

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to consider Ameritech Michigan's compliance)
with the competitive checklist in Section 271 of)
the Federal Telecommunications Act of 1996)
_____)

Case No.U-12320

REPLY AFFIDAVIT OF
DEBORAH O. HERITAGE
ON BEHALF OF
AMERITECH MICHIGAN

DATED: JULY 30, 2001

**REPLY AFFIDAVIT
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I, Deborah O. Heritage, being of lawful age and duly sworn upon my oath, do hereby depose and state as follows:

INTRODUCTION

1. My name is Deborah O. Heritage. My business address is 2000 W. Ameritech Center Drive, Room 4G44, Hoffman Estates, IL 60196. I am Director – LD Compliance for Ameritech. I am the same Deborah O. Heritage who sponsored an Affidavit filed with Ameritech Michigan’s Brief and Section 271 Checklist Informational Filing in this proceeding on May 15, 2001. I hereby verify, based upon my personal knowledge, the accuracy of the facts contained in the affidavit I am filing today, July 30, 2001, in Michigan Public Service Commission (“MPSC”) Case No. U-12320. I further verify, based upon my personal knowledge, the accuracy of the facts contained in the affidavit I filed on May 15, 2001 in Case No. U-12320 with the E911 adjustments discussed in paragraph 36 of this affidavit and the following additional clarifications. The ‘note’ associated with the minutes of use (MOUs) in the individual company profiles in Attachment C should be ignored. The MOUs reflected in the individual company profiles mistakenly included ISP minutes. Also, the collocation data in my May 15 affidavit was understated. Recent data reconciliation efforts of Ameritech collocation records identified status indicators that had not been updated to reflect the current status prior to the data pull for March. These updates resulted in the following revised numbers, 832 physical and 153 virtual, an increase of 66 total collocations for March.

PURPOSE AND EXECUTIVE SUMMARY

2. The purpose of this Reply Affidavit, is to respond to certain inaccuracies and claims made by other parties in their affidavits, testimony or comments submitted in response to Ameritech's May 15, 2001 §271 Checklist Informational Filing with the MPSC in this proceeding. More specifically, I respond to the comments of AT&T, the CLEC Association, McLeodUSA, the Michigan Consumer Federation, the Michigan Pay Telephone Association, Sprint and WorldCom regarding the existence of facilities-based competition in Michigan. The comments made by these parties do nothing to change or alter the conclusions contained in my May 15 affidavit. Those findings confirm that:

- The local market in Michigan is open to competition;
- CLECs that satisfy Track A criteria are serving business and residential subscribers entirely over their own facilities, or over stand-alone UNEs and UNE-P facilities leased from Ameritech;
- Competition is growing in all segments of the local market; and
- Competition will greatly accelerate in all segments of the telecommunications market, both local and long distance, once Ameritech Michigan receives Section 271 approval.

SECTION 271(c)(1)(A) REQUIREMENTS

3. There is no serious claim that the criteria to satisfy Track A have not been met in Michigan. They clearly have been. Contrary to McLeodUSA's incorrect assessment, Ameritech has demonstrated that it meets the requirements of Section 271(c)(1)(A) of the Telecommunications Act of 1996 ("Act") that facilities-based competition exists in Michigan. McLeodUSA presents no evidence or justification for its claim. Simply ignoring reality, as McLeodUSA does, is the "fantasyland" to which they refer. In addition, Ameritech disagrees with the CLEC Association's assertion, on page 12, that "the lack of significant competition means that Ameritech has failed to establish compliance with the Section 271(c)(1)(A) requirement..." Section 271(c)(1)(A) does not require a specific market share to be lost before this provision of the Act is met. In fact, there is no mention of the quantity of lines that must be served by competitors to meet the requirements of this section. The FCC has long held that there is no market share test under Track A. Rather, Ameritech meets the requirements of the Act since it has entered into one or more binding agreements that have been approved under Section 252 that specify the terms and conditions under which Ameritech provides access and interconnection to its network facilities for the network facilities of one or more unaffiliated competing providers of telephone exchange service to residential and business customers. The evidence that Ameritech is in compliance with this provision by providing legally binding agreements and providing access and interconnection to its network was discussed in the affidavits of Mr. Scott Alexander and Mr. Bill Deere filed in this docket on May 15, 2001. Furthermore, as I explained in my May 15 affidavit, there are at least nine CLECs that are

providing local telephone exchange service either exclusively over their own facilities or predominately over their own facilities in combination with resale of another carrier's telecommunications services to residential and business customers.¹

4. Furthermore, Sprint's assertions that "the focus of this Commission should be on ascertaining that *vigorous* competition in the local market is a certainty," are not supported by a plain reading of the Act. Neither are the comments of the MPTA at page 4:

"The Commission should not grant Ameritech entry into the long distance market until competition in the local services market is thriving in fact and demonstrated by real options and truly competitive prices, not when the fledging competitors are languishing at 4%-5% of the market."

As discussed above, the statutory requirement for complying with the Track A provisions of Section 271(c)(1)(A) is whether one or more carriers, with approved interconnection agreements, are providing local service using their own facilities to residential and business customers in Ameritech Michigan's serving area. There is no requirement to meet a certain standard, such as market coverage or market share or whether the competition is vigorous. Rather a carrier qualifies as a "Track A" carrier if it presents an actual commercial alternative to Ameritech Michigan.

5. As I have demonstrated in my May 15 affidavit, numerous competitive alternatives exist in Michigan, and those competitive alternatives have shown significant year-over-year growth and continue to grow stronger each month, as indicated by the most recent statistics. The

¹ In the Kansas-Oklahoma Order approving these states 271 applications, paragraph 43, fn. 101, the FCC specifically noted that compliance with "Track A" requirements may be demonstrated through the existence of resold residential service.

balance of my Reply will respond to various allegations that competition in Michigan is feeble at best, and is likely to die any day. I show that the facts paint a different picture.

CURRENT COMPETITIVE DATA

6. My May 15 affidavit in this proceeding provided CLEC competitive activity as of March 31, 2001 and was based on Ameritech data as well as publicly available data from a variety of sources. While the March data clearly indicates facilities-based competition exists in Michigan, updating that data through the end of June 2001 shows that growth continues in facilities-based competition in Michigan. As discussed in more detail below, since March 2001, reflecting only three more months of data, the CLEC operational interconnection trunks are up 3%, the number of stand-alone UNE loops provisioned increased 10%, and the number of combinations of unbundled loops and unbundled local switching with shared transport (i.e., UNE Platform or “UNE-P”) grew at a dramatic rate of 155%. This growth and the detail provided below further demonstrate that competition in the local telecommunications market is firmly established in Michigan, that the competition is targeted at a broad range of customers—business, residential and data—and that CLECs find Michigan an attractive market for expanding their service offerings.
7. As the following chart indicates, there have been significant increases since March 2001 in many of the competitive indicators in Michigan.

SELECTED COMPETITIVE INDICATOR GROWTH					
Michigan – March 2001 to June 2001 Growth					
ITEM	PRODUCTS PROVIDED	Mar-01	Jun-01	Mar-01 to Jun-01 Growth	Mar-01 to Jun-01 %Growth
Facilities-Based Access Lines	E911 Listings *	333,730	361,327	27,597	8%
	Unbundled Combos (Loop/Port Combos)	68,079	173,491	105,412	155%
	E911 + Unbundled Combos *	401,809	534,818	133,009	33%
Interconnection Trunks	Total Interconnection Trunks Provided to CLECs	249,798	258,092	8,294	3%
UNE Local Loop & Ports	Unbundled Stand Alone Loops	131,087	144,782	13,695	10%

* See Paragraph 36

MARKET CONDITIONS SURVEY RESULTS

8. The Competitive Local Exchange Carriers Association (CLECA) of Michigan (at page 11), McLeodUSA (at page 2) and the Michigan Pay Telephone Association (MPTA) (at page 3) quote the Michigan *Commission's Annual Report of the Status of Competition in Telecommunication Services in Michigan* as support for their assertions that there is a lack of true competition in Michigan. It is important to point out that this report was based on the Market Conditions Survey for 2000 that included end-of-year 1999 data, not for the year 2000. There is clearly more current data to review and analyze. In fact, the following comparison of the data provided voluntarily by carriers to the Michigan Market Conditions Survey for 2000 and 2001 further supports the statements in my affidavit that local competition exists in Michigan and continues to grow.

Michigan Market Conditions Survey Results Comparison

Category	2000	2001	Difference	%Change
Number of CLECs	120	167	+47	39%
Number of Responses	59	69	+10	17%
CLECs Providing Service	25	37	+12	48%
CLECs Offering Bus/Res.	NA	10	+10	100%
CLEC Lines Reported	268,385	446,164	+177,779	66.3%
Ameritech Lines	5,433,390	5,397,505	-35,886	-0.7%
GTE	786,541	807,495	+20,954	2.7%
Small ILECs	238,655	250,649	+11,994	5.0%
<i>Total Lines</i>	<i>6,726,971</i>	<i>6,901,813</i>	<i>+174,842</i>	<i>2.6%</i>
CLEC Lines % of Total	3.9%	6.4%	NA	NA
Ameritech Lines % of Total	80.7%	78.2%	NA	NA
CLEC Lines % - Ameritech Area	4.7%	7.6%	NA	NA

Note: Information taken from the MPSC Staff Reports of Competitive Market Conditions, Attachment A, for 2000 and 2001 filed in Case No. U-12320.

9. It is significant to note the increase of 177,779 CLEC served lines, a 66% increase, and the decrease in Ameritech lines from the comparison above. The shift of lines from Ameritech to CLECs during the year 2000 as well as the increase in the number of CLECs providing service clearly indicates the existence of competition in Ameritech Michigan's serving area.

10. Furthermore, McLeodUSA's assessment of local competition at page 2 in its comments is flawed. It misquoted the MPSC Annual Report as being results for 2000 and then mistakenly related the percentage of CLEC access lines from the MPSC Annual Report which was based on 1999 data to the service problems Ameritech experienced in 2000 and opined:

“In the year 2000, Ameritech lost no appreciable market share to CLECs. Indeed, as this Commission has reported, by the end of 2000 CLECs

operating in Michigan in total had less than 4% of the total number of access lines.” (footnote omitted that referenced MPSC 2000 Annual Report)

However, as the above survey comparison indicates there was a significant increase in CLEC served lines in 2000. More importantly, the overall percentage of CLEC served lines in Ameritech’s serving area increased to 7.6% of the total lines based on their data. McLeodUSA’s comments are clearly misleading and incorrect and should be dismissed as such.

11. Further, although the Market Conditions Survey Results show substantial increases year-over-year, Ameritech believes that the survey information is understated. For example, Ameritech Michigan’s records show about twice as many resold lines as of December 2000 as compared to the resold lines reported by the CLECs for the same period of time. Also, the CLECs reported more telephone numbers in the E911 database than they reported as lines served via CLEC owned facilities. Furthermore, CLECs may be counting their digital lines, DS1s or DS3s to facilities-based customers as one “line served” where in truth that one digital line may carry as many as 672 telephone conversations. For example one digital DS1 “line” to a customer’s PBX can carry 24 voice lines, whereas one DS3 can carry 672 voice lines, which could equate to 672 listings in the E911 database. It appears that the CLECs may have reported “lines served” differently than identified in my affidavit. Since the survey information is voluntarily reported by the carriers in Michigan, not all CLECs may have reported or reported the data consistently. Nevertheless, the Market Conditions Survey is one source of data for the Commission to use in assessing the level of local competition and one that indicates increased competition in Michigan.

12. The increase in competition is even more apparent when reviewing March 2001 data to that reported for the end of 2000, contrary to WorldCom's comments, at page 5. A comparison of the December 2000 Market Conditions Survey results for the total 'CLEC served lines via ILEC facilities'² with the March data in my affidavit shows an increase of over 30% in the lines served by local competitors. As this comparison indicates, there is a material difference between the end of year 2000 data summarized in the Market Conditions Survey and the March 2001 data that I filed in my May 15 affidavit. This also further supports the fact that competition in Michigan continues to grow each month.
13. In addition, the FCC report referenced in the MPTA and CLECA³ comments is outdated and has been replaced with more current results that reflect data as of December 31, 2000. This FCC report provides statistics at the state level, including lines and market areas served by GTE/Verizon and smaller independent local exchange carriers (ILECs) in Michigan where competition is most likely less active. Using statewide data most certainly dilutes the picture of competition. Nonetheless, the updated FCC Report shows an increase in the percentage of lines served by CLECs, stating that new competitors controlled 8.5 percent of the local telephone lines in the United States at the end of last year, double the total that they had in December 1999. Furthermore, the report shows an increase in the percentage of zip codes that include one or more CLECs as well as an increase in the percentage of lines served by CLECs in Michigan. Contrary to the MPTA and CLECA data, at the end of 2000, 77% of the zip codes in Michigan included at least one local

² Attachment A, line 5, of the Competitive Market Survey for 2000.

³ MPTA Comments at page 3 and CLECA Comments at page 11.

competitor and 6% of the lines in the entire state were served by CLECs.⁴ The FCC's own News Release announcing the May 2001 report, *Local Telephone Competition Status as of December 31, 2000*, further supported the growth in competition in stating, "New Entrant Phone Lines Continue Robust Increases." While the FCC report is not specific to the Ameritech Michigan serving area, it nevertheless clearly indicates increased competition in Michigan, in that the percent of lines served by CLECs doubled since the end of 1999.

14. Sprint opines that Ameritech has used the wrong indicators to assess competition, e.g. access lines and certificated CLECs in Michigan, and therefore its claims of an open local market are meaningless. (Sprint's Comments, page 12.) However, Sprint obviously misses the point that the FCC uses these competitive indicators in its Local Competition Report to assess the status of competition in the local market and that the Competitive Market Survey used by this Commission uses these same statistics. In addition, other professional economists and research groups that have routinely evaluated the status of the competitive telecommunications marketplace have also used similar data. Examples of these analyses include, The Eastern Management Group in its June 18, 2001 publication *The Telecommunications Act of 1996: A Perspective on its Success*, the Criterion Economics, L.L.C. June 2001 publication of *An Assessment of the Competitive Local Exchange Carriers Five Years After the Passage of the Telecommunications Act* and Wall Street financial analysts reviews and reports. Thus, contrary to Sprint's unsupported assertions, the number of certificated CLECs and the access lines that they serve are accepted

⁴ FCC's May 2001 report entitled *Local Telephone Competition Status as of December 31, 2000*.

competitive indicators used to determine that local markets are open and that competition exists.

15. The Michigan Consumer Federation at page 7 expressed concern that, “The recent and disturbing trend of dramatic decline in the number of local service providers does not bode well for the attainment of a competitive local market.” Although there have been CLECs that have merged or been bought by other companies, there are still numerous competitors that are providing local service in Michigan. As I stated in my May 15 affidavit, over 160 CLECs are licensed to provide local service in Michigan and there are approximately 70 with approved wireline interconnection agreements with Ameritech. In addition, there were 35 facilities-based carriers providing service and nine that provided both business and residential service, either exclusively or predominately, over their own facilities. According to a June 18, 2001 report⁵ published by The Eastern Management Group,

“The outlook for the future is bright for competition.” “CLECs are established and will continue to gain market share.” “The highly publicized failures of a few CLECs should not cause alarm. Consolidation is present in every industry where economies of scope and scale play a prominent role.” “It is expected that mergers and acquisitions will play a major role in the CLEC industry in the future.” “This flurry of activity will continue to move towards enhancing existing product portfolios or geographic territories in order to sustain a competitive advantage.”

The report also identified those CLECs that display the characteristics and abilities of a successful CLEC. For example, McLeodUSA, XO Communications and Time Warner Telecom were among those included. Two of the three outstanding examples documented in the report, McLeodUSA and XO Communications, are active competitors in Michigan.

⁵ *The Telecommunications Act of 1996: A Perspective on its Success.* <http://www.easternmanagement.com>

16. The future and survival of the CLEC industry was also analyzed by the Criterion Economics, L.L.C. in its report entitled, *An Assessment of the Competitive Local Exchange Carriers Five Years After the Passage of the Telecommunications Act*. In this report, Dr. Robert W. Crandall states, “Many of the new entrants failed, but a large number survived as vibrant new competitors in the local telecommunications business.” “Moreover, the more successful CLECs continue to have a substantial market value. Six of the largest of those companies had a market value per line that ranged from \$3,600 to \$12,700 on May of this year.” By contrast, SBC/Ameritech’s market value was estimated at \$3,100 per line by Dr. Crandall. This report also identified McLeodUSA, XO Communications and Time Warner as strong companies and proof that CLECs can thrive and contribute to a competitive telecommunications marketplace. Dr. Crandall’s report also contradicts the Michigan Consumer Federation’s assertion that it “would be folly to glibly rationalize this trend as nothing more than market variations of Darwinian survival-of-the-fittest principles.” The report states:

“The ensuing shakeout of entrants has been described as “only natural” by the chairman and CEO of Allegiance, who pointed out that the overheated capital markets of 1999 and early 2000 created an environment in which “no business plan [was] too weak or management team too inexperienced to get funded.” “Even industry veterans agree that the recent spate of CLEC failures is due to their own failings.” “Virtually every exercise in deregulation or market liberalization lead to a wave of entry followed by a wave of bankruptcies.” “Nevertheless, the good news is that some entrants are succeeding and growing and that local markets are steadily becoming more competitive.”

17. The Michigan Consumer Federation also questioned Ameritech’s credibility in assessing the *pace* of growth in stating at page 11, “It characterizes as ‘rapid’ a growth from less than 1% to 5% over a 5+ year period.” However, the comparison of data in my May 15

affidavit and the growth percentages on which I based the assessment of growth compare March 2001 results with February 2000. The resulting growth percentages are double-digit increases, as shown in Attachment D to my May 15 affidavit, and reflect significant growth for this period of time. The Michigan Consumer Federation's assessment of growth is unsubstantiated and its accusation that Ameritech's credibility should be questioned is totally unfounded. Ameritech's assessment of the growth in competition is based on numerous growth indicators that were quantified throughout my May 15 affidavit and summarized in Attachment D thereto.

MARKET SHARE vs. MARKET POTENTIAL OR ADDRESSABILITY

18. The Michigan Consumer Federation's comparison of the potential business and residential customers that CLECs can reach as a result of collocation to the MPSC Staff's calculation of the percentage of lines served by various carriers in Michigan is like comparing apples to oranges. (See MCF Comments at page 10.) First, when CLECs collocate in an Ameritech central office, that CLEC has access to every line in that office. Therefore, based on the number of offices that have at least one CLEC collocated and the number of business and residential lines associated with those offices, I calculated a percentage of lines that CLECs have access to in Ameritech's serving area. This simply represents the percentage of business and residential lines that CLECs have the potential of serving based on current incidences of collocation in Ameritech's switching centers. Second, collocation information or an estimate of potential market opportunity was not requested nor included as a part of the Market Conditions Survey. Rather, the survey focused on current lines

served as voluntarily reported by the CLECs and ILECs in Michigan. As the MPSC Staff noted, there was a difference in the lines reported by CLECs in response to the Market Conditions Survey and the data that Ameritech provided. As I explained in my May 15 affidavit, only the CLECs know exactly how many lines they are serving over their own facilities. However, since the CLECs are not required to provide this information, Ameritech uses available information to estimate the lines that the CLECs serve over their own facilities that by-pass the Ameritech network. It provides no meaningful result to compare percentages of in-service lines on a statewide basis to the market potential of CLECs in Ameritech's serving area from collocation incidences.

19. It is further inappropriate to conclude that since Ameritech's estimate of lines served over CLEC provided facilities does not match the voluntarily reported information to the Michigan survey, that this in any way tarnishes Ameritech's credibility. Ameritech has been very clear that it has "estimated" the total number of CLEC served lines. At the same time, Ameritech uses known data -- such as interconnection trunks, E911 database entries and UNE-Ps—on which to base its estimate. Also, as I have discussed in this affidavit, Ameritech feels strongly that much of the information reported in the Survey results are understated. For example, Ameritech knows that the resold lines reported in the Market Conditions Survey were dramatically understated by the CLEC respondents. Ameritech's information on resold lines are not estimates, but rather based on actual lines resold by Ameritech to the CLECs.

AMERITECH'S MARKET DATA AND ESTIMATES ARE REASONABLE

20. AT&T's Mr. Turner expressed concern over the limited data that was available to AT&T and other CLECs in preparing the analysis of competition in Michigan. However, Ameritech followed the procedures adopted by the MPSC Staff and agreed to by the parties to this docket regarding the distribution of confidential information contained in its affidavits. Specifically, CLEC specific data was provided only to the MPSC under confidential cover. These procedures are also consistent with the established practice used in this docket which began with the Market Conditions collaboratives in April 2000. Mr. Turner mistakenly asserts in paragraph 7 of his affidavit that, "Ms. Heritage did not make this information in her affidavit available to the parties, even in a restricted confidential manner, so as to substantiate the claims made in her affidavit regarding the level of competition." Rather, all information was provided in accordance with the procedures established in this docket. Any departure from the process followed in the other SBC states is a result of complying with Michigan specific procedures.
21. Contrary to WorldCom's assertions, at page 4 of its comments, that Ameritech has made up statistics in an attempt to quantify the extent of local competition, Ameritech's analysis is based on research and factual data that reflect CLEC activity.⁶ The only estimates used by Ameritech are in approximating the number of lines served over CLEC facilities, since Ameritech does not have an exact accounting of these lines, and in determining the

⁶ It is surprising that WorldCom is disputing the fact of local competition. It is actively selling its local and long distance service to Michigan consumers today. A recent ad in the July 26 Free Press states in part: "...MCI local service has arrived. Presenting not only a choice, but a better one. Unlimited local calls. 200 minutes of long distance per month. One low rate. One simple bill..." See Attachment A.

addressable market potential of CLECs based on collocation incidences. However, as I discussed in my initial affidavit, quantities from both the E911 database and interconnection trunks provide reasonable methods by which facilities-based competition can be estimated. Regardless of the method used to estimate the quantity of lines served exclusively over CLEC facilities, the fact that Michigan has seen a significant growth in CLEC served lines is still true. In addition, as I explained in my May 15 affidavit in this proceeding, the facts regarding the competitive indicators in Michigan establish that Ameritech's markets are open, that facilities-based competition exists for both residential and business customers, and that competition is increasing. Therefore, the MPSC must not ignore or dismiss the compelling facts that the local telecommunications market is open to competition and that competition is alive and well in Michigan.

22. Ameritech also disagrees with AT&T's Mr. Turner who states that "Ameritech consistently overstates the level of competition..."⁷ in Michigan and questions his confusing methods of estimating facilities-based lines and overall level of competition. Mr. Turner incorporates various methods using minutes of use, unbundled loops and the ratio of interconnection trunks in developing his findings. However, as I explain in the following paragraphs, his conclusions are incorrect and his accusations without merit. I also address Mr. Turner's comments regarding the use of E911 data and resale in assessing the level of local competition in Michigan.⁸

⁷ Turner Affidavit at paragraph 14.

⁸ Turner Affidavit-¶¶ 19, 26 and 27.

Minutes of Use (MOU)

23. AT&T's estimate of competition based on MOU is flawed in several respects. First, the question for purposes of compliance with Section 271(c)(1)(A) is whether the market is open such that competing carriers are providing facilities-based service to business and residential customers. That service is provided via lines. Those lines may carry varying minutes of use depending on a number of factors. However, if the line is installed, service is being provided regardless of the end-user's usage level. Access lines are the only valid means of determining whether CLECs are serving business and residential customers, predominately over their own facilities. Even looking beyond the Act's specific test, an exclusive focus on minutes of use would tend to give disproportionate weight to business service because business customers use more minutes.
24. Second, Mr. Turner averages data from the last several years to calculate his estimation of CLEC MOU market share.⁹ A multiyear average such as Mr. Turner's vastly understates the current market share of CLECs, and completely ignores the rate of growth of the market. Both current market share and rate of growth are far more pertinent indicators of the extent of local competition, than Mr. Turner's historical average.
25. Interestingly, even though Mr. Turner incorrectly uses MOU to attempt to develop a facilities-based local service market share in Michigan, his flawed analysis produces a market coverage of 12.6%¹⁰, a market share equal to the Interconnection Trunks 2.75:1 ratio identified in my May 15 affidavit (excluding resale), see Table 1 below. Using Mr.

⁹ Turner Affidavit- ¶12, footnote 6

¹⁰ Turner Affidavit – paragraph 12

Turner’s flawed 12.6% facilities-based market share analysis, plus resold lines, the estimated market coverage increases to 15%, the exact estimated market share coverage identified in my May 15 affidavit, see Table 2 below.

Table 1
Michigan CLEC Access Lines (excluding resale) – March 2001

Method Used	CLEC Lines	Estimated Market Coverage
Interconnection Trunks 2.75:1 Ratio + UNE-P	755,024	12.6%
E911 Lines + UNE-P	434,573	7.7%
Interconnection Trunks 1:1 Ratio + UNE-P ¹¹	317,877	5.7%
AT&T’s Mr. Turner MOU Analysis	NA	12.6%

Table 2
Michigan CLEC Access Lines (Incl. Resale) – March 2001

Method Used	CLEC Lines	Estimated Market Coverage
Interconnection Trunks 2.75:1 Ratio + UNE-P +Resale	920,870	15.0%
E911 Lines + UNE-P + Resale	600,419	10.3%
Interconnection Trunks 1:1 Ratio + UNE-P + Resale	483,723	8.5%

26. Further evidence of Mr. Turner’s flawed analysis continues, as he attempts to estimate with limited data, the amount of ISP traffic included in the MOU, used to further refine his misleading Michigan estimated market coverage. Mr. Turner incorrectly estimates that the ISP MOU is 87.6% of the total 317 Billion MOU¹² by assuming that all traffic terminated

¹¹ Ameritech believes the 1:1 line-to-trunk ratio is unrealistically conservative, especially given that the E911 database included in the above table (which is reported by the CLECs themselves) shows a larger market coverage than the 1:1 trunk ratio.

¹² Turner Affidavit – paragraph 12 , footnote 6

to CLECs from Ameritech is ISP traffic. This is simply not correct and is counter-intuitive without investigation. However, using factual Ameritech data from March 2001 the ISP MOU in Michigan represents only 55.9% of the total minutes reported. In addition, although ISP minutes do represent about half the total minutes reported, it does not indicate, as alleged by Mr. Turner, that “competition in Michigan is highly concentrated on a very limited set of customers-ISPs.” Mr. Turner conveniently ignores the hundreds of thousands of lines reported by the CLECs in the E911 database of customers that they serve in Michigan.

Unbundled Loops

27. In paragraph 16 of his affidavit, Mr. Turner calculates the percentage of access lines in Michigan that have been leased from Ameritech as unbundled loops in his attempt to minimize facilities-based competition in Michigan. However, Mr. Turner fails to mention that the quantity of UNE loops has almost doubled since February 2000¹³. Furthermore he gives no consideration to those facilities-based services provided solely through the CLECs own facilities. More importantly, UNE loop-based competition is not a requirement of Track A. Rather, the focus of Track A is on facilities-based competition, which is provided by CLECs in Michigan using their own facilities, as well as UNE-P. Nonetheless, the use of UNE loops is a strong component of competition in Michigan and continues to increase as indicated by a 10% increase in only three months (i.e., since March).

¹³ May 15, 2001 Heritage Affidavit, Attachment D

Local Switching

28. The local switching analysis that Mr. Turner presents in paragraph 17 of his affidavit is inventive but creates misleading and confusing conclusions. The percent of CLEC vs. Ameritech switches has no bearing whatsoever on the capacity or reach of the CLEC switches in Michigan. The quantity of switches Ameritech has deployed is directly related to the fact that it is constrained by wire center boundaries and not capacity. As such, any “excess” capacity of an Ameritech switch would be confined to serving only the customers in the associated wire center. Ameritech does not dispute that it can serve 100% of its customers, as it has the obligation to do just that. Therefore, it is much more significant and germane to the issues in this docket that the CLECs have the capacity to serve over 88% of the access lines in Michigan. The percentage of the local exchange switches that CLECs have compared to the total switches in Michigan is not the issue. Rather, CLECs in Michigan are not constrained by wire center boundaries, and therefore they are able to provide facilities-based local service from any of their 23 switch locations.

Ratio of Interconnection Trunks to Lines

29. Mr. Turner also questions Ameritech’s use of a 2.75:1 ratio of lines to trunks to estimate facilities-based competition. As I explained in my May 15 affidavit, interconnection trunks are used by facilities-based CLECs to connect their switching facilities to Ameritech’s end-office or tandem switch for the purpose of passing traffic from their customers to Ameritech’s or vice versa. Interconnection trunks therefore provide another indication of the number of customer lines served over the CLEC’s network.¹⁴

¹⁴ May 15, 2001 Heritage Aff. ¶ 19.

30. Mr. Turner is incorrect in stating that the 2.75:1 line-to-trunk measurement does not consider CLECs in the “early stages of network development or for ISP traffic;”¹⁵ just the opposite is true. As discussed in my original affidavit, based on the experience of Ameritech,¹⁶ CLECs,¹⁷ and reasonable assumptions about efficiency,¹⁸ it is conservative to assume that the average CLEC serves between five and six lines with each interconnection trunk that is used to serve typical business and residential customers. Ameritech nonetheless has chosen the even more conservative ratio of 2.75:1 in order to account for the fact that CLEC networks may not yet be engineered with a high level of efficiency, and that CLECs may target customers, such as ISPs, that require a high number of interconnection trunks.
31. Notably, the Missouri Public Service Commission in its review of Southwestern Bell Telephone’s (“SWBT’s”) 271 application in Missouri confirmed the accuracy of the 2.75:1 line-to-trunk ratio as a method of estimating facilities-based competition. According to information provided by CLECs in Missouri in response to a survey conducted by the Missouri PSC Staff, the actual line-to-trunk ratio yielded a 2.54:1 ratio, only slightly different from the 2.75:1 ratio used by SWBT. The Missouri PSC confirmed the use of the

¹⁵ Turner Affidavit - ¶24.

¹⁶ Ameritech serves its own PBX customers with a ratio of approximately ten access lines per trunk.

¹⁷ US LEC Corp. Web Site, “Legal Information” <http://www.uslec.com/legal.htm> US LEC indicates management experience is to use a lines-per-trunk ratio of 5:1.

¹⁸ See, e.g., the United States Telecom Association’s UNE Fact Report filed with the FCC during the UNE Remand proceeding: “First, we can estimate CLEC lines based on the number of interconnection trunks CLECs are using. Facilities-based CLECs do not obtain trunks unless they have local lines and traffic to support and use such trunks. Based on ILEC engineering experience, a single trunk can support up to approximately 10 facilities-based lines. Since CLEC networks may not be engineered for maximum efficiency (*i.e.*, to serve the most efficient number of customers per trunk), and since CLECs disproportionately serve heavy-use Internet lines, we can conservatively assume that CLEC trunks are serving between 2.5 and 5 facilities-based lines per trunk.” UNE Fact Report at III-14, attached to Comments of the United States Telecom Association, *Implementation of the Local Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98 (FCC filed May 26, 1999).

2.75:1 ratio in its March 15, 2001 Order that approved SWBT's 271 application and stated, "the Staff's estimates based on data collected from the Missouri CLECs is consistent with SWBT's estimates, and therefore, the Commission finds that CLECs serve approximately 12% of the access lines in SWBT territory."¹⁹

32. Furthermore, a review of the line-to-trunk ratios for the Track A competitors in Michigan reveals a varying range of 1.43 to 10.7 lines to trunks. In fact, the average or mean is 4.34:1 well above the 2.75:1 ratio used in my affidavit.
33. Based on a conservative 2.75:1 ratio of lines to trunks, the estimated number of facilities-based business and residential access lines served by facilities-based CLECs at the end of June 2001 is 709,753 lines in Michigan. Adding UNE combinations to this analysis, the facilities-based CLEC lines total 883,244 in Michigan. This compares to 755,023 lines as reported for March 2001.²⁰ UNE combinations are added because they do not require CLECs to use trunks in order to handle call traffic and therefore are not included in the ratio calculation.
34. Mr. Turner further argues that, considering ISP traffic, the ratio of trunks to lines should be "closer" to 1:1.²¹ Such an estimate is unrealistic as my analysis of the actual line-to-trunk ratios above indicates. However, even the unrealistically low 1:1 ratio demonstrates that the local service market in Michigan is open to competition. As of June 2001, CLEC

¹⁹ See Order Regarding Recommendation on 271 Application Pursuant to the Telecommunications Act of 1996 and Approving the Missouri Interconnection Agreement (M2A) at 20, *Application of Southwestern Bell Telephone Company to Provide Notice of Intent to File an Application for Authorization to Provide In-Region InterLATA Services Originating in Missouri Pursuant to Section 271 of the Telecommunications Act of 1996*, Case No. TO-99-227 (MoPSC filed Mar. 15, 2001) (App. C, Tab 98).

²⁰ May 15, 2001 Heritage Affidavit-paragraph 22.

²¹ Turner Affidavit – paragraph 23

access lines, using a 1:1 ratio of trunks to lines and UNE-Ps, results in an estimate of 431,583 facilities-based lines in Michigan.

E911 DATA

35. Mr. Turner also questions Ameritech's use of the data reported by the CLECs in the E911 database to estimate the number of residential and business lines served over the CLEC's own facilities. Ameritech uses the percentage of residential and business lines represented in the E911 database to apportion the lines from the line-to-trunk ratio estimation.
36. In using this data, Ameritech assumes that the information input into the E911 database by the CLECs is accurate. It is, in fact, the most accurate information "available" to Ameritech of this type. Nonetheless, discrepancies are discovered occasionally and corrections are made appropriately. In fact, Ameritech believes that it has identified a discrepancy since I filed my May 15 affidavit. The March E911 data for Global Crossings (Frontier) and CTS Telecom (Climax) may have included some of the lines associated with their ILEC operations in Michigan. Since these companies operate as both CLECs and ILECs it is impossible to determine the exact number of lines associated with their CLEC operations. Removing all of the E911 lines for both companies, although Climax only reported 1,800 ILEC lines in the recent Market Conditions Survey, results in a revised E911 total of 333,730, a reduction of 33,764 lines. Any future competition affidavit will exclude the E911 lines for CTS Telecom (Climax) and Global Crossings (Frontier) since we can not accurately separate their line counts by ILEC vs. CLEC operations, even though these are active competitors in Michigan. While the revised quantity of lines and resulting growth rates for March are slightly lower than reported, the findings and conclusions are

nonetheless still accurate. Ameritech plans to supplement the record to provide updated statistics that will reflect the above modifications to the E911 data and current market conditions prior to filing with the FCC to further support that facilities-based competition exists and continues to grow in Michigan.

37. Although commenters take issue with the extent of competition in Michigan, no commenter denies that there are facilities-based CLECs providing service to both business and residential customers in Michigan either exclusively or predominately over their own facilities. This fact is further supported by the responses to the 2001 Market Conditions Survey in which, according to the MPSC Staff Report, at least 10 CLECs reported that they were providing service to both residential and business customers and also provided service over their own facilities in Michigan. This data, as published by the MPSC Staff, substantiates Ameritech Michigan's Track A showing pursuant to the Act and the FCC's implementing requirements.

Resale

38. Ameritech agrees with AT&T's Mr. Turner that resale is one mechanism by which a CLEC may offer local service. In fact, resale is one of the many ways that CLECs are offering local service and is an indisputable component of local competition in Michigan. Furthermore, resale is used for more than just an "entry" strategy in Michigan. Many of the facilities-based CLECs in Michigan are providing service through resale in addition to providing local service over their own facilities. It is also important to add that the FCC specifically noted in the Kansas-Oklahoma 271 Order²² that compliance with the "Track

²² FCC Order approving the Kansas-Oklahoma 271 application, ¶ 43, fn. 101.

A” requirements of the Act may be demonstrated through the existence of resold service. Resale is a component of competition that, coupled with facilities-based local service, not only provides CLECs with flexible options to serve both business and residential customers, but also supports that Ameritech has met its Track A requirements under the Act. Contrary to Mr. Turner’s assertion in paragraph 19 of his affidavit, resale is an important component of local competition and should be considered in the overall analysis of local competition in Michigan. For a further discussion of resale as a method of competition, please refer to the affidavit of Robin Gleason, “Gleason Affidavit.”

THE POST-271 APPROVAL ENVIRONMENT

39. Sprint opines in its comments that “once Ameritech secures the access to the long distance market that they seek, conditions for competition will not get better, and they are likely to get worse.”²³ This statement is completely unsubstantiated by Sprint. In direct contrast to Sprint’s statement, the FCC’s most recent report on local competition, found the exact opposite to be true. The FCC’s May 21, 2001 News Release confirmed:

“States with long distance approval show the greatest competitive activity. CLECs captured 12% of the market in Texas, gaining over a half-a-million (644,980) end-user lines in the six months since the Commission authorized SBC’s long distance application in Texas, an increase of over 60% in the customer lines since June of 2000. CLEC market share in New York and Texas (the two states that had 271 approval during the reporting period ending in December 2000) are over 135% and 45% higher than the national average, respectively.”

The growth indicators in paragraph 35 of my May 15 affidavit further supports the FCC findings and the fact that increased growth in competition has continued in Texas after its

²³ Sprint Comments at pages 6 and 7. See similar comment in Rearden Affidavit, paragraph 6, page 3.

271 approval was granted. Contrary to Sprint’s assertions that the growth in competition after 271 approval in Texas is not sustainable, updated results for June, in the chart below, show that the growth in competition has continued in Texas.

Table 3
Growth in Competitive Indicators for Texas since SBC Long Distance Introduction

Growth in Competitive Indicators for Texas			
Competition Indicators	Jul-00	June-01	% Growth
Facilities Based (FB) Lines Captured by FB CLECs	1,838,004	2,910,525	58%
Total Lines Captured (includes resale)	2,224,508	3,194,997	44%
Interconnection Trunks	496,361	618,288	25%
Unbundled Stand-Alone Loops	86,402	143,446	66%
UNE Loop/Port Combinations	472,249	1,210,233	156%
E911 Listings	398,957	580,173	45%

40. Similar experience in the growth of competition has also been observed in Kansas and Oklahoma. Since 271 approval in each of these states, the number of lines served by facilities-based CLEC has increased 20% in Kansas and 25% in Oklahoma. Likewise, other growth indicators continue to increase, such as interconnection trunks and use of UNE loops, as the following chart indicates.

Table 4
Growth in Competitive Indicators for Kansas since SBC Long Distance Introduction

Growth in Competitive Indicators for Kansas			
Competition Indicators	Feb-01	June-01	% Growth
Facilities Based (FB) Lines Captured by FB CLECs	151,662	182,043	20%
Total Lines Captured (includes resale)	233,100	259,614	11%
Interconnection Trunks	37,784	46,760	24%
Unbundled Stand-Alone Loops	5,785	8,390	45%
UNE Loop/Port Combinations	47,684	53,453	12%
E911 Listings	26,783	29,012	8%

Table 5
Growth in Competitive Indicators for Oklahoma since SBC Long Distance Introduction

Growth in Competitive Indicators for Oklahoma			
Competition Indicators	Feb-01	June-01	% Growth
Facilities Based (FB) Lines Captured by FB CLECs	142,536	177,813	25%
Total Lines Captured (includes resale)	193,717	227,100	17%
Interconnection Trunks	45,404	55,556	22%
Unbundled Stand-Alone Loops	5,765	7,397	28%
UNE Loop/Port Combinations	17,566	25,034	43%
E911 Listings	70,931	82,696	17%

These results are evidence that competition in the post-271 approval environment continues to prosper, or even accelerates, contrary to Sprint’s statements of disbelief and assertions that this is somehow contradictory.²⁴

41. The recent announcement²⁵ by AT&T’s Chairman and CEO, Michael Armstrong, that AT&T plans to enter the local phone market in Michigan on a broad scale by the end of the year to compete against Ameritech, is further evidence that approval of Ameritech’s 271 application will spur additional competition, especially from long distance providers, such as AT&T, Sprint and WorldCom.
42. AT&T’s Mr. Turner attempts to use the Texas *2001 Report on the Scope of Competition in Telecommunications Markets* to support his conclusions that the state of competition in Texas after Southwestern Bell’s 271 approval is less than positive. He incorrectly states that the report does not identify a positive environment for Texas local service competition. The opposite is true, the Commission’s report states that “*evidence available for this report*

²⁴ Sprint Comments at page 11.

²⁵ AT&T News Release dated June 11, 2001. See Attachment B.

clearly demonstrates that competitive providers have a visible market share, with dozens of CLECs entering the more lucrative local wireline voice markets in Texas.”²⁶ Furthermore the Commissioner’s noted in their cover letter, “Numerous new providers have entered the market, and the market share held by competitive providers has increased significantly.”

43. The Texas Commission’s report also recognized that there are other issues that effect the provisioning of local service. The report specifically discusses the regulatory tradition of maintaining low rates for residential local telephone service as the reason for slower growth in competition in rural areas in Texas. While Mr. Turner implies that the report’s acknowledgement that competitive growth is slower in rural areas in Texas is a result of Southwestern Bell’s 271 approval in Texas, the report simply does not support these conclusions.

CONCLUSION

44. As demonstrated in this Reply Affidavit, Ameritech’s initial conclusions that facilities-based competition exists in Michigan are still true. Although commenters questioned the amount of competition, no commenter denied that there are facilities-based CLECs providing service to both residential and business customers in Michigan either exclusively or predominately over their own facilities. As clearly demonstrated in my initial affidavit and in this reply affidavit, Ameritech Michigan satisfies the ‘Track A’ provisions of the Act.

²⁶ Texas’s 2001 Report on the Scope of Competition in Telecommunications Markets- page 77