FCC EN BANC PRESENTATION

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Roadmap to Local Competition

- Late 1980s
  - Niche players
- 1992 Interconnection Order
- 1996 Telecommunications Act
  - First ever national framework for effective local competition
- 1997 and the future
  - Implement effective local competition
Redefinition of Local Infrastructure Model

• Customer demands have forged a new model
  – ATM networks
  – SONET-based fiber
  – Broadband wireless
  – Frame relay
  – Local hand-off for fast-packet Internet providers
Characteristics of the Local Market

- Incumbent begins with 100% of the market
- All dialtone providers must interconnect
- Facilities-based competition is highly capital intensive, and there are significant volume-dependent economies of scale
- High reliability is essential
- Multi-tiered regulation must be confronted
YE97 Yardsticks of CLEC Progress

- Over 100 CLECs
- $2.7B 1997 Revenue
- 1.4M access lines
  - 50% on-net, 20% unbundled loops, 30% TSR
- $14B in capital raised since passage of the Act
However, in comparison...

- **CLECs***
  - $2.7B 1997 Revenue
  - $26B enterprise value
  - 1.4M access lines
    - 50% on-net, 20% unbundled loops, 30% TSR
  - 1998 access line projection of 3M

- **ILECs***
  - $101B 1997 Revenue
  - $400B enterprise value
  - 161M access lines
  - 1998 access line projection of 168M

*All numbers are approximate
Impediments to Progress

• Interconnection agreements lack measurements, standards and enforcement mechanisms to provide quick and effective dispute resolution
• Network build-out requirements are extensive
  – Labor intensive construction
  – Major switch installations
  – Access to rights-of-way
  – Access to private buildings
• Systems Development
• Systems Integration between carriers
FCC 1998 Plan of Action: Factors that would Speed Effective Competition

• Factor: Interconnection agreements are about to be renegotiated
• Solution: - Require performance measurements and standards
  - Require compliance penalties
  - Initiate expedited dispute/resolution process
FCC 1998 Plan of Action: Factors that would Speed Effective Competition

- Factor: Access to rights-of-way must be reasonable and nondiscriminatory
- Solution: - Work with the states to ensure cities do not unfairly regulate or tax new entrants
FCC 1998 Plan of Action: Factors that would Speed Effective Competition

- **Factor:** Systems integration (OSSs) standards and processes must be established, tested and put in place

- **Solution:** National standards to promote economic and efficient handling of inter-company traffic and transactions
FCC 1998 Plan of Action: Factors that would Speed Effective Competition

• Factor: Inter-company pricing of services needs to be managed during the transition to full local competition

• Solution: - Pro-competitive pricing for interconnection, unbundled elements and resale