

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

)	
Investigation by the Department of Telecommunications and)	
Energy on its own Motion into the Appropriate Pricing, based)	
upon Total Element Long-Run Incremental Costs, for)	D.T.E. 01-20
Unbundled Network Elements and Combinations of Unbundled)	
Network Elements, and the Appropriate Avoided Cost Discount)	
for Verizon New England, Inc. d/b/a Verizon Massachusetts')	
Resale Services in the Commonwealth of Massachusetts.)	
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**COMMENTS OF WORLDCOM, INC.
ON VERIZON'S COMPLIANCE FILING**

WorldCom, Inc. ("WorldCom") submits the following comments on the compliance filing made by Verizon Massachusetts ("Verizon") on February 13, 2003, in which Verizon filed proposed rates for unbundled network elements purportedly in compliance with the July 11, 2002 and January 14, 2003 Orders of the Department in this proceeding.

WorldCom opposes the Verizon filing. Verizon has, not surprisingly, used the compliance filing as an opportunity to increase its competitors' costs by filing revised costs and proposed rates that do not comport with the Department's prior orders in this proceeding. WorldCom today joins in the comments filed by AT&T Communications of New England, Inc. ("AT&T") and urges the Department to adopt AT&T's proposed adjustments to the Verizon cost studies.

The Verizon compliance filing presents the Department with its final opportunity, for the foreseeable future, to set rates for unbundled network elements ("UNEs") that are

fully in compliance with the Telecommunications Act of 1996 (“the Act”) and the TELRIC cost methodology adopted by the Federal Communications Commission (“FCC”). By this filing, Verizon would have the Department approve rates that would clearly frustrate that objective and that would represent a major disappointment to UNE-P competitors and consumers in the Commonwealth.

This long effort to set TELRIC-compliant rates for Verizon began in January 2001 when the Department opened this investigation¹, as concerns about the legality of Verizon’s Massachusetts UNE rates created a major hurdle for prompt FCC approval of Verizon’s application for long distance authority under section 271 of the Act. After over two years of extensive litigation, including hundreds of pages of testimony, thousands of pages of discovery responses, eighteen days of evidentiary hearings, voluminous briefs and replies, further hearings on reconsideration and two extensive orders by the Department, what is the net result? If approved, Verizon’s rates will still be well short of the rates mandated by law.

WorldCom recognizes that Verizon has been ordered to file substantially lower switching rates. The Department is to be commended for its decisions on switch cost issues. What the Department has ordered Verizon to file for switching rates is counterbalanced, however, by Verizon’s attempt in this filing to substantially increase loop rates. If approved, Verizon’s loop rates in Massachusetts would be the highest in the old New England Telephone territory, higher than even the much more rural states of Maine, New Hampshire and Vermont.² Its rates would be higher than the 271

¹ *Vote and Order to Open Investigation*, DTE 01-20, January 12, 2001.

² See Attachment A.

benchmark state—New York.³ Verizon’s statewide average loop rate--\$15.26--would be almost two dollars above the national average of \$13.43 per month.⁴ These high loop rates would help put Verizon’s total UNE-P cost per month well above the national average of \$17.48.⁵

In making this filing, Verizon issued a press release in which its regional executive is quoted as saying that the compliance rates are “even further below our actual costs...” and that “steep wholesale discounts” will “discourage investment by Verizon.”⁶ The Department should ignore this public posturing. That this press release represents nothing more than Verizon’s now tired mantra against UNE-P is demonstrated by a subsequent press release by Verizon, issued just last week, in connection with its announcement that it had invested \$3.2 million to expand its switching facilities in Barnstable, Massachusetts.⁷ The same Verizon executive was quoted as saying:

This project demonstrates Verizon’s commitment to build and maintain an advanced telecommunications network throughout the Bay State.... We continue to invest in our state-of-the-art infrastructure to maintain service excellence, as well to provide a platform for high-speed access to the Internet, work-at-home capabilities and a host of other advanced services.⁸

So much for UNE-P rates discouraging Verizon investment! In fact, the only companies likely to review their business plans in light of Verizon’s proposed compliance rates are companies like WorldCom’s MCI unit and others that purchase UNEs from Verizon. It

³ Id.

⁴ Billy Jack Gregg, “A Survey of Unbundled Network Element Prices in the United States,” (updated July 1, 2002), p. 1 (<http://www.nrri.ohio-state.edu/programs/telcom/pdf/Total0702.pdf>)

⁵ Id.; Verizon’s total UNE-P revenue per line per month is set forth in Attachment A (proprietary) to TS Request-5.

⁶ “Verizon Complies with Order in Massachusetts That Continues Below-Cost Wholesale Rates,” February 13, 2003, <http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=78765>

⁷ “Verizon Invests \$3.2 Million To Better Serve Barnstable Customers,” March 12, 2003, <http://newscenter.verizon.com/proactive/newsroom/release.vtml?id=79294>

⁸ Id.

is hard to imagine any competitor deciding to expand its market entry and/or lower its prices in Massachusetts on the heels of a substantial increase in loop rates by Verizon.

The real losers from Verizon's compliance filing will be Massachusetts consumers. MCI's Neighborhood product has provided residential consumers with a real alternative to Verizon. The value of this new service to the marketplace was recently affirmed by Verizon itself, which just last month started to sell Veriations Freedom, a service that is virtually identical to The Neighborhood, demonstrating that an integrated, feature-rich, flat-rated product is what consumers want to meet their telecommunications needs. Due to Verizon's high UNE rates, however, The Neighborhood has not been available in all parts of Massachusetts. MCI and other companies have been waiting for two years to see what the DTE does in this docket before deciding whether to enter or expand. Verizon's proposed loop rates cast serious doubt on whether further competitive entry in Massachusetts will be viable. If Verizon continues to be the only choice for integrated local and long distance services in the vast majority of the Commonwealth, the end result will be a substantial re-monopolization of the telecommunications market in Massachusetts by Verizon—a result clearly at odds with the Act and the long standing public policy goals of the Department. WorldCom urges the Department to choose the path of competition, not monopoly, in deciding the issues raised by this filing.

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