

September 26, 2005

VIA EMAIL AND US MAIL

Filing Center
Oregon Public Utility Commission
550 Capitol Street NE #215
PO Box 2148
Salem, OR 97308-2148

Re: UX 29 – Errata Direct Testimony of Dr. Richard Cabe on Behalf of TRACER

Dear Sir or Madam:

Enclosed for filing in the above-named docket is the original and five copies of TRACER's Errata Direct Testimony of Dr. Richard Cabe. Please contact me with any questions.

Very truly yours,



Jessica A. Gorham

Enclosure

cc: UX 29 Service List
Richard Cabe

CERTIFICATE OF SERVICE
UX 29

I hereby certify that a true and correct copy of **ERRATA DIRECT TESTIMONY OF RICHARD CABE ON BEHALF OF TRACER** was served via U.S. Mail on the following parties on September 26, 2005:

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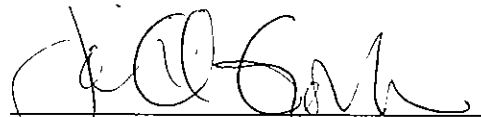
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Jessica A. Gorham

1 underlying that growth shows that all but a miniscule percentage occurred in wire centers
2 that already had UNE-L lines in service at the beginning of the period.¹ That is, while
3 UNE-L CLECs continue to expand in the areas in which they have already established
4 service, they are not expanding the areas they serve.

5 **Q. IS THIS CONSISTENT WITH YOUR DISCUSSION ABOVE CONCERNING**
6 **SUNK COST AS A BARRIER TO ENTRY?**

7 A. Yes. A UNE-L CLEC perceives the sunk cost of establishing a collocation, as well as the
8 sunk cost portion of establishing transport from the collocation to its switch, as a barrier
9 to entry into the geographic market defined by that wire center. Once the CLEC has
10 established a collocation in a particular wire center, adding additional lines involves the
11 customer-specific sunk cost of non-recurring charges for the UNE loop installation, but
12 adding lines *lowers* the average cost of serving customers in that area by spreading fixed
13 costs over more customers. Thus, in the terms of the HMG, as discussed above, a UNE-L
14 CLEC is an “uncommitted entrant” within a wire center in which it has a collocation; it is
15 able - “rapidly” and “without incurring significant sunk costs” - to offer service to at least
16 some of the customers in a wire center in which it has already incurred the sunk cost of
17 establishing a collocation.

18 **Q. DOES THE ADDITION OF LINES MEAN THAT CLECS ARE OPERATING**
19 **PROFITABLY?**

20 A. Not at all. The CLEC adding lines in existing collocations may be operating at a
21 financial loss because establishing the collocation was more expensive than expected, or
22 because it hasn’t succeeded in enrolling a sufficient number of customers in the area for
23 economies of scale to bring its average cost down to the price it has to charge in order to
24

25 questions are reasonable ones that have no answers, because Qwest’s proposed relevant market doesn’t make sense.
Staff’s UX-29 Survey Results avoid these issues by using much more reasonable product market definitions.

26 ³⁰ Highly Confidential Attachment A to Qwest’s Response to Tracer Data Request 1, dated August 30, 2005-
(attached as Exhibit TRACER/102, Cabe/1 —); 2, dated August 30, 2005 (attached as Highly Confidential Exhibit
TRACER/102, Cabe/1-6.