

Joseph R. Zell
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Joe Zell is president of INTERPRISE Networking Services for U S WEST Communications, the unit responsible for product development and operations for all data and Internet-related products and services. INTERPRISE was created by U S WEST in 1992 to address the advanced data and network integration needs of customers in its 14 western and midwestern states. INTERPRISE is growing at record levels. Sales increased from \$8 million in 1992 to nearly \$1 billion in 1997.

Zell was named to his current position in 1997. Previously, he was president of the Carrier/Wholesale Division of U S WEST, which provides wholesale product marketing, sales and operations support for long distance, wireless and local exchange carriers. He also served as vice president of Markets and Innovation at INTERPRISE, where he was responsible for developing, sourcing and managing applications and products that address the full range of voice, video and data networking.

Zell began his career at U S WEST in 1991 as director of Product Development for INTERPRISE. Later, he served as the executive director of Applications Innovation. In that position, he developed many new services and applications, which included frame relay, ATM services, transparent local area network services and networking integration solutions.

Before joining U S WEST, Zell was with Wiltel, now WorldCom, for six years and held a variety of marketing and product development positions. During that time, he was responsible for the development and introduction of the industry's first frame relay service. Prior to his tenure at Wiltel, Zell worked at United Technologies Communications, a PBX manufacturer, and in sales at MCI and Xerox.

Comments of Joe Zell

**made before the Federal Communications Commission at the
July 9, 1998 En Banc Hearing**

Mr. Chairman and Commissioners of the Federal Communications Commission, my name is Joe Zell, and I am the President of Interprise Networking Services, division of US WEST Communications. Interprise is responsible for product development and operations for all data and Internet-related products and services. It is an honor to appear before you today to discuss Section 706 of the Telecommunications Act of 1996 and the critical need for wider deployment of advanced telecommunications services to customers in the U S WEST territory.

Mr. Chairman, I wish to applaud you for your recent remarks in which you indicated a willingness to shield data services from the unbundling and resale requirements of the Act. Resale and unbundling represent two significant barriers for U S WEST to deploy advanced telecommunications services. Given, however, the unique demographics of the U S WEST territory, we continue to stress the need for interlata relief for data only.

Current providers of advanced data services are targeting large business customers in major metropolitan areas exclusively and are ignoring customers outside of the target market altogether. Consequently, Americans residing outside of the major metropolitan areas are being denied access to advanced telecommunications services, contrary to the intent of the 1996 Act. Consumer groups, educational institutions, rural legislators, and economic development

authorities all support U S WEST's petition because they fully understand and appreciate the vast wealth of information and advantages that high speed access to the Internet represents.

U S WEST Communications' territory covers a 14 state area in the Western and Midwest regions of our nation and its unique characteristics are striking. We serve the largest territory of any RBOC – almost three times the RBOC average –and yet we have the fewest access lines. Household density is less than half the RBOC average. These factors make U S WEST's territory relatively less attractive for new, facilities-based competitors. U S WEST however, in 1997 alone, invested \$1.9 billion of capital to construct, improve, upgrade and repair the telephone infrastructure within our region. We have already announced our intent to deploy high speed data services in all of the major cities located within our region, and by the end of 1998, we expect to have deployed high speed services in at least 30 cities across our 14 state region.

If given the targeted relief requested under Section 706, U S WEST stands ready to deploy these advanced telecommunications services on a broader basis than it currently has planned. Many communities and many Americans currently lack high speed Internet access, especially in U S WEST's territory. These communities and Americans are at risk of being relegated to information *have nots* in the 21st century. U S WEST's position in its region makes us the most likely company to deploy advanced telecommunications and information services on a widespread basis to rural America.

Recently, U S WEST installed high speed, frame relay service to 26 elementary and secondary schools operated by the Bureau of Indian Affairs. Found in the extremely rural parts of Arizona and New Mexico, children that attend these schools are frequently without even the basic tools of education. With the installation of high speed Internet connections, both students and teachers now have access to information and teaching aids that previously have been beyond their reach. For those schools in the single LATA state of New Mexico, U S WEST, in cooperation with rural independent telephone companies, was able to provide cost effective and complete end-to-end connections. In southern Arizona, however, the existence of a LATA boundary required the involvement of an interlata carrier. This regulatory requirement increased the cost of connecting four (4) schools in rural, southern Arizona by \$3,244.00 per month. Had U S WEST been allowed to deploy its data infrastructure across the LATA boundary, this type of additional charge would not have been necessary.

U S WEST is using Digital Subscriber Line technology, known generically as "XDSL" to provide high speed data access in portions of our region. Currently, under the brand name MegaBit Services, we are deploying Rate Adaptive DSL "RADSL" which uses customers' existing copper loops to provide high-speed data transmission without interfering with the transmission of voice simultaneously over the loop. A MegaBit customer uses a special modem that creates a data channel on the loop apart from the existing voice channel. The customer's loop is connected to a second modem in the central office. The second modem sits in a shelf called a digital subscriber line access multiplexer

(or "DSLAM") that directs the voice traffic to the ordinary circuit-switched network and routes the data channel to a packet-switched network. In the packet-switched network, data is routed between ATM or frame relay switches connected to each other by private lines, and then to a business site or to an ISP for routing to the Internet.

U S WEST believes that it is good public policy and sound business to increase the number of customers who have access to these new high speed data services. The Internet contains a wealth of information and resources for everyone - including students, professionals, retirees and the homebound. Further, high-speed data transmission is the foundation for extending crucial services to people outside major metropolitan areas. For example, access to high speed data services will enable a doctor in Trinidad, Colorado to consult with doctors at a hospital in Denver, Colorado, resulting in the delivery of excellent and timely medical services. Without this service, a patient would have to travel approximately two hundred miles and incur unnecessary expenses and delays in treatment. The medical staff in Trinidad today cannot practice telemedicine with staff in Denver because procuring the essential facilities from a competitive provider is cost prohibitive and/or simply not available. This is true even though a competitive access provider, runs a major hi-cap facility very near Trinidad, but does not provide any way for out-of-state Colorado consumers to gain access to it.

U S WEST firmly believes in and wants to deploy these high speed Internet and data services. But rules and regulations place several limits on its

deployment. US WEST is not currently allowed to build a high speed data backbone across its region no matter how desperately one is needed. Such deployment in the U S WEST region requires a very significant investment by the Company. To make this new investment possible and efficient, we have requested very targeted relief from a few provisions of the Telecommunications Act of 1996 that are acting as barriers to robust deployment. U S WEST simply wants the ability to transport DATA - not voice - across LATA boundaries and to be relieved from the requirement to unbundle the non-essential pieces of our data network, or to resell these new data services to competitors at a discount.

Such relief would enable U S WEST, for example, to provide a private system of community colleges scattered throughout Colorado with a very cost-effective means of connecting its campuses. Today this one connection, a single circuit, constitutes 48 percent of the community college's telecommunications monthly budget. Whereas with the requested relief, the costs could be reduced significantly while providing a far superior data transmission service.

The inescapable fact remains that investment is not being made by others (who are not subject to regulations) in many areas of our territory. If restrictions on region wide deployment continue, the economic obstacles will likely deprive our customers of these critical advanced telecommunications services. Recently, several competitive access providers have announced the launch of several national IP backbones, but they all miss the majority of the US WEST territory.

US WEST recognizes, of course, that one of the key issues

surrounding this debate is how will other service providers gain access to the unbundled loops necessary to offer competitive alternatives to US WEST's MegaBit Service. US WEST is committed to developing procedures and safeguards adequate to insure non-discriminatory access for all service providers. U S WEST strongly supports and welcomes competitors to provide service to its subscribers throughout the region. For example, U S WEST has already negotiated a significant number of interconnection agreements with other carriers and has more under negotiation. Further, U S WEST has developed innovative solutions to creatively respond to the needs of carriers, including cageless collocation and spot frames in the central offices. These creative approaches facilitate competition and at least one interconnector has publicly praised U S WEST for its innovative interconnection terms. Nonetheless, for economic reasons, these competitors are targeting the metropolitan areas and large businesses and are not seeking to deploy advanced services to anyone outside large metropolitan areas.

With the requested relief, the broader deployment of advanced telecommunications services is made possible because the additional investment in switches and facilities can support not only RADSLS services, but also a host of data applications for large and small business. Granting US WEST the requested relief under Section 706 will not only enable U S WEST to compete to provide advanced telecommunications services in major metropolitan areas, but can also insure that these services are more broadly deployed outside of the urban hubs. This, in turn, will go a long way toward

fulfilling Congress' desire for widespread deployment of advanced telecommunications services.

Section 706 of the Telecommunications Act of 1996 directs both the FCC and state commissions to “encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans,” and to do so “by utilizing, in a manner consistent with the public interest, convenience and necessity . . . regulatory forbearance . . . or other regulating methods that remove barriers to infrastructure investment. “ Section 706(a) and (b) constitute an express grant of authority to the Commission and a statutory command to use that authority.

There is nothing in the words of Section 706 limiting which regulatory barriers the FCC is required to remove. Nor does the text of Section 706 contain any limit on the FCC's power to forbear from applying innovation-frustrating regulations, other than that it be exercised in the public interest. On the contrary, Section 706 speaks in broad and mandatory terms. State and federal regulators “shall” encourage the rollout of advanced technologies by using regulatory forbearance and removing barriers to investment. And if the FCC finds, after inquiry, that “all Americans” are not receiving access to advanced services and technologies, “it shall take immediate action to accelerate deployment of such capability by removing barriers to infrastructure investment.”

All U S WEST is seeking, pursuant to the specific terms of the Telecommunications Act, is the ability to increase access to advanced telecommunications services - such as access to the Internet- to make life better

for residents in our region. Section 706 is designed for one purpose - to prevent the development of technological "haves" and "have nots" as the Information Age progresses. We want the customers that reside in the less urban portions of our territory to be among the "haves" so they may access high speed data and the wealth of information that resides on the Internet.

Mr. Chairman and Commissioners of the Federal Communications Commission, thank you for the opportunity to appear today. I look forward to responding to any questions you may have.