

STATE OF ILLINOIS
BEFORE THE ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION)
On Its Own Motion)
Illinois Bell Telephone Company) ICC Docket No. 00-0700
Investigation into tariff providing unbundled)
local switching with shared transport)

DIRECT TESTIMONY OF

JOSEPH GILLAN

ON BEHALF OF

AT&T COMMUNICATIONS OF ILLINOIS, INC.,
PACE COALITION AND Z-TEL COMMUNICATIONS, INC.

AT&T/PACE COALITION/Z-TEL JOINT EXHIBIT 1.0

MARCH 6, 2001

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AT&T/Pace Coalition/Z-Tel Joint 1.0
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Witness _____

Date 6/27/01 Reporter oad

I. Witness Qualification and Introduction

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Q. Please state your name and business address.

A. My name is Joseph Gillan. My business address is PO Box 541038, Orlando, Florida, 32854.

Q. What is your occupation?

A. I am an economist with a consulting practice that specializes in issues related to the telecommunications industry. I have been engaged in this profession for more than twenty years.

Q. Please briefly outline your educational background and related experience.

A. I am a graduate of the University of Wyoming where I received B.A. and M.A. degrees in economics. From 1980 to 1985, I was on the staff of the Illinois Commerce Commission where I had responsibility for the policy analysis of issues created by the emergence of competition in regulated markets, in particular the telecommunications industry. While at the Commission, I served on the staff subcommittee for the NARUC Communications Committee and was appointed to the Research Advisory Council overseeing NARUC's research arm, the National Regulatory Research Institute.

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In 1985, I left the Illinois Commission to join U.S. Switch, a venture firm organized to develop interexchange access networks in partnership with independent local telephone companies. At the end of 1986, I resigned my position of Vice President, Marketing/Strategic-Planning to begin a consulting practice. Over the past decade, I have provided testimony before more than 35 state commissions, four state legislatures, the Commerce Committee of the United States Senate, and the Federal/State Joint Board on Separations Reform.

I currently serve on the Advisory Council to New Mexico State University's Center for Regulation. As part of that responsibility, I am an instructor in its "Basics of Regulation Program" that is offered twice annually to new employees at state and federal regulatory agencies, as well as interested companies.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of a broad coalition of competitive entrants interested in using the unbundled network element platform (UNE-P) to serve residential and smaller (less than a digital connection) business customers. Specifically, my testimony is sponsored by the PACE Coalition, AT&T Communications of Illinois, Inc. and Z-Tel Communications. Although the Commission is certainly familiar with AT&T, the other carriers sponsoring my testimony are smaller entrants that focus on the residential and small business markets. The PACE

1 Coalition¹ was formed expressly to promote the availability of UNE-P so that new
2 entrants could efficiently provide mass-market services in these underserved
3 markets. Z-Tel is one of the largest competitive providers of residential local
4 service in the country, and is pioneering the integration of telecommunications
5 with a web-based messaging service that supports voicemail, email and fax
6 storage and retrieval.

7
8 **Q. What is the purpose of your testimony?**

9
10 **A.** The purpose of my testimony is to identify those actions that the Commission
11 must take to finally conclude the competitive industry's six-year struggle to
12 obtain what today is known as UNE-P from Ameritech in Illinois.

13
14 If it possible for a regulatory docket to have an emotional dimension, then
15 melancholy would describe the tone of this proceeding. On the one hand, the
16 Illinois Commission should take great pride in the success of its contribution to
17 local competition -- the UNE Platform -- in bringing competition to residential and
18 smaller business customers. Unfortunately, however, most of those benefiting
19 live in *other* states because of Ameritech's delay in implementing this policy here.

20

¹ The PACE Coalition -- an acronym abbreviating its goal to Promote Active Competition Everywhere -- is an ad hoc group of carriers that rely on the unbundled network element platform (UNE-P) to serve residential and smaller business customers. Members of the PACE Coalition include Z-Tel, Birch Telecom, nii Inc., InfoHighway, MCG Credit Corporation, Access Integrated Networks, Talk.Com, ITC^Deltacom, and IDS Communications.

1 The fundamental purpose of my testimony is to make recommendations that will
2 correct this competitive inequity, making sure that each remaining barrier to
3 UNE-P being proposed by Ameritech-Illinois (otherwise known as SBC) is
4 identified, corrected and removed.

5

6 **Q. What specific issues does your testimony address?**

7

8 **A. The specific issues my testimony addresses are:**

9

10 * Ameritech-Illinois' proposal to impose a usage rate on unbundled
11 local switching, flagrantly disregarding the Commission's clear
12 finding that the appropriate rate structure for this important
13 network element is a flat-rate charge, assessed on each line of local
14 switching capacity ordered.

15

16 * Ameritech-Illinois' refusal to provide CLECs the full functionality
17 of shared transport, including the termination of calls that
18 Ameritech-Illinois labels as "toll." In addition, the Commission
19 should reaffirm its prior decisions that Ameritech-Illinois should
20 provide "transit" as an obligation, not a voluntary commitment.

21

22 * Ameritech-Illinois' refusal to provide access to "new"
23 combinations – i.e., combinations that it routinely and ordinarily

1 combines for itself, but where the specific elements for an
2 individual customer are not yet combined.

3
4 * The need to retain Operator Services and Directory Assistance
5 (OS/DA) as unbundled network elements until Ameritech-Illinois
6 can develop a routing system that will efficiently deliver such calls
7 to an alternative provider of these necessary functions.

8
9 Notably, with the exception of this final topic (which only recently became an
10 issue), the remaining issues either involve an established Illinois Commission
11 policy, or a straightforward extension of a prior Illinois Commission decision.
12 There is no need to break new ground in this docket; it is only necessary to
13 require that Ameritech comply with existing obligations.

14
15 **Q. Before addressing these issues in more detail, do you have a preliminary**
16 **observation?**

17
18 A. Yes. Much of Ameritech-Illinois' testimony concerns its preexisting obligations
19 under federal law, rules, and merger conditions. While there is substantial
20 disagreement as to whether Ameritech even complies with these obligations (a
21 topic discussed in more detail below), its emphasis of *federal* policies seeks to
22 minimize the important role of *State* action opening local markets.

23

1 Significantly, the federal telecommunications Act, and the FCC rules that
2 implement it, establish national *minimums* that a State may not fall below. But it
3 is also true that States have independent authority to take additional steps, and the
4 state of local competition makes clear that additional steps will likely be
5 necessary if the promise of local competition is to ever become a reality.

6
7 Nowhere is the tradition of State leadership more established than here in Illinois.
8 Long before the federal Act became law, the Illinois Commission was requiring
9 Ameritech to offer “unbundled” facilities under its own authority. Indeed, the
10 very entry strategy at issue in this proceeding – the unbundled network element
11 platform initially requested by LDDS in its Petition in ICC Docket No. 95-0531 --
12 was approved by this Commission as a matter of *Illinois* law:

13
14 The Commission is also of the opinion that the arguments ... that
15 the LDDS petition is really a request for unbundled network
16 elements should have been brought under section 13-505.6 of the
17 PUA, instead of section 13-505.5 are of no consequence.
18 Ameritech and the other parties knew what LDDS was requesting
19 in the LDDS petition. The record is well developed and contains a
20 substantial amount of testimony admitted both in support of, and in
21 opposition to, the LDDS petition.

22
23 ... we find that the record establishes that LDDS has satisfied the
24 requirements of section 13-505.5, regardless of whether granting
25 LDDS’ petition, as modified by Staff, may also be granted
26 pursuant to section 13-505.6. For the reasons stated, we find it to
27 be in the public interest that the LDDS petition be granted.²
28

² Order, Illinois Commerce Commission Dockets 95-0458/0531 (Consolidated)
 (“Wholesale Order”), June 26, 1996, page 64. Emphasis added.

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3 We also reject the requests ... that we defer any action until after
4 the FCC has resolved its rulemaking proceedings. *LDDS brought*
5 *its petition pursuant to the [Illinois] PUA and has a legal right to a*
6 *determination.*³
7

8
9 **Q. Should the Commission again take stewardship of the development of local**
10 **competition in Illinois?**

11
12 **A.** Yes. The federal telecommunications Act established local competition as a
13 federal policy goal, but it did not preclude States from requiring more than the
14 FCC has adopted as a national minimum. The underlying reality is that whether
15 there will be local competition in Illinois will be decided more by the Illinois
16 Commission than the Federal Communications Commission. The FCC's national
17 minimums must be satisfied, but there is no evidence they are sufficient for local
18 competition to develop. In the final analysis, the health of local competition in
19 Illinois will be determined by the decisions of this Commission and no other.

20
21 **Q. Is there evidence to support the view that local competition *can* develop if the**
22 **Commission requires that Ameritech comply with its decisions?**
23

³ Wholesale Order, page 66. Emphasis added.

ICC Docket No. 00-0700
Direct Testimony of Joseph Gillan
AT&T/PACE Coalition/Z-Tel Joint Exhibit 1.0 (Gillan)

1 A. Yes. Where States have actively worked to open local markets -- particularly
2 States that have implemented UNE-P -- there is clear evidence that local
3 competition can develop. For instance, consider the following:

4 * Even though BellSouth only began offering UNE-P in
5 February 2000,⁴ in less than *one* year it had achieved the
6 same penetration in Georgia as UNE-Loops had achieved
7 after *four* years. UNE-P is now responsible for nearly 70%
8 of the growth in UNE-based competition in Georgia, with a
9 focus on residential and small business customers.⁵

10 * UNE-P volumes exceed UNE-Loop volumes in Texas by a
11 factor of 10.⁶

12 * There are more than 1 million customers receiving
13 competitive local exchange services in New York from
14 carriers using UNE-P.⁷

15

⁴ See BellSouth Ex Parte, Federal Communications Commission, Docket 96-98, October 13, 2000.

⁵ See PACE Ex Parte, Federal Communications Commission, Docket 96-98, January 8, 2001, page 11.

⁶ Source: Supplemental Joint Affidavit of Candy R. Conway and William R. Dysart, CC Docket No. 00-4, page 16. UNE-P volumes are averaged for December 1999 and January 2000, the two months of current data provided in the Affidavit.

⁷ Application by Verizon New England for Authorization to Provide In-Region, InterLATA Services in Massachusetts, CC Docket No. 00-176 September 22, 2000, page 18.

1 The Illinois contribution to local competition – i.e., the network element platform
2 – successfully brings local competition “down-market” to average consumers and
3 smaller (less than high-speed digital service) businesses.

4
5 **Q. Is there also growing evidence that the UNE-P is the *only* viable strategy to**
6 **bring competition to the residential and small business consumer?**

7
8 A. Yes. As a practical matter, competitive providers have tried essentially every
9 other approach to local competition, and none have been successful at sustaining
10 competition for the average residential and small business subscriber. The most
11 recent “entrant” to reach this conclusion is none other than SBC, that has recently
12 announced its decision “...to slow down the timing on full scale implementation
13 of its national and local program and scale down its service offerings.”⁸ If the
14 Commission hopes to see local competition for the typical Illinois consumer or
15 small business, then it must conclude this proceeding with its UNE-P policies
16 intact and on track.

17
18

⁸ *SBC Plans to Scale Back Plan to Offer Full Range of Telecommunications Services in 30 Markets*, Philadelphia Inquirer, March 3, 2001. Whereas SBC (James Kahan, SBC-Ameritech Exhibit 1.1, ICC Docket No. 98-0555, page 48) had claimed that “... the National-Local Strategy will be a broadscale facilities-based strategy providing both business and residential service,” its revised goal is far more modest. “Our focus is on meeting the FCC requirements, which is to provide service to a relatively small number of business and residential customers and continue to maintain our Yellow Pages listing and limited marketing activity.”

1 *II. Flat Rate Local Switching*

2
3 **Q. Has the Illinois Commission previously addressed the appropriate rate**
4 **structure for unbundled local switching (ULS)?**

5
6 **A. Yes. More than three years ago, the Illinois Commission conducted the most**
7 **extensive examination of local switching cost-causation in the nation and**
8 **concluded:**

9
10 Because Ameritech incurs switching costs on a predominantly per-
11 line [i.e., per line-port] basis, we find it consistent with the
12 fundamental principles of cost causation that the ULS subscriber
13 should also pay the ULS element primarily on a per line basis.⁹
14

15 Significantly, the Illinois Commission reached its decision at a time when
16 Ameritech's contracts were *predominantly* per-line based. In the time since the
17 Illinois Commission reviewed Ameritech's contracts, the contracts have been
18 revised to become *exclusively* per-line based. As Mr. Palmer's testimony makes
19 clear, Ameritech purchases switching capacity on a per-line basis:

20
21 By the terms of the [switch vendor] contracts, Ameritech buys
22 switching equipment by paying a one-time price for each line that
23 it demands. The line prices do not vary with the number of lines
24 purchased, nor with the year of purchase, nor with the state in

⁹ Second Interim Order, ICC Docket 96-0486 and 96-0569 (Consolidated) ("TELRIC Order"), Illinois Commerce Commission, February 17, 1998, page 59.

1 which the equipment is to be installed; the contracts are region-
2 wide.¹⁰
3

4
5 **Q. Does Ameritech's proposed shared transport filing comply with the Illinois**
6 **Commission's order that unbundled local switching should be flat-rated?**

7
8 A. No, it does not. Ameritech-Illinois' filing flatly ignores the Commission's earlier
9 decision. Leaving aside whether it is even procedurally appropriate to use a
10 shared *transport* filing to try to reverse Commission policy concerning unbundled
11 local *switching*,¹¹ the larger point of my testimony is that Ameritech's filing only
12 adds additional evidence that the Commission's original decision is correct and
13 must be implemented.

14
15 The entire "justification" for Ameritech's effort to reverse the Illinois
16 Commission's landmark decision (which does not even appear until the *next to*
17 *last page* of Mr. Palmer's testimony) is repeated in its entirety below:

18
19 The Commission did order a flat rated port charge in Docket 96-
20 0486/96-0569 (Consolidated). However, there are significant
21 differences between that docket and this one. First, the rate the
22 Commission ordered was an interim rate.
23

¹⁰ Ameritech Illinois Exhibit 2.0 (Palmer), Schedule WCP-6, p. 1 of 4.

¹¹ Even Ameritech acknowledges that while shared transport must be used in conjunction with unbundled local switching, local switching and shared transport are each distinct network elements. See Ameritech Illinois Exhibit 3.0 (Alexander), Schedule SJA-2.

1 Second, the ULS [unbundled local switching] cost study submitted
2 by Ameritech in Illinois in Docket 96-0486/0569 (Consolidated)
3 relied on Telcordia's Switching Cost Information System (SCIS)
4 and not on ARPSM. The Commission found that SCIS did not
5 accurately reflect the Analog Switch Replacement and Partners in
6 Provisioning contracts that were negotiated with Ameritech's
7 switch vendors and that went into effect during the proceeding. In
8 response to the Commission's findings, Ameritech developed the
9 ARPSM model that was used to develop switching costs. The
10 current ULS-ST study identifies separate port and usage costs
11 derived from the ARPSM model.¹²
12

13 Before I address this stated "justification," however, it is important to note what is
14 missing from Ameritech's testimony – any explanation as to why a usage rate
15 could conceivably be appropriate *at all*. It is almost as though – no, it is *exactly*
16 as though – Ameritech believes itself exempt from prior Commission decisions,
17 and that every other party must relitigate, *de novo*, every issue with which
18 Ameritech disagrees.

19
20 **Q. Do you intend to present a *de novo* justification for flat-rate local switching?**

21
22 **A.** No. The Illinois Commission has already conducted an extensive proceeding
23 concerning this issue, consisting of multiple rounds of testimony, cross-
24 examination and briefs. The Commission has already concluded that Ameritech:
25

¹² Ameritech Illinois Exhibit 2.0 (Palmer), page 8. Emphasis in the original.

1 ...overstates the usage-cost of local switching and produces results
2 intended to support Ameritech's pricing structure and objectives,
3 not its underlying costs.¹³
4

5 Ameritech has chosen to disregard these findings and now proposes a usage-based
6 rate without any supporting evidence as to *why* its switches are usage-sensitive,
7 much less offering documentation concerning the proposed level of the charge.
8 Ameritech should carry its burden in its direct case, not pretend that CLECs must
9 re-prove every point, in every proceeding, *ad infinitum*.

10
11 **Q. Ameritech asserts that the Commission's earlier findings were only**
12 **"interim." Is this an accurate portrayal of the decision?**

13
14 A. No. Although it is correct that the Commission adopted an interim *rate* in Docket
15 96-0486/96-0569 (Consolidated), that is not the same as adopting an interim *rate*
16 *structure*. Nor is it the same as adopting an interim conclusion concerning cost-
17 causation. There is nothing in the Commission's TELRIC decision to suggest that
18 its core decision – namely, that "...it is consistent with fundamental principals of
19 cost causation that the ULS subscriber should also pay the ULS element primarily
20 on a per-line basis, without a usage charge"¹⁴ – was interim in nature.
21

¹³ TELRIC Order, page 59.

¹⁴ Ibid.

1 Moreover, Ameritech is not even *proposing* to modify the interim rate that the
2 Commission established in 96-0486/96-0569. That rate (\$5.01 per line) was
3 intended to recover all costs of the local switch, including trunk ports. In this
4 proceeding, Ameritech seeks to charge an *additional* usage charge, while *still*
5 applying the interim rate of \$5.01. Not only should the Commission reject
6 Ameritech's effort at imposing an unjustified usage charge, it should also *reduce*
7 the flat-rate charge as recommended in the testimony of Dr. Ankum.

8
9 **Q. Did the Commission's TELRIC Order permit Ameritech to propose a usage**
10 **rate?**

11
12 **A.** Yes, but even this latitude was very carefully constrained. The Commission
13 directed Ameritech to file a cost study that would:

14
15 ... delineate the usage costs incurred whenever a portion of the
16 switch is activated and Ameritech Illinois should be allowed to
17 recover this incremental cost from the CLEC, either as a portion of
18 the per-line charge, or through a small charge per minute of use.
19 *The usage charge should not recover any costs associated with the*
20 *initial cost of the switch, but only those usage-sensitive costs*
21 *necessary to operate and maintain the switch.*¹⁵
22

23 The Commission clearly rejected any methodology that attempted to "attribute"
24 investment costs to usage, but was willing to entertain an analysis that established
25 a causal link between operations and maintenance expense with switch usage.

¹⁵ Ibid. Emphasis added.

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Q. Has Ameritech complied with this directive?

A. No, not at all. To begin, it is useful to note that Ameritech Illinois was directed to address this issue within 30 *days* of the Commission TELRIC Order, not three *years* later. In that original compliance filing, Ameritech calculated its operations and maintenance expense on a per-line basis and conceded that switching costs are invariant to usage at or below design-levels.¹⁶ Modern switches are essentially designed to be port-limited – that is, a switch is generally ordered with sufficient resources to meet the maximum number of lines that it will serve.¹⁷

In direct contravention of the Commission’s directive that “the usage charge should not recover any costs associated with the initial cost of the switch,”¹⁸

Ameritech Illinois has proposed a usage rate that is *expressly* intended to recover a portion of the per-line investment cost on a usage basis:

¹⁶ See Direct Testimony of William Palmer, ICC Docket 96-0486, Ameritech-Illinois Exhibit 3.3.

¹⁷ As eloquently acknowledged by another ILEC (Testimony of J. Gansert, NYNEX, New York Case 95-C-0657, 94-C-0095 and 91-C-1174 Consolidated, page 24):

Modern digital switches are designed to be port-limited. That is, enough switch fabric and processor capability is provided so that the normal peak call usage from the anticipated number of working ports, of all types on the switch, can be served within acceptable blocking criteria ... Put another way, there are enough usage-sensitive switch resources (but no more than are necessary) to handle all the minutes of use that the ports are forecasted to deliver in the normal peak period.

¹⁸ TELRIC Order, page 59, emphasis added.

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ARPSM calculates the portion of the price per line that is *implicitly* the price for CCS capacity.¹⁹

Ameritech goes on to acknowledge that there is no usage charge in its contracts, but claims that central office switch manufacturers have indicated that an additional per-line charge would apply if Ameritech ordered switches with greater capability.

Q. Just how wrong is Ameritech's approach?

A. Ameritech's filing establishes a new benchmark for incredulity. Ameritech begins with a Commission Order that adopts per-line pricing of unbundled local switching. It then has vendor contracts that are based exclusively on per-line charges. Through magic (or its closest known substitute, Ameritech cost modeling), Ameritech manages to combine a Commission's *directive* for per-line pricing with vendor contracts that are based *exclusively* on per-line pricing to conjure a usage charge. This is absurd.

Q. If switch costs are so clearly line-driven, how does Ameritech "derive" its proposed usage rate?

¹⁹ Ameritech Illinois Exhibit 2.0 (Palmer), Schedule WCP-6, p. 4 of 4. Emphasis added.

1 A. There is no dispute that switching capacity costs are line-based and that
2 Ameritech has ordered switches capable of handling expected usage. The entire
3 “basis” for Ameritech’s assertion that a usage cost should be imposed on its
4 competitors is its claim that it would have paid a higher price to vendors had it
5 ordered switches with more CCS capacity²⁰ than the switches it is contractually
6 committed to purchasing. There are a number of critical flaws with this
7 argument, however, that render it meaningless.

8
9 The first is simply that Ameritech offers *no* evidence (credible or otherwise) that
10 the capacity it has ordered for its switches is insufficient to meet expected usage
11 patterns. It is important to understand that while multiple carriers lease the ULS
12 network element, they each use it to offer services to the *same* group of customers
13 that the switch serves today. While individual customers may choose different
14 ULS-based providers, overall the same customers are served by the same local
15 switch, and average utilization should change little.

16
17 Second, even if switch usage patterns did result in Ameritech ordering future
18 switches with more capability, the result would simply be a higher per-line price
19 for that upgraded switching capacity. At the same time, of course, downward
20 pressures would result from: (1) Ameritech and SBC’s *collective* purchasing
21 power resulting from the merger, and (2) the declining cost nature of the

²⁰ CCS capacity is a measure of the peak-load traffic volumes that a switch is configured to handle.

1 telecommunications industry. In any event, there still would be no usage
2 component in its vendor contracts, and there would still be no justification to
3 impose a usage price on its competitors. The effect would simply be a *different*
4 per-line price for leasing capacity in these new (more capable) switches.

5
6 Finally, there is the question of documentation and proof. Ameritech seeks to
7 impose on competitors a usage charge justified by no record evidence. What
8 Ameritech is requesting here is a *reversal* of a Commission Order. Ameritech's
9 "evidence" would not be sufficient for a standard tariff filing, much less one with
10 the history favoring flat-rated local switching at stake here.²¹

11
12 **Q. What do you recommend?**

13
14 **A.** The Commission should reject Ameritech's effort to impose a usage-sensitive cost
15 structure on its competitors that has no basis in fact. As explained above:

16
17 * There is no evidence that Ameritech would ever purchase these make-
18 believe switches with additional capability;

19

²¹ I have no intention of creating through rebuttal testimony the evidence that Ameritech chose to ignore in its initial testimony. In other states, I have reviewed the few "letters" from vendors that Ameritech relies upon, but to claim that these "letters" offer probative evidence would be an overstatement in the extreme. My point is that even had Ameritech *tried* to meet its burden to reverse a Commission finding – which, as its testimony demonstrates, it made no evidentiary effort to accomplish – the evidence it has offered in other states would fall far short.

1 * There is no evidence that the vendors would actually respond with the
2 charges quoted;

3
4 * There is no evidence that current specifications are inadequate;

5
6 * There is no evidence that average customer usage patterns would change
7 significantly, much less exceed design parameters; and

8
9 * There is no evidence that Ameritech would ever purchase new circuit
10 switches at the prices implied by the vendors.²²

11
12 In other words, there is simply no basis to reverse the Commission's earlier
13 finding concerning the appropriate rate structure for local switching. Ameritech's
14 proposed "ULS Usage Rate Associated with ULS-ST Rate" (or the
15 ULSURA WULSST Rate for short) should be rejected.

16
17 Furthermore, the Commission should revise the rate that Ameritech *should* have
18 addressed – that is, update the \$5.01 flat-rate that the Commission established on
19 an interim basis. As explained by Dr. Ankum, Ameritech's cost support
20 demonstrates that a new, much lower, flat-rate charge is now appropriate.

²² Furthermore, many industry observers expect packet-based architectures to supplant circuit switching in the future.

1

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III. Gaining Access to the Full Functionality of Shared Transport

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4

Q. Please describe the basic issue concerning shared transport and “intraLATA toll” calls.

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6

7

A. Ameritech proposes to restrict shared transport to “local” traffic only, requiring that any intraLATA “toll” traffic be routed to a different carrier’s network for termination.²³ This limitation, however, denies entrants access to the full functionality of Ameritech’s ULS and shared transport networks.

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Q. Why does Ameritech claim that it is entitled to deny CLECs shared transport for the termination of all intraLATA traffic?

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A. Ameritech is attempting to redefine CLECs as “IXCs” so that it may then claim that an IXC is seeking “custom routing of its toll” traffic:

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The only way that [shared transport] could be used to route an IXC’s intraLATA toll traffic entirely on Ameritech Illinois’ network would be to use custom routing for that traffic.²⁴

²³ See Ameritech Illinois Exhibit 1.0 (Hampton), pages 15-18.

²⁴ Ameritech Illinois Exhibit 1.0 (Hampton), page 16.

1 Ameritech has the relationships here all backward. The purchaser of ULS-ST is a
2 CLEC, not an IXC. As a CLEC, the ULS-ST purchaser is entitled to the *option* of
3 using presubscription to route its customer's toll traffic to another network, but it
4 does not have the *obligation* to carry this traffic to an IXC network, or even treat
5 this traffic as "toll" in its retail offerings.

6
7 **Q. Is the CLEC requesting "custom routing?"**

8
9 **A.** No, not at all. A CLEC that desires to use the *full* functionality of shared
10 transport – that is, to have *all* of its intraLATA traffic terminated over the existing
11 network – would simply retain the Carrier Identification Code (CIC) that
12 Ameritech uses to direct that these calls be terminated over Ameritech's shared
13 transport network. There is no custom routing involved at all. The call would
14 continue to be routed just as it would if the customer was an Ameritech subscriber
15 and had continued to use Ameritech for this "toll" traffic.

16
17 While a CLEC has the option of invoking presubscription -- and requesting that
18 these calls be routed to a different network of its choice -- the CLEC is also
19 entitled to maintain the default routing over the existing network to the
20 terminating end-office. There is no requirement that such traffic must be routed
21 to a network other than Ameritech's for termination. There is no request here for
22 "custom routing." The solution is simply to retain the routing instruction that
23 directs this traffic over the shared transport network to its destination end-office,

1 just as Ameritech would terminate the traffic over the shared transport network
2 using the same routing instruction.

3

4 **Q. Is the CLEC entitled to use the full functionality of the local switch, including**
5 **this default routing of intraLATA “toll” traffic as part of shared transport?**

6

7 A. Yes. When an entrant purchases ULS, it is fully entitled to *all* the features and
8 functions of the local switch, including its routing tables and nondiscriminatory
9 access to the shared transport network. Ameritech must provide entrants the
10 ability to terminate their intraLATA minutes commingled with Ameritech’s
11 traffic, for this is the very essence of shared transport. As explained by the FCC:

12

13 By requiring incumbent LECs to provide requesting carriers with
14 access to the incumbent LEC’s routing table and to all its
15 interoffice transmission facilities on an unbundled basis, requesting
16 carriers can route calls in the same manner that an incumbent
17 routes its own calls and thus take advantage of the incumbent
18 LEC’s economies of scale, scope, and density.²⁵

19

20 There is no explicit or even silent limitation in the definition of shared transport
21 that excludes calls that the incumbent has chosen to consider “toll.”

22

23 **Q. Has Ameritech committed to offering shared transport in Illinois that is no**
24 **less favorable than the shared transport offered by SBC in Texas?**

²⁵ Third Order on Reconsideration, CC Docket No. 96-98, paragraph 2, August 18, 1997.

1

2 A. Yes. As part of its merger approval, Ameritech committed to the Illinois
3 Commission that:

4

5 Ameritech Illinois shall deploy shared transport in Illinois, in the
6 same manner that SBC has deployed shared transport in Texas
7 (using AIN triggers) beginning its roll out within one year of the
8 Merger Closing Date ... Joint Applicants will offer such shared
9 transport in Illinois, under terms and conditions (other than rate
10 structure and price) that are substantial similar to the most
11 favorable terms offered by SBC to CLECs in Texas as of the
12 Merger Closing Date.²⁶

13

14 **Q. Has the Texas Commission already rejected the arguments that Ameritech is**
15 **raising here?**

16

17 A. Yes. The Texas Public Utility Commission addressed the identical issue,
18 concluding that SBC is required to provide entrants shared transport functionality
19 equivalent to that which it provides itself, which would include the termination of
20 intraLATA "toll" traffic. In rejecting the same arguments that Ameritech raises
21 here, the Texas Commission found:

²⁶ Merger Condition Number 28, Illinois Commerce Commission Order, Docket 98-0555, September 23, 1999, page 257. Similarly, the FCC required that (paragraph 56):

SBC/Ameritech shall offer shared transport in the SBC/Ameritech Service Area within the Ameritech States under terms and conditions, other than rate structure and price, that are substantially similar to (or more favorable than) the most favorable terms SBC/Ameritech offers to telecommunications carriers in Texas as of August 27, 1999.

FCC SBC/Ameritech Merger Conditions, Memorandum Opinion and Order, Appendix C in FCC Docket No. 98-141 (FCC 99-279, released October 8, 1999).

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Another major flaw in SWBT's routing scheme [forcing carriers to terminate intraLATA "toll" traffic on IXC networks] is that it is in clear violation of the FCC's rules. SWBT's proposed routing protocol results in preventing a CLEC from using SWBT's routing instructions, even though the routing instructions are a feature of the UNE switch port.

Since SWBT is providing and would continue to provide, in a post-dialing parity environment, intraLATA toll service using the same combination of elements [that constitute shared transport], the Arbitrators rule that the Sage and Birch/ALT should be able to get the same functionality from the combination of UNEs they are leasing from SWBT.²⁷

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Accordingly, the Texas Commission required that SWBT permit other carriers to

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use the same CIC code that SWBT uses to route intraLATA traffic using shared

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transport. Far from being a request for *custom* routing, all that is being requested

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here is access to the *standard* routing mechanism.²⁸ The full decision of the

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Texas Commission is attached as Exhibit JPG-01.

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24

Q. Do you believe that Ameritech is required to provide access to the full

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functionality of shared transport as part of its Merger Commitments?

²⁷ Arbitration Award, Complaints of Birch Telecom and Sage Telecom Against Southwestern Bell Telephone Company, Before the Texas Public Utility Commission, Docket Nos. 20745 and 20755, ("Sage Decision"), November 4, 1999, pages 10 and 13.

²⁸ As the Texas Commission found (Sage Decision, page 23):

The Arbitrators rule that Sage and Birch/ALT should be allowed to use SWBT's CIC and the associated routing instructions. The use of SWBT's CIC would allow intraLATA calls handled by Sage and Birch/ALT for their end-user customer to be routed end-to-end on SWBT's network.

1

2 A. Yes. As discussed above, Ameritech is required to offer shared transport “in the
3 same manner” and on terms “substantially similar” to that it offers in Texas.
4 There is no dispute that SBC is required in Texas, under contracts that were in
5 effect prior to the merger closing,²⁹ to provide shared transport for the termination
6 of *all* intraLATA traffic. Further, SBC has agreed to extend this same treatment
7 to CLECs in Kansas and Oklahoma, recognizing that it is required to offer shared
8 transport in this manner in Texas.³⁰ Any plain reading of SBC/Ameritech’s
9 merger commitments would require that the same approach apply in Illinois.

10

11

It is equally clear from Ameritech’s testimony, however, that a plain reading is
12 not what Ameritech seeks. Indeed, Ameritech goes so far as to claim that CLECs
13 are requesting a “new” form of shared transport that must first satisfy a
14 “necessary and impair” analysis before it will be offered.³¹ As explained above,
15 there is nothing “new” in the shared transport requested by CLECs – indeed,
16 SBC’s arguments in Texas were rejected, in part, precisely *because* they denied
17 CLECs access to the standard, existing routing tables for intraLATA traffic that
18 SBC was required to provide access to.

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²⁹ Although the Sage Decision was adopted after the SBC/Ameritech merger closed, the decision was addressing SBC’s obligations under preexisting interconnection agreements that were already in effect.

³⁰ See Memorandum Opinion and Order, CC Docket 00-217, January 19, 2001, paragraph 174.

³¹ Ameritech Illinois Exhibit 1.0 (Hampton), page 17.

1 **Q. What do you recommend?**

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3 A. The Commission should require that Ameritech offer shared transport for all
4 traffic, including intraLATA “toll” traffic, in the same manner as it offers shared
5 transport in Texas. To make clear its authority, however, I recommend that the
6 Commission indicate that it is reaching this decision in accordance with the
7 federal Telecommunications Act, the FCC’s rules, the Illinois Commission’s own
8 Merger Order, the federal merger conditions, and the Commission’s own
9 authority under the Illinois Public Utilities Act (which does not contain a
10 “necessary and impair” requirement). As I explained at the outset, the success of
11 local competition in Illinois rests in the hands of this Commission, and the
12 Commission should rely as much as possible on its independent authority to
13 achieve pro-competitive results.

14

15 **Q. Are there any other “shared transport” issues that you would like to**
16 **address?**

17

18 A. Yes. A carrier purchasing ULS-ST relies on shared transport to terminate its
19 intraLATA traffic. Most of this traffic terminates to subscribers served by
20 Ameritech end-offices. However, some calls will go to customers served by other
21 CLECs that have installed their own end-office switches. To complete these calls
22 in the most efficient manner, it is important that shared transport include
23 termination to all end-offices, Ameritech and CLEC alike. When shared transport

1 terminates at a CLEC end-office, Ameritech refers to this arrangement as
2 “transiting” or “transit” – i.e., the call “transits” the Ameritech network, and
3 terminates on the network of another LEC.

4
5 **Q. Does Ameritech offer to provide transit with shared transport?**

6
7 A. Yes. Although Ameritech maintains that it is not legally obligated to provide
8 transit service, it nevertheless offers to provide the transit function on a voluntary
9 basis.

10
11 **Q. Why is Ameritech’s “voluntary” commitment insufficient?**

12
13 A. The past six years have demonstrated that Ameritech is not interested in seeing
14 UNE-P based competition erode its market position. Ameritech’s obligations
15 regarding UNE-P must be clear regulatory obligations or Ameritech will
16 ultimately and unilaterally manipulate terms and prices to its advantage. This
17 proceeding will define Ameritech’s core obligations with respect to shared
18 transport and it is appropriate for the Commission to make clear what Illinois’
19 policy requires.³²

20

³² I also recommend that the Commission make clear (once again) that the entrant is entitled to all access revenues associated with its subscribers when served by the ULS-ST. While this would not seem to be in dispute, there is also no clear and unequivocal admission by Ameritech that this is the case and no corresponding provision in its ULS-ST tariff.

1 **Q. Has the Commission previously ordered Ameritech to offer transit?**

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3 **A. Yes. In the MCI arbitration, the Commission made clear that Ameritech must**
4 **offer transit to CLECs in Illinois, even if a parallel obligation did not exist under**
5 **federal law:**

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7 The FCC specifically stated that it was establishing minimum
8 requirements and that states may impose additional pro-
9 competitive requirements that are consistent with the 1996 Act and
10 FCC Rules.

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The vital public interest in efficient carrier interconnection at
reasonable rates necessitates that we impose this [transiting]
interconnection obligation on Ameritech Illinois, and we find that
our doing so is fully consistent with the terms and policies of the
1996 Act and FCC Order, as well as Illinois law.³³

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The Commission reached this determination in the context of requiring Ameritech

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to provide an intermediary transit function between different CLEC switches. As

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the Commission noted:

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The very essence of interconnection is the establishment of a
seamless network of networks, and to develop fine distinctions
between types of traffic, as Ameritech Illinois would have us do,
will merely create inefficiencies, raise costs and erect barriers to
competition.³⁴

³³ Order, 96-AB-006, December 17, 1996, page 19.

³⁴ Ibid.