

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Qwest's Petition to
be Regulated Under an Alternative
Form of Regulation Pursuant to
RCW 80.36.135

Docket No. UT-061625

**REBUTTAL TESTIMONY OF
DAVID L. TEITZEL
ON BEHALF OF
QWEST CORPORATION**

FEBRUARY 16, 2007

REDACTED VERSION

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Exhibit DLT-7RT

Pew/Internet: Home Broadband Adoption 2006

REDACTED

CONFIDENTIAL PURSUANT TO WAC 480-07-160

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I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is David L. Teitzel. I am employed by Qwest Services Corporation ("QSC")¹ as Staff Director-Public Policy. My business address is 1600 7th Avenue, Room 3214, Seattle, Washington, 98191.

Q. ARE YOU THE SAME DAVID L. TEITZEL WHO FILED DIRECT TESTIMONY IN THIS DOCKET ON OCTOBER 20, 2006?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to various statements and characterizations made in the direct testimony of Dr. Robert Loube on behalf of the Public Counsel's office of the Washington Attorney General. Dr. Loube presents information in his testimony that is inaccurate and misleading with respect to the scope of telecommunications competition in Washington. Some of these inaccuracies are

¹ QSC performs support functions, such as regulatory support, for other Qwest entities. This testimony is presented on behalf of Qwest Corporation ("Qwest").

1 particularly severe and lead directly to erroneous conclusions in Dr. Loube's
2 testimony. My rebuttal testimony addresses these inaccuracies and explains that
3 competition for Qwest's telecom services in Washington is robust, and, in fact, is even
4 more robust at this point in time than it was at the time I filed my direct testimony in
5 this docket. As explained by Qwest witness Mark Reynolds, Qwest is seeking in its
6 AFOR proposal a modest level of additional flexibility to compete, and the dynamic
7 nature of telecommunications competition for Qwest's services in Washington
8 certainly supports the basis for the proposed AFOR. Finally, while the bulk of my
9 rebuttal testimony is focused on telecommunications competition for residential
10 services, since that was the primary focus of Dr. Loube's testimony criticizing Qwest's
11 competitive evidence, it must be noted that telecommunications competition for
12 business services is also very robust, as described in my direct testimony in this docket.

13 **III. TESTIMONY OF DR. ROBERT LOUBE**

14

15 **Q. PLEASE BRIEFLY SUMMARIZE THE PRIMARY THEME OF DR. LOUBE'S**
16 **TESTIMONY REGARDING THE SCOPE OF COMPETITION FOR QWEST'S**
17 **TELECOMMUNICATIONS SERVICES IN WASHINGTON.**

18 A. Although Qwest's proposed AFOR plan addresses a broad range of residential and
19 business services that currently remain subject to traditional rate of return regulation,
20 Dr. Loube elects in his testimony to define the "telecommunications market" extremely

1 narrowly as consisting of the customers subscribing only to a stand-alone primary
2 residential access line.² Dr. Loube provided no analysis at all with regard to
3 competition for business telecommunications services and focused his analysis of
4 competition solely on residential telecommunications services. After (improperly)
5 attempting to narrow the market definition in this manner, Dr. Loube proceeds to argue
6 that Qwest is a monopolist in serving this “market” and, in his view, can therefore
7 exert “monopoly power” in extracting supranormal “profits” from customers
8 subscribing to stand-alone residential access lines.

9

10 **Q. IS THERE A FUNDAMENTAL FLAW IN DR. LOUBE’S DEFINITION OF**
11 **THE MARKET?**

12 A. Yes. Dr. Loube ignores the fact that Qwest’s proposed AFOR plan, as discussed in
13 Mr. Reynolds’ testimony, is a balanced plan which provides some limited regulatory
14 relief for Qwest in recognition of the dynamic competitive telecommunications
15 markets in Washington and provides a number of important benefits for Qwest’s
16 customers. Instead, Dr. Loube relies on his own unique definition of the
17 telecommunications “market” in attempting to show that Qwest’s proposal is contrary
18 to the public interest. Qwest witness Dr. William Taylor explains why Dr. Loube’s
19 approach is contrary to proper economic principles. When, for purposes of this
20 proceeding, the competitive telecommunications market is properly viewed as
21 encompassing all alternatives for the range of Qwest services defined in Mr. Reynolds’

² In Dr. Loube’s testimony, he appears to concede that competition exists for non-primary residential access lines as well as access lines associated with calling features and packages and focuses his arguments solely on competition for the stand-alone primary residential access line (the primary residential access line at a location, and which serves customers who do not elect to subscribe to calling features or packages of services).

1 testimony for which Qwest is seeking incremental regulatory flexibility, it is clear that
2 competition is robust and increasing in intensity.

3 **Q. IN YOUR DIRECT TESTIMONY, DID YOU PROVIDE PUBLICLY-**
4 **AVAILABLE INFORMATION SHOWING THE EFFECTS OF INTERMODAL**
5 **COMPETITION IN THE TELECOMMUNICATIONS MARKET IN**
6 **WASHINGTON?**

7 A. Yes. At page 5, I provided the following table, showing changes in Washington in-
8 service quantities for ILEC lines, CLEC lines, mobile wireless subscribers and high
9 speed internet lines from December 2000 to December 2005:

10 Table 1

Washington In-Service Quantities: 12/00 vs. 12/05				
	In-Service Quantities: 12/2000	Connection Share: 12/2000	In-Service Quantities: 12/2005	Connection Share: 12/2005
ILEC Lines	3,784,183	58%	3,062,790	34%
CLEC Lines	240,514	4%	514,149	6%
Mobile Wireless Subscribers	2,286,082	35%	4,177,196	47%
High Speed Lines	<u>195,628</u>	3%	<u>1,219,875</u>	14%
Total	6,506,407	100%	8,974,010	100%

11 As discussed in my direct testimony, the “connections share” values simply assume
12 that the quantities in each of the four service categories represent a communications
13 connection for the subscriber, and the connections share is then calculated by dividing
14 the in-service totals in each of the four categories by the grand total. This calculation
15 illustrates, in particular, the distinct subscriber shift in Washington toward intermodal
16 forms of competition. Since the time of filing of my direct testimony, the FCC has

1 released updated data, showing in-service quantities for these same service categories
2 as of June 2006.³ The table below reflects these updates:

3 Table 2

Washington In-Service Quantities: 12/00 vs. 6/06				
	In-Service Quantities: 12/2000	Connection Share: 12/2000	In-Service Quantities: 6/30/06	Connection Share: 6/30/06
ILEC Lines	3,784,183	58%	2,993,977	32%
CLEC Lines	240,514	4%	506,360	5%
Mobile Wireless Subscribers	2,286,082	35%	4,418,314	47%
High Speed Lines	<u>195,628</u>	3%	<u>1,575,375</u>	17%
Total	6,506,407	100%	9,494,026	100%

4
5 Remarkably, in a span of only six months, the number of mobile wireless subscribers
6 in Washington increased by well over 200,000 and the number of high speed lines in
7 the state increased by well over 300,000, while ILEC line quantities continued to fall.
8 Contrary to Dr. Loube's narrow view of the market, these trends clearly show (since it
9 is not reasonable to argue, in the face of population and business growth, that demand
10 for telecommunications services is declining) that Washingtonians are seeking, and
11 finding, communications alternatives to traditional wireline telephone services. In
12 addition, and as discussed in greater detail below, cable telecom companies operating
13 as CLECs in Washington, such as Comcast, are actively migrating customers from
14 their circuit-switched telephone services to VoIP-based telecom services. Since these
15 companies report circuit-switched telephone lines to the FCC, but not VoIP-based
16 telephone lines,⁴ the "CLEC line" counts in the tables above, which are drawn directly

³ Sources: *Local Telephone Competition: Status as of June 30, 2006*; and *High-Speed Services for Internet Access: Status as of June 30, 2006*.

⁴ The regulatory status of local telephone service provided by VoIP technology is the subject of an open FCC proceeding (IP-Enabled Services, WC Docket No. 04-36, Notice of Proposed Rulemaking, 19 FCC Rcd 4863). Currently, telecom providers are not required under FCC instructions for Form 477, which is the reporting tool

1 from public FCC data, exclude VoIP-based telephone lines and therefore understate the
2 number of access lines served by these entities.

3 **Q. AT PAGE 27, DR. LOUBE CRITICIZES THE FCC DATA PRESENTED IN**
4 **THE TABLES ABOVE AS ENCOMPASSING THE ENTIRE STATE OF**
5 **WASHINGTON AND AS NOT BEING SPECIFIC TO QWEST'S SERVICE**
6 **TERRITORY IN THE STATE. WOULD YOU RESPOND?**

7 A. Yes. As Dr. Loube is likely aware, neither the FCC's competition data, nor any other
8 data source, identifies quantities for each of these service categories on a Qwest service
9 area-specific basis. These data are simply presented to illustrate the clear shift
10 occurring in the telecommunications market in Washington away from the traditional
11 wireline telephone line to other alternatives. However, as reported in my direct
12 testimony, Qwest's service territory in Washington encompasses, by far, the largest
13 population centers in the state, including Seattle, Tacoma, Bellevue, Bellingham,
14 Vancouver, Spokane, etc., and these population centers represent the most attractive--
15 and lucrative-- markets for telecommunications competitors. As legendary 1920s-era
16 bank robber Willie Sutton said, "I rob banks because that's where the money is." This
17 is the reason telecommunications competitors focus disproportionately on Qwest-
18 served territory in Washington. It is also the reason that Qwest has already been

used by telecom providers to report in-service access line counts to the FCC, to report VoIP-based access lines. If the FCC rules in its pending IP services proceeding that VoIP service is a telecommunications services, providers of these services may be required to report in the future access lines served via VoIP. However, until that time, providers utilizing VoIP to provide service are not required to report in-service data to the FCC.

1 granted competitive classification by this Commission for Qwest business
2 telecommunications services: competitors have primarily targeted Qwest's markets in
3 Washington because that is where the great majority of the customers are. If
4 competition is as intense in other areas of the state as it in Qwest's exchanges, other
5 incumbent telephone companies would have previously sought similar classification of
6 their services. Thus, the state-wide trends identified in the FCC's data likely
7 *understate* the level of competition in Qwest's service territory in Washington.

8 **Q. WHY IS THE FACT THAT QWEST SERVES THE LARGEST POPULATION**
9 **CENTERS IN WASHINGTON RELEVANT TO THIS PARTICULAR**
10 **DOCKET?**

11 A. Qwest witness Mark Reynolds explains that, under the conditions of the proposed
12 AFOR, Qwest has committed to maintain statewide averaged prices for its local
13 exchange services for the term of the AFOR. This means that competitive forces,
14 which are robust in the major population centers in the state, will discipline Qwest's
15 pricing decisions for all Qwest-served areas in Washington. Additionally, while
16 competitive intensity is typically greater in urban areas, there is telecommunications
17 competition in all of Qwest's service territory. As Commission Staff witness Thomas
18 Wilson concluded in discussing Qwest's competitive losses at page 7, lines 14-17 of
19 his direct testimony, after carefully examining the competitive data in this docket:

20 "These line losses affect the majority of urban-dominated markets, and as
21 I show in my testimony, competitive losses are also impacting rural
22 exchanges. Qwest is also losing lines in both the business and residential
23 markets."

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Q. ARE THERE INACCURATE AND OUTDATED FACTS IN DR. LOUBE’S TESTIMONY?

A. Yes, there are several. For example, at page 6, lines 5 through 11 of his direct testimony, Dr. Loube cites national statistics, which he admits are not specific to Washington and also admits contain data from 2001,⁵ purporting to show that broadband internet use in the home for households with annual incomes of \$25,000 and under is “less than 9.3 percent,” and that broadband internet use in the home for households with annual incomes of \$75,000 and over is “more than 45 percent.” These “facts” are so out of date as to be worthless, since they are drawn from a point in time well before the dramatic increase in broadband internet penetration discussed in my direct testimony and my rebuttal testimony above. Apparently, Dr. Loube intends for these stale “facts” to convince this Commission that so few low income households in Washington subscribe to broadband internet service that VoIP service (which requires a broadband internet connection) is not a viable competitive alternative to this segment of the population, and that these customers are therefore fully subject to the “monopoly power” he asserts Qwest possesses.⁶ He is mistaken.

⁵ Direct Testimony of Robert Loube, Ph.D., fn 4, January 29, 2007.
⁶ In addition, Dr. Loube ignores the fact (as described in the direct testimony of Mr. Thomas Wilson of the WUTC Staff at pages 50 and 51) that a significant number of Washington residential customers receive Washington Telephone Assistance Plan (“WTAP”) benefits which ensure the Qwest residential access line rates billed to these customers remain at \$8.00 per month, regardless of whether or not Qwest elects to exercise the residential access line pricing flexibility in its proposed AFOR plan.

1 **Q. IN CONTRAST TO THE INFORMATION DR. LOUBE PRESENTS, DO YOU**
2 **HAVE CURRENT FACTS REGARDING THE AVAILABILITY OF**
3 **BROADBAND INTERNET SERVICES THAT ARE SPECIFIC TO**
4 **WASHINGTON?**

5 A. While Dr. Loube presented outdated national data, I requested and received
6 information from Claritas, a well known independent provider of demographic and
7 market research data, regarding broadband internet penetration rates in Washington for
8 the years 2005 and 2006. Claritas conducts annual primary research, based on direct
9 surveys in June of each year with consumers in each state in support of its
10 “Convergence Audit,” which examines a number of facets of the telecommunications
11 market. As part of its survey process, Claritas collected information directly from
12 Washington consumers regarding broadband internet use. For Washington households
13 using the internet,⁷ the Claritas data reveals striking increases in the rate of broadband
14 internet subscribership, as shown in Confidential Table 3 below:

⁷ In the June 2006 Claritas primary research sample base regarding broadband internet usage, **BEGIN CONFIDENTIAL XXX END CONFIDENTIAL** of the respondents were internet users. The remainder reported neither dial up nor broadband internet usage.

1 **Q. DOES OTHER INDEPENDENT RESEARCH EXIST THAT CORROBORATES**
2 **THE SHARP BROADBAND INTERNET GROWTH TRENDS SHOWN IN THE**
3 **CLARITAS DATA?**

4 A. Yes. The Pew Internet and American Life Project (“Pew”) also performs annual
5 research regarding broadband internet adoption rates in the U.S., and in May 2006,
6 released non-confidential results regarding home broadband adoption. This study is
7 attached to my testimony as Exhibit DLT-7RT. At pages 1 and 2 of its “summary of
8 findings” Pew reports the following findings:

- 9 • The number of Americans who have broadband at home has jumped
10 from 60 million in March 2005 to 84 million in March 2006--a leap
11 of 40%.
- 12 • As of March 2006, 42% of all American adults had a high speed
13 internet connection at home. In March 2005, 30% of all adults had
14 high-speed internet at home.
- 15 • The 40% increase in home broadband adoption from March 2005 to
16 March 2006 is double the 20% rate of increase that occurred from
17 March 2004 to March 2005.
- 18 • The pace of adoption growth in rural areas was also brisk (39%),
19 though not any different from the growth rate in suburban and
20 urban America.
- 21 • Fixed wireless as a means to go online at a high speed at home is
22 starting to have a presence in the market; 8% of home high-speed
23 users, or about 6 million American adults, have wireless broadband
24 connections.
25

26 In addition to the above findings, Pew provides the following table at Part 1, page 3 of
27 its study:

How Broadband is Spreading Through the Population				
Changes in the percentage of each group who have broadband connections at home				
	% with broadband at home (2005)	% with broadband at home (2006)	Percentage point increase	Percentage increase
Gender				
Male	31%	45%	14%	45%
Female	27	38	11	41
Age				
18-29	38	55	17	45
30-49	36	50	14	39
50-64	27	38	11	41
65+	8	13	5	63
Race / ethnicity				
White (not Hispanic)	31	42	11	35
Black (not Hispanic)	14	31	17	121
Hispanic (English speaking)	28	41	13	46
Educational attainment				
Less than high school	10	17	7	70
High school grad	20	31	11	55
Some college	35	47	12	34
College +	47	62	15	32
Household income				
Under \$30K	15	21	6	40
\$30K-50K	27	43	16	59
\$50K-\$75K	35	48	13	37
Over \$75K	57	68	9	19
Community type				
Urban	31	44	13	42
Suburban	33	46	13	39
Rural	18	25	7	39

Sources: 2005 data comes from the Pew Internet Project's combined January-March tracking survey of 4,402 adults; 1,265 were home broadband users. 2006 data comes from the Pew Internet Project's February 15 through April 6 survey of 4,001 adults; 1,562 were home broadband users.

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There are several striking findings in this table. First, over half of the respondents between the ages of 18 and 49 reported having broadband internet access in the home, and respondents in all age groups reported increases in the range of 50% in the rate of broadband internet subscribership in a single year. Also, the data shows that nearly a quarter of households in 2006 with annual incomes of \$30,000 and less report they are

1 subscribing to broadband internet access, an increase of 40% over the prior year.

2 While Pew's data is national in scope, was collected via a different survey tool than the
3 Claritas study and is not specific to Washington, it also shows remarkable rates of
4 growth in broadband internet penetration among residential customers. These data
5 present a far different view of broadband internet services than the one presented at
6 page 6 of Dr. Loube's testimony.

7

8 **Q. WHAT IS THE SECOND MISTAKE MADE BY DR. LOUBE, WITH REGARD**
9 **TO HIS CONTENTION AT PAGE 35 THAT THE VOIP MARKET IS NOT "A**
10 **COMPETITIVE OPTION FOR AN INCREASINGLY LARGE CUSTOMER**
11 **BASE?"**

12 A. Dr. Loube bases this contention on his statement at page 36, lines 1-3, where he argues
13 "the major factor *hindering* the expansion of VoIP service is the need to purchase a
14 DSL or cable modem service from Qwest or from a cable provider in order to reach its
15 customers." (emphasis added). Contrary to Dr. Loube's statement, a large and ever-
16 increasing number of customers in Washington have already subscribed to broadband
17 internet service. These customers have already made the purchase decision with
18 respect to broadband internet service, and for these customers, the decision to add
19 VoIP service in addition to their existing broadband internet service is simply an
20 incremental purchase decision. Interestingly, at page 36, lines 11 - 13, Dr. Loube
21 flatly states that he disagrees with my testimony that "the VoIP market is a competitive

1 option for an increasingly large customer base.” Since the number of high speed
2 internet subscribers has increased by over 300,000 in only six months, as discussed
3 earlier in my rebuttal testimony, Dr. Loube is clearly incorrect. The point I made in
4 my direct testimony remains entirely valid: the base of potential VoIP subscribers in
5 Washington is continuing to rapidly increase as the base of broadband internet
6 subscribers continues to increase. Since this is clearly true, it is equally true that this
7 segment also represents a rapidly growing form of price constraining competition.
8

9 **Q. FOR RESIDENTIAL CUSTOMERS WHO ALREADY SUBSCRIBE TO**
10 **BROADBAND INTERNET SERVICE, IS VOIP ACTUALLY AN**
11 **AFFORDABLE ALTERNATIVE TO QWEST’S RESIDENTIAL LOCAL**
12 **EXCHANGE SERVICE, EVEN FOR CUSTOMERS WHO USE NO FEATURES**
13 **OR MAKE NO LONG DISTANCE CALLS?**

14 A. Yes. For customers who already have a broadband internet connection and who now
15 subscribe to Qwest residential local exchange service (priced at \$18.34, including the
16 \$12.50 access line rate plus the \$5.84 federal end user common line charge, but
17 excluding any additional fees, taxes features or long distance charges), a number of
18 attractively-priced VoIP alternatives are available. For example, SunRocket currently
19 offers two primary service options: an unlimited service entitled the “Annual Edition,”
20 which is priced at \$199 per year (which equates to \$16.58 per month) and the “Limited
21 Edition,” which provides 200 minutes of monthly local or long distance calls and is

1 priced at \$9.95 per month.¹¹ Both of these options provide 12 calling features at no
2 additional charge. Vonage also offers two primary options for residential customers;
3 the “Unlimited” plan (includes unlimited local and long distance calling) priced at
4 \$24.99 per month and the “Basic 500 Plan” (includes 500 monthly minutes of local and
5 long distance calling) priced at \$14.99 per month.¹² Similarly, Verizon offers its
6 VoiceWing VoIP service with two primary options, the VoiceWing 500 plan (which
7 includes 500 monthly minutes of local and long distance calling) at a price of \$19.95
8 per month and the VoiceWing Unlimited plan, which provides unlimited local and long
9 distance calling for a \$24.95 monthly price.¹³ There are many more similar VoIP plans
10 now available in Washington. Even for customers interested only in a telephone line
11 with no features, VoIP plans are readily available at price points that are very
12 competitive with Qwest’s prices. Since the base of potential VoIP customers is large
13 and ever-increasing (nearly half of Washington households now have broadband
14 internet access), VoIP is clearly an affordable and real form of price constraining
15 competition in this state, and as stated earlier in my testimony, since Qwest has

¹¹ <http://www.sunrocket.com/services/plans>. It is worth noting that I personally subscribed to SunRocket’s unlimited service at my residence in Washington to gain personal experience with this VoIP product. I can report that this VoIP service worked precisely as SunRocket advertises it: the service provided unlimited local and long distance calling, I was able to retain my preexisting home telephone number, the service worked with my existing home telephones and the service provided a broad range of calling features. During the six month period when I subscribed to this service, I discontinued my traditional landline telephone service and relied exclusively on SunRocket VoIP service and my Comcast broadband internet connection for my telecommunications needs. In addition, the advertised SunRocket price was the “bottom line” price I was charged--there were no additional taxes, fees or surcharges added to my SunRocket bill.

¹² <http://vonage.com/services.php>

¹³ <https://www22.verizon.com/ForYourHome/VOIP/>

1 committed to maintain statewide average pricing, the benefits of the rapidly growing
2 VoIP competition will also be enjoyed by customers who do not yet subscribe to
3 broadband internet service.

4

5 **Q. WHAT IS THE THIRD SERIOUS ERROR IN DR. LOUBE'S DIRECT**
6 **TESTIMONY WITH REGARD TO HIS VIEW OF TELECOMMUNICATIONS**
7 **COMPETITION IN WASHINGTON?**

8 A. At page 27, Dr. Loube criticizes my estimates of the number of facilities-based CLEC
9 lines in Washington by undertaking a series of calculations based largely on data he
10 obtained from the FCC's Local Competition Report. However, his calculations are
11 fatally flawed, since he ignored the fact, as I stated earlier in this testimony, that cable
12 telephony providers (such as Comcast) are not required to report access lines served
13 via VoIP technology to the FCC for use in its Local Competition Report. Dr. Loube
14 may not be aware that Comcast actually has two telephone services it now provides in
15 Washington: the Comcast Digital Phone service (which is a circuit-switched service
16 and is described in Section 5 of Comcast's Telecommunications Services Price List on
17 file with this Commission) and Comcast Digital Voice (which is a VoIP-based service
18 not addressed in Comcast's Price List). Comcast has frozen its Digital Phone service
19 to customers currently subscribing to this service, and it is very aggressively marketing
20 its Digital Voice service as a replacement for its circuit-switched Digital Phone service

1 across its entire service footprint in this state, which includes all of Qwest’s major
2 population centers. As Comcast reported in its 2006 earnings release:

3 “Phone revenue increased 45% to \$955 million due to significant growth
4 in CDV (Comcast Digital Voice) subscriber additions, offset by a \$132
5 million decline in circuit-switched phone revenues as Comcast primarily
6 focuses on marketing CDV in most markets. Comcast ended 2006 with a
7 total of 1.9 million CDV customers, or 5.7% of available homes,” and
8 “Added over 1.5 million Comcast Digital Voice (CDV) customers in 2006
9 compared to 290,000 in the prior year.”¹⁴

10
11 Clearly, Comcast has enjoyed very significant success in marketing its Digital Voice
12 VoIP service as it has aggressively marketed this service as part of its “triple play”
13 package of video, high speed internet and telephone service. It is also worth noting in
14 Comcast’s public statement above that it is consciously managing down its circuit-
15 switched telephone customer base as it focuses squarely on increasing its VoIP-based
16 telephone market penetration.

17

18 **Q. AT PAGE 25, DR. LOUBE ARGUES THAT “QWEST’S DECLINE IN**
19 **SWITCHED ACCESS LINE SALES HAS BEEN OFFSET BY THE SALE OF**
20 **OTHER QWEST PRODUCTS.” WOULD YOU COMMENT?**

21 A. Yes. As Dr. Loube notes, “Qwest has made progress in selling its DSL services and
22 special access services.” However, if his implication is that Qwest is simply shifting
23 Qwest voice access lines over to Qwest DSL service, that notion is not based on facts.
24 Of all Qwest residential access line disconnects between January 2004 and November

¹⁴ <http://www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-newsArticle&ID=956792&highlight=>

1 2006, fewer than ****BEGIN CONFIDENTIAL XX END CONFIDENTIAL**** are
2 attributable to the addition of DSL service.¹⁵ In fact, the great majority of Qwest's
3 DSL sales are to customers with single residential access lines who elect to add DSL
4 for broadband internet purposes, and few customers are simply replacing an additional
5 line (that may have been formerly used for dial-up internet access) with Qwest DSL.
6 In addition, Special Access services are used for many purposes--such as by
7 Interexchange Carriers who want to directly connect a large business customer location
8 directly to the carriers' Points of Presence--and Dr. Loube's suggestion that growth in
9 this service offsets losses in Qwest's retail access line base is very misleading and
10 cannot be used to mask the fact that competitive losses in Qwest's retail local exchange
11 services continue to be significant.

12
13 **Q. AT PAGE 38, DR. LOUBE DISCOUNTS CABLE TELEPHONY**
14 **COMPETITION AS A PRIMARY FACTOR IN THE REDUCTION OF**
15 **QWEST'S RESIDENTIAL ACCESS LINE BASE IN WASHINGTON. WHAT**
16 **INFORMATION WAS AVAILABLE TO DR. LOUBE TO ALLOW HIM TO**
17 **TEST HIS THEORY?**

¹⁵ Source: special study of Qwest's Forecast Data Mart ("FDM") retail service data completed in February 2007. This analysis was based on all accounts which had working residential telephone lines disconnected during the period specified as well as those accounts that had working telephone lines disconnected and had DSL installed coincident with the access line disconnect or during the month prior to or the month after the disconnect. While it is possible that some customers may choose to add Qwest DSL service but not place an order to disconnect an additional line until several months after the DSL installation, Qwest believes these instances are rare and that the special study methodology in this instance is reasonable.

1 A. In my direct testimony at page 24, I reported, based on publicly-available information,
2 that Comcast's network passes 1.6 million homes in Washington, and that it provides
3 Comcast services to at least 1.1 million of those homes. In addition, I reported--also
4 based on public information--that Comcast's target penetration rate for its digital voice
5 service in the Spokane market is 38%. Dr. Loube had this information and could have
6 conducted a simple multiplication exercise to estimate the number of Comcast digital
7 voice subscribers in the state by multiplying Comcast homes passed (1.6 million) by
8 the national Comcast digital voice penetration rate for 2006 (5.7%), to derive an
9 estimated Comcast digital voice subscriber total of 91,200. However, this would only
10 be the low end of the estimated Comcast digital voice subscriber counts for the state,
11 since, as publicly stated by Comcast, their digital voice subscriber base is increasing at
12 a steep rate. As I stated at page 24 of my direct testimony, if Comcast succeeds in its
13 stated goal of providing digital voice service to 38% of its customer base of 1.1 million
14 homes in Washington, it would capture over 400,000 subscribers in that segment. This
15 would be the high end of the estimated Comcast digital voice subscriber count, with
16 the actual number likely falling between these two values (and is very likely much
17 higher than the low end of the range due to Comcast's extremely active digital voice
18 marketing efforts in Washington). As Dr. Loube correctly acknowledges at page 38,
19 Qwest is losing residential lines to wireless carriers, but he clearly understates the
20 effects of cable telephony competition (from Comcast, as well as other cable-based
21 providers as discussed in my direct testimony) on Qwest's residential customer base.

1 as of January 25, 2007. This data shows that customers of facilities-based CLECs had
2 ****BEGIN CONFIDENTIAL XX**
3 **END CONFIDENTIAL****. Again, while these data do not correspond to actual access
4 lines in service, they clearly show a significant increase, in little over six months, with
5 regard to residential customers of facilities-based CLECs. Since Comcast is the
6 predominant cable-based residential telecom provider in Washington, much of this
7 increase can be attributed to its aggressive marketing efforts in the state. Again,
8 although Dr. Loube largely dismisses cable telephone competition as a major factor
9 contributing to Qwest's residential access line reductions, and ignores the fact that
10 many of these cable-based lines are not reflected in the FCC's CLEC access line data
11 at all, it is very clear from the data above that cable-based competitors are having
12 strong success in winning customers from Qwest.

13

14 **Q. AT PAGE 27, DR. LOUBE MAKES YET ANOTHER ERROR IN REGARD TO**
15 **HIS QUANTIFICATION OF CLEC RESIDENTIAL LINES IN WASHINGTON.**
16 **WOULD YOU DESCRIBE HIS ERROR AND DISCUSS HOW HIS**
17 **CALCULATION CAN BE CORRECTED?**

18 A. Yes. The error Dr. Loube commits is driven by the fact that the white pages listings
19 data he cites (which was drawn from my direct testimony) contains white pages listings
20 data for all facilities-based CLECs, including cable-based competitors that are now

¹⁶ Cable MSOs' customers, whether served via circuit-switched technology or VoIP technology, are included in

1 utilizing VoIP technology to deliver telephone service. He then compares that data to
2 CLEC access line quantities shown in the FCC Local Competition Report, which does
3 not include lines served via VoIP technology. As described in my previous response,
4 the effect of cable-based competition for residential telephone services is very
5 significant, and this omission causes Dr. Loube's conclusion to be flawed regarding the
6 "inaccuracy" of my estimates. As discussed earlier in my rebuttal testimony, public
7 Comcast data suggests that it now has--at the very least--91,200 Comcast digital voice
8 residential subscribers in Washington. If this number is added to Dr. Loube's estimate
9 of 143,962 residential CLEC lines in Washington, that number is increased to 235,162.
10 If the number of facilities-based residential CLEC white pages listings shown at page
11 27 of Dr. Loube's testimony is then subtracted from this total, the remainder is
12 comfortably a positive number and Dr. Loube's concluding statement that my
13 residential CLEC access line estimate must be wrong because "it is necessary to
14 assume that facilities-based and non-facilities based CLECs operating outside of Qwest
15 territory are serving negative residential lines" is plainly illogical.

16
17 **Q. AT PAGE 28, DR. LOUBE COMPLAINS THAT COMCAST SERVICE**
18 **DOESN'T REALLY REPRESENT EFFECTIVE COMPETITION TO**
19 **QWEST'S RESIDENTIAL LOCAL EXCHANGE SERVICE BECAUSE IT**

the facilities-based CLEC white pages listings counts if those customers request a white pages directory listing.

1 **CURRENTLY OFFERS ONLY “PACKAGED” SERVICE TO NEW**
2 **CUSTOMERS. WOULD YOU COMMENT?**

3 A. Yes. Comcast’s strategy is clearly to target its digital voice service, which includes
4 features and long distance calling, to residential customers who demand such services.
5 He is correct on this narrow point: Comcast no longer offers a “stand-alone” residential
6 local exchange option for new customers and offers only the packaged Comcast Digital
7 Voice product to this segment. However, the story does not stop there. As stated
8 earlier in my rebuttal testimony, Comcast has had remarkable success in attracting
9 customers to its packaged Digital Voice service, and these customers represent high
10 margins for Comcast (and a loss of high margin customers for Qwest). While Comcast
11 could elect to serve new “stand alone” residential service customers with a “stripped
12 down” access line without features, Comcast is under no regulatory or legal obligation
13 to do so and has chosen not to make such a service available in view of the limited
14 profit opportunity associated with such a service. However, Comcast has publicly
15 stated that it now provides Comcast services (either cable television or broadband
16 internet access) to well over one million customers in Washington, and this number
17 continues to increase. Any Comcast broadband internet customer can now elect to
18 subscribe to VoIP telephone service from a wide range of providers, as I earlier
19 described, at monthly prices that are very comparable to Qwest’s \$18.34 “stand-alone”
20 1FR rate. While every Qwest customer does not now subscribe to Comcast broadband
21 internet service, it is clear that a large and increasing number do. Additionally,

1 broadband internet service is readily available as a stand-alone service from other
2 Washington providers such as Clearwire and Earthlink.¹⁷ Again, since these customers
3 have readily-available non-Qwest choices for telephone service, and since Qwest has
4 agreed under the terms of the proposed AFOR to maintain statewide average
5 residential access line pricing, the ever-increasing competition in Washington for these
6 services represents price constraining benefits to all Qwest residential access line
7 subscribers.

8

9 **Q. WITH RESPECT TO COMCAST'S LOCAL SERVICE IN WASHINGTON,**
10 **DOES DR. LOUBE COMMIT OTHER ERRORS IN HIS**
11 **CHARACTERIZATIONS OF ITS SERVICE OFFERINGS?**

12 A. Yes. For example, at pages 26 and 27, he claims that Comcast's circuit switched
13 stand-alone "Local Only" residential access line "is only available to existing
14 customers effective August 17, 2001." He is incorrect. Comcast's Washington
15 Telecommunications Services Price List, Section 5, page 6.3 (effective December 18,
16 2006) shows that this service was "grandfathered" by Comcast on November 18, 2006-
17 -one month after my direct testimony was filed in this proceeding. However, he may
18 have mistakenly noted that Comcast grandfathered its "Multi-line Local Only"
19 residential service on August 17, 2001 (also listed on the same price list at page 6.3)

¹⁷ At page 36, Dr. Loubé points to the relatively low number of Qwest stand-alone DSL subscribers (those purchasing only Qwest DSL service without also purchasing Qwest local exchange service) as evidence that the number of stand-alone VoIP subscribers in Washington is very low. Dr. Loubé's use of this data is highly misleading, since customers can readily obtain broadband internet access via a number of sources beyond Qwest.

1 and interpreted that date as being applicable to all of Comcast's residential services. In
2 either event, Comcast customers now subscribing to these services may retain them at
3 their existing locations under Comcast's current price list terms until the customer
4 elects to move or change his or her service.

5

6 **Q. DOES DR. LOUBE MISUSE NATIONAL DATA IN AN ATTEMPT TO**
7 **PORTRAY CABLE PROVIDERS AS STRUGGLING TO MAINTAIN**
8 **POSITION IN THE WASHINGTON MARKETPLACE?**

9 A. Yes. At page 30, lines 7 -10, Dr. Loube states:

10 "Cable subscribers as a percentage of households passed has decreased
11 from 67.5 percent in 1999 to 59.6 percent in June 2005. If that trend is
12 also occurring in Washington and continues into the future, then the future
13 number of Comcast telephone customers has probably been over-
14 estimated."
15

16 In attempting to extrapolate this national data (which is now nearly two years out of
17 date) to Comcast in Washington, even in the face of all of Comcast's public statements
18 identified in my testimony regarding the extraordinary success they are enjoying, Dr.
19 Loube has stretched his suppositions to the breaking point. There is simply no
20 evidence that Comcast is struggling to hold ground in Washington. Rather, all
21 evidence is that Comcast is succeeding handsomely in the Washington market as well
22 as nationally. In fact, Comcast's fourth Quarter 2006 profits tripled over the prior
23 Quarter, driven by its strong success in selling its "triple play" package of video,

1 broadband internet and telephone services.¹⁸ Additionally, Comcast is readying itself
2 to actively compete for business services. On August 7, 2006, Comcast announced the
3 appointment of Mr. William Stemper as president of Comcast Business Services. In
4 announcing Mr. Stemper's appointment, Dave Watson, Executive Vice President of
5 Operations for Comcast stated:

6 I'm thrilled that he will lead Comcast's continued efforts as we leverage
7 our unparalleled network to deliver video, voice and data services for
8 the business marketplace.¹⁹
9

10 Clearly, Comcast now has leadership in place that is focused on leveraging its network
11 investments to deliver voice services that compete directly with Qwest's retail mass
12 markets and Enterprise business telecommunications services.

13

14 **Q. IS THERE YET ANOTHER SERIOUS ERROR IN DR. LOUBE'S**
15 **TESTIMONY?**

16 A. Yes. At page 29, he concludes that ****BEGIN CONFIDENTIAL XXXXXXXX***END**
17 **CONFIDENTIAL**** is the "minimum" proportion of Qwest's residential customers
18 purchasing "stand-alone residential service," suggesting by his characterization that the
19 actual number may be even higher. He arrived at this estimate by viewing Qwest's
20 response to Public Counsel Data Request No. 23, which provided the data specifically
21 requested by Public Counsel: the number of residential subscribers in Washington
22 subscribing to a bundle or package of Qwest's services. He then assumed that the

¹⁸ http://biz.yahoo.com/rb/070201/comcast_results.html

1 inverse of this quantity represents subscribers of “stand alone residential service.” This
2 is an incorrect use of this data. What Dr. Loube ignores is the fact that customers don’t
3 purchase features only as a package, they often purchase features on an á la carte basis.
4 For example, a residential subscriber may have a need for only Call Waiting and does
5 not wish to purchase a multi-feature package or bundle to obtain that single feature.
6 When customers purchase features on an á la carte basis, it increases the amount of
7 their monthly Qwest bills and, therefore, makes the pricing differential between
8 Qwest’s service and competitors’ services (which typically include features at no
9 additional charge) smaller. By incorrectly estimating the number of “stand-alone”
10 Qwest residential subscribers, Dr. Loube dramatically overstates the number of
11 residential subscribers in Washington he claims to be subject to Qwest’s “monopoly
12 power.”

13 To determine the proper number, I requested and received a data extract for December
14 2006 of Qwest residential accounts with no features or packages associated with them.
15 The number of such accounts as of December 2006 was **BEGIN CONFIDENTIAL
16 XXX
17 XXXX END CONFIDENTIAL**. In addition, some number of these accounts are
18 associated with subscribers receiving the WTAP benefit discussed earlier in my
19 rebuttal testimony, and these customers are shielded from any potential price change
20 were Qwest to elect to exercise the limited pricing flexibility outlined in its proposed

19 <http://www.cmcsk.com/phoenix.zhtml?c=147565&p=irol-newsArticle&ID=892959&highlight=>

1 AFOR plan. Clearly, the number of Qwest residential subscribers falling within the
2 “stand alone” service category is dramatically smaller than the number incorrectly
3 identified in Dr. Loube’s testimony. Since his expressed interest is in protecting the
4 “stand alone” residential subscriber from “monopoly abuses” by Qwest, the fact that
5 the pool of such customers is so much smaller than he estimates sharply reduces the
6 size of the constituency for which he purports to be advocating.

7

8 **Q. AT PAGE 31, DR. LOUBE TOUTS QWEST’S SERVICE RELIABILITY, IN**
9 **INSTANCES OF POWER OUTAGES, AS AN “ADVANTAGE” QWEST HAS**
10 **OVER ITS COMPETITORS. WOULD YOU COMMENT?**

11 A. Yes. In fact, Qwest is proud of its reputation for high-quality, reliable telephone
12 service and points to this reliability as a customer benefit of subscribing to Qwest
13 service. This reputation resonates with some customers and is a likely reason that
14 some customers do not elect to leave Qwest for a competitor. However, as evidenced
15 by Qwest’s rate of access line losses, many customers simply don’t place high value on
16 this reliability and elect to leave Qwest regardless of the fact that Qwest’s competitors
17 may not have the same high reliability standards as Qwest. Additionally, the fact that
18 Qwest’s network is highly reliable does nothing to change the fact that competitive
19 options are readily available to Washington customers.

20

1 **Q. AT PAGE 33, DR. LOUBE MAINTAINS THAT MCI/VERIZON AND**
2 **AT&T/SBC, ARE “PULLING OUT OF THE MASS MARKETS” IN**
3 **WASHINGTON. IS HE CORRECT?**

4 A. No. Again, Dr. Loube has misstated the facts. In fact, at page 34, he pronounces that
5 “once the UNE-P option was eliminated, the carriers left the market.” He is flatly
6 incorrect. Both Verizon and AT&T continue to offer local and long distance telephone
7 services in Washington in direct competition with Qwest. Both entities have simply
8 adapted their strategies and tactics for serving mass-market customers to avoid paying
9 wholesale service prices by shifting their residential service offerings in Washington to
10 internet-based services and away from services based on unbundled network element
11 packages purchased from Qwest.²⁰ As discussed earlier in my rebuttal testimony, the
12 number of broadband internet subscribers in Washington continues to increase at
13 double digit rates and nearly half of Washington households in the state now have
14 broadband internet access. By targeting their residential telecommunications services
15 to this large and growing market segment, Verizon and AT&T need not cover the cost
16 of the local loop in their telephone service prices, since their targeted customer base
17 has already purchased the broadband internet “loop” for internet access.

²⁰ The FCC, in its Triennial Review Order, eliminated the requirement for ILECs to provide local switching at TELRIC prices, and the UNE-Platform wholesale service--which was a package of a local loop and local switching priced at TELRIC and was the basis for the majority of the mass market services previously offered by MCI and AT&T--is no longer available and has now been replaced by the Qwest Platform Plus service which is priced at commercial rates.

1 AT&T currently offers its CallVantage VoIP service to residential customers in
2 Washington at a monthly price of \$19.99 (including unlimited local calling and long
3 distance calling priced at \$0.04/minute).²¹ While this price point is very near a stand-
4 alone Qwest 1FR rate of \$18.34 (including the federal subscriber line charge),
5 CallVantage customers also receive Voice Mail and Caller ID at no extra charge.
6 Verizon actually offers two separately-branded services to residential customers in
7 Washington: its popular “MCI Neighborhood” calling packages and Verizon
8 VoiceWing services. Its Neighborhood calling package is priced as low as \$29.99
9 (including Voice Mail, Call Waiting and Caller ID),²² and the VoiceWing 500 service
10 is offered at a price of \$19.95 (including Caller ID, Voice Mail and 500 local or long
11 distance minutes per month).²³ All of these Verizon and AT&T services are available
12 to the ever-increasing base of Washington customers with a broadband internet
13 connection. Clearly, and contrary to Dr. Loubé’s contention, neither Verizon nor
14 AT&T have “pulled out” of mass-market in Washington and, instead, have simply
15 retooled their strategies for serving these customers by taking advantage of an
16 alternative non-Qwest communications “pipe” into customers’ homes to deliver
17 telephone service at very attractive price points.

18

²¹ <http://www.usa.att.com/callvantage/plans/index.jsp>

²² <http://consumer.mci.com/ComparePlans.htm?>

²³ <http://www22.verizon.com/ForYourHome/VOIP/VW500.aspx>

1 **Q. AT PAGES 37 AND 38 OF HIS TESTIMONY, DR. LOUBE PRESENTS**
2 **INFORMATION HE CLAIMS SHOWS THAT QWEST’S PRICES ARE**
3 **LOWER THAN ITS COMPETITORS AND THAT QWEST THEREFORE HAS**
4 **ALL THE FLEXIBILITY IT NEEDS TO COMPETE. IS HIS LOGIC SOUND?**

5 A. No. He continues to make the same mistake in this comparison that I discussed above:
6 he presumes a potential Comcast or a Vonage customer would weigh the price of the
7 broadband internet connection in the purchase decision when considering whether or
8 not to subscribe to Comcast or Vonage telephone service. This is nonsense. As stated
9 previously in my testimony, for customers who have already invested in a broadband
10 internet connection (which already comprises roughly half of the households in
11 Washington, and this number continues to increase rapidly) the only pricing
12 comparison the customer need make when considering telephone service options is the
13 price of the Qwest telephone service versus the price of alternative telephone services.
14 The price of the broadband internet connection is already a “sunk” investment on the
15 customer’s part and is not part of the incremental purchase decision regarding
16 telephone service. Apparently, Dr. Loube is attempting to draw the Commission’s
17 attention to the subset of customers who don’t now have a broadband internet
18 connection and who therefore have a more limited range of options. However, there
19 are four fundamental problems with his approach: 1) this subset of customers is
20 continually shrinking, 2) a large and growing subset of customers do already have
21 broadband internet access, 3) competitive forces among customers with broadband

1 internet access creates benefits for customers in all market segments, since Qwest has
2 agreed to maintain statewide average prices for the term of the proposed AFOR and 4)
3 even though Qwest has the ability to package and bundle its services in attractive ways
4 and has had some success with these strategies, Qwest continues to lose access lines to
5 its competitors.

6

7 **Q. DOES DR. LOUBE ACKNOWLEDGE THAT HIGH SPEED INTERNET**
8 **SERVICES AND WIRELESS SERVICES ARE DIRECT SUBSTITUTES FOR**
9 **QWEST'S LANDLINE LOCAL EXCHANGE SERVICES?**

10 A. Yes. At page 38, Dr. Loube acknowledges that Qwest non-primary access line losses
11 “were most likely lost to high-speed services and wireless carriers as customers
12 dropped their second lines and choose (sic) different types of communications
13 services.” I agree with Dr. Loube: these alternative services have contributed to the
14 decline in Qwest’s landline local exchange access line base as customers sought
15 directly substitutable services for Qwest’s retail services. Non-primary access line
16 losses and primary access line losses both contribute directly to Qwest’s overall
17 declines in its retail access line base. However, he does not go far enough.

18

19 **Q. WHY DO YOU MAINTAIN THAT DR. LOUBE'S ACKNOWLEDGEMENT**
20 **THAT INTERMODAL SERVICES, SUCH AS BROADBAND INTERNET AND**

1 **WIRELESS SERVICES, ARE DIRECT SUBSTITUTES FOR QWEST'S**
2 **LANDLINE SERVICES "DOES NOT GO FAR ENOUGH?"**

3 A. Dr. Loube's acknowledgement of the direct substitutability of intermodal services for
4 Qwest's landline services appears to be focused only upon competition for non-
5 primary access lines. He is correct that this substitution is, in fact, occurring for non-
6 primary access lines. However, as I discussed extensively in my direct testimony (at
7 pages 21 through 34) and in this rebuttal testimony, internet-based services are also
8 competing actively and directly for Qwest's primary access lines. At pages 13 through
9 21 of my direct testimony, I described how wireless service is increasingly used as a
10 full substitute for traditional landline services. At pages 14 and 15, I cited FCC
11 findings showing that approximately 8% of U.S. households in the second half of 2005
12 reported that they had "cut the cord" (no longer have landline telephone service in the
13 home and exclusively used wireless service for their communications needs), that this
14 percentage has increased steadily at approximately 2 percentage points per year since
15 December 2003 and that approximately one-third of U.S. households subscribing to
16 both landline and wireless service report that they make at least half of their long
17 distance calls from home via their cell phones. These trends are not abating. In fact,
18 the National Center for Health Statistics--the research source for the data relied upon
19 by the FCC regarding wireless substitution--recently released an updated report
20 showing that the proportion of households that have "cut the cord" increased to 9.6%

1 in June 2006.²⁴ Since these data are national averages, they may understate the rate of
2 “cord cutting” in Washington. For example, a recent study by Telephia of wireless
3 substitution rates in the largest MSAs in the U.S. as of 2nd Quarter 2006 showed that
4 13.2% of households in the Seattle MSA had “cut the cord.”²⁵ This trend is not
5 surprising. Since the number of wireless subscribers has now easily surpassed the
6 number of landline telephone lines in Washington (as well as the nation) and most
7 households now have both landlines and cellular telephones, and as increasing amounts
8 of telephone usage shift away from landlines to cellular phones (and non-Qwest
9 internet access alternatives continue to proliferate), customers are increasingly making
10 a logical economic decision to discontinue landline voice telephone service and save
11 money by communicating wirelessly. In other words, to the extent growing numbers
12 of customers have broadband internet access to serve their data communications needs
13 and can use cellular telephones for all their local and long distance voice
14 communications needs, the importance to the customer of continuing to subscribe to
15 Qwest landline local exchange service is reduced.

16
17 **Q. HAS THE FCC RECENTLY EXAMINED THE PHENOMENON OF**
18 **WIRELESS SUBSTITUTION IN THE MASS MARKETS IN A FORMAL**
19 **DOCKET, AND WHAT WAS ITS CONCLUSION?**

²⁴ <http://www.cdc.gov/nchs/products/pubs/pubd/hestats/wireless2006/wireless2006.htm>

²⁵ http://telephia.com/html/documents/TotalCommunications_000.pdf

1 A. Yes. In fact, I provided information in this regard in the response I prepared to WUTC
2 Staff Data request 03-017 in this docket, which Dr. Loube, as a party to this
3 proceeding, has likely reviewed. I cited a particular FCC conclusion in its Order
4 approving the AT&T/SBC merger in WC Docket No. 05-65, at paragraph 90, in which
5 the FCC stated:

6 “Considering consumer behavior more closely, the record reveals that growing
7 numbers of subscribers in particular segments of the mass market are choosing
8 mobile wireless service in lieu of wireline local exchange service.”
9

10 The FCC’s conclusion is unequivocal: there exists an ever-increasing trend of wireless
11 substitution for traditional landline service. This trend shows no sign of abating
12 nationally or in the state of Washington. While neither the FCC, nor Qwest, has ever
13 maintained that each and every customer views wireless service as a full substitute for
14 traditional landline service, the segment of the market that does view wireless service
15 in this manner is increasingly large and represents another form of price constraining
16 competition for Qwest.

1

2

IV. CONCLUSION

3

4 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

5 A. As discussed in detail in my preceding rebuttal testimony, Dr. Loube's testimony is
6 fraught with errors, mischaracterizations and misapplication of data. With respect to
7 the status of telecommunications competition for Qwest's services in Washington, I
8 recommend that his testimony be disregarded as being ill-founded. In contrast, my
9 direct and rebuttal testimony clearly shows that competition for Qwest's services in
10 this state is robust and that a variety of intramodal and intermodal telecommunications
11 service alternatives are readily available to Washingtonians. Since Qwest has agreed
12 to maintain statewide average pricing in its standard retail access line rates,
13 competition in more robustly competitive geographic areas will discipline Qwest's
14 pricing practices in all market segments--even in subsegments of the market in which
15 fewer competitive alternatives may now exist. In view of this level of competition, the
16 proposed Qwest AFOR plan, which provides limited pricing flexibility for Qwest as
17 well as important benefits for customers, is clearly appropriate.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes, it does.