

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