



Steve Hooper
Co-Chief Executive Officer

Steve Hooper is co-chief executive officer of Teledesic LLC, which is building a global, broadband "Internet-in-the-sky." Using a constellation of 288 low-Earth-orbit satellites, Teledesic is the first satellite communications network that will enable affordable, worldwide access to "fiber-like" telecommunications services such as broadband Internet access, videoconferencing and interactive multimedia.

Hooper has shared the chief executive officer role with Teledesic Chairman Craig McCaw since December 1997. Hooper, a longtime McCaw associate, also currently serves as chairman of NEXTLINK Communications, Inc., a competitive local exchange carrier.

Previously, Hooper held various positions at AT&T Wireless Services and its predecessor, McCaw Cellular Communications, including president and chief executive officer and chief financial officer. He also was regional president for Cellular One's Pacific Northwest/Rocky Mountain region, where he managed the cellular operation in six Western states and Alaska.

Prior to his work at AT&T Wireless Services, Hooper was assistant vice president and manager of internal financial consulting at Seattle First National Bank.

In addition to serving on Teledesic's board, he serves on the boards of NEXTLINK and Cable Plus Holding Company, one of the fastest growing providers of integrated cable television, telephone and alarm services to multi-family housing units; and on the Board of Trustees for Seattle University.

He has a bachelor's degree in civil engineering from Seattle University and a master's degree in business from the Wharton School.

TESTIMONY OF STEVE HOOPER

CO-CHIEF EXECUTIVE OFFICER, TELEDESIC L.L.C., and
CHAIRMAN OF THE BOARD, NEXTLINK Communications, Inc.

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

EN BANC HEARING ON

BANDWIDTH

July 9, 1998

Thank you Mr. Chairman and Commissioners. It is a pleasure and an honor to be here with you today. My name is Steve Hooper, and I am co-Chief Executive Officer of Teledesic L.L.C. and Chairman of the Board of NEXTLINK Communications, Inc.

Teledesic and NEXTLINK are part of the proliferation of emerging telecommunications carriers spawned by technological advances and the pro-competitive telecommunications policies of this Commission, Congress and state regulators. These two companies alone plan to invest more than \$10 billion to bring advanced telecommunications services to every household in the United States and most of the world. Fortunately for competition, but perhaps unfortunately for us, Teledesic and NEXTLINK are but two of hundreds of new competitors vying to bring these service to a competitive marketplace.

Teledesic and NEXTLINK are each taking different approaches to breaking open the incumbent local exchange companies (or "ILEC") bottleneck to provide advanced telecommunications services. Teledesic is building a satellite system that will create broadband access through "internet in the sky." NEXTLINK, a facilities-based competitive local exchange carrier ("CLEC"), is taking a more down to earth approach and constructing high-capacity, fiber optic networks that today provide competitive switched local and long distance services in more than 32 markets in ten states.

Because their technologies and business plans are so different, you could conclude that these two companies have little in common besides sharing board members. It's more accurate, however, to view them as two different fronts in the battle to bring competition to the local telephone market - one by air and the other by land. Each company has enlisted high profile investors with business acumen and staying power to help them through what

could prove to be a long siege. Teledesic's major investors include Craig McCaw, Bill Gates, Motorola, Boeing and Saudi Prince Alwaleed Bin Talal. NEXTLINK, whose founder and primary shareholder is Craig McCaw, has been able to raise a \$2 billion war chest on Wall Street. Recently, NEXTBAND Communications – a joint venture between NEXTLINK and Nextel Communications – won 42 LMDS licenses at a cost of more than \$134 million. These licenses can be used to bring wireless broadband services to more than half the U.S. population.

It is ironic that in some proceedings before this Commission, such as Section 271 long distance entry petitions, some incumbent LECs assert that NEXTLINK and other CLECs are formidable competitors widely deploying advanced network infrastructure. In their Section 706 petitions, however, these same ILECs claim that CLECs and other competitors lack the ability or the wherewithal to offer the next generation of advanced services. The ILECs claim that they will not invest in and offer advanced services unless the Commission takes extraordinary action to free them from the market opening requirements Congress and the Commission recently mandated.

The ILECs are wrong on both counts. First, Teledesic and NEXTLINK and their competitive counterparts not only do, but must, offer advanced services to consumers if they hope to succeed against the entrenched incumbent. Second, contrary to ILEC claims, the Commission's pro-competitive rules have not stifled ILEC deployment of advanced services. Far from discouraging innovation and investment, the first stirrings of local competition fostered by those forward-looking rules have finally given the ILECs the business motivation to invest in and deploy new services to the public. As ILEC recent press announcements state, the ILECs are beginning to develop and deploy new advanced services at a rapid clip. The

Commission must not waiver from its resolve to require ILECs to open their networks to competition regardless of whether the services at issue are “basic” or “advanced.” Pro-competitive policies remain the best tool to promote innovation, enhance service quality, and ensure universal and affordable access to advanced telecommunications services.

TELEDESIC

Today, mainly in urban areas, communications companies are racing to build out their fiber optic and terrestrial wireless infrastructure to meet growing demand for bandwidth. Outside of these metro areas, however, many of the telecommunications services that require high-speed delivery are currently prohibitively expensive and their deployment is not immediately planned. Even in densely populated regions, extending a fiber network or newly developed technologies such as DSL to the “last mile” individual homes and offices may not be economically feasible. Teledesic’s satellite system offers a solution to this problem.

Teledesic intends to deploy advanced network communications through a constellation of 288 satellites which are scheduled for launch beginning in 2002. Unlike most of today’s satellite systems which consist of “geostationary” satellites (“GEOs”), the Teledesic Network is a low-earth-orbiting (“LEO”) non-geostationary system (“NGSO”). Traditional GEOs hover over one point on the equator at an altitude of approximately 22,300 miles. This altitude causes a minimum transmission latency –or end-to-end delay– of about one-half second. While this “latency” creates an annoying but tolerable delay in certain analog voice transmissions, it can be untenable for video conferencing and Internet applications.

Teledesic will overcome this problem by orbiting its satellites 25 times closer to the earth than GEOs. This “non-geostationary” orbit will allow Teledesic to provide high quality

coverage comparable to fiber throughout the world for such services as broadband Internet access, interactive video, and multimedia at access speeds 2,000 times faster than today's standard analog modems. For example, transmitting a set of x-rays may take four hours over one of today's standard modems. The same images would be sent over the Teledesic in seven seconds.

Teledesic's ability to provide universal access at a cost independent of location will increase competition in most areas and complement terrestrial fiber networks by providing advanced, high-speed services to locations where fiber is yet to be deployed. It will be as easy for Teledesic to serve remote locations in New Mexico or Alaska as it will be to serve midtown Manhattan or downtown Los Angeles. Traditional limitations of geography and demographics that typically constrain land-based service providers are practically meaningless to Teledesic.

While Teledesic will be free from the constraints of location, it does share one constraint with its terrestrial-based brethren. Teledesic plans to make its network available through local service providers and is therefore just as reliant upon the Commission's market-opening, pro-competitive policies as other competitors in the local market.

NEXTLINK

Like Teledesic, NEXTLINK Communications is striving to provide consumers with a viable alternative to the ILEC for their telecommunications needs. NEXTLINK is one of the largest facilities-based CLECs in the country. As a direct result of the competitive opportunities created by the Telecommunications Act of 1996, NEXTLINK has raised billions of dollars which we are currently investing in the deployment of fiber optic networks

and digital switches designed to bring consumers across the nation a competitive alternative for their local and long distance phone service.

NEXTLINK and other CLECs are making great strides to provide advanced telecommunications services to American consumers. NEXTLINK today has the capability to offer customers high bandwidth services. About 20% of our customers are served entirely by NEXTLINK facilities – also known as our “on-net” customers. The majority of these on-net customers have access to full broadband capacity provided by our underlying digital switches and modern fiber-optic networks. NEXTLINK’s broadband network can provide such customers SONET channels with transmission speeds up to 9.6 gigabits per second.

While CLECs are making every effort to provide advanced services to consumers, the ILECs still have a stranglehold over essential facilities such as the local loop, and competitors continue to rely upon ILEC facilities to provide service to the majority of their potential customers. Even well funded competitors, such as NEXTLINK, cannot afford to build overnight a substitute local loop to every home and business in this country to provide competitive advanced services.

NEXTLINK is providing advanced services such as ISDN and xDSL to off-net customers in markets where we have been able to obtain access to ILEC loops capable of providing these advanced services. However, because ILECs control bottleneck facilities such as the local loop, NEXTLINK’s ability to provide advanced services is to a large extent controlled, and often can be hamstrung, by ILEC policies and practices on issues ranging from pricing of unbundled network elements to collocation.

For example, a competitor’s ability to access a local loop in most states is limited to situations where CLECs are actually collocated at an ILEC switch. NEXTLINK was one of

the first CLECs to request collocation on a broad basis as part of its facilities-based entry strategy. During the past two years as we have pursued collocation arrangements under the Commission's collocation rules, NEXTLINK has encountered numerous roadblocks in obtaining collocation arrangements on reasonable rates, terms and conditions. In addition, NEXTLINK has been precluded from providing service due to a lack of physical space in the ILEC Central Offices and a refusal by the ILEC to permit alternative collocation arrangements. These difficulties have hampered NEXTLINK's ability to provide not only basic plain old telephone service ("POTS"), but also advanced services. The practices of the ILECs and policies of this Commission on the issue of collocation thus have a great impact on our ability to provide both basic and advanced services.

RECOMMENDED COMMISSION ACTION

There are several measures that this Commission can and should adopt to facilitate competition, thereby encouraging greater deployment of advanced telecommunications facilities by competitors and ensuring the provisioning of advanced services to the public.

For example, the Teledesic Network's low earth orbit enables the use of small, low power two-way terminals and antennas. Even though the terminals are about the size of the direct broadcast satellite (DBS) dishes, FCC earth station licensing rules require time-consuming and costly technical coordination for each user terminal. The Commission should implement blanket licensing for identical terminals operating with satellite networks. This kind of regulatory streamlining is essential to providing universal access to broadband services through low cost user terminals.

Second, you should deny the several ILEC “Section 706” petitions that are currently before you. These petitions have nothing to do with fostering innovation. To the contrary, they completely eviscerate the body of law and regulations designed to foster local competition and necessary to promote the provision of advanced services by both CLECs and ILECs. The evidence demonstrates that in response to growing competition spawned by the very statutory and regulatory provisions the ILECs are seeking to eliminate, the ILECs have already decided to deploy new facilities and services to the public. Now is not the time for the FCC to eliminate these important statutory and regulatory safeguards. Indeed, this would be a body blow to competition with the unintended consequence of drying up capital necessary for CLECs to deploy facilities needed to provide competitive services.

In addition to denying the ILEC 706 Petitions, the FCC should take immediate steps to ensure that CLECs continue to play a vital role in the development and provision of advanced telecommunications services by affirming that Sections 251, 252 and 271 of the Communications Act apply to the provision of advanced telecommunications services in equal measure to their application to POTS. In particular, the FCC should clarify that for essential network elements, such as the unbundled loop, ILECs have a continuing obligation to provide nondiscriminatory access to such facilities for the provision of any telecommunications service. Further, the FCC should make clear that the ILECs have a duty to provide nondiscriminatory access to facilities, such as DSLAMs (Digital Subscribers Line Access Multiplexers) that the ILECs can deploy more efficiently solely because of their ratepayer-supported economies of scale and scope. The FCC should also clarify that ILECs’ obligations to provide access to OSS that supports the use of network elements are just as important, if not greater than, their obligations to provide OSS access for resale.

Finally, the FCC should examine its collocation rules to address the continuing efforts by ILECs to stunt the growth of local exchange competition through the use of unreasonable rates, terms and conditions for collocation. The FCC's collocation rules were developed more than four years before the passage of the 1996 Act and well before the development of the kind of advanced services we are discussing today. The FCC should reopen its proceeding to get additional comment from those CLECs that have struggled to enter the local markets under the FCC's existing collocation rules. An updated record that is focused on full-fledged, facilities-based CLECs and the provision of advanced services will provide the FCC with an opportunity to modify its rules to address the ongoing needs of the competitive local exchange market.

In conclusion, I urge the Commission on behalf of Teledesic, NEXTLINK and the host of other CLECs not to waiver from your forward-looking policies that got me into this business and to this podium in the first place. This is a critical juncture for the industry and for American consumers who deserve a choice of providers for all telecommunications services, regardless of whether they are denominated "basic" or "advanced." Thank you for your time.