of 17% plus 9%.

577 A. Yes. For the purpose of determining the percentage of lines that CLECs serve in the
578 Chicago LATA, I have treated all of the lines served by the CLECs that were subsidiaries
579 of pre-merger AT&T before that holding company's merger with SBC Communications
580 as if they were lines provided by AT&T Illinois. As shown in Schedule WKW-5, the
581 Column labeled "AT&T CLEC Chicago LATA Retail Residential Access Lines" reflects
582 those lines and the Column labeled "Chicago LATA Retail Residential Access Lines"
583 reflects AT&T Illinois incumbent telephone lines.

584

585 **Q. HOW DID YOU DEVELOP THE WIRELESS PERCENTAGE OF 9%?**

586 A. The wireless percentage of 9% is a conservative estimate of the percentage of households
587 that have wireless phones and no wireline connection. The basis for this estimate is
588 discussed in detail in Section VIII of my testimony, below. This percentage represents
589 the percentage of residential customers for whom wireless is a complete substitute for
590 wireline service such as that provided by AT&T Illinois.

591

592 **Q. DOES THE WIRELESS PERCENTAGE REPRESENT THE FULL EXTENT TO**
593 **WHICH AT&T ILLINOIS FACES COMPETITION FROM WIRELESS**
594 **SERVICE PROVIDERS FOR THE PROVISION OF RESIDENTIAL LOCAL**
595 **EXCHANGE SERVICE?**

596 A. No. The 9% figure does not fully capture the extent to which AT&T Illinois faces
597 competition from reasonably available wireless service alternatives for the provision of
598 residential BLES. For example, this percentage does not take into account the extent to
599 which customers who continue to maintain an access line from AT&T Illinois use their

600 wireless phones, rather than their landline phones, to make local calls. The results of the
601 Chicago LATA customer survey presented by Mr. Shooshan shows that, for wireless
602 users who still subscribe to traditional wireline telephone service, 24 percent use wireless
603 phones as their primary home phones to make and receive calls and 54 percent frequently
604 use both their wireless phones and their traditional landline phones in their homes to
605 make and receive calls. These and other results of Mr. Shooshan's survey confirm what
606 other studies performed by the FCC and other independent sources show, i.e., that
607 wireless service is considered by customers, and is increasingly being used by customers,
608 as a substitute for both wireline connections and wireline usage.

609

610 **Q. HAS THE CLEC PERCENTAGE OF RESIDENTIAL BLES LINES BEEN**
611 **INCREASING OR DECREASING?**

612 A. The CLEC market share for residential BLES has been increasing. As I will discuss in
613 more detail below, the residential CLEC market share in the Chicago LATA, as
614 calculated by the Commission, almost doubled in the 3 year period between December
615 2001 and December 2004, from 15% to 28%. This increase in CLEC market share, along
616 with the competition from wireless service, explains in large part why AT&T Illinois has
617 experienced residential line losses in excess of 1.3 million lines since 2001 and why
618 AT&T Illinois' local service revenues have decreased by 45% since 2001.²²

619

²² See Tables 1 and 4 below.

620 **Q. ARE EACH OF THE RESIDENTIAL SERVICES THAT ARE THE SUBJECT OF**
621 **AT&T ILLINOIS' NOVEMBER 10, 2005, COMPETITIVE RECLASSIFICATION**
622 **FILING AVAILABLE FROM CLECS IN THE CHICAGO LATA?**

623 A. Yes. I have reviewed the residential offerings made by 10 of the larger CLEC
624 competitors of AT&T Illinois in the Chicago LATA. Schedule WKW- 6 shows the
625 results of that review. As indicated by the schedule, each of the CLECs' residential
626 service offerings the same types of services for which AT&T Illinois has made a
627 competitive reclassification in this case. In each instance, there is more than one CLEC
628 offering a functionally equivalent service that a residential customer could use instead of
629 AT&T Illinois' service. For ISDN service, I also including comparisons to broadband
630 service, both cable modem and DSL, since the primary reason why residential customers
631 buy ISDN is to obtain faster access to the internet. AT&T Illinois witness Sandy Moore
632 also discusses the nature of the residential basic local exchange services being offered by
633 CLECs and their comparability to AT&T Illinois' residential services.

634

635 **Q. ARE THE PRICES OF THE RESIDENTIAL SERVICES OFFERED BY CLECS**
636 **IN THE CHICAGO LATA COMPARABLE TO THE PRICES FOR AT&T**
637 **ILLINOIS'S SERVICES?**

638 A. Yes. Schedule WKW-6 details the price that AT&T Illinois charges for the service and
639 the price the CLEC charges for the functionally equivalent service. In each instance, the
640 CLEC's rates are comparable to AT&T Illinois'. To compare the many packages of
641 services available to consumers in the marketplace, I selected two representative
642 packages, one that offers unlimited local calling with three features and one that offers

643 unlimited local calling and unlimited long distance with six features. For the residential
644 ISDN price comparison, I also included rates from cable companies and ISPs which sell
645 broadband service to residential customers. As stated above, one of the primary reasons
646 why residential customer buy ISDN is for a faster internet connection. The source of the
647 CLEC prices used in Schedule WKW-6 is the CLECs' current tariffs on file with the
648 Commission. The source of the prices for the broadband service alternatives to ISDN is
649 the providers' web site.

650

651 **Q. DOES THE DATA DISCUSSED ABOVE REGARDING THE NUMBER OF**
652 **CLECS AND THE PERCENTAGE OF RESIDENCE LINES SERVED BY CLECS**
653 **AND WIRELESS PROVIDERS REPRESENT THE FULL EXTENT OF**
654 **COMPETITION FOR RESIDENCE BASIC LOCAL EXCHANGE SERVICE IN**
655 **THE CHICAGO LATA?**

656 A. No. As I have discussed, that data does not reflect the full extent of competition faced by
657 AT&T Illinois from wireless service providers. The data also does not reflect
658 competition faced by AT&T Illinois by non-CLEC providers of functionally equivalent
659 communication services over alternative technologies, such as VoIP services.²³

660 Competition from such sources is discussed later in my testimony and in the testimonies

²³ VoIP is not captured in the numerical results of my analysis, unless carriers using VoIP report their lines to the E9-1-1 data base. My understanding is that some do not. I do not have data relative to VoIP sales other than analyst reports and nationwide surveys. However, cable companies in particular have quickly rolled out the technology and are aggressively marketing local exchange service over their cable footprint. Again, I am not trying to adjust my analysis to include the effect of VoIP competition, as I did not have available data to do so, but only to caution the Commission that my results understate the degree to which local customers have options available to them for local service.

661 of Mr. Shooshan and Ms. Moore. As that testimony demonstrates, the voice grade
662 services provided by non-regulated independent VoIP providers, as well as wireless
663 service providers, should properly be considered as reasonably available substitutes for
664 residential BLES provided by AT&T Illinois.

665

666 **Q. IS THERE AN INDEPENDENT AND RELIABLE MEASUREMENT OF**
667 **COMPETITION FROM CLECS ?**

668 A. Yes. There are two primary sources for an independent view of competition in Illinois:
669 this Commission and the FCC.

670

671 **Q. WHAT INDEPENDENT EVALUATION HAS THIS COMMISSION**
672 **CONDUCTED?**

673 A. Section 13-407 of the PUA directs the ICC to issue an annual report to the Illinois
674 General Assembly on telecommunications markets in Illinois. The ICC's most recent
675 report, its fourth, was submitted to the Illinois General Assembly on May 24, 2005. The
676 ICC staff conducts a Telecommunications Market Survey annually to determine the
677 amount of competition in the state. The survey is sent to all telecommunications
678 providers in the state. The Commission then publishes its report summarizing the
679 findings, and providing details by LATA, based on the survey results. The Commission
680 also evaluated the status of competition in Illinois as part of its consultation with the FCC
681 on AT&T Illinois' 271 application at the FCC.

682

683 **Q. WHAT DID THE COMMISSION’S 4TH MARKET CONDITIONS REPORT**
684 **FIND?**

685 A. *The Illinois Public Service Commission Report: Results of 4th Annual Report on*
686 *Telecommunications Markets in Illinois*, published in May, 2005, found that CLECs
687 provided service to more than 950,000 residential lines in the Chicago LATA as of
688 December 2004. This represents 28% of the overall residential access lines in the
689 Chicago LATA. To compile this report, the Commission requested data from AT&T
690 Illinois, other incumbent local exchange carriers and certificated CLECs. Sixty-four
691 CLECs and forty-nine ILECs responded to the data request that they were actually
692 providing service and have line counts.²⁴ The Report, at page 19, notes that “a notably
693 higher percentage of all CLEC Illinois customers are located in the Chicago LATA as
694 compared to the percentage of all ILEC customers”, meaning that CLECs have focused
695 their strategies in the Chicago LATA.

697 **Q. DID THE REPORT PROVIDE ANY DETAIL REGARDING WHERE CLECS**
698 **ARE PROVIDING COMPETITIVE SERVICES IN ILLINOIS?**

699 A. Yes. Tables C1 – C5 of the Commission’s Report provide a summary of CLEC lines by
700 LATA. These data show that the Chicago LATA is very competitive and has more
701 residential competition than any other LATA in the state. The data also confirm that
702 AT&T Illinois’ estimate of CLEC market share in the Chicago LATA is reasonable. The

²⁴ *Illinois Commerce Commission Report: Results of 4th Annual Report on Telecommunications Markets in Illinois*, May 24, 2004, at p.19. A copy is included as my Schedule WKW-7.

703 Report shows that CLECs serve about 56% more residential lines than business lines
704 (953,030 residential lines and 610,272 business lines). The Report also shows that
705 residential CLEC lines as a percentage of total residential lines is greater than business
706 CLEC lines as a percentage of total business lines (28.0% for residential lines versus
707 24.6% for business lines).

708

709 **Q. DOES THE REPORT PROVIDE INFORMATION ON THE TREND OF**
710 **COMPETITION FOR RESIDENTIAL BLES IN THE CHICAGO LATA?**

711 A. Yes. The report shows that the number of residential lines served by CLECS has grown
712 from 584,686 on December 31, 2001, to 953,030 on December 31, 2004, an increase of
713 almost 400,000 lines or about 63%. As previously discussed, the Report also shows that
714 the CLECs' share of residential access lines increased from 15% to 28% during the same
715 period.

716

717 **Q. WHAT DID THE COMMISSION CONCLUDE IN THE REPORT REGARDING**
718 **THE STATUS OF TELECOMMUNICATIONS MARKETS IN ILLINOIS?**

719 A. The Commission concluded that the CLECs' overall POTS market share increased on a
720 statewide basis by approximately two percentage points between year-end 2003 and year-
721 end 2004 and that the 23% market share held by CLECs at year-end 2004 represents a
722 marked increase over the 5% market share held by CLECs in Illinois at year-end 1999.

723

724 **Q. DID THIS REPORT HAVE ANY OTHER CONCLUSIONS REGARDING THE**
725 **LOCAL MARKET IN THE CHICAGO LATA?**

726 A. Yes, it did. The Commission found that “market penetration by CLECs in Illinois clearly
727 has been most focused and most successful in the Chicago LATA.”²⁵ This recognizes the
728 fact that CLECs have been the most focused on and most successful in the Chicago
729 LATA.

730

731 **Q. CAN YOU EXPLAIN WHY THE COMMISSION’S ESTIMATE OF THE CLECS’**
732 **PERCENTAGE OF RESIDENTIAL ACCESS LINES IN THE CHICAGO LATA**
733 **(28%) DIFFERS FROM THE PERCENTAGE THAT YOU DEVELOPED (17%)?**

734 A. Most of the difference in the percentage is explained by the fact that the percentage
735 calculated by the Commission includes residential access lines reported by the pre-
736 merger AT&T CLECs. As I previously indicated, in calculating my percentage, I treated
737 the lines of the pre-merger AT&T CLECs as AT&T Illinois lines, rather than CLEC
738 lines, in light of the recent merger of pre-merger AT&T and SBC Communications. The
739 residential access lines reported to the Commission by AT&T equaled approximately
740 *****BEGIN PROPRIETARY***END PROPRIETARY***** of the total residential
741 access lines in the Chicago LATA. If the reported AT&T CLEC lines are omitted, the
742 Commission’s calculation of the percentage of residential access lines in the Chicago
743 LATA served by CLECs would be approximately *****BEGIN PROPRIETARY*****
744 **END PROPRIETARY*****, compared to the 17% figure that I calculated.

745

²⁵ *Id.* at page 32.

746 The remaining difference between the two figures is explained by differences in the
747 sources of the data used to calculate the percentages. The Commission's calculation was
748 made based on the number of residential access lines reported by each CLEC in response
749 to a Staff data request. As I explained earlier, I developed my estimate by adding the
750 number of lines served by UNE-P, LWC and resale to the number of telephone numbers
751 submitted by CLECs for inclusion in the E9-1-1 database. Although the E9-1-1 data
752 reflects most of the residential lines provisioned through UNE-L and non-AT&T Illinois
753 loops, the data used by the Commission to calculate its estimate of the percentage of lines
754 served by CLECs is likely to be more complete than the data that was available to AT&T
755 Illinois. Thus, the Commission's Report confirms that 17% is a reasonable, albeit
756 conservative, estimate of the CLEC share of residential access lines in the Chicago
757 LATA.

758

759 **Q. WHAT ANALYSIS OF COMPETITION HAS THE FCC CONDUCTED?**

760 A. The FCC's report, *Local Telephone Competition: Status as of December 31, 2004*,
761 generally reports trends in the local telecommunications market for the nation as a whole.
762 As part of that report, it provides state-specific data in Tables 6 through 13 and Table 16.
763 The FCC publishes its data approximately every six months and provides data on the
764 number of access lines (both ILEC and CLEC), as well as data on how CLECs serve their
765 end users, the quantity of mobile wireless subscribers, and the extent of competition at a
766 zip code level. It is mandatory for carriers with at least 10,000 customers in a state to

767 report their data. The most recent report summarizes data provided as of March 1, 2005
768 and reflects data as of December 31, 2004.²⁶

769

770 **Q. WHAT WERE THE FCC'S FINDINGS FOR ILLINOIS?**

771 A. Data was collected from 6 incumbent local exchange carriers (“ILECs”) and 22 CLECs.²⁷

772 The FCC found that CLECs served approximately 1.7 million access lines, which

773 represented 22% of the access lines in Illinois. This percentage understates the actual

774 CLEC share in Illinois since, as I have previously discussed, there are far more than 22

775 CLECs that provide residential local exchange service in the Chicago LATA alone. The

776 FCC found that the CLECs’ share of the Illinois access lines grew steadily over the last

777 five years.²⁸ This is consistent with what this Commission’s report shows. Further, the

778 FCC’s report shows that the number of mobile wireless telephone subscribers has grown

779 by 12% from December 2003 to December 2004, and that there are more wireless phones

780 in Illinois than traditional landline phones.²⁹ These data support the conclusion that

781 local competition is widespread in Illinois.

782

783 **Q. HAS THE FCC MADE ANY OTHER STATEMENTS REGARDING THE STATE**
784 **OF COMPETITION IN ILLINOIS?**

785 A. Yes, in its order granting AT&T Illinois Section 271 authority, the FCC stated: ‘We

²⁶ *Local Telephone Competition: Status as of December 31, 2004; Industry Analysis and Technology Division, Wireline Competition Bureau*; July 2005. A copy is included with my testimony as Schedule WKW-8.

²⁷ *Id.* at Table 12.

²⁸ *Id.* at Tables 6 through 9.

²⁹ *Id.* at Table 13.

786 grant SBC's application in this Order based on our conclusion that SBC has taken the
787 statutorily required steps to open its local exchange markets in these states to
788 competition."³⁰

789

790 **Q. DID THE FCC MAKE ANY REFERENCES TO THE REVIEW THAT THIS**

791 **COMMISSION UNDERTOOK IN ITS 271 REVIEW?**

792 A. Yes. The FCC praised the ICC efforts. The FCC stated:

793 "We note that the outstanding work of the state commissions in conjunction with
794 SBC's extensive efforts to open its local exchange markets has resulted in
795 competitive entry in each of these states. As of May 2003, SBC estimates
796 competitive local exchange carriers (LECs) were serving at least 2.3 million
797 access lines in Illinois, or 29% of all access lines in Illinois; at least 393,000
798 access lines in Indiana, or 15% of all access lines in Indiana; at least 885,000
799 access lines in Ohio, or 20% of all access lines in Ohio; and at least 633,000
800 access lines in Wisconsin, or 25% of all access lines in Wisconsin. These figures
801 include approximately 319,000 UNE loops and 779,000 UNE-platform lines in
802 Illinois, 53,000 UNE loops and 157,000 UNE platform lines in Indiana, 125,000
803 UNE loops and 547,000 UNE-platform lines in Ohio, and 229,000 UNE loops and
804 146,000 UNE-platform lines in Wisconsin.

805
806 3. We wish to acknowledge the Illinois Commerce Commission (Illinois
807 Commission), the Indiana Utility Regulatory Commission (Indiana Commission),
808 the Public Utility Commission of Ohio (Ohio Commission), and the Public
809 Service Commission of Wisconsin (Wisconsin Commission) for their
810 considerable effort and dedication in overseeing SBC's implementation of the
811 requirements of section 271 of the Act. By diligently and actively conducting
812 proceedings to set UNE prices, to implement performance measures, to develop
813 Performance Remedy Plans (PRPs), and to evaluate SBC's compliance with
814 section 271, these state commissions laid the necessary foundation for our review
815 of this application"³¹

816

³⁰ FCC WC Docket 03-317, Joint Application by SBC Communications Inc., Illinois Bell Telephone Company, Indiana Bell Telephone Company Incorporated, the Ohio Bell Telephone Company, Wisconsin Bell, Inc., and Southwestern Bell Communications Services, Inc. for Authorization To Provide In-Region, InterLATA Services in Illinois, Indiana, Ohio, and Wisconsin, dated October 14, 2003, at pages 2-3.

³¹ *Id.* at Page 3.

817 **Q. DID THE FCC ADDRESS THE STATE OF COMPETITION FOR LOCAL**
818 **EXCHANGE SERVICES IN ITS ORDER APPROVING THE SBC/AT&T**
819 **MERGER?**

820 A. Yes. Both the FCC and United States Department of Justice (“DOJ”) ³² determined that
821 the AT&T/SBC merger, with conditions, is in the public interest and will not harm
822 competition and will likely benefit consumers. In arriving at their decisions, both the
823 FCC and DOJ took into account competition from CLECs, VoIP and wireless service
824 providers. The FCC, for example, concluded that “SBC faces competition from a variety
825 of providers of retail mass market services. These competitors include not only wireline
826 competitive LECs and long distance service providers but also, to at least some extent,
827 facilities-based and over-the-top VoIP providers, and wireless carriers” and concluded
828 “that competition from intermodal competitors is growing quickly, and we expect it to
829 become increasingly significant in the years to come.”³³

830
831 **Q. DO THESE INDEPENDENT SOURCES DEMONSTRATE THAT THERE IS**
832 **COMPETITION AND END USER USAGE IN CHICAGO LATA?**

833 A. Yes. Both the ICC and the FCC have developed data that demonstrates that competition
834 is present, and that end users are using those competitors for their service. Thus, this
835 criterion has been met.

³² See U.S. Department of Justice release: *JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN VERIZON'S ACQUISITION OF MCI AND SBC'S ACQUISITION OF AT&T* at http://www.usdoj.gov/atr/public/press_releases/2005/212407.htm and FCC News Release Corrected *FCC APPROVES SBC/AT&T AND VERIZON/MCI MERGERS, Transactions Offer Significant Public Interest Benefits* at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-261936A1.pdf.

³³ FCC SBC/AT&T Merger Order at paras. 100 - 101.

836

837 **VII. CLEC FACILITIES**

838 **Q. DO CLECS USE THEIR OWN FACILITIES TO PROVIDE RESIDENTIAL**
839 **BASIC LOCAL EXCHANGE SERVICE IN THE CHICAGO LATA?**

840 A. Yes. As shown in Schedule WKW-9, for the Chicago LATA, as of September 30, 2005,
841 approximately 48% of the residential access lines served by CLECs were provisioned
842 entirely over CLEC-owned facilities, including CLEC-owned switches and loop
843 facilities. Another 6% were provisioned using CLEC-owned switches and AT&T
844 Illinois-provided UNE loops. In total, therefore, 54% of the CLEC residence lines are
845 served using CLEC-owned facilities. Of the remaining CLEC residence lines, as of
846 September 30, 2005, *****BEGIN PROPRIETARY*****END PROPRIETARY*****
847 were provisioned over UNE-P and *****BEGIN PROPRIETARY*****END**
848 **PROPRIETARY***** were provisioned using Local Wholesale Complete (“LWC”), a
849 commercial substitute for UNE-P. Only 1% of the CLEC-served residential lines are
850 provisioned through the resale of AT&T Illinois services. It should be noted that,
851 because this data is as of the end of September 2005, it does not reflect the full extent to
852 which CLECs which were using UNE-P have agreed to migrate to an alternative
853 arrangement. Of the *****BEGIN PROPRIETARY ***** END PROPRIETARY*****
854 UNE-P and LWC lines, 37 of the 54 UNE-P and LWC CLECs, representing 81% of the
855 total UNE-P and LWC lines, have already migrated, or indicated their intention to
856 migrate, from UNE-P to either a LWC, resale or UNE-L arrangement.

857

858 **Q. HOW MANY CLECS HAVE LOCAL SWITCHES IN SERVICE IN THE AREA**
859 **SERVED BY AT&T ILLINOIS WITHIN THE CHICAGO LATA?**

860 A. I have identified 50 different CLEC-owned local switches located in AT&T Illinois'
861 territory in the Chicago LATA. Listed below is the owner of each switch. CLEC
862 switches generally cover many rate centers. These are all switches that provide local
863 exchange service, as evidenced by the assignment to those switches of local telephone
864 numbers. The switches are capable of providing local and long distance service for
865 residential and business customers. The source of this information is publicly available
866 through the Local Exchange Routing Guide (LERG), a registry that CLECs and ILECs
867 alike use to list their switch(es) to be interconnected into the public switched network.
868 These 50 switches are registered in the LERG as follows:

869	<u>CLEC</u>	<u>NUMBER OF SWITCHES</u>
870		<u>SERVING THE CHICAGO LATA</u>
871		
872	2ND CENTURY COMMUNICATIONS, INC.	1
873	ACCESS ONE, INC.	1
874	ALLEGIANCE TELECOM, INC.	2
875	BROADBAND OFFICE COMMUNICATIONS, INC.	1
876	CBEYOND COMMUNICATIONS, LLC	1
877	CIMCO COMMUNICATIONS, INC.	1
878	CITYNET ILLINOIS, LLC	1
879	COMCAST PHONE OF ILLINOIS, LLC	9
880	COMMPARTNERS, LLC	1
881	CORECOMM ILLINOIS, INC.	1
882	EGIX NETWORK SERVICES, INC.	1
883	EQUIVOICE, LLC	1
884	FOCAL COMMUNICATIONS CORP OF ILLINOIS	4
885	GLOBAL CROSSING LOCAL SERVICES, INC.	1
886	GLOBAL NAPS, INC.	1
887	GLOBALCOM, INC.	1
888	ICG TELECOM GROUP	1
889	INTERMEDIA COMMUNICATIONS INC.	1
890	LEVEL 3 COMMUNICATIONS, LLC	2
891	MCI AND MCIMETRO, ATS, INC.	5
892	MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.	2
893	MPOWER COMMUNICATIONS CORP	1
894	NEUTRAL TANDEM-ILLINOIS	1
895	PAETEC COMMUNICATIONS, INC.	1

896	PATHNET, INC.	1
897	RCN TELECOM SERVICES OF ILLINOIS, INC.	1
898	SPRINT COMMUNICATIONS COMPANY, L.P.	2
899	TDS METROCOM INC.-IL	1
900	XO ILLINOIS, INC	3
901		

902 **Q. ARE THESE SWITCHES USED TO PROVIDE RESIDENCE BLES?**

903 A. Yes. Each switch has telephone numbers assigned to it by NeuStar, the national
904 numbering administrator, and has been interconnected with the national public switched
905 network to exchange local and long distance calls. Schedule WKW-10 shows the number
906 of telephone numbers, by area code, that have been assigned to each CLEC enabling it to
907 provide residential BLES. Although I believe this information to be publicly available,
908 out of an abundance of caution I am marking Schedule WKW-10 as confidential.

909
910 These 29 CLECs with 50 local switches have a total of 5,605,000 numbers assigned to
911 them, which exceeds all of the lines, combined residential and business, AT&T Illinois
912 has in the Chicago LATA. Because the guidelines for the assignment of numbering
913 resources require carriers' good faith, near term projections of customer demand and are
914 designed to prevent the "hoarding" of unassigned telephone numbers, the fact that so
915 many numbers have been assigned to CLECs provides additional evidence of their
916 success in competing with AT&T Illinois. CLECs have 741,000 numbers in the 312
917 NPA; 748,000 numbers in the 773 NPA; 236,000 numbers in the 224 NPA; 1,189,000
918 numbers in the 847 NPA; 1,031,000 numbers in the 708 NPA; 1,079,000 numbers in the
919 630 NPA; and 581,000 numbers in the 815 NPA.

920

921 **Q. IS IT POSSIBLE FOR THE THESE SWITCHES TO BE USED BY OTHER**
922 **CLECS?**

923 A. Yes. Nothing prevents a CLEC from using its switch to serve other CLECs. It is
924 physically and technically possible for several CLECs to use the same CLEC-owned
925 switch, just as CLECs are presently using AT&T Illinois' switches. In fact, I am aware
926 of CLECs operating in Illinois that offer wholesale switching for local service and
927 CLECs who use wholesale switching from another CLEC to provide local service.

928
929 For example, XO Communications recently announced that it was offering wholesale
930 switching to other CLECs. In an August 29, 2005 press release XO stated "The XO
931 Wholesale Local Voice services platform can now help CLECs focused on residential
932 customers transition off of the RBOCs' unbundled network element platform (UNE-P)
933 and utilize central office and transport services from XO in order to continue to cost-
934 effectively deliver telephone services."³⁴ Similarly, McLeodUSA announced in
935 December 2004, that it had entered into a multi-year agreement with MCI to provide
936 local service.³⁵ As another example, Sprint has entered into a strategic alliance with
937 Mediacom Communications that permits Mediacom to offer telephone services to its
938 customers. Sprint has stated that it will assist Mediacom with provisioning capabilities,
939 switching and termination of traffic to the public switched telephone network, delivery of

³⁴ See XO'S August 29, 2005 press release. *XO COMMUNICATIONS LAUNCHES WHOLESAL LOCAL VOICE SOLUTION FOR SERVICE PROVIDERS FOCUSED ON RESIDENTIAL TELECOMMUNICATIONS MARKET* at <http://www.xo.com/news/264.html> .

³⁵ See McLeodUSA's December 16, 2004 press release. *MCLEODUSA ENTERS MULTI-YEAR AGREEMENT WITH MCI TOPROVIDE LOCAL SERVICE ON THE MCLEODUSA NETWORK* at <http://www.mcleodusa.com/ResourceRetrieval?fileId=354> .

940 enhanced 911 emergency service, local number portability, and operator and directory
941 services.³⁶ Vonage, a nearly nationwide provider of VoIP service, which has over one
942 million lines in service through sales on the web and through national retailers like
943 SAM's Club, RadioShack, Best Buy, Circuit City, Staples, Fry's Electronics, Office
944 Depot and CompUSA, has made arrangements with some traditional wireline providers
945 that have switching capability to obtain their telephone numbers. Other VoIP providers
946 have similar arrangements with local exchange carriers to obtain services and telephone
947 numbers. It appears that a competitive market for the provision of local switching on a
948 wholesale basis is developing.

949

950 **Q. ARE AT&T ILLINOIS' LOCAL LOOPS AVAILABLE TO CLECS TO USE**
951 **WITH SELF-PROVIDED OR THIRD-PARTY-PROVIDED SWITCHING?**

952 A. Yes. AT&T Illinois must continue to make its analog voice grade loops available to
953 requesting carriers as UNEs for their use to provide local telecommunications services at
954 TELRIC-based rates.

955

956 **Q. ARE THERE ANY FACILITIES-BASED CLECS THAT DO NOT RELY ON**
957 **AT&T ILLINOIS-OWNED LOOPS TO PROVIDE RESIDENTIAL BLES IN THE**
958 **CHICAGO LATA?**

³⁶ See Mediacom's August 25, 2004 press release. *Mediacom Communications and Sprint Announce Agreement for Mediacom to Provide Telephony Services* at http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=mccc&script=410&layout=-6&item_id=606788.

959 A. Yes. In fact, most local service provided by CLECs which use their own switches in
960 Illinois is carried over the CLECs' own networks, such as cable systems owned by
961 Comcast and RCN, and not over AT&T Illinois' voice grade analog loops. As shown in
962 Schedule WKW-9, the E9-1-1 data shows that, in the Chicago LATA, there are 279,008
963 residential telephone number listings by CLECs not using AT&T Illinois' switches.
964 Schedule WKW-9 shows that CLECs are leasing only 29,752 voice grade analog loops
965 from AT&T Illinois, or about eleven percent of the total CLEC-owned, switch-based
966 lines in service. This data indicates that 249,256 residence lines, about 89% of the of
967 residence lines served by CLEC switches, also utilize CLEC loops. As I previously
968 indicated, these lines, which do not rely on AT&T Illinois switching or unbundled loops,
969 account for approximately 48% of all of the residence lines served by CLECs in the
970 Chicago LATA.

971

972 **Q. IN YOUR LAST ANSWER, YOU REFERRED TO CABLE COMPANIES AS**
973 **EXAMPLES OF CLECS THAT USE THEIR OWN NETWORKS TO**
974 **PROVISION RESIDENTIAL BASIC LOCAL EXCHANGE SERVICES. DO YOU**
975 **HAVE EVIDENCE THAT RESIDENTIAL LOCAL EXCHANGE SERVICE IS**
976 **WIDELY AVAILABLE FROM CABLE COMPANIES THROUGHOUT AT&T**
977 **ILLINOIS' SERVICE TERRITORY IN THE CHICAGO LATA?**

978 A. Yes. Schedule WKW-11 is a map of the Chicago LATA and details both AT&T Illinois'
979 exchanges and the franchise areas of the cable companies that offer local exchange
980 telecommunications service in the Chicago LATA.

981

982 I am not aware of any large metropolitan area in the country where a cable company is as
983 concentrated as Comcast is in the Chicago LATA. As shown on the map, Comcast's
984 franchise area alone covers exchanges that contain at least 98% of AT&T Illinois' lines.
985 Comcast is *****BEGIN PROPRIETARY *****END PROPRIETARY *****
986 CLEC residential BLES provider in the Chicago LATA and RCN is the *****BEGIN**
987 **PROPRIETARY** third largest residential **END PROPRIETARY***** BLES provider in
988 the Chicago LATA. Comcast's and RCN's franchise areas cover at least 98% of AT&T
989 Illinois' residential lines and those two cable companies provide cable modem service in
990 areas that cover at least 98% of AT&T Illinois' residential lines. In the Chicago LATA,
991 Comcast and RCN are already providing service to customers in exchanges that cover
992 *****BEGIN PROPRIETARY *****END PROPRIETARY***** of AT&T Illinois'
993 residential lines. In addition, Mediacom has a strategic alliance with Sprint to provide
994 residential local exchange service in Illinois. Insight received its statewide
995 telecommunications certificate from this Commission in September 2005 and filed its
996 residential local exchange tariff at the end of September 2005. As shown in Schedule
997 WKW-12, the vast majority of cable company lines – covering over 99% of AT&T
998 Illinois' residential lines – are cable modem ready.

999

1000 **Q. HOW DID YOU DETERMINE THAT COMCAST'S FRANCHISE AREA**
1001 **COVERS 98% OF AT&T ILLINOIS RESIDENTIAL LINES?**

1002 A. I looked at the map to determine in what exchanges Comcast operates. I then summed all
1003 of the residential lines in those exchanges where Comcast was franchised to provide

1004 cable service³⁷ and divided the sum by the total AT&T Illinois residential lines in the
1005 Chicago LATA.

1006

1007 **Q. HOW DID YOU DETERMINE THAT COMCAST AND RCN ARE ALREADY**
1008 **PROVIDING VOICE SERVICE IN EXCHANGES THAT EQUAL OVER**
1009 *****BEGIN PROPRIETARY*****END PROPRIETARY*** OF AT&T ILLINOIS**
1010 **RESIDENTIAL LINES IN THE CHICAGO LATA?**

1011 A. The source of my calculation was the E9-1-1 data. By examining the NPA-NXX of the
1012 Comcast and the RCN listings, I was able to identify those exchanges where Comcast and
1013 RCN are serving residential customers.

1014

1015 **Q. WHAT EXPERIENCE DOES COMCAST HAVE IN THE LOCAL VOICE**
1016 **MARKET?**

1017 A. Comcast is the largest cable company in the United States and therefore has the size,
1018 scope and financial assets to sustain their residential BLES. At a recent Merrill Lynch
1019 conference in August 2005, Catherine Avgiris, Senior V.P. Finance and General
1020 Manager Comcast Voice Services, stated that Comcast has 1.2 million existing phone
1021 lines and that its product is a primary line replacement (not utilizing a second line
1022 strategy). She further stated that, in the past year, Comcast provisioned 430,000 lines,
1023 ported over 250,000 numbers, carried over 10 billion minutes over their network, handled

³⁷ Per the City of Chicago, Comcast has a cable franchise for the entire city.

1024 over 600,000 E9-1-1 calls and rendered 14 million bills. Comcast is a very viable and
1025 competent competitor.

1026

1027 **Q. HOW DO CLECs THAT DO NOT USE AT&T ILLINOIS' LOCAL SWITCHING**
1028 **ACCESS UNE LOOPS?**

1029 A. A common way to access the ILEC's loops is through collocation, which permits a CLEC
1030 to interconnect its own transport to its own switch with the ILEC's loops. Another
1031 method of accessing the ILEC's loops is through the use of an Enhanced Extended Loop
1032 ("EEL"), a loop/transport combination through which a CLEC connects the UNE loop to
1033 an interoffice transport facility to extend the loop to another location, such as a CLEC
1034 switch or to another AT&T Illinois switch where the CLEC has a collocation site.

1035

1036 CLECs have collocated in about 66% of the exchanges in the Chicago LATA. Those
1037 exchanges represent about 90% of the residential lines in the Chicago LATA. In
1038 addition, AT&T Illinois has provisioned over 5,400 EELs for CLECs in the Chicago
1039 LATA. These EELs extend the reach of, and enhance, the CLECs' existing collocation
1040 arrangements.

1041

1042 **Q. IS COLLOCATION ANOTHER INDICATOR OF COMPETITION?**

1043 A. Yes. In a collocation arrangement, a CLEC leases space in AT&T Illinois' central
1044 office(s) to access UNEs and interconnect with AT&T Illinois' network. Generally, a
1045 CLEC will collocate transport equipment in its collocation space so that it can connect
1046 unbundled loops served in that wire center to its own switch. When a CLEC collocates

1047 with AT&T Illinois, it has made an investment in its own network in order to serve
1048 customers.

1049
1050 A collocating CLEC is poised to expand by serving end users with its own facilities. At a
1051 minimum, through collocation, CLECs are able to reach all customers served by the wire
1052 center in which they are collocated, which could include multiple exchanges. As
1053 Schedule WKW-13 shows, there are 31 CLECs collocated in the Chicago LATA. These
1054 31 CLECs have approximately 663 physical and virtual collocation arrangements in the
1055 118 Chicago exchanges. Any single collocation arrangement has the potential of serving
1056 all of the residential customers in the Chicago LATA by use of EELs. Schedule WKW-
1057 13A shows, by CLEC, where they have physical and virtual collocation arrangements in
1058 the Chicago LATA.

1059

1060 **Q. ARE YOU PRESENTING ANY FURTHER DATA IN SUPPORT OF AT&T**
1061 **ILLINOIS' COMPETITIVE RECLASSIFICATION?**

1062 A. Yes. Another indicator of the changing face of competition is number portability. Ported
1063 telephone number data demonstrate that CLECs and wireless carriers have successfully
1064 won local customers from AT&T Illinois. When a customer selects a different local
1065 service provider, many times the customer elects to take his telephone number with him
1066 to his new carrier.³⁸ The carrier that loses the customer must “port” the number to the

³⁸ A customer may select a new telephone company and be assigned a new number if the customer was not an existing customer of another company or if the customer chooses not to retain that number. This is to say that ported numbers are not an indication of the total number of competitive “wins” of a competitor, only the number of wins when the customer decided to retain the old number, if one existed.

1067 new provider. Wireless number portability is a more recent phenomenon than wireline
1068 portability. AT&T Illinois' records show how many telephone numbers are ported from
1069 AT&T Illinois' exchanges to the winning CLEC or wireless carrier. AT&T Illinois
1070 currently (as of September 2005) ports over 800,000 residential and business telephone
1071 numbers in the Chicago LATA to CLEC and wireless carriers. These are over 800,000
1072 numbers that were previously used by AT&T Illinois to serve residential and business
1073 customers who elected to disconnect AT&T Illinois' local service and obtain service
1074 from a CLEC or a wireless carrier. These numbers are ported from 115 different AT&T
1075 Illinois exchanges to 30 different CLECs and wireless providers.

1076

1077 **Q. WILL THE ELIMINATION OF THE UNE-P REDUCE THE LEVEL OF**
1078 **COMPETITION FOR RESIDENCE LOCAL EXCHANGE SERVICE IN THE**
1079 **CHICAGO LATA?**

1080 A. I don't believe so. In the *TRO Remand Order*, the FCC determined not only that the
1081 availability of UNE-P is not necessary to enable CLECs to compete; it also found that the
1082 requirement that incumbent local exchange carriers provide UNE-P harms competition
1083 and deters network investment. *TRO Remand Order*, pars. 199, 204. Based on these
1084 findings, the FCC barred CLECs from ordering new UNE-P arrangements after March
1085 11, 2005, and established a 12 month transition period (which ends March 11, 2006) for
1086 CLECs to transition existing customer served by UNE-P to alternative different service
1087 arrangements. As shown in Schedule WKW-9, as of September 30, 2005, approximately
1088 42% of the lines served by CLECs in the Chicago LATA are UNE-P-based. CLECs with

1089 these lines have at least five such alternatives.³⁹ First, some CLECs may choose, as
1090 Sage, Talk America and MCI have, to enter into a commercial agreement with AT&T
1091 Illinois to obtain a commercial substitute (such as Local Wholesale Complete (“LWC”))
1092 for UNE-P that provides the CLEC with the same functionality and geographic scope as
1093 the UNE-P. Second, some CLECs will convert their end users from UNE-P to their own
1094 switch and use an AT&T Illinois UNE-L or use a loop provided by another facilities-
1095 based provider. Third, some CLECs may choose to purchase switching from other
1096 CLECs (e.g. XO and McLeodUSA), that already own their own switches in conjunction
1097 with AT&T Illinois’ UNE-Ls or another provider’s loops. Fourth, some CLECs may
1098 choose to use AT&T Illinois’ wholesale resale services, as some CLECs are doing today.
1099 Fifth, some providers may choose to offer or expand their VoIP services. It should also
1100 be noted that, as shown in Schedule WKW-9, over 54% of the residential lines served by
1101 CLECs in the Chicago LATA are served using switching facilities owned by CLECs,
1102 including cable companies such as Comcast, RCN, Insight and Mediacom. These
1103 companies are not currently dependent upon the UNE-P to provide an effective
1104 alternative to AT&T Illinois’ residential basic local exchange service.

³⁹ At least in the short run, UNE-P will continue to be available to CLECs in Illinois under state law. The Commission has interpreted Section 13-801 of the Illinois Public Utilities Act as requiring AT&T Illinois to continue to provide unbundled local switching and UNE-P as state law UNEs without regard to federal law. AT&T Illinois has filed a federal court complaint asking that Section 13-801, as so interpreted, be overturned on preemption grounds. That case is pending.

1105

1106 **VIII. WIRELESS COMPETITION**

1107 **Q. ARE THERE RESIDENTIAL CONSUMERS WHO ONLY USE WIRELESS FOR**
1108 **THEIR COMMUNICATION NEEDS?**

1109 A. Yes. Many people are “cutting the cord” and some have never had landline service. The
1110 Yankee Group⁴⁰ estimates that 10% of all wireless users have decided not to have a
1111 landline phone. This figure rises to 15% for urban dwellers. The Yankee Group also
1112 states that the percentage of people with only wireless service is higher in certain
1113 demographics. For example, 31% of young adults ages 18 to 24 only have wireless
1114 service, 13% of non-whites only have wireless service, and 19% of those with incomes
1115 less than \$25,000 only have wireless service. Therefore, as Mr. Shooshan states in his
1116 testimony, based on the Chicago LATA demographics, it is likely that there are more
1117 households in the Chicago LATA that have “cut the cord” than in the country as a whole.

1118

1119 **Q. WHY IS WIRELESS SUBSTITUTION ATTRACTIVE TO LOW-INCOME AND**
1120 **YOUNG PEOPLE?**

1121 A. There are several reasons. First, if you can only afford one type of service, many people
1122 consider the wireless service to be indispensable. Second, wireless customers pay a zero
1123 cost per incremental minute if they stay within their calling plan. Many plans also
1124 include free night and weekend calling, free in-network calling, and free calling between

⁴⁰ Personal Wireless Calling Surpasses Wireline Calling: A Wireless Substitution Update, Yankee Group, (Yankee Group) August 2005 at Page 5.

1125 family members. Third, wireless prepaid plans only require a modest up-front payment
1126 and do not require a credit check. Fourth, wireless phones are more secure from
1127 unauthorized or unaccountable use than a wireline phone in a shared location such as an
1128 apartment. Lastly, customers can take their wireless service with them when they move
1129 from a dorm room to an apartment to a new house without having to change their number
1130 or de-subscribe and re-subscribe for each and every move.⁴¹

1131

1132 **Q. DO YOU HAVE EVIDENCE THAT COMPETITION FROM WIRELESS**
1133 **SERVICE PROVIDERS HAS HAD AN IMPACT ON AT&T ILLINOIS' SHARE**
1134 **OF RESIDENTIAL ACCESS LINES IN ILLINOIS?**

1135 A. Yes. Table 1, below, details AT&T Illinois' residential access lines. It shows that over
1136 the last 4-5 years, AT&T Illinois has lost over 1.4 million residential access lines. This
1137 represents a 32% reduction since 2001 and is equivalent to about 47% of AT&T Illinois'
1138 residential access lines as of September 2005. To put this huge line loss in perspective,
1139 these 1.4 million residential access lines are over 1.7 times greater than the combined
1140 770,000 residential access lines that all the other incumbent local telephone companies
1141 serve in Illinois. These figures were obtained from the FCC's Automated Reporting
1142 Management Information System (ARMIS) Report 43-08 that AT&T Illinois files
1143 annually with the FCC. AT&T Illinois' residential line loss is attributable to wireline
1144 (including cable), wireless, and Internet competition. The increased number of wireless-

⁴¹ *Id.* at pg. 7.

1145 only users in the Chicago LATA has contributed significantly to AT&T Illinois’
 1146 residential line loss.

1147

Table 1

AT&T Illinois Residential Access Line Changes (2000 – Sept 2005)					
End of Year	Total Residential Access Lines	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
2000	4,288,582				
2001	3,871,354	-417,228	-417,228	-9.7%	-9.7%
2002	3,376,547	-494,807	-912,035	-12.8%	-21.3%
2003	3,104,394	-272,153	-1,184,188	-8.1%	-27.6%
2004	2,960,631	-143,763	-1,327,951	-4.6%	-31.0%
3Q 2005	2,921,585	-39,046	-1,366,997	-1.3%	-31.9%

1148

1149 Source: 2001 to 2004, ARMIS Report 43-08, TABLE III - ACCESS LINES IN
 1150 SERVICE BY CUSTOMER. 3Q 2005 Residential Access Lines from AT&T Illinois.
 1151

1152 **Q. WHAT PERCENT OF THE POPULATION HAS WIRELESS SERVICE IN THE**
 1153 **CHICAGO LATA?**

1154 **A.** In the Chicago market area, which includes the Chicago LATA plus Gary, Indiana and
 1155 Kenosha, Wisconsin, 65% of the population had wireless service as of the end of 2004,
 1156 compared to 49% at the end of 2001.⁴² There are about 2.74 persons per household in
 1157 the Chicago LATA and therefore, on average, there are about 1.78 wireless subscribers

⁴² Tenth Report, Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, WT Docket No. 05-173, released September 30, 2005 (FCC Tenth Report) at Table III and the Seventh Report, Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, WT Docket No. 02-179, released July 3, 2002 at Table III.

1158 per household in the Chicago LATA. In its Tenth Annual Report on wireless
1159 competition, the FCC stated that about two-thirds of the households in the United States
1160 have wireless service.⁴³

1161

1162 **Q. HOW DID YOU DEVELOP YOUR ESTIMATE THAT 9% OF HOUSEHOLDS**
1163 **IN THE CHICAGO LATA RELY EXCLUSIVELY ON WIRELESS SERVICE?**

1164 A. The FCC also estimated that approximately 6% of the households in the United States
1165 rely solely on wireless service for their local service.⁴⁴ The FCC's figure is a national
1166 figure and needs to be adjusted for the Chicago LATA, which is the third largest urban
1167 area in the country. As mentioned above, the Yankee Group estimates that 10% of
1168 wireless customers nationally have "cut the cord" while 15% of wireless users have cut
1169 the cord in urban areas, indicating that urban wireless users are about 50% more likely to
1170 have cut the cord than the wireless customers generally. Thus, to estimate the percentage
1171 of households in the Chicago LATA that have "cut the cord," I increased the FCC's 6%
1172 figure by 50% to arrive at 9%. As previously discussed, I have used this conservative 9%
1173 figure in developing market share estimates for competitors providing residential services
1174 in the Chicago LATA. However, wireless substitution for wireline service does not only
1175 occur where wireless customers have "cut the cord." As I will explain more fully below,
1176 there is also significant wireless substitution occurring in residential households who also
1177 have wireline service. For example, more and more AT&T Illinois residential customers

⁴³ FCC Tenth Report, at page 72.

⁴⁴ *Id.* at page 73.

1178 are using their wireless service in their home to make and receive local and tolls calls
1179 instead of using their AT&T residential landline service. This type of wireless usage also
1180 represents competition for AT&T's residential landline service and therefore the real
1181 effect of wireless service on AT&T Illinois' wireline service is far greater than the 9%
1182 who have "cut the cord."

1183

1184 **Q. WHY DO YOU CONSIDER 9% TO BE A CONSERVATIVE ESTIMATE OF**
1185 **THE PERCENTAGE OF CHICAGO LATA HOUSEHOLDS THAT HAVE CUT**
1186 **THE CORD?**

1187 A. As discussed above, the estimated 9% of *households* that do not have a landline phone
1188 assumes, based on a national urban estimate provided by the Yankee Group, that 15% of
1189 urban *wireless subscribers* have "cut the cord."⁴⁵ Mr. Shooshan's survey, however,
1190 shows that 24% of wireless customers in the Chicago LATA have "cut the cord."
1191 Because Mr. Shooshan's survey is specific to the Chicago LATA data, it probably
1192 reflects a more accurate estimate of the percentage of wireless users in the Chicago
1193 LATA who have "cut the cord" than the Yankee Group's 15% estimate. Because the
1194 percentage of wireless customers in the Chicago LATA who have "cut the cord" is
1195 probably significantly higher than 15%, the resulting percentage of households in the
1196 Chicago LATA that have "cut the cord" is likewise probably higher than 9%.
1197 Nonetheless, to be conservative, I have used the 9% figure.

1198

⁴⁵ Yankee Group at page 5.

1199 **Q. WHAT HAS BEEN THE WIRELESS GROWTH IN ILLINOIS?**

1200 A. The wireless business in Illinois has been very successful. Growth rates have averaged
1201 above double digits over the last five years. Table 2 details the wireless growth since
1202 year end 1999. The 106% growth in wireless service is in stark contrast to the 32%
1203 decline in AT&T Illinois residential lines. To put the number of wireless phones in
1204 perspective, at the end of 2004, there were 8,075,938 wireless subscribers in Illinois and
1205 7,937,992 wireline subscribers in Illinois. The number of wireless phones in Illinois now
1206 exceeds the total number of all ILEC and CLEC residential and business lines in Illinois.
1207 In Illinois, at the end of 2004, there were 2.7 times more people with wireless service
1208 than there were AT&T Illinois residential lines (8,075,938 wireless subscribers and
1209 2,960,631 AT&T Illinois residential lines).

Table 2

Illinois Wireless Telephone Subscribers (1999 – 2004)					
Year End	Illinois Wireless Users	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
1999	3,922,482				
2000	5,143,767	1,221,285	1,221,285	31.1%	31.1%
2001	5,631,172	487,405	1,708,690	9.5%	43.6%
2002	6,476,683	845,511	2,554,201	15.0%	65.1%
2003	7,183,989	707,306	3,261,507	10.9%	83.1%
2004	8,075,938	891,949	4,153,456	12.4%	105.9%

1210

1211 Source: FCC, Local Telephone Competition: Status as of December 31, 2004, released
1212 July 2005

1213

1214 **Q. WHAT OTHER EVIDENCE IS THERE REGARDING WIRELESS**

1215 **SUBSTITUTION FOR RESIDENTIAL WIRELINE SERVICE?**

1216 A. Comparing AT&T Illinois' minutes, revenues and return to the wireless industry provides
 1217 some interesting observations. Switched access minutes are the originating and
 1218 terminating minutes of a long distance call. Under the FCC's rules, when a person makes
 1219 a similar call using a cell phone those calls and minutes to and from the wireless phone
 1220 are not counted as switched access even if the person is calling to or receiving a call from
 1221 a AT&T Illinois residential wireline customer. AT&T Illinois' switched access minutes
 1222 are listed in Table 3 and Table 3A. Table 3 includes long distance minutes where both
 1223 ends of the call stay in the state (e.g. Chicago to Springfield) and also those calls where
 1224 one end of the call is in another state (e.g. Chicago to Milwaukee). Table 3 shows that,
 1225 since the end of 2000, AT&T Illinois' total switched access minutes have dropped 49%
 1226 while during the same time period AT&T Illinois' residential lines dropped 31% (see
 1227 Table 1). Table 3A shows that, since the end of 2000, AT&T Illinois' intrastate switched
 1228 access minutes (*i.e.*, where both ends of the long distance call are in Illinois) have fallen
 1229 71%. The decline in switched access minutes cannot be explained by just the loss of
 1230 AT&T Illinois residential access lines. It is most likely the result of residential
 1231 consumers using their cell phones or the Internet to make these calls, rather than using
 1232 their AT&T Illinois landline residential phone.

Table 3

AT&T Illinois Total Company Switched Access - Minutes of Use (2000 - 2004) (000's)					
Year End	MOU	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
2000	32,203,970				
2001	23,166,485	-9,037,485	-9,037,485	-28.1%	-28.1%
2002	19,044,614	-4,121,871	-13,159,356	-17.8%	-40.9%
2003	16,178,530	-2,866,084	-16,025,440	-15.0%	-49.8%
2004	16,495,950	317,420	-15,708,020	2.0%	-48.8%

1233

Table 3A

AT&T Illinois Intrastate Switched Access - Minutes of Use (2000 - 2004) (000's)					
Year End	MOU	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
2000	10,402,550				
2001	5,171,493	-5,231,057	-5,231,057	-50.3%	-50.3%
2002	3,004,822	-2,166,671	-7,397,728	-41.9%	-71.1%
2003	2,466,118	-538,704	-7,936,432	-17.9%	-76.3%
2004	2,788,098	321,980	-7,614,452	13.1%	-73.2%

1234

1235

Sources for Table 3 and Table 3A are the ARMIS 43-08 Reports, Table IV.

1236

1237

Q. DO YOU HAVE ADDITIONAL EVIDENCE THAT AT&T ILLINOIS'

1238

RESIDENTIAL CUSTOMERS ARE DISPLACING THEIR LOCAL AND LONG

1239

DISTANCE CALLS WITH WIRELESS CALLING?

1240

A. Yes. A Yankee Group Survey shows that use of wireless service in the home has grown

1241

from 47 minutes a month in 1999 to 161 minutes a month in 2005; this is a 243%

1242

increase over 1999 usage.⁴⁶ Using these Yankee Group figures and applying them to

1243

Illinois means that the total number of minutes that people are using their wireless phones

1244

while in their home is about 43 million minutes per day, 1.3 billion minutes per month

1245

and 15.6 billion minutes a year in Illinois. The 15.6 billion annual wireless minutes used

1246

in the home is almost equal to all of AT&T Illinois' switched access minutes (16.5

1247

billion), which includes both business and residential minutes. Therefore, wireless use in

1248

the home more than likely exceeds all of AT&T Illinois' residential switched access

1249

minutes. Also, the wireless usage that is occurring in the home represents minutes and

⁴⁶ *Id.* Exhibit 3, at page 5.

1250 revenues that residential customers, a few years ago, would have placed over their AT&T
1251 Illinois landline phone and is in direct competition with AT&T Illinois' residential basic
1252 local exchange service.

1253

1254 **Q. IS THERE ANY OTHER EVIDENCE THAT CUSTOMERS ARE USING THEIR**
1255 **WIRELESS SERVICE TO DISPLACE THEIR AT&T ILLINOIS RESIDENTIAL**
1256 **SERVICE?**

1257 A. Yes. The Yankee Group, from its 2002, 2003, and 2004 Technologically Advanced
1258 Family Surveys, states that 36% of all local calls and 60% of all long distance calls in
1259 households with wireless service are made using their wireless service.⁴⁷ For the
1260 industry as a whole, wireless usage is exploding. Total monthly wireless minutes in
1261 December 1997 were 6 billion; total wireless monthly minutes in December 2000 were
1262 25 billion; and the total wireless monthly minutes in June 2005 were 115 billion, an 18
1263 fold increase since 1997.

1264

1265 **Q. HOW HAVE WIRELESS REVENUES COMPARED TO AT&T ILLINOIS**
1266 **LOCAL SERVICE REVENUES?**

1267 A. Tables 4 and 4A depict the wireless revenues and their growth as compared to AT&T
1268 Illinois' local service revenues and their growth (or lack thereof). Since 2000, AT&T
1269 Illinois basic local service revenues⁴⁸ have declined by 45% and nationally wireless

⁴⁷ *Id.* Exhibit 4, at page 6.

⁴⁸ ARMIS defines basic local revenues as the sum of Accounts 5001, 5040, and 5060, and are defined under the FCC's C.F.R. Part 32 and the ICC's Part 710 (see §32.5001, § 32.5040, §32.5060).

1270 service revenues have increased by 140%. These Tables also show that since 2000
 1271 AT&T Illinois' local service revenues have declined by \$1.2 billion while at the same
 1272 time wireless carriers in Illinois have increased their revenue by \$2.7 billion.⁴⁹ Also, on
 1273 a national basis wireless service revenues now exceed the combined landline regulated
 1274 and nonregulated revenues of all the RBOCs (Verizon, Bell South, AT&T and Qwest).⁵⁰

Table 4

AT&T Illinois BASIC Local Service Revenues (2000 - 2004)					
Year End	Amount	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
2000	2,735,937				
2001	2,428,897	-307,040	-307,040	-11.2%	-11.2%
2002	1,973,738	-455,159	-762,199	-18.7%	-27.9%
2003	1,736,401	-237,337	-999,536	-12.0%	-36.5%
2004	1,516,213	-220,188	-1,219,724	-12.7%	-44.6%

1275
 1276 Source: Illinois Bell Annual Alternative Regulation Monitoring Report Filed with the
 1277 ICC.
 1278

Table 4A

Wireless Industry Total Service revenues (6/1999 - 6/2005)					
July 1 to June 30	Industry Wireless Revenues	Annual Change	Cumulative Change	Annual % Change	Cumulative % Change
2000	45,295,550				
2001	58,726,376	13,430,826	13,430,826	29.7%	29.7%
2002	71,117,599	12,391,223	25,822,049	21.1%	57.0%
2003	81,185,272	10,067,673	35,889,722	14.2%	79.2%
2004	95,515,593	14,330,321	50,220,043	17.7%	110.9%
2005	108,534,727	13,019,134	63,239,177	13.6%	139.6%

1279

⁴⁹The Illinois wireless number was derived by taking Illinois wireless growth (4,153,456) and dividing it by wireless growth from Dec '99 to Dec '04 (96,093,359) and multiplying that result by the change in revenue since 2000 (63,239,177).

⁵⁰ For the year 2004 CTIA's survey reports \$102.1 billion in wireless service revenue. The combined RBOCs reported \$97.9 billion in regulated and nonregulated landline revenues. See ARMIS Report 43-01 Table I.

1280 Source: CTIA Semi-Annual Wireless Industry Survey, Annualized Wireless Industry
1281 Survey Results – June 1985 to June 2005
1282

1283 **Q. ARE THERE ANY OTHER INDICES OF THE STRENGTH OF WIRELESS**
1284 **COMPETITION?**

1285 A. Yes. Nationally, \$174 billion has been invested in wireless carrier capital investment, not
1286 counting private wireless networks and not counting the \$24 billion wireless carriers
1287 invested in acquiring spectrum. In the past few years, wireless companies have been
1288 spending about \$20-\$30 billion in annual additional investment. To put it another way,
1289 wireless carriers are spending over \$2 billion a month in additional investment in their
1290 networks. The wireless industry is also creating new applications like e-mail, digital
1291 photographs, SMS (text messaging), MP3 player, video and voice messaging, location
1292 capability, Internet browsers, and contacts and calendar functions. They are also adding
1293 entertainment and games to increase demand for wireless phones and usage. Wireless
1294 subscribers are also comfortable with the wireless E9-1-1 service, which is in wide use,
1295 with over 224,000 E9-1-1 calls from wireless phones each and every day (*i.e.*, over 1.5
1296 million per week or 75-80 million calls per year).

1297

1298 **IX. CONCLUSION**

1299 **Q. COULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

1300 A. The data presented by AT&T Illinois unquestionably demonstrates that there is actual
1301 competition in the Chicago LATA for residential BLES, and that this actual competition
1302 includes very substantial facilities-based competition. Further, AT&T Illinois has
1303 demonstrated that residential end users have service alternatives from a variety of

1304 unaffiliated providers and have chosen to use those alternatives. Finally, AT&T Illinois'
1305 data is consistent with findings of both this Commission and the FCC that competition in
1306 the Chicago LATA is both extensive and widespread. My testimony, together with the
1307 testimony of Dr. Taylor, Mr. Shooshan and Ms. Moore, demonstrates that residence
1308 BLES in the Chicago LATA should be classified as competitive, pursuant to Illinois PUA
1309 § 13-502.

1310

1311 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

1312 **A. Yes.**