

Steven G. Chrust

Vice Chairman of the Board of Directors
WinStar Communications, Inc.

Mr. Chrust is the Vice Chairman of WinStar Communications, Inc. and has served as a member of the Board since 1994. He joined the Company in 1995 and is currently responsible for acquisitions, corporate development and strategic planning.

Mr. Chrust has spent over two decades involved with the telecommunications and financial services industries. He is a former Chairman and Chief Executive Officer of AMNEX, Inc., an operator services long distance company. Previously, Mr. Chrust was Executive Vice President of Executone Information Services, Inc.

**ORAL TESTIMONY OF STEVEN CHRUST
VICE-CHAIRMAN OF WINSTAR COMMUNICATIONS, INC.
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
EN BANC HEARING ON BROADBAND NETWORK DEPLOYMENT
JULY 9, 1998**

Good morning Mr. Chairman and Commissioners and thank you for the opportunity to appear before you to discuss broadband network deployment and Section 706 of the 96 Telecom Act. My name is Steven Chrust and I am Vice-Chairman of WinStar Communications, Inc. a wireless competitive local exchange carrier (CLEC).

By way of introduction, WinStar Communications, Inc. is a nationwide CLEC with broadband licenses in the 38 Ghz spectrum, covering the majority of the commercial population and much of the residential population, serving small and medium size business customers, as well as long distance carriers, fiber based competitive access providers, mobile communications companies, local telephone companies and other wholesale customers. Over the next several years, WinStar also will be using new point to multi-point technology, which currently is being tested for commercial use within 12 months, first to business and then certain residential markets.

Our company generally offers the same services as other facilities-based CLECs, but our "last mile" connection is high capacity broadband wireless. This broadband wireless connection enables WinStar to significantly expand the addressable market and offers lower network build-out and operating costs because we do not need to 1) obtain construction permits or rights-of-way; 2) dig up the streets; and 3) string fiber to poles or through conduit which itself is ver labor intensive. We simply place our small antennas on the rooftops of the buildings where we serve customers. We plan to offer a full array of broadband services through the greater

bandwidth we will be able to deliver on a more cost effective basis than wired mediums.

Because we do not need access to the incumbent local exchange carrier (ILEC) local loop or the ILEC switch, except as a transition while we construct our network, our interconnection needs are concentrated principally at the interoffice level for the basic task of interconnection of our network with the ILEC network for termination to customers not on our facilities. It is important though to fully appreciate the need for a transition period which is sufficiently long to allow the new market entrants to compete effectively against the entrenched incumbents who hold great market power and substantial advantages which form significant barriers to entry.

With respect to the deployment of advanced telecommunications capabilities, let me begin by saying that there is no doubt that the Telecom Act has facilitated the deployment of broadband services. It tore down or reduced many of the legal barriers that stood in the way of the success of companies such as WinStar. Its vitality, effectiveness, and relevance two and a half years after its enactment is undiminished. Rather than being a snapshot of the world as it existed at the time of its passage, the Act, and the policies it articulated, was meant to stand the test of time. As a direct result of the Act's passage, customer needs rapidly are reshaping today's telecommunications market, and are forging new models for serving the local marketplace.

The first evidence of this phenomenon is the creation - by the CLECs - of the nation's first digital local networks, in direct response to increased customer demand for broadband capabilities and advanced solutions. This represents a major point of differentiation from the ILECs who still rely principally on copper wire technology for the local loop. Importantly, however, the competitive pressure that the CLECs have brought to bear is directly responsible for moves by the incumbents to embrace new technologies and to upgrade their networks. Even without having any of their regulatory prayers answered, various incumbents have announced recently that they are investing billions of dollars in new technologies. This is not an accident or

an anomaly that has occurred despite the 96 Telecom Act, rather it is a direct result of the success of the Telecom Act in empowering CLECs to satisfy market needs for advanced technologies. Competition, not regulatory relief, is the best incentive to deployment of advanced telecommunications capabilities.

Many CLECs operate state-of-the-art networks with asynchronous transfer mode (ATM) backbones that support both ATM and frame relay services. In fact, CLECs today are among the nation's leading providers of frame relay. For example, WinStar is the largest holder of high bandwidth 38 Ghz spectrum in the United States and we use this spectrum in providing high capacity, broadband services to our customers, what we call "Wireless FiberSM Service". In addition to supporting such high bandwidth services, our 38 Ghz-based networks and the networks of other CLECs, provide an additional advantage -- the ability to offer and manage unified voice and data services over a single network infrastructure.

With respect to the role of Section 706 in fostering the deployment of advanced telecommunications capabilities, let me stress that the Telecom Act as written is technology neutral; when it comes to interconnection, unbundling, collocation, and resale of the incumbents' networks, the Act does not distinguish between data and voice networks, and that was not the point of Section 706, either. The Act stands for the proposition that networks are networks, regardless of the services provided over them.

As their packet switched networks are developed and deployed, the incumbents will not abandon their circuit switched networks, rather they will merge these two delivery mediums into one network. In the end, it is the seamless integration of these incumbent networks with the networks of their competitors, resulting in a unified voice and data network under diversified ownership, that was the ultimate goal of the Act. Section 706 was not intended undermine this goal, by dividing the nation's telecommunications system into voice or data networks, or into

regulated and unregulated networks, rather it was intended to foster the development of advanced telecommunications capabilities. In fact, doing so will subvert the benefits technology is now beginning to offer as all services will be deliverable on the same network, reducing cost and increasing productivity.

For CLECs to reach their full potential in deploying technology for advanced services, and to provide added incentive for the incumbents to do the same, the Commission must make certain that the procompetitive provisions of the 96 Act, Sections 251, 252, and 271, are fully implemented. In addition, the Commission must ensure that any actions taken under Section 706 are consistent with the interconnection policies and rules adopted by State commissions. State commissions in the last two and a half years have established many innovative and effective rules and policies governing combination of unbundled network elements, sub-loop unbundling, collocation, and performance measurements and standards — all of which are essential to CLECs for the deployment of advanced services.

Finally, I would like briefly to address a couple of market barriers that are unique to wireless CLECs, and that have a significant detrimental impact on our ability to deploy our broadband networks. Among the current problems that require immediate resolution are discriminatory access to roofs and telephone blocks in buildings, and discriminatory access to the “last ten feet” of wire in buildings.

Access to roofs, and to the telephone “66” blocks in the common space in buildings, requires WinStar to negotiate individually with each building owner even though the incumbent LEC has in most cases automatic entry. Each building owner has its own set of terms and conditions, which vary by building by also vary by carrier within the same building. The time spent on negotiations is a major delay in the installation of the competitive facilities. Experience has shown that many private property owners simply refuse to allow competitors to install facilities

in their buildings or on their property, while other owners charge new providers, but not incumbent carriers.

In fact, there is a disturbing and serious trend, particularly among national building management companies, to attempt to leverage their control of building access to extract and portion of the CLECs' - but not the incumbents' - revenues. As a result, tenants in these building will not be able to enjoy the benefits of competition or if so will be required to pay additional onerous costs to the landlord for the right to access to the new competitor's service.

Once you have access to the roof, access to the "last ten feet" of wire inside the buildings is the crucial connection to the customer on any given floor. Today we are experiencing discriminatory and inconsistent treatment within one ILEC's territory and complete refusal from other ILECs to access the "last ten feet." For example, Bell Atlantic in New York is required by the state public service commission to offer access to the "last ten feet" as a tariffed service to all providers, but Bell Atlantic in Massachusetts has refused our requests to access completely because no law or regulation requires it to offer the service. Ameritech has also completely refused our request to access the inside wire in all five states, despite the fact in many instances, Ameritech still owns and controls the inside wire.

For all of these significant problems and others, the major incentive the RBOCs have to cooperate and solve them is the section 271 long distance entry carrot. If we are to see these barriers to entry fall, we need to stay the 271 course. WinStar does not support any change in Commission policy that would alter the effectiveness of the local competition provisions of the Act - Sections 251, 252, and 271. We believe that full implementation of these sections is the best way for the Commission to promote the universal availability of advanced telecommunications services under Section 706. CLECs must have the same rights under Sections 251, 252, and 271 for advanced telecommunications services as they have for conventional telephone services.

In the end real local telecommunication competition means facilities-based local loop competition for all services, whether voice or data. Development of alternative broadband facilities is the only way to eliminate the final bottleneck but only if the transition from a monopoly environment to one where there is robust and sustainable local competition is being carefully overseen and actively fostered by the regulators. The CLECs have accepted the challenge of providing competition in the local markets - the path that started with the Telecom Act. We are on the verge of creating the world's most powerful telecommunications and information network. Now is not the time to change the course.

Thank you, and I welcome any questions you may have.