Ali Shadman
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Ali Shadman is vice president of corporate strategy, responsible for working with Ameritech's business units to determine new opportunities and strategies for growth.

Ameritech (NYSE:AIT) serves millions of customers in 50 states and 40 countries. Ameritech provides a full range of communications services, including local and long distance telephone, cellular, paging, security monitoring, cable TV, electronic commerce, on-line services and more. One of the world's 100 largest companies, Ameritech (www.ameritech.com) has 66,000 employees, 1 million shareowners and $23 billion in assets.

Shadman joined Ameritech in 1987. He has held a variety of network operations and systems planning, design and integration positions at Ameritech, including general manager - network services and technology planning. In February of 1995, he joined Ameritech New Media as vice president - operations and business development, responsible for planning, systems integration, information systems, construction and operations for the Ameritech broadband network. He was appointed to his current position in May 1997.

Shadman came to Ameritech from MCI in Washington, D.C., where he was director of technology development, responsible for introduction and integration of state of the art telecommunications systems into the MCI network. Prior to that post, he served MCI as senior member of technical staff.

From1979 to 1983, Shadman was a member of technical staff at International Satellite Communication in Washington, D.C., involved in advanced satellite system concepts. From 1977 to 1979, Shadman worked in planning and design of the Domestic Satellite Network at the Telecommunications Research Center of National Iranian Radio and Television in Tehran, Iran.

Shadman received his bachelor's and master's degrees in electrical engineering from Oregon State University. He earned his Ph.D., with an emphasis in stochastic control theory, from that institution in 1977.

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Ameritech's Advanced Telecommunications Proposal
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Ali Shadman Vice President Corporate Strategy

Without question, the digital revolution and the explosion of data applications both at the consumer and business level are the driving forces shaping the telecommunications industry. That future will require an advanced telecommunication infrastructure consisting of multiple interconnected carriers bringing easy to use and useful multi media applications to consumers and businesses.

In this complex world, telecommunication providers face risks on three fronts:

1) Market Risk – will customer demand meet expectations

2) Technological Risk – will it work and which set of standards or technologies will prevail

3) Regulatory Risk – will current rules prevent operating efficiencies, restrict cost recovery, or limit pricing options in a competitive market

Ameritech fully accepts and understands the market and technological risks associated with deploying advanced telecommunication infrastructure. Our focus here is on the regulatory risk and how these risks are unnecessarily impeding our deployment and speed to market for advanced telecommunication capabilities.

I'd like to first focus on two issues.

What is the advanced technology that needs to be deployed and what are the regulatory risks impeding that deployment.

1. Deployment

A. **Broadband Data Services:** Applications include: intranets, extranets, lan to lan connectivity for multiple office sites, ability to place multiple traffic types (voice, video, and data) on the same network with

guaranteed quality of service. Examples of technology to support these applications include frame relay, ATM and transport.

B. **Internet Access**: Applications include: Dial-up access to e-mail, chat groups, newsgroups, and world-wide-web. Examples of technology to support these applications include authentication servers, e-mail servers, web hosting servers and transport. Under current restrictions ILECs are forced to introduce an additional provider for the interLATA component of the data service introducing billing complexities, customer service dilemmas, and reliability issues for the customer.

C. **Broadband Access Technologies**: Applications include: High speed access to the internet, secure fast access to corporate lan for remote office workers. Examples of technology to support these applications include DSLAM mux, ATM, and transport.

2. Regulatory Risk

The single largest risk and barrier to the rapid deployment of advanced telecommunication capabilities is the interLATA restriction.

While LATAs may make sense in the voice world, they are meaningless in the data world. The virtual connectivity of data networks defies traditional definition of physical boundaries, such as LATAs.

LATA boundaries increase network inefficiencies and limit Ameritech's ability to provide customers the services they want. Customers do not think in terms of local versus long distance for these ATCs.

Ameritech would also be able to provide interLATA transport using its own network, rather than forcing the customer to deal with multiple service providers, for that capability. This would give Ameritech the ability to more effectively manage and control its facilities on an end-to-end basis, providing customers with better service (reliability and availability) through a single point of contact for all components of their service.

Removal of the interLATA prohibition for ATCs would enable Ameritech to compete on a level playing field in this rapidly developing market.

1) For data traffic dedicated to a single customer (e.g., a bank with branches in multiple LATAs), Ameritech could offer data facilities to serve that customer where it currently cannot today. Notably, such a network may use little, if any, of Ameritech's traditional ILEC network.

2) For non-dedicated traffic, Ameritech could concentrate all its data traffic into one or two strategic nodes like its competitors - IXCs, CLECs – do today, rather than arbitrarily separating and handling the traffic by, LATA. Among other things, Ameritech would be able to more efficiently use the inherent economies of scale associated with SONET rings and the architectures, which they make possible, enabling more customers to use these technologies.

Until these barriers are removed, service providers will continue to be frustrated with the lack of progress in delivering broadband services to the home. Witness Microsoft's $1B dollar investment in Comcast allegedly to spur cable modem deployments.

I'd like to conclude with two more points:

What should Ameritech do and what should the Commission do.

1) Ameritech will continue to meet its obligations under the Act.

Ameritech recognizes as an incumbent LEC we have obligations to other carriers seeking to deploy advanced telecommunication capabilities.

Ameritech will continue to provide:

- unbundled loops
- collocation for transmission equipment associated with advanced telecommunication capabilities
- nondiscriminatory access to network elements

Ameritech plans on offering its advanced telecommunications capabilities through a lightly regulated subsidiary. Ameritech's subsidiary will act like any other CLEC and will use the same operational support systems for

ordering, establishing trouble tickets, billing etc. that are available to all CLECs. It would maintain separate books, not own joint transmission or switching equipment and obtain all telecommunication services, network elements and collocation from tariff. Ameritech does not believe all of the requirements of Section 272 should apply. In particular the restrictions on use of incumbent employees for installation and maintenance services, and the restrictions on sharing of administrative services will slow the introduction of these services.

2) **What should the Commission do?**

To quickly and efficiently facilitate the provision of the advanced data services consumers are demanding, the Commission should do the following:

- Authorize Ameritech immediately to provide new advanced telecommunications services across LATA boundaries;

- Eliminate, or minimize to the extent possible, regulatory requirements that would require Ameritech to establish inefficient, redundant operations, and that would preclude it from tapping the expertise of telephone company personnel in designing and offering advanced telecommunication services;

- Confirm that advanced telecommunication capabilities provided by a data subsidiary would not be subject to 251(c) obligations and that its regulation would be the same regulation that applies to the other, more dominant, data service providers in its provision of new advanced telecommunication services.

With a level playing field established, Ameritech is committed to make the investment necessary to bring our customers the connectivity, bandwidth, and applications envisioned for the multimedia environment of the 21st century.

The existing regulatory requirements significantly constrain Ameritech's incentive to invest in facilities and equipment necessary to provide new, advanced telecommunications services, by (1) precluding it from providing internet backbone services; (2) denying it the ability to meet customers' demand for end-to-end, high speed data services; and (3) increasing the already significant cost of providing such services.