BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF CONTINUED COSTING AND PRICING OF UNBUNDLED NETWORK ELEMENTS, TRANSPORT, TERMINATION, AND RESALE	**)** **)** **)** **)** **)**	**DOCKET NO. UT-003013**

DIRECT TESTIMONY OF

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ON BEHALF OF

AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.

AT&T EXHIBIT JG-1T

MAY 19, 2000

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I. INTRODUCTION AND WITNESS QUALIFICATION

A. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Joseph Gillan. I am an economist with a consulting practice specializing in telecommunications.

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.

In 1985, I left the 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 25 state commissions, four state legislatures, the Commerce Committee of the United States Senate, and the Federal/State Joint Board on Separations Reform. I also currently serve on the Advisory Council to New Mexico State University's Center for Regulation.

Q. WHAT PARTY IS SPONSORING YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony is being sponsored by AT&T of the Pacific Northwest, Inc. ("AT&T). Although sponsored by this individual carrier, my testimony reflects the perspective of competition more generally.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY.

A. This proceeding represents one waypoint in the Commission's much larger process to open Washington's local markets to competition. This proceeding will *partially* establish the terms, conditions and prices that local entrants must pay the incumbent to obtain various inputs that they need to offer competitive services. While the price of some components has been established in prior dockets, other charges will not be set until later stages of this proceeding are concluded.

The purpose of my testimony is essentially threefold. First, my testimony will quantitatively describe the status of local competition in Washington, specifically forms of local competition that depend upon access to the incumbent network using unbundled network elements. This analysis demonstrates that local competition in Washington is developing – if "developing" is even the appropriate term – *very* slowly.

Second, my testimony explains that the level of local competition in Washington will not materially improve until the Commission addresses the issues in Part B of this proceeding. This observation is not intended as a criticism of the Commission's procedural sequence. I understand that this approach was adopted in the hope that it would facilitate the *fastest* resolution of *all* issues, especially given the Commission's

resources. Nevertheless, much like a mosaic is not complete until its final piece is in place, widespread local competition will not develop until each of its predicates – most importantly, access to network element platforms – are implemented.

Finally, my testimony concludes by explaining the particular importance of establishing nondiscriminatory UNE-P line-sharing arrangements. It is critically important that widespread voice competition develop alongside advanced services competition so that the entry in both markets – voice and data – reinforces the other's development. Delays in introducing UNE-P based voice competition – or conditions which limit the UNE-P providers' ability to offer line-sharing arrangements comparable to those of the incumbent – would retard advanced services competition, as well as further protect the incumbent's voice dominance.

Overall, my testimony is intended to provide background for the Commission's evaluation of the various costing/pricing proposals that it will consider. Although my testimony does not sponsor a specific cost study,[1] its discussion should provide the Commission a useful context to evaluate the alternatives before it. I offer this perspective not as justification for *deviations* from cost-based pricing, however, but as emphasis on the importance of estimating efficient costs as *accurately* as possible.

[1] The Commission's earlier Orders have clearly revealed a general preference to estimate costs through the review of -- and, where appropriate, adjustment to -- ILEC models. As a result, I expect that most competitive analysis in this proceeding will occur during rebuttal rounds of testimony.

II. THE STATUS OF LOCAL COMPETITION IN THE STATE OF WASHINGTON

Q. PLEASE SUMMARIZE THE STATUS OF LOCAL COMPETITION IN WASHINGTON.

A. It is clear that establishing a competitive local exchange market is one of the most difficult policy objectives of modern times. It has been four years since the Telecommunications Act of 1996 ("the Act"), with its sweeping reforms designed to foster local competition, was enacted and yet little competition has emerged.

Although obtaining reliable data on the extent of local competition is difficult, the incumbent LECs are required to file periodic reports with the FCC quantifying the level of competitive activity dependent upon the entry tools (i.e., service-resale and UNEs) made possible by the Act. These reports provide a useful yardstick to measure the implementation of the Act's core provisions, particularly those requiring incumbents to provide entrants nondiscriminatory access to network elements, alone and in combination.

Q. WHAT DO THESE REPORTS DOCUMENT WITH RESPECT TO THE LEVEL OF LOCAL COMPETITION IN WASHINGTON?

A. Table 1 (below) summarizes the key data for the State of Washington, separated between the residential and business markets.

Table 1: Status of Local Competition in Washington
(June 1999)[2]

II.Residential Market

Incumbent	Incumbent	CLEC Access Lines			CLEC
		UNE Loop	Resale	Total	
US WEST	1,758,285	UNE Loops	2,357		0.13%
GTE	625,864		5,122		0.81%
Sprint	59,433		0		0.00%
	2,443,582		7,479		0.31%

II.Business Market

Incumbent	Incumbent	CLEC Access Lines			CLEC
		UNE Loop	Resale	Total	
US WEST	745,619	2,072	47,086	49,158	6.2%
GTE	266,668	82	721	803	0.3%
Sprint	27,567	0	0	0	0.0%
	1,039,854	2,154	47,807	49,961	4.6%

Combined Residential and Business Market

Total State	3,483,436	2,154	55,286	57,440	1.6%

A number of insights can be drawn from Table 1. The first is that nearly all of the local competition in Washington today consists of the resale of U S WEST services to business customers. In fact, more than 80% of all competitive lines are served by this strategy, with roughly two-thirds of this amount associated with the resale of U S WEST's Centrex services. As the Commission is aware, Centrex resale is a strategy that predates the Act, while the strategies made possible by the Act have achieved market penetrations of less than 1%.

Particularly discouraging is the status of UNE-based competition. The hallmark reform of the Act was that it offered entrants nondiscriminatory

[2] June 1999 is the most recent period for which the U S WEST's responses to the FCC's Local Competition Reports are publicly available.

access to the existing network on the same basis as the incumbent. Unlike resale, UNE-based competition establishes the entrant as a *full-fledged* local exchange provider – i.e., positioned to innovate, compete in related markets (including exchange access), and replace facilities where appropriate. Yet, as of June 1999, there were only 2,154 unbundled loops in the entire state of Washington.

Q. HOW DO THESE RESULTS COMPARE WITH LOCAL COMPETITION IN OTHER STATES?

A. There is no question that local competition is a difficult objective and that it is developing very slowly, even in other regions. Nevertheless, it is also true that local competition is growing *most* slowly in the U S WEST region, which trails the entire nation in UNE-based forms of competition. Table 2 (below) compares the UNE-loop sales of each of the RBOCs, as well as GTE and Sprint, to U S WEST.

II.Table 2: Status of UNE-based Local Competition
(Thousands of Lines, June 1999)[3]

Incumbent	Switched	UNE	UNE Loops
II. *Regional Bell Operating Companies*			
SBC[4]	58,125	293	5.0
Bell Atlantic	41,840	211	5.0
BellSouth	24,824	86	3.5
U S WEST	17,008	18	1.1
II. *Other ILECs*			

[3] Source: Table 9.4, Trends in Telephone Service, Industry Analysis Division, Federal Communications Commission, April 10, 2000.

[4] Includes Ameritech.

1	Sprint	7,752	43	5.5
2	GTE	17,628	35	2.0
3				
4				

As Table 2 shows, U S WEST has provisioned fewer loops than any other major ILEC, including GTE and Sprint. Although Sprint is less than half the size of U S WEST, and serves almost no large metropolitan markets, Sprint has nevertheless provisioned more than twice as many UNE loops as U S WEST. Even GTE – yes, even GTE (but not in Washington) – leads U S WEST in this category. Consequently, while UNE-based competition is developing *slowly* in other areas, it is still developing at rates *three to five times faster* in the territories of other RBOCs than in U S WEST's region.[5]

III. ESTABLISHING THE CONDITIONS FOR MORE RAPID LOCAL COMPETITION

Q. WILL THE RESOLUTION OF PART A ISSUES PROMOTE UNE-BASED COMPETITION?

A. Yes, but only marginally. The four issues sequenced for resolution in Part A are: (1) OSS cost recovery, (2) Collocation, (3) Nonrecurring Charges, and (4) line-sharing. Although each of these issues are important, none really addresses the fundamental barriers that today prevent UNE-based forms of local competition from offering mass-market alternatives to U S WEST and the other ILECs.

Q. WHAT ARE THE FUNDAMENTAL BARRIERS THAT PREVENT MASS-MARKET UNE-BASED LOCAL COMPETITION FROM DEVELOPING?

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[5] It is useful to note that even in the "fast" growing SBC and Bell Atlantic areas, UNE-loop penetration is approximately only 0.5% of the switched line market.

A. The fundamental barriers to mass-market, UNE-based local competition are the

substantial costs that entrants must incur before they are even in a position to use UNEs to serve customers. These costs can be separated into two basic categories. The first cost category can be viewed as "footprint costs" – i.e., the costs that the entrant incurs to position itself to serve a particular market. These costs would include the entrant's investment in its OSS, back-office systems, sales, marketing, as well as its investment in whatever network technology it has adopted.[6]

The second cost category consists of the "transactional costs" associated with providing service to any individual customer. For instance, even an entrant that has installed a basic footprint of switching and local network still has costs to connect to each customer. If the entrant relies upon UNE-loops purchased from the ILEC, then it would incur additional costs to backhaul the customer's service to its switch. In addition to these costs, however, the entrant would also incur reconfiguration costs to disconnect each individual customer from the ILEC switch and to reconnect that loop to its own network.

Each of these cost categories has implications for local competition. While "footprint costs" determine whether competition comes to a market at all, "transactional costs" will decide whether the form of competition will be focused on particular customers or be structured to serve the mass-market.

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[6] Although it is common to characterize a competitor by the type of "network investment" it has made, there is far more to local competition than the mere facilities involved. Indeed, given the prevalence of vendor financing, it is likely that many entrants have more investment directly "at risk" in the form of non-network expenditures – i.e., the costs to establish billing systems, OSS, and other start-up costs -- than in their telecommunication facilities.

Q. HOW DO "TRANSACTIONAL COSTS" DETERMINE WHETHER COMPETITION WILL BE FOCUSED ON SPECIFIC CUSTOMERS OR MASS MARKET?

A. When the cost to acquire and serve an individual customer is high, then competition must focus on only those customers where revenue potential is also high. Because the costs (and processes) to serve local customers using unbundled loops are complex and expensive, the value of this strategy is limited to those markets/customers whose services are *also* complex and expensive. As a practical matter, this means that UNE-loops (obtained individually) are most compatible with providing "design services" – i.e., those services that are sufficiently customer-specific to require special handling, even when the ILEC provides them.

In contrast, mass-market services require automated provisioning systems that can minimize – indeed, in an electronic environment, trivialize – the cost to initiate service to individual customers. A relevant example is the long distance market. One reason that long distance competition has been so successful is that customers can move easily, conveniently and inexpensively between different providers. The seamless manner in which consumers change long distance carriers – i.e., the PIC-change process – is particularly important because it is this process that incumbent local exchange carriers will use to provision their full-service packages that combine local and long distance service together.

This final point – i.e., that incumbent local exchange carriers will use the automated PIC-change process to provision *full-service* packages – is so important

that it bears repeating. There is no debate (and supporting evidence confirms) that the future will be dominated by "all distance" services that erase conventional boundaries between local and long distance service. Creating the conditions for mass-market "local" competition should really be viewed as creating the conditions for "full-service" competition, for it will be full-service competition that defines markets in the future.

The point here is that the full-service provisioning systems that will be used by the dominant provider – the incumbent local exchange carrier – have *already* been established and automated. The incumbent local carrier (by definition) already provides the local component and its full-service offering requires only that it add long distance. For a fair full-service environment to exist, therefore, it is critical that comparably automated systems be established that can support other local (and thus, full-service) providers.

Q. WILL RESOLUTION OF THE PART A ISSUES ESTABLISH THE SYSTEMS NEEDED TO REDUCE BOTH FOOTPRINT AND TRANSACTIONAL COSTS?

A. No, not really. As noted earlier, the Part A cost studies will consider (1) OSS cost recovery, (2) collocation, (3) nonrecurring charges, and (4) line sharing. Of course, the first of these issues (OSS cost recovery) is more likely to create a barrier than reduce one.[7] Further, line sharing will have an important effect on the

[7] This is not to say that a properly functioning OSS will create a barrier. Indeed, OSS is one of the most fundamental prerequisites to a competitive local market. I understand the purpose of this proceeding, however, is not to establish an efficient OSS as much as it is to estimate the cost

deployment of advanced data services, but as I explain in more detail in the following section of my testimony, line sharing may inadvertently reinforce the incumbent's dominance in traditional voice markets unless accompanied by conditions which support mass-market competition.[8]

Collocation does have the potential to reduce an entrant's footprint cost, but only for those entry strategies that require collocation. Because collocation is typically associated with service configurations that are manually established, however, improvements in this area are more likely to improve competition in the design services market than competition for average consumers. Similarly, while nonrecurring charges are a critical part of an entrant's transactional cost structure, the nonrecurring charges applicable to the primary mass-market strategy (UNE-Platform) will be determined in Part B.

Q. WHY ARE THE NONRECURRING CHARGES ASSOCIATED WITH UNE-P SO IMPORTANT TO MASS-MARKET COMPETITION?

A. As noted above, one of the most important costs to mass-market competition are the transactional costs associated with customer migration. Because the UNE-Platform (UNE-P) can be provisioned electronically, it

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that will be imposed on entrants. While the former may foster local competition, the latter will not. Further, I understand that the Commission has determined that the costs of OSS will be born by competitors and my purpose here is not to seek reconsideration of that decision. My point is simply that even if the OSS is efficient, and the costs correctly estimated, imposing these costs on competitors will have some adverse effect on competitive entry.

[8] This comment should not be interpreted as criticism of line sharing in any way. The problem is not with line sharing (which the Commission should quickly implement), but with delay in establishing conditions for voice competition as well.

minimizes the transactional costs that prevent mass-market competition from developing, as well as providing entrants the necessary geographic footprint to offer service broadly to a market.

Q. DO YOU HAVE ANY DATA ON THE EXTENT TO WHICH UNE-P MINIMIZES TRANSACTIONAL COST?

A. Yes. Table 3 (below) compares the nonrecurring costs of UNE-P's electronic migration

to the comparable costs associated with a manually accomplished loop/port connection. As Table 3 so clearly shows, electronic provisioning systems not only make mass-market volumes *possible*, but they also reduce transactional costs to levels where mass-market competition is *viable*.

Table 3: Nonrecurring Costs of Customer Migration

State[9]	UNE-P Migration Cost	Unbundled Loop/Port Migration Cost
Georgia[10]	$2.01	$113.07[11]
Florida[12]	$1.46	$178.00
New York[13]	$3.82	$67.18
Washington	Not Available	$70.57[14]

Q. IS THERE ACTUAL MARKET EVIDENCE THAT UNE-P WILL SUPPORT MASS-MARKET COMPETITION?

A. Yes. Although delayed by litigation, UNE-P is now finally becoming available in a few markets, most notably New York. Results from New York, however, do confirm that UNE-P has the potential to support mass-market

[9] Georgia, Florida and New York are the only states that I am aware of that have investigated cost-based migration NRCs for UNE-P.

[10] Order, Docket 10692-U, Georgia Public Service Commission, February 1, 2000.

[11] Includes charge for coordinated cutover.

[12] Order No. PSC-98-0810-FOF-TP, Docket No. 97-1140-TP, Florida Public Service Commission, June 12, 1998.

[13] Provided by Bell Atlantic-New York during the New York Commission's review of its Section 271 application.

[14] It is unclear exactly what NRCs are currently in effect for U S WEST or GTE in Washington. On November 15, 1999 U S WEST and GTE made filings intended to comply with the Commission's Seventeenth, Eighteenth and Nineteenth Supplemental Orders. Parties filed comments on the U S WEST and GTE compliance filings. The Commission has not issued an order on the compliance flings and the rates are not in effect. In addition, NRCs are being reviewed under Part A of this docket.

competition. Table 4 (below) contrasts the penetration rates achieved by UNE-P to the very limited competitive inroads achieved by loops obtained individually.

III.Table 4: The Status of UNE-Based Competition in New York

Entry Strategy	January 1,	June 30,	December 31,
Individual UNE-Loops[15]	49,442	62,817	80,000[16]
UNE-Platform[17]	0	75,000	400,000

The comparably rapid expansion of competitive activity made possible by UNE-P is all the more remarkable when one considers that individual loops have been available in New York since before the Act was enacted. As a result, Table 4 does more than compare the relative performance of these strategies in 1999 – the table actually compares the growth of UNE-loops in their *fifth* year to the growth of UNE-P at *introduction*.

It is also useful to note that the competitive gains made possible by UNE-P was not only beneficial to consumers generally, it was also necessary for competition to occur in the full-service market. Although competitors were *collectively* able to attract approximately 400,000 full-service lines throughout the *year* in 1999, Bell Atlantic captured nearly 430,000 full-service customers in the first *quarter* of 2000 by *itself*.[18] Had Bell Atlantic

[15] Source: Bell Atlantic's responses to the FCC's Local Competition Reports.

[16] Source: Estimated by trending reported growth from 4Q98 to 2Q99.

[17] Source: Calculated from publicly announced sales from AT&T, MCI and Z-Tel and includes a conservative estimate for remaining carriers.

[18] It is assumed that all UNE-P lines are full-service lines because each of the UNE-P vendors uses the strategy to offer a full-service package of local and long distance service. Similarly, it is assumed that Bell Atlantic continues to provide local service to each of the 430,000 long distance

been authorized to provide long distance services, while its competitors were limited to individual UNE-loops, Bell Atlantic would be dominating the full-service market of the future in the same way that it dominates the local market today.

IV. ESTABLISHING THE CONDITIONS FOR ADVANCED SERVICES COMPETITION

Q. ARE THERE ANY ENTRY STRATEGIES THAT WILL BE PARTICULARLY AFFECTED BY THE ISSUES IDENTIFIED IN PART A?

A. Yes. There is one business strategy that is particularly affected by the issues sequenced for resolution in Part A: the offering of advanced data services using xDSL technologies. These technologies take advantage of previously unused spectrum on the local loop to provide higher speed data services. Entrants that offer services using these technologies must install their equipment in the central office – or, more accurately, wherever the copper portion of the loop terminates – to access the high frequency (HF) spectrum of the loop. One feature of the technology is that it uses the HF spectrum to provide data services, while the underlying "voice spectrum" can continue to support the customer's conventional service.

Q. WHICH PART A ISSUES AFFECT THIS BUSINESS STRATEGY?

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1 lines that it serves; therefore, its "long distance," and "full service" market statistics are the same.

A. Because xDSL technologies attach to the copper loop, xDSL-based entrants are particularly sensitive to the costs associated with installing equipment in the central office and leasing the HF spectrum. Part A issues that will affect xDSL competition, therefore, are collocation (i.e., the cost to lease central office space to install equipment), line sharing (i.e., the charge for access to the loop's high frequency spectrum), and the nonrecurring costs to access individual loops.[19]

There is, however, a critical nexus between these Part A *data* issues, and the deferral, until Part B, of those issues necessary for widespread *voice* competition. The principal benefit of line sharing is that it enables a customer to obtain data services over the same physical loop as it obtains conventional voice services. This physical overlay, combined with the market's expected preference for packaged services, provides an important bridge between these related markets. Specifically, any limitation on competitive conditions in one market will have the ability to hinder competition in the other.

Q. PLEASE EXPLAIN HOW COMPETITIVE CONDITIONS IN THE DATA MARKET CAN AFFECT COMPETITION IN THE VOICE MARKET, AND VICE VERSA.

A. As noted earlier, telecommunications markets are evolving to an environment of packaging – i.e., service arrangements that combine various

[19] Although xDSL technologies can share a loop with a customer's voice spectrum, this will not *always* be the case. There will be times that an xDSL provider purchases an individual loop and, in these instances, loop nonrecurring charges would be important.

components (such as, in the example cited earlier, local and long distance) into a single product. This same trend can also be expected to result in the integrated offering of service packages that combine voice and data services. This is particularly true in a line-sharing environment where the data and voice service share the same physical facility.

The problem is that there is only *one* voice provider – the incumbent local exchange carrier – in a position to take advantage of a line-sharing environment and provide the voice component to the retail package. While an incumbent LEC would obviously prefer to have *exclusive* rights to the high-frequency spectrum to promote its *own* data services, the next best outcome is to at least have half this advantage. That is, if the ILEC *must* share its loops with other providers, it at least enjoys the "consolation monopoly" of having the only mass-market voice product that the data providers can "line-share with." Said differently, the ILEC's "voice monopoly" will provide them with an effective "line-share monopoly" as the only voice provider with whom advanced data providers can partner with to provide service packages. This circumstance will continue until the mass-market reforms of Part B (i.e., UNE-P) are implemented in a manner that enables other voice providers the same opportunity to effect line-sharing arrangements with data providers as the incumbent.

Q. WHAT WILL BE THE LIKELY EFFECT OF THE INCUMBENT ENJOYING A "LINE-SHARING MONOPOLY"?

A. There will be two major effects, each adverse to the development of

competition. First, the effect in the advanced services data market. With only a single voice provider in the market, data providers will have little negotiating leverage to form service packages. This is particularly true in that incumbents will have their own data services that they will want to favor and promote. The result will be *less* advanced-services competition than would result if a number of voice providers, each anxious to establish strategic relationships and joint marketing arrangements, existed.

The second effect will be felt in the voice market. Even though the incumbent may be an *unwilling* partner to the data providers (preferring, as I explained, its *own* data services), the incumbent will nevertheless have a head-start on all other voice providers that do not yet have the capability to provide mass-market services with comparable line-sharing capability. This head start further reinforces the incumbent's market advantage.

Q. WILL THE INCUMBENT ENJOY A TEMPORARY "HEAD START" OR A PERMANENT ADVANTAGE?

A. The answer to this question depends entirely on how the Commission implements UNE-P in Part B of this proceeding. The time lag between the incumbent offering line-sharing and the introduction of UNE-P provides the incumbent its head-start; to avoid a permanent advantage, however, it is critical that UNE-P be implemented in a manner that enables UNE-P voice providers to offer line-sharing on equivalent terms to the incumbent. The Commission should make clear in this proceeding that the incumbent LECs are required to implement

line-sharing systems that treat UNE-P voice lines and ILEC voice lines in an equivalent manner or competition in both the voice and advanced services markets will be permanently harmed.

Q. WHAT IS YOUR RECOMMENDATION?

A. My recommendation is twofold. First, the Commission must move as rapidly as possible to make mass-market voice services possible. I realize that the Commission is aware of the importance of Part B to local competition and is establishing its procedural schedules accordingly. The nexus between Part B's effect on voice competition, and Part A's influence on data competition, however, means that accelerated action is more important than ever. Second, the Commission must assure, through the combined efforts of Part A and Part B, that UNE-P lines have the same opportunity to line share with data providers as lines where the ILEC is the voice provider. Such equivalency is critical for the full potential of competition in both markets is to be realized.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The principal purpose of this proceeding is to continue the Commission's efforts to established cost-based prices for the critical inputs that entrants need to purchase from incumbent LECs to provide their competitive services. An important factor in this determination is understanding how these issues will impact the services, choices and prices paid by Washington consumers.

The purpose of my testimony has been to provide the Commission an understanding of the relationship between these issues and competitive markets. As shown above, local competition in Washington – in particular, mass-market local competition -- is simply not emerging in any significant way. The primary reason is that the "mosaic" of tools needed to support broadscale entry is not yet complete. While the issues identified for resolution in Part A of this proceeding will affect some markets (principally, the advanced services market), the tools needed for widespread voice competition will not be addressed until Part B is concluded. Consequently, competitive conditions in this state should not be expected to change materially for some time.

Obviously, the Commission's schedule cannot be accelerated. Further, the industry itself confronts its own resource limitations. At this point, therefore, the important message is that the Commission must make sure that it uses these hearings to establish fair prices, as well as make sure that at the conclusion of Parts A and B, the tools actually needed to offer voice and data services – and, importantly, voice *with* data services -- are implemented in both practice and theory. In particular, the Commission must make sure that the incumbents establish UNE-P arrangements that support both voice and, through line sharing, data services on a par with those of the ILEC.

A. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.