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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation; CS Docket No. 95-184; CC Docket No. 96-98; CCBPol 97-9

Dear Ms. Salas:

On January 13, 1998, Robert Berger of WinStar Telecommunications, Inc and Barry Ohlson and I of WinStar Communications (WinStar) met with Dan Phythyon, Rosalind Allen, and Jeanine Poltronieri of the Wireless Telecommunications Bureau of the Federal Communications Commission. During the meeting, we raised positions already set forth in WinStar filings in each of the above-captioned proceedings. Pursuant to Section 1.1206(a) of the FCC's rules, 47 C.F.R. § 1.1206(a), we are filing with the Secretary an original and 6 copies of this notice of ex parte presentation and 6 copies of comments filed by WinStar on December 23, 1997 in CS Docket No. 95-184.

Should there be any questions regarding the above, please do not hesitate to contact the undersigned at 202-833-5678.

Very truly yours,

Joseph Sandri /JBO

Joseph M. Sandri, Jr..
AVP and
Regulatory Counsel

Enclosure

cc: Dan Phythyon (w/ encl.)
Rosalind Allen (w/ encl.)
Jeanine Poltronieri (w/ encl.)

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Winstar Communications, Inc.

1146 19th Street, N.W. • Suite 200 • Washington, D.C. 20036 • TEL 202 833 5678 • FAX 202 659 1931

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BEFORE THE

Federal Communications Commission

WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Telecommunications Services Inside Wiring	)	CS Docket No. 95-184
	)	
Customer Premises Equipment	)	
	)	
In the Matter of	)	
	)	
Implementation of the Cable Television Consumer Protection and Competition Act of 1992:	)	MM Docket No. 92-260
	)	
Cable Home Wiring	)	

COMMENTS
OF
WINSTAR COMMUNICATIONS, INC.

Pursuant to Section 1.415 of the Rules and Regulations of the Federal Communications Commission ("FCC" or "Commission"), 47 C.F.R. § 1.415 (1996), WinStar Communications, Inc. ("WinStar") hereby submits these comments on the Second Further Notice of Proposed Rulemaking released in the above-captioned rulemaking.[1] WinStar, a telecommunications service provider, is very interested in its ability to access inside wiring in order to provide connectivity to its end user customers. As set forth in greater detail below, however, WinStar strongly disagrees with the scope of the Second Further Notice, and, in particular, the FCC's

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[1] Report and Order and Second Further Notice of Proposed Rulemaking, CS Docket No. 95-184, FCC 97-376 (rel. October 17, 1997) ("Second Further Notice").

consideration of exclusive contracts.

Introduction

WinStar is the largest holder of spectrum in the 38.6-40.0 GHz ("39 GHz") band in the country, with licenses in the top fifty markets in the United States. WinStar is utilizing this spectrum asset to build wireless local telephone networks for the transmission of voice, data and video traffic throughout the United States. WinStar affiliates are authorized to provide competitive local exchange carrier ("CLEC") service, on both a facilities and resale basis, in thirty jurisdictions. In this regard, WinStar already is offering switched, wireless, CLEC services in ten major markets. WinStar also has received authority to operate as a competitive access provider ("CAP") in thirty-eight jurisdictions and is providing its Wireless Fiber^{SM} services to over forty carrier customers. Wireless Fiber^{SM} services are so-named because of their ability to duplicate the technical characteristics of fiber optic cable with wireless 39 GHz microwave transmissions.

As a wireless CLEC and a provider of telecommunication services, WinStar has a significant interest in access to inside wire. More specifically, a critical component of WinStar's success as a provider of telecommunications services is its ability to access inside wire on a reasonable and nondiscriminatory basis. With the continued convergence of video, telephony, and data services, WinStar believes that more and more providers will face a similar need for access in order to enter the competitive telecommunications (including video) marketplace. Yet, the Commission in its Second Further Notice continues to draw an artificial boundary between video and telephony providers when it considers issues regarding access to inside wiring. In attempting to make this distinction, the Commission fails to take into account the likely composition of the future telecommunications marketplace – a marketplace in which cable companies provide telephone and Internet access and telephony providers offer video programming services.

Similarly, the FCC's consideration of exclusive contracts fails to take into account the competitive aspects of the future telecommunications marketplace. The use of exclusive contracts would only serve to create an artificially level playing field, not a real one. Rather than allowing both incumbent and competitive providers to avail themselves of exclusive contracts, the FCC and the telecommunications industry would be better served by simply eliminating exclusive contracts altogether. Exclusive contracts as contemplated herein simply do not promote the objectives of the Telecommunications Act of 1996.

Discussion

A. The FCC Must Consider the Interests of Telecommunication Service Providers in Promulgating Rules Regarding Inside Wiring.

WinStar is greatly disappointed with the continued attempts in the Second Further Notice to distinguish the operational requirements of multichannel video programming distributors ("MVPDs") from traditional telecommunications service providers. Such an effort simply ignores the changing world of telecommunications. Convergence is the future, and – despite numerous articles decrying the pace at which competition is developing – direct broadcast satellite ("DBS") companies are beginning to offer bi-directional data services,[2] cable companies

[2] See Exhibit I. Indeed, the physical components of DBS service are quite similar to WinStar's Wireless Fiber℠ services. While WinStar's 38 GHz antennas are slightly smaller than DBS antennas, they are similarly mounted on rooftops or window ledges. Both DBS and WinStar require inside wire access to reach the end user customer. Finally, while DBS providers are

are offering high-speed telephony and data services,[3] the Internet can be used for telephony as well as full motion video, long distance carriers are entering the local exchange market, telephone companies are providing cable service, and the regional bell operating companies are aggressively pursuing the right to provide in-region long-distance service. Many, if not most, of these services require some level of access to inside wire. Yet, the tentative conclusions in the Second Further Notice continue the regulatory fiction that different rules can and should be applied to video inside wiring issues than are applied to telephony inside wire issues.

As the Commission contemplates revisions to inside wiring rules, WinStar urges it to consider equally the interests of video providers and local exchange service providers. The key to success of any new market entrant, whether initially a video service provider or a telephone or data service provider, is unrestricted access to the end user. In adopting the Telecommunications Act of 1996 and the Cable Television Consumer Protection and Competition Act of 1992, Congress envisioned a competitive marketplace in which consumers could choose their telephone and video services from a variety of sources. Albeit slowly in some segments, the telecommunications industry is starting to respond to this challenge. New companies like WinStar today are offering telecommunications services in markets previously reserved for monopoly service providers. More importantly, where accessible to competitive service providers, end user customers finally are starting to have a choice for their local telephone service.

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beginning to offer non-video services, WinStar has the ability to provide both one-way and two-way video programming to end users over its 39 GHz systems.

[3] See Exhibit II detailing the development of high-speed cable modems.

In order to provide truly competitive telecommunications services, relatively new entrants to the market like WinStar require access to inside wiring on a reasonable and non-discriminatory basis. Just as alternative MVPDs need reasonable access to inside wiring in order to compete with incumbent cable operators, competitive local exchange carriers like WinStar require inside wiring access on the same terms and conditions offered incumbent local exchange carriers to be truly competitive. The fundamental issues are the same for both video and telephone service providers: is the customer accessible via pre-existing inside wiring, and on the same terms and conditions as the incumbent service provider? It makes little sense for the Commission to deal with the critical issue of access to inside wiring on a fragmented basis as proposed in the Second Further Notice, especially when considering the ongoing and inevitable convergence in the telecommunications marketplace. The Commission would be well-served to recognize the changing face of telecommunications and to promote, from a regulatory standpoint, equal access to inside wiring for all segments of the industry.

B. Exclusive Contracts are Anti-Competitive and Antithetical to the Telecommunications Act of 1996

Exclusive contracts negotiated between landlords and telecommunications carriers are contrary to the goals and objectives of Congress in adopting the Telecommunications Act of 1996 (the "1996 Act"). Most significantly, exclusive contracts directly restrict the ability of tenants to choose their video and telecommunications providers.[4] The 1996 Act specifically

[4] As noted by the Commission, the Supreme Court has commented that "[e]xclusive dealing is an unreasonable restraint on trade only when a significant fraction of buyers or sellers are frozen out of a market by the exclusive deal." Jefferson Parish Hosp. Dist. No.2 v. Hyde, 466 U.S. 2, 45 (1984), citing Standard Oil v. United States, 337 U.S. 293 (1949). For purposes of this analysis, the Commission must view each multiple dwelling unit ("MDU") as a discrete market.

promotes competition in the local exchange market[5] and in the video market.[6] As correctly noted by Ameritech "[e]xclusive arrangements are antithetical to consumer choice and the mandate set forth in the Communications Act to promote competition in the delivery of video programming."[7] Simply put, in drafting the 1996 Act, Congress did not intend for building owners and landlords to "hold hostage" the development of competition in both the video and telephony markets and Congress' goal of better services, prices and choices for consumers.[8] The building owner or landlord should not be choosing the telephone or video provider for its tenants, just as they do not control the tenants' choice of long distance and on-line service providers – or for that matter, the magazine to which the tenants subscribe or the cereal they eat.

The 1996 Act took major steps to open the "last mile" of the local exchange infrastructure in order to promote competition.[9] Similarly, Section 628(e) of the Communications Act of 1934, as amended, provides the Commission with both the power to encourage diversity in the development of competition in video programming and the power to exact remedies when MVPDs are aggrieved. By these specific efforts, Congress endeavored to eliminate regulatory

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Any other analysis would unreasonably restrain the choice of tenants. One MDU can indeed support multiple telephone and video providers. It is unrealistic to require tenants to move so that they simply can choose an alternative telecommunications provider.

[5] 47 U.S.C. § 251.

[6] Section 704 of the 1996 Act specifically provides that the Commission shall "promulgate regulations to prohibit restrictions that impair a viewer's ability to receive video programming services ... ."

[7] Ameritech *ex parte* submission, dated May 15, 1997.

[8] In fact, both the Senate and FCC announced earlier this year probes into the lack of competition in the local telecommunications market. *Telephone Market Probes Planned: FCC, Senate Ask Why Competition Is On Hold*, Washington Post, at A1 and C11, July 16, 1997. See Exhibit II.

[9] 47 U.S.C. § 251.

and monopolistic bottlenecks in order to promote true competition in the marketplace and customer choice. However and notwithstanding these efforts, a significant bottleneck remains – the ability of landlords and incumbent service providers to deny new telephony and video entrants access to the last "one hundred feet," thereby denying these competitive carriers access to the customer tenant.

The Commission must remember that incumbent local exchange carriers (" ILECs") and existing cable operators already have secured access to buildings (typically on a reasonable and nondiscriminatory basis). This same treatment, however, is not being extended to CLECs and alternative MVPDs. Rather, in many instances, building owners are treating access by CLECs and alternative video providers – and not the incumbent telephony and video providers – as a significant new revenue generating opportunity and thus presenting them with discriminatory rate treatment or outright rejection with respect to efforts to secure inside wiring access. WinStar believes that some commenters in this proceeding support exclusive contracts as a counter measure to this new inside wire bottleneck. In negotiating exclusive contracts directly with landlords, alternative MVPDs are attempting to guarantee their access to inside wire. However, exclusive contracting does not solve the problem, it only disguises it. The real problem is the bottleneck and the lack of a consistent and unified national regulatory policy to address inside wire access. The Commission, if it allows exclusive contracts, will in fact further promote the ability of landlords to maintain a bottleneck over the last "one hundred feet," a direct impediment to customer choice. The correct solution is to mandate reasonable and nondiscriminatory access for all so that all providers are on an equal footing.

It also is quite instructive to break down some of the arguments put forth by certain commenters in support of exclusive contracts. As discussed below, exclusive contracts are promoted as a method to diminish business risk. For example, GTE has noted that exclusive contracts will "promote entry by competitive MVPDs by giving them a reasonable opportunity to recover their investments in MDUs."[10] Similarly, the Independent Cable & Telecommunications Association ("ICTA") has argued that "a private cable operator requires some period of exclusivity in order to ensure a cash flow sufficient to secure financing to install its facilities and initiate service at an MDU."[11] What these parties are asking for is an FCC-guaranteed rate of return on their investment in an MDU. In other words, these companies want the Commission to regulate away a portion of their build out risk. Such an argument avoids the fundamental problem – the inability to access inside wiring on a reasonable and nondiscriminatory basis.

Rather than addressing the bottleneck directly, these parties are advocating that the Commission use its authority to reduce customer choice so that alternative MVPDs have an opportunity to recover costs. Such an arrangement, while beneficial to the MVPD and the building owner directly aggrieves the end user customer. Customers will have their ability to choose providers negotiated away just to ensure that an alternative video provider receives a "cash flow sufficient to secure financing." The relief requested by these companies does not resolve a serious problem, it exacerbates it. To truly promote competition, the Commission need only provide entry onto the playing field and mandate reasonable and nondiscriminatory access to

[10] GTE *ex parte* submission, dated May 15, 1997, at 2.
[11] ICTA *ex parte* submission, dated February 27, 1997, at 2.

inside wiring. Existing exclusive contracts between MDU owners and telephony and video providers should be abrogated. True competition is decided at the customer end user level. True competition does not flow from who can make the sweetest (exclusive) deal for the landlord.

As a competitive local exchange carrier, WinStar is well aware of the difficulties in entering a monopolistic market. WinStar competes directly with entrenched, incumbent local exchange carriers, but is able to succeed because it has developed a service offering that is attractive to the end user customer. WinStar is investing hundreds of millions of dollars into its facilities-based wireless network in order to compete directly with incumbent local exchange carriers.[12] As with any new business venture, though, there is a certain element of risk involved. Yet, WinStar's financial success does not depend on its ability to limit customer choice. Rather, WinStar supports an open competitive market so that it can offer its wireless CLEC services to everyone. Just as customers now have the ability to choose their long distance carrier, WinStar believes that customers should be able to choose from a variety of local telephone companies, Internet carriers, and video providers. Indeed, the customer could select one company for all four services, or four separate service providers. The fundamental issue, though, is customer choice. U.S. consumers have seen the direct benefits of competition in the long distance market. Such benefits would never have been realized if building owners were allowed to act as a bottleneck and – without providing free choice to their tenants – to unilaterally negotiate exclusive contracts for their tenants' long distance services. The 1996 Act simply did not contemplate depriving consumers of their choice.

[12] Over the past 18 months, WinStar has secured over $700 million in financing.

The Commission's consideration of exclusive contracts in the Second Further Notice is a misguided effort to promote competition in the video marketplace. The only way to truly ensure the proverbial "level playing field" is to prohibit exclusive contracts between MDU owners and service providers for <u>all</u> telecommunications services. In the alternative, and to truly support competition and customer choice, the Commission should mandate reasonable and nondiscriminatory access to inside wiring for all telecommunications (including video) providers.

WHEREFORE, THE PREMISES CONSIDERED, WinStar Communications, Inc. requests that the Commission adopt a position in the Second Further Notice consistent with the arguments set forth above.

Respectfully submitted,

WINSTAR COMMUNICATIONS, INC.

Timothy Graham
Robert Berger
Russell Merbeth
Barry Ohlson
Joseph Sandri, Jr.

1146 19th Street, N.W.
Suite 200
Washington, D.C. 20036
202-833-5678

Date: December 23, 1997

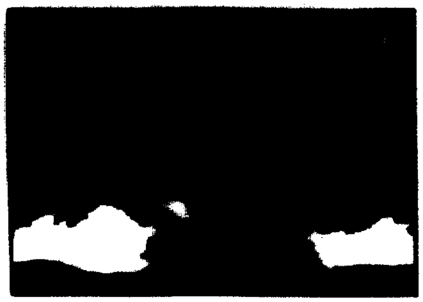
EXHIBIT I

INTERACTIVE MULTIMEDIA

DISH Network has the capability to provide internet, multi-media and interactive products through our high-speed data port and other new receiver products that will be available next year. We will offer you "high speed" access to interactive, multi-media and Internet products in the home, office and school.

We currently have two niche data services called AgCast and Signal. AgCast provides real time market information for the Agricultural community and Signal delivers real-time stock quotes and financial market information.

We are continuing to add other multi-media and interactive products. This includes specialized services for business and education as well as access to content rich, Internet sites. Please visit fill out our questionnaire inquiring what data services you would like to see EchoStar deliver to you.



What do I need to know regarding DISH Network's New 2-Dish option?

What should be most important to you is that our 2-DISH option will allow you to obtain a wider selection and choice of programming. You will soon be able to purchase additional programming and services such as International programming, your local network affiliates, data broadcasting, educational programming, religious and other specialized programming and data services.

- **LOCAL NETWORKS: Many Local Networks will be delivered via satellite just like any of our other channels. We will first begin offering this service in the Atlanta, New York City, Washington DC, Chicago and Baltimore areas with additional cities to be announced soon. Remember, you can ONLY get this local programming service with our exclusive 2-DISH offering!!**

We are the only satellite provider to offer you Local Networks via satellite. This "local" programming refers to your local networks ABC, CBS, NBC and FOX. If you are a subscriber, we will "transmit" these local news, weather and sports programming network affiliates to our satellite and then "beam" them back down to you in a digital format. No more ghosting, no more picture fade.

- **INTERNATIONAL/EDUCATIONAL: Soon, you will be able to receive International Channels like TV5 (French Television), Antenna (Greek/Croatian Television) and many more channels from around the world. If you combine that with America's Top 50CD, than the 2 dish option is for you. Data services and educational programming like the NASA channel will also be available shortly on your optional 2nd Dish. Stay Tuned!!**

- **REMEMBER: You can still watch America's Top 50 CD and all of our other great programming packages on one satellite dish. However, for those of you who want specialized programming such as local networks, data services, International, religious or other specialized programming, then the 2-DISH option is exclusively available for your immediate use. Click here to get a birds eye view of how you can receive programming in your home.**

In simple terms, it means you have two small 18" antenna's installed instead of one. The "ultimate" 2-DISH system will allow you to obtain more programming and more channels than any other satellite or cable company can offer. In space, we own three satellites and have more on the way. The 2-dish system and DISH

Network's commitment to the future ensures the digital "bandwidth" is available to bring you the additional programs you want both today and in the future.

EXHIBIT II

The Washington Post

BUSINESS

TUESDAY, DECEMBER 23, 1997

Slow Start for a High-Speed Connection

Cable Computer Modems Haven't Caught Fire With Consumers, but Industry Is Upbeat

By Paul Farhi
Washington Post Staff Writer

After two years of tinkering and testing, Jones Communications finally was able this past summer to offer all residents of Alexandria a much-ballyhooed new product: cable modems. Utilizing Jones's cable TV wires, the modems offer lightning-fast computer connections to the Internet, potentially rendering conventional phone links obsolete.

So how's it going so far? Five months after working all the bugs out, Jones's service in Alexandria has just 850 customers, most of them holdovers from the test phase.

Cable-industry executives still believe that cable modem service has a bright future, but the present is moving at less than warp speed. Despite two years of intra-industry hubbub about the new service, fewer than 75,000 households across the nation now connect to the Internet over cable wires, compared with up to 23 million that do so via dial-up phone connections, according to IntelliQuest, a market research company.

That seems destined to change for a profoundly simple reason: speed. When outfitted with the necessary equipment, a cable TV network that now delivers MTV, CNN and 60-odd other TV channels into your TV set is also "broad" enough to carry huge streams of electronic data to your personal computer.

With a special modem, cable lines can feed 10 million bits of data to a computer per second, compared with 28,800 bits per second via a standard modem. In practical terms, that means images—including video clips—zip and fly onto the computer screen instead of drip, drip, dripping through. "We're talking about a locomotive in a world of horses and buggies," said Kirk Holmes, who manages Comcast Corp.'s cable-modem service in Baltimore and Howard counties.

Yet, even with such a tantalizing technology, cable companies aren't yet eager to brag about it to potential customers. It will take years before the service is widely available and all the

See CABLE, C2, Col. 1

WHO'S HOOKED UP

High-speed cable modem services are now available to 9.5 million homes in the United States in 67 markets. Here are local areas that offer service on a trial or commercial basis:

- **Howard County** (Comcast)
- **Baltimore County** (Comcast)
- **St. Mary's County** (Western Shore Cable)
- **Alexandria** (Jones Communications)
- **Fairfax City** (Media General)
- **Prince William County** (Jones Communications)
- **Loudoun County** (Cablevision of Loudoun)

SOURCE: National Cable Television Association

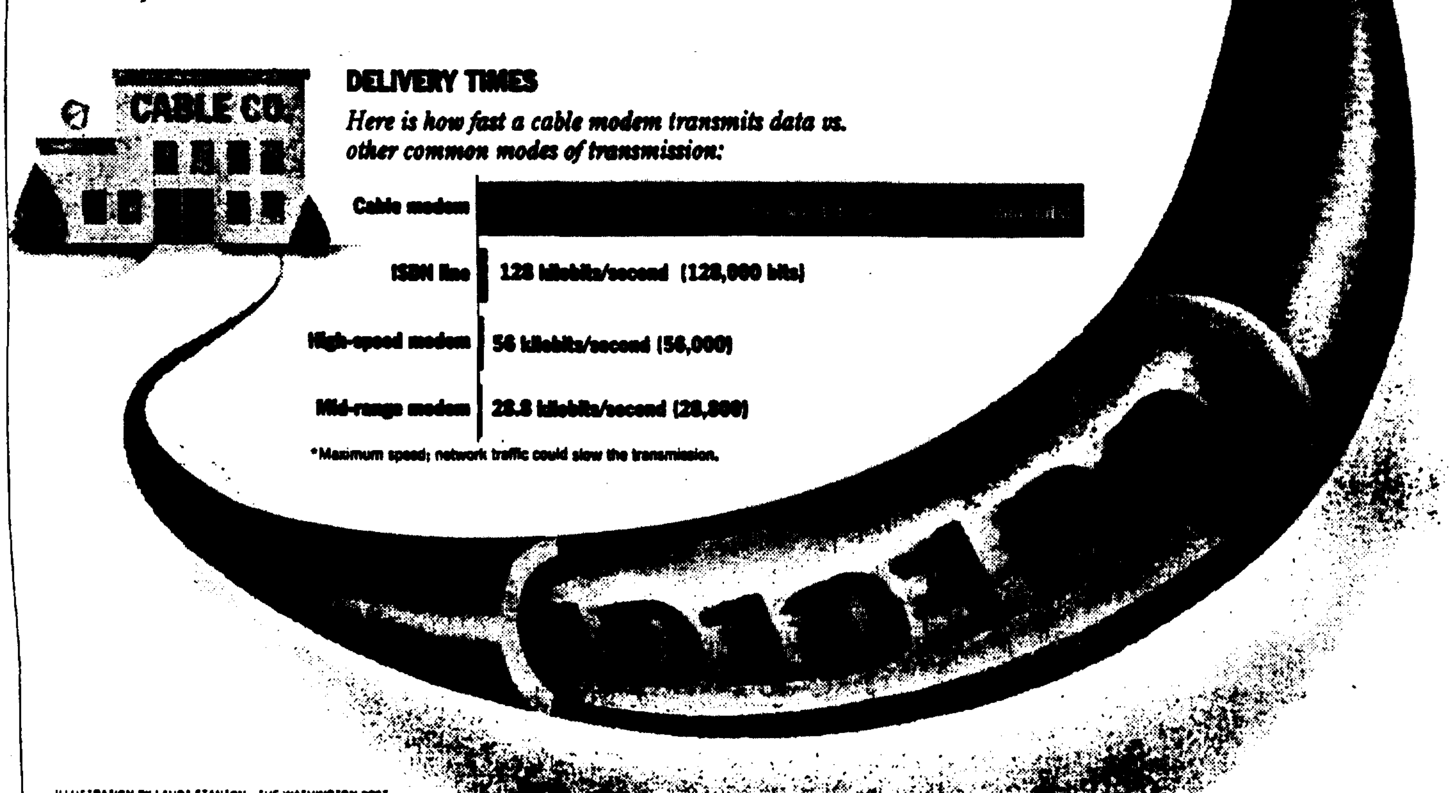


ILLUSTRATION BY LAURA STANTON – THE WASHINGTON POST

Despite High-Speed Benefits, Consumers Slow to Connect With Cable Modems

CABLE, From C1

technical and marketing issues are resolved. And some cable companies may balk at the vast capital investment required.

Although cable TV lines pass more than 90 percent of all American homes, most are designed to send signals in only one direction, from the cable company's home office to your home. To handle the two-way electronic traffic required by computer users, cable companies are investing hundreds of millions of dollars in new equipment and rebuilt wires—a job that will take several more years to complete.

In the meantime, cable executives are wary of promising more than they can deliver, particularly given the industry's historic reputation for poor customer service. For one thing, initial installation of cable modem service, which costs about $100, typically takes more than an hour, and often involves a visit from more than one cable guy. Jones and most other companies are currently providing the cable modem service for $39.95 a month.

"This is definitely a walk-before-you-run proposition," said Drew Sheckler, who manages Jones Communications' operations in the Washington area. "You have to go slow enough to provide [acceptable] service, but fast enough to run a business that will [eventually] earn a profit."

Jones found that out the hard way. When it began offering cable-modem service in Dale City in September, it underestimated the amount of equipment it needed to handle demand. The result: bottlenecks that drove some customers back to their old Internet providers. And even with a huge "pipe" to the Internet, there's nothing a cable company can do to speed up traffic jams caused by overloaded servers at popular sites on the World Wide Web.

Faced with big upfront costs and several more years of money-losing operations, the cable industry's giants are pooling their online efforts.

The nation's second- and third-largest cable companies, Time Warner Inc. and US West Corp.'s MediaOne subsidiary, announced earlier this month that they will merge their modem businesses, which have about 25,000 modem customers. A separate modem venture, At Home Corp., based in Redwood City, Calif., is owned by six domestic cable companies, including Comcast, Cox Cable and Tele-Communications Inc. (TCI). It has some 26,000 modem customers.

So far, few companies are willing to guess how many of the nation's 66 million cable households might someday want high-speed Internet access—or any kind of access, for that matter. For the moment, the service is still a niche product still in search of a mass market. At Home, for example, said it has about 4 percent penetration in Fremont, Calif., and Baltimore County, the two markets in which it has offered service for the past year.

"Beyond the heavy user [of online services], there might not be much novelty or utility," said Thomas Waldrop, president of Media General Cable, which is testing modem service in its Fairfax County system. "Beyond that wave of early adopters, we're really going to have to demonstrate the value in this."

Several executives are confident that will begin to happen in the next few years, as the technology improves and costs begin to drop.

This month, for example, the industry agreed on a common set of standards for the modem itself, ending a standards war among competing manufacturers. This peace treaty may someday enable consumers to buy a cable modem at their local computer store, without worrying whether it will be compatible with the hardware in the consumer's cable system, says Mike Luftman of Time Warner's cable division.

Perhaps as important, a standardized modem may change the economics of offering the service. The modems now cost between $400 and $500, an expense borne by the cable company, which in turn leases the box to its customers. If consumers could buy a standard box directly for less than $200, it would lower cable companies' overhead, perhaps enabling the companies to offer the service at a lower price.

The cable-modem services available now "are basically tests," said Steve Effros, the president of the Cable Telecommunications Association, an industry group. "The companies are eating the costs of the equipment now. But it becomes a real consumer item when you have a box you can buy off a retailer's shelf."

Even farther down the line, Effros added, the modem will be built into a set-top box that will provide computer-like functions for the TV set. "We've only begun to see what's possible," he said."

EXHIBIT III

The Washington Post

WEDNESDAY, JULY 16, 1997

INSIDE

. . . is Inside Sports.

Phone Probes

■ The FCC and a Senate committee want to know why competition has not increased among telephone carriers 18 months after passage of a law designed to encourage such rivalry.

BUSINESS, *Page C11*

Telephone Market Probes Planned

FCC, Senate Ask Why Competition Is On Hold

By Paul Farhi
Washington Post Staff Writer

Frustrated over the lack of progress in opening up the nation's telecommunications markets to competition, the nation's top telephone overseers said yesterday they want to investigate the problem.

Sen. John McCain (R-Ariz.), chairman of the powerful Commerce Committee, and the Federal Communications Commission both said they will launch separate inquiries into what's wrong and what can be done about it.

Nearly 18 months after Congress passed the Telecommunications Act of 1996, it's clear that consumers have seen little of the competitive frenzy that lawmakers said would result from allowing local and long-distance phone companies and cable TV companies to enter one another's businesses. In fact, the opposite has happened: Local phone and cable rates have continued to rise, while would-be telephone competitors have merged rather than fought.

What's not clear is who, or what, is to blame. Both sides of the phone industry continue to point fingers at the other, and some argue that the government itself is responsible for the stalemate.

Long-distance companies such as AT&T Corp. and MCI Communications Corp. accuse the regional Bell companies of failing to open their local networks to companies that want to use the lines to provide a competing dial tone, as the law requires. Would-be local competitors need to piggyback on those lines to avoid the prohibitive expense of building duplicate local networks.

Last week, MCI said it expects its

FILE PHOTO BY RAY LUSTIG—THE WASHINGTON POST
JOHN McCAIN
. . . committee to launch inquiry

new local phone division to lose about $800 million this year, and still more next year, partly because of what MCI termed "anti-competitive tactics" by local phone companies. At the same time, MCI said it expects its long-distance revenue to fall about 10 percent below expectations in the next 18 months because of intensifying price competition.

The Bells, which hold regional monopolies, say they have been as hospitable to competitors as possible. They also complain that the FCC has placed too many regulatory barriers in front of their efforts to enter the long-distance market.

The Bells say that long-distance companies don't really want to get into the $100 billion local phone market anyway, since doing so

See TELEPHONE, C20, Col. 1

Regulators Ask Why Phone Firms' Rivalry Is Sluggish

TELEPHONE, From C11

would make the deep-pocketed Bells eligible to enter the $70 billion long-distance business that AT&T, MCI and Sprint dominate.

"If anyone is having a real problem [entering a local market], we will rectify it," BellSouth Corp. spokesman John Schneidewind said yesterday. "But most of these problems are baloney. As long as [long-distance companies] keep crying fire in a crowded theater, we'll be kept from seeing the movie—we'll be kept out of long distance."

Responds AT&T's Mark Rosenblum: "It's a natural tendency of monopolists to want to hold on to their monopolies as long as possible."

McCain, whose committee holds sway over the telecommunications sector, said he will hold hearings to focus public attention on the problem.

"We'll try to build a case that the promise of the Telecommunications Act has not come to fruition," said McCain, who has long maintained that the law wasn't sufficiently deregulatory to promote competition faster. But McCain added that it was unlikely Congress would make changes in the law soon.

The FCC announced yesterday it will create a task force of commission employees to "identify trouble spots" and investigate actions that may be delaying competition. The task force appears to have been prompted by complaints made to the FCC in the past two weeks by AT&T and MCI.

Indeed, the agency yesterday singled out the local phone market as the primary target of its investigative actions, which officials said could lead to new rules to tighten any loopholes in existing regulations.

Certificate of Service

I, Meredith A. May, hereby certify that a copy of the foregoing "Comments of WinStar Communications, Inc." has been served this 23rd day of December, 1997, via first class mail, postage prepaid or by hand delivery to the following:

William E. Kennard
Chairman
Federal Communications
Commission
1919 M Street, NW, Room 814
Washington, DC 20554

Michael Powell
Commissioner
Federal Communications
Commission
1919 M Street, NW, Room 844
Washington, DC 20554

Susan Ness
Commissioner
Federal Communications
Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Harold Furchtgott-Roth
Commissioner
Federal Communications
Commission
1919 M Street, NW, Room 802
Washington, DC 20554

Gloria Tristani
Commissioner
Federal Communications
Commission
1919 M Street, NW, Room 826
Washington, DC 20554

Susan Fox
Senior Legal Advisor to
Chairman Kennard
Federal Communications
Commission
1919 M Street, NW, Room 814
Washington, DC 20554

Anita Wallgren
Legal Advisor to Commissioner Ness
Federal Communications
Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Jane E. Mago
Senior Advisor to Commissioner
Powell
Federal Communications
Commission
1919 M Street, NW, Room 844
Washington, DC 20554

Paul Misener
Senior Legal Advisor to Commissioner
Furchtgott-Roth
Federal Communications
Commission
1919 M Street, NW, Room 802
Washington, DC 20554

Rick Chessen
Federal Communications
Commission
Senior Legal Advisor to Commissioner
Tristani
1919 M Street, NW, Room 826
Washington, DC 20554

Meredith Jones
Federal Communications
Commission
Chief
Cable Services Bureau
2033 M Street, NW, Room 918
Washington, DC 20554

Barbara Esbin
Federal Communications
Commission
Associate Bureau Chief
Cable Services Bureau
2033 M Street, NW, Room 904
Washington, DC 20554

A. Richard Metzger
Chief, Common Carrier Bureau
Federal Communications
Commission
1919 M Street, NW, Room 500
Washington, DC 20554

John Muleta
Deputy Bureau Chief
Common Carrier Bureau
Federal Communications
Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Richard Welch
Deputy Bureau Chief
Common Carrier Bureau
Federal Communications
Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Ruth Milkman
Deputy Bureau Chief
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Richard Lee
Chief, Compliance and Information
Bureau
Federal Communications
Commission
1919 M Street, NW, Room 734
Washington, DC 20554

Dan Phythyon
Chief
Wireless Telecommunications
Bureau
Federal Communications
Commission
2025 M Street, NW, Room 5002
Washington, DC 20554

JoAnn Lucanik
Deputy Chief
Policy and Rules Division
Cable Services Bureau
Federal Communications
Commission
2033 M Street, NW, Room 904
Washington, DC 20554

Claire Blue
Attorney Advisor Policy and
Rules Division Cable Services Bureau
Federal Communications
Commission
2033 M Street, NW, Room 406
Washington, DC 20554

Timothy Peterson
Deputy Division Chief
Accounting and Audits Division
Federal Communications
Commission
2000 L Street, NW, Room 812
Washington, DC 20554

Rosalind Allen
Wireless Telecommunications
Bureau
Federal Communications
Commission
2025 M Street, NW Room 5002
Washington, DC 20554

Elizabeth W. Beaty
Chief, Financial Analysis
and Compliance Division
Federal Communications
Commission
Cable Services Bureau
2033 M Street, NW, Room 804Q
Washington, DC 20554

Meredith A. May
Meredith A. May

Marian Gordon
Common Carrier Bureau
Federal Communications
Commission
2000 M Street, NW
Room 210L
Washington, DC 20554

Debra Harper
Federal Communications
Commission
1919 M Street, NW
Room 538-G
Washington, DC 20554

Geraldine Matise
Federal Communications
Commission
2000 M Street, NW, Room 235
Washington, DC 20554

Nancy Stevenson
Federal Communications
Commission
2033 M Street, NW
Room 406-C
Washington, DC 20554