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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., Suite TW-A325
Washington, DC 20554

Re: Ex Parte Filing in CC Docket No. 98-147

Dear Ms. Salas:

On November 2, 1998, November 3, 1998, and November 4, 1998, Steven Gorosh, Vice President and General Counsel of NorthPoint Communications, Inc. and I met with FCC staff to discuss issues outlined in the attached presentations. These presentations reflect NorthPoint's views on issues raised in the Advanced Wireline Services proceeding. We met with the following people: Bill Rogerson, Pat DeGraba, Don Stockdale, David Hunt, Staci Pies, Jason Oxman, Johnson Garrett, Carol Matthey, Jonathan Askin, Robert Pepper, Stagg Newman, Daniel Shiman, Liz Nightingale, Brent Olson, Greg Cooke, Alan Thomas, Maryanne McCormick, Jennifer Fabian, and Linda Kinney.

Sincerely yours,



Ruth Milkman
Counsel to NorthPoint

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NorthPoint Communications, Inc.

Presentation to FCC Economists

Economic Aspects of DSL Deployment

Steven Gorosh
VP and General Counsel
NorthPoint Communications



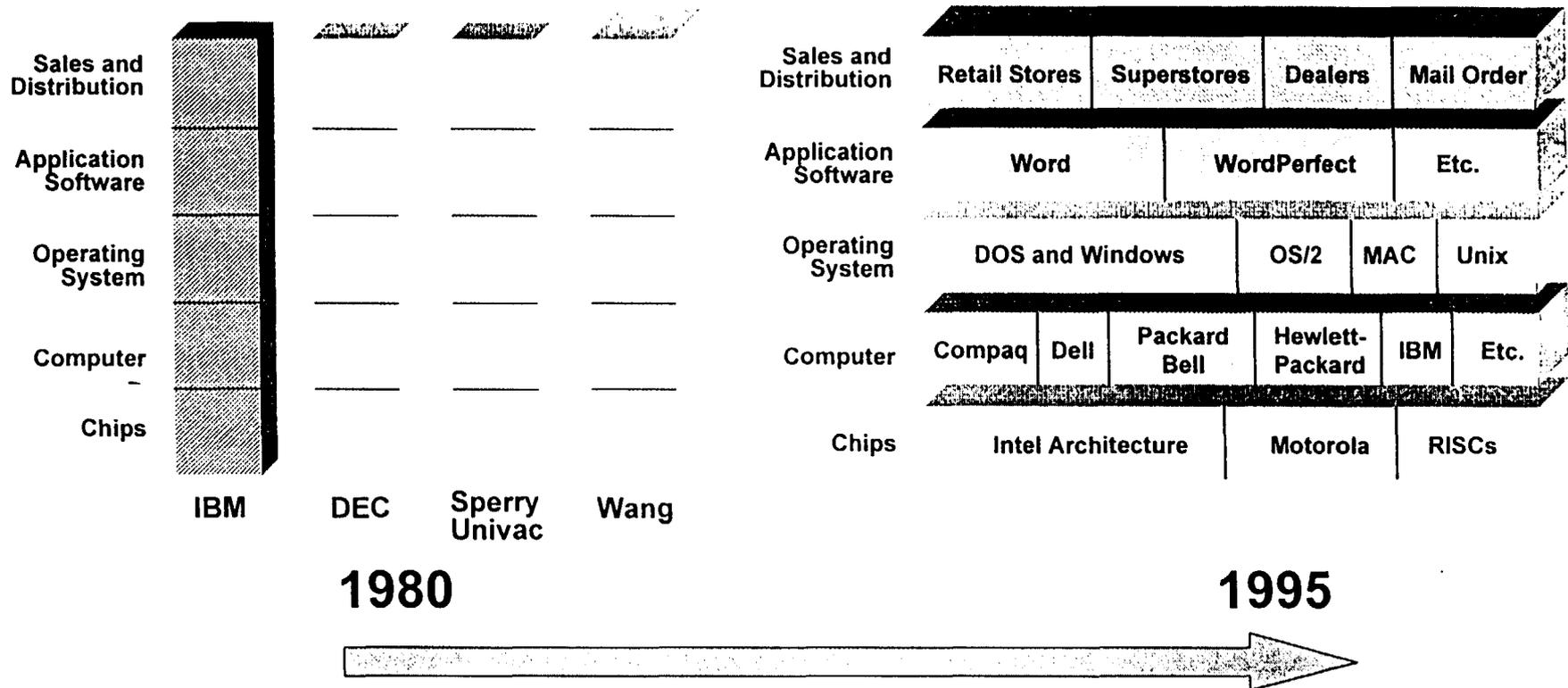
Introduction to NorthPoint

- A national data CLEC
- Founded by an experienced team of CLEC veterans
- Focused exclusively on delivering dedicated data transport over the “last mile” to undeserved small and medium-sized businesses
 - Currently providing fast, affordable, and reliable SDSL service at 160, 416, 784, 1,040 KBPS
- Service deployed in San Francisco Bay Area, LA, Boston, New York, San Diego, Chicago and D.C.
- Targeting 28 cities in 20 states by 1999



The Evolving Telecom Market, by Analogy

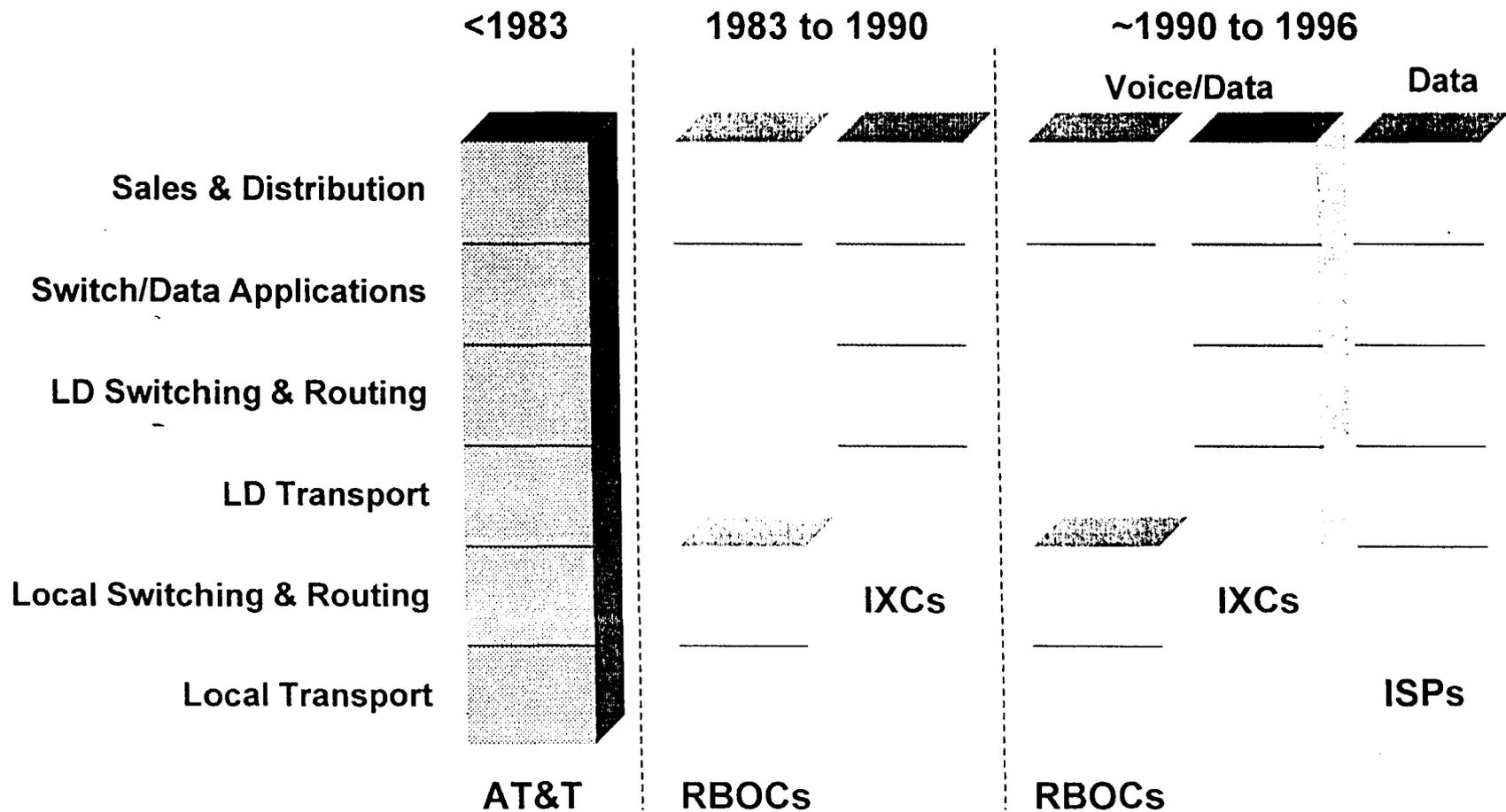
■ Consider the Computer Industry



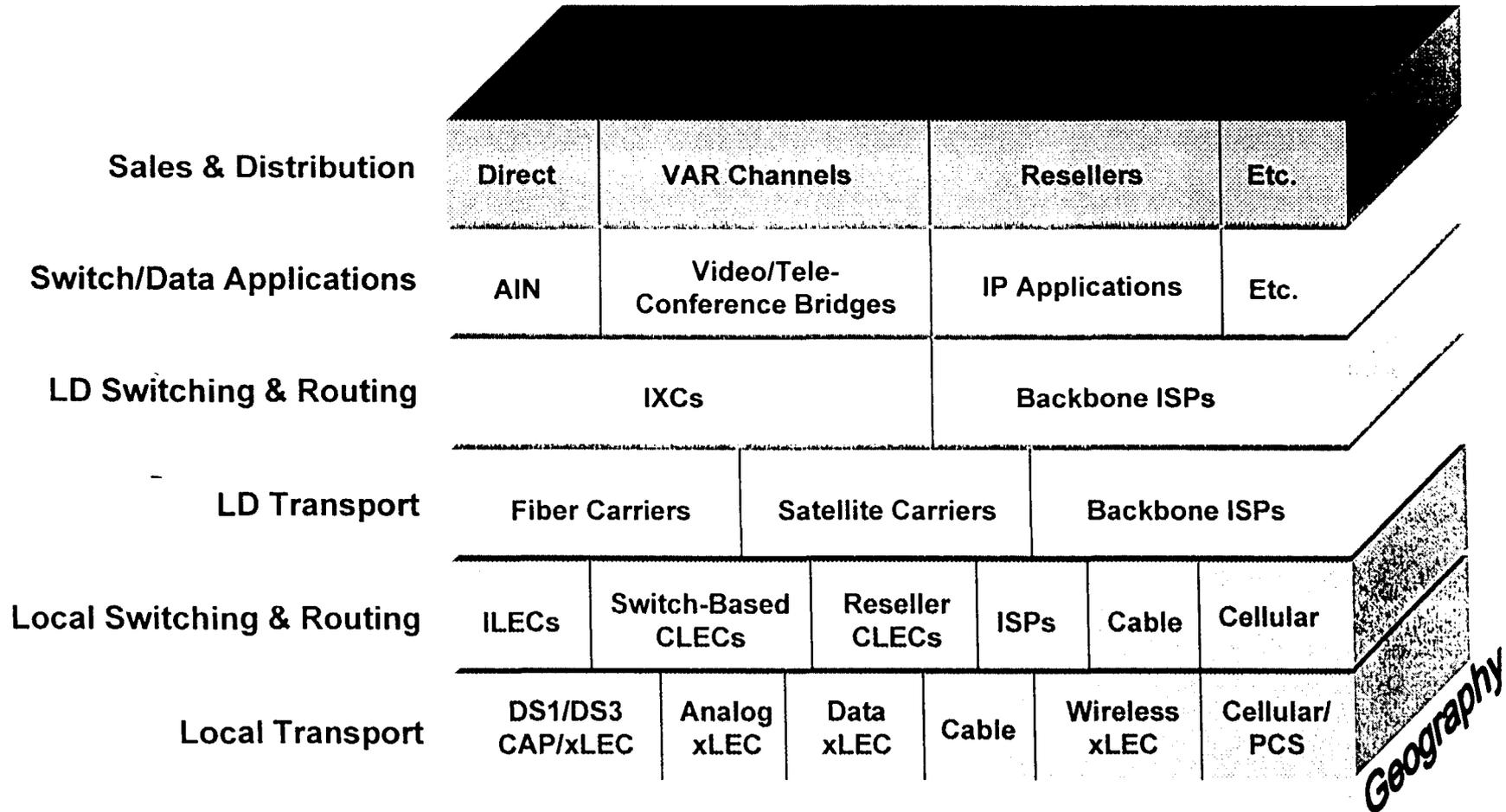
From A. Grove,
Only The Paranoid Survive

Today's Quasi-Vertical Telecom Industry

■ A Marketplace in Transition



Future Carrier Segmentation and Differentiation



CLEC Strategic Choices

The CLEC Menu

| | | | |
|--------------|-----------|--|------------|
| ✓ Facilities | | | Resale |
| Regional | | | National |
| Voice | <i>or</i> | | Data |
| Residential | | | Business |
| ✓ Wholesale | | | Retail |
| Wireless | | | ✓ Wireline |

✓ NorthPoint

Characteristics of Evolving Market

- **Increased Competition Leads to Increased Innovation**
- **Innovation Likely from New (and Not Yet Existing) Entrants**
 - Entrepreneurial Spirit; Focus; New OSS Systems; No Revenue
 - “Cannibalization” Concerns
- **ILEC Place Uncertain**
 - IBM or DEC/Wang
- **Increasing Innovation Leads to More Customer Choice and Economic/Productivity Gains**

Barriers to Market Evolution

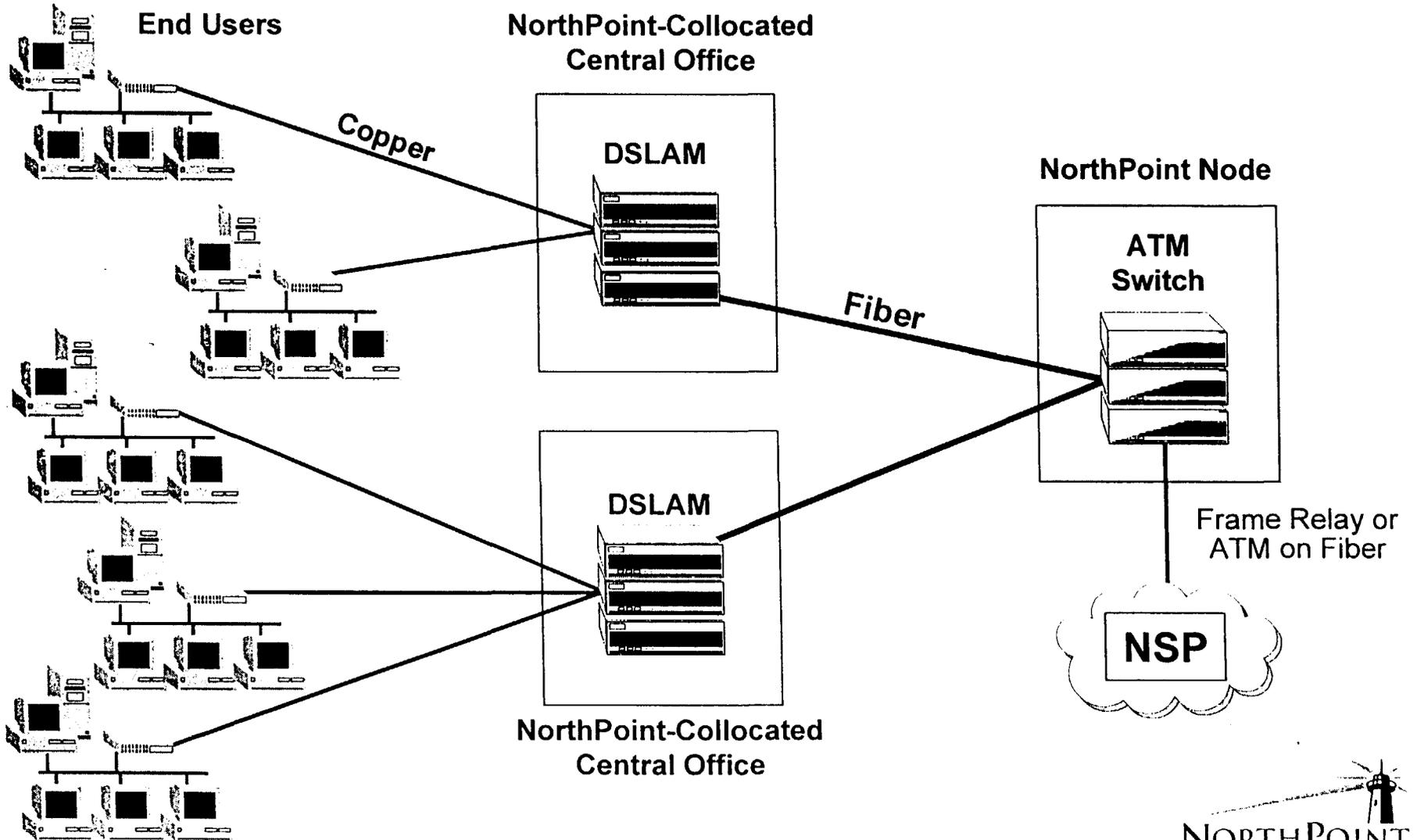
■ Will Competition Ever Arrive?

- Computer Industry Innovation Directly Tied to Development of Open, Non-Proprietary Standards
- Telecommunications Innovation Still Dependent on CLEC Access to Monopoly Element Access (Copper, Collocation, etc.)
- ILEC “Foot Dragging” on Opening Network
 - Failure to Meet 14 Point Checklist; DSL Loops and Collocation
- ILEC Local Market Share Still Close to 100%
- ILECs Consolidating -- Not Competing
- ILEC Stocks Increasing -- CLEC Stocks Spotty
 - Resellers Unable to Compete or Punished
 - “UNE” Entry Just Beginning

Solutions for Market Evolution

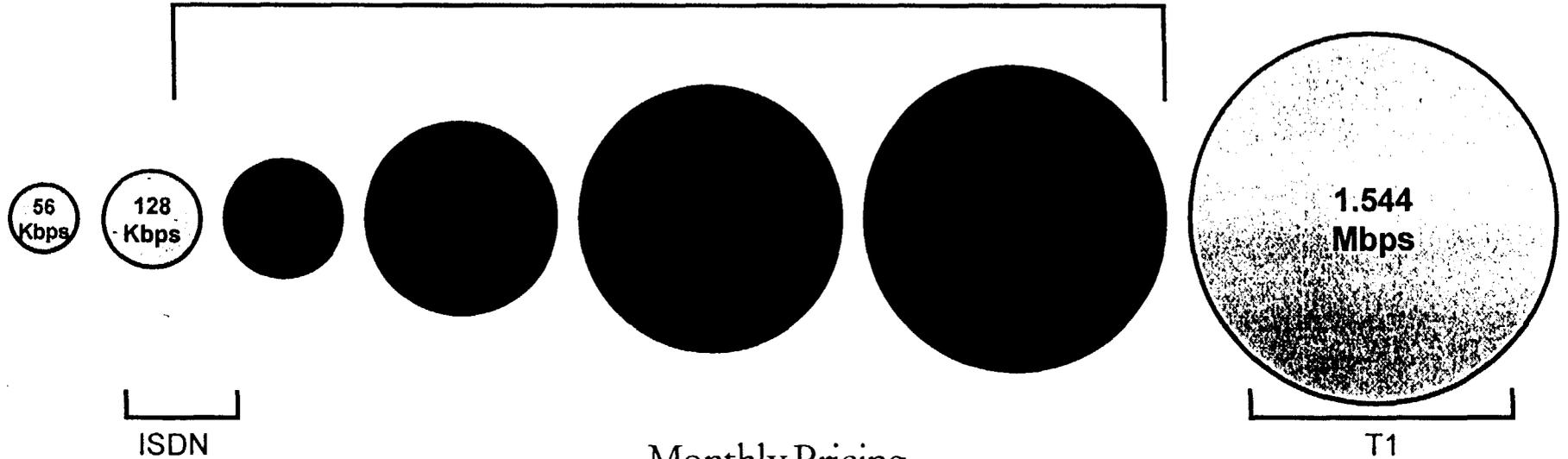
- '96 Act Enforcement
 - Checklist; DSL Parity
- Condition Mergers on Opening of Markets
 - Separate Advanced Services Subsidiaries
- Favor Competition; Not Competitors
 -

NorthPoint's Network



Current Connectivity Products

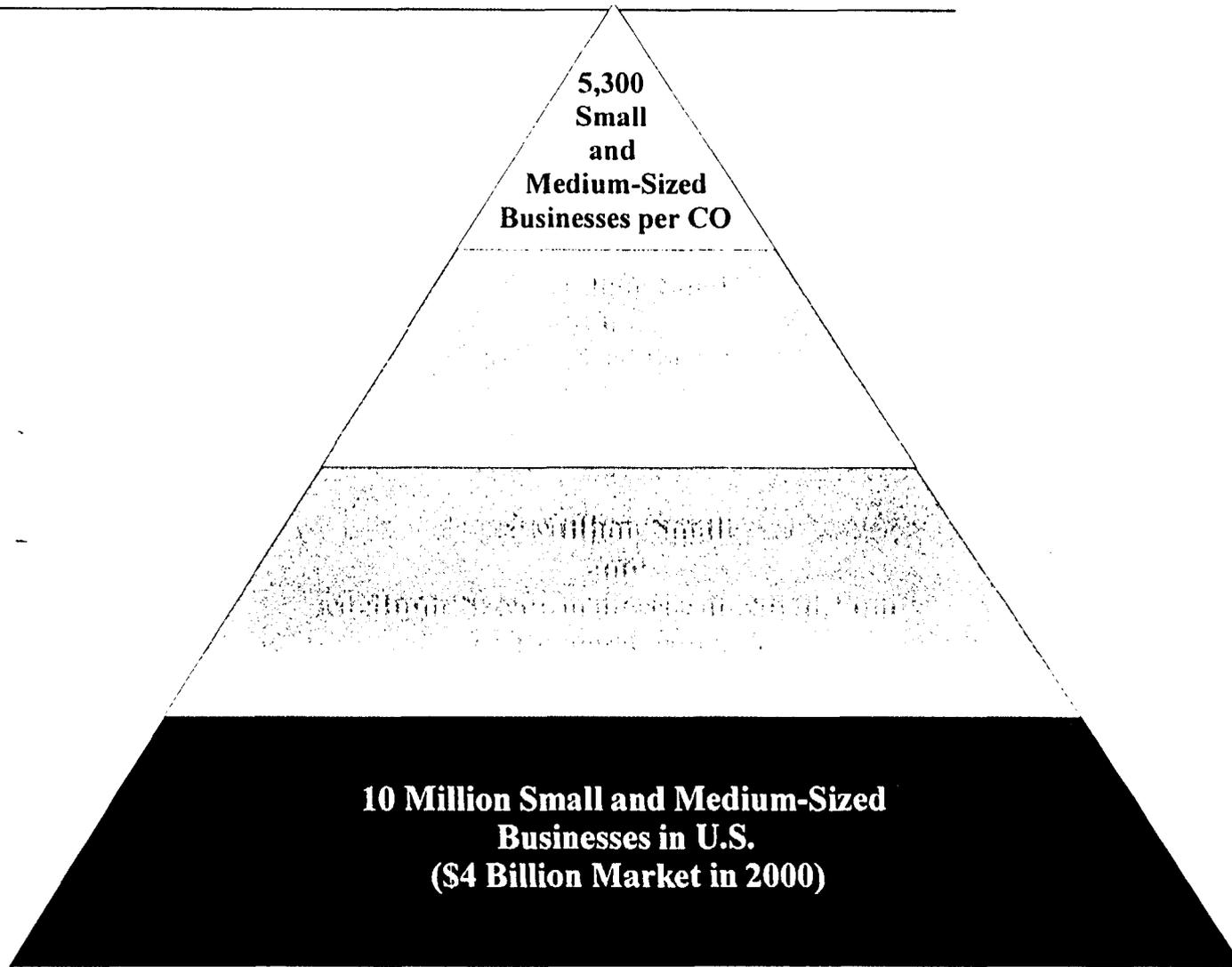
NorthPoint Service Offerings



| | | | | | | |
|------------|-------|-------|-------|-------|-------|-----------------|
| NorthPoint | | \$90 | \$125 | \$165 | \$199 | |
| ILEC | \$125 | \$150 | | | | \$300 - \$1,000 |

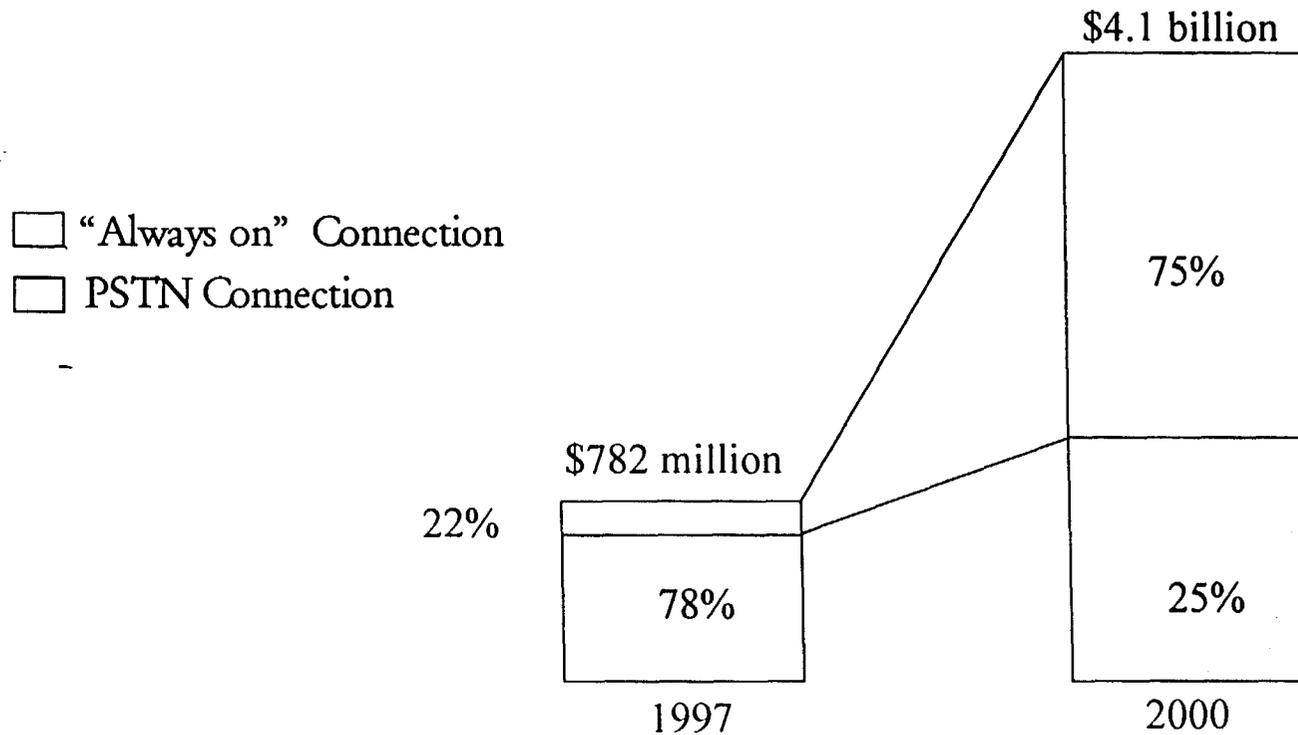


Target Market Size



Projected Data Growth

U.S. Small and Medium Sized Business Internet Access Revenues <100 employees

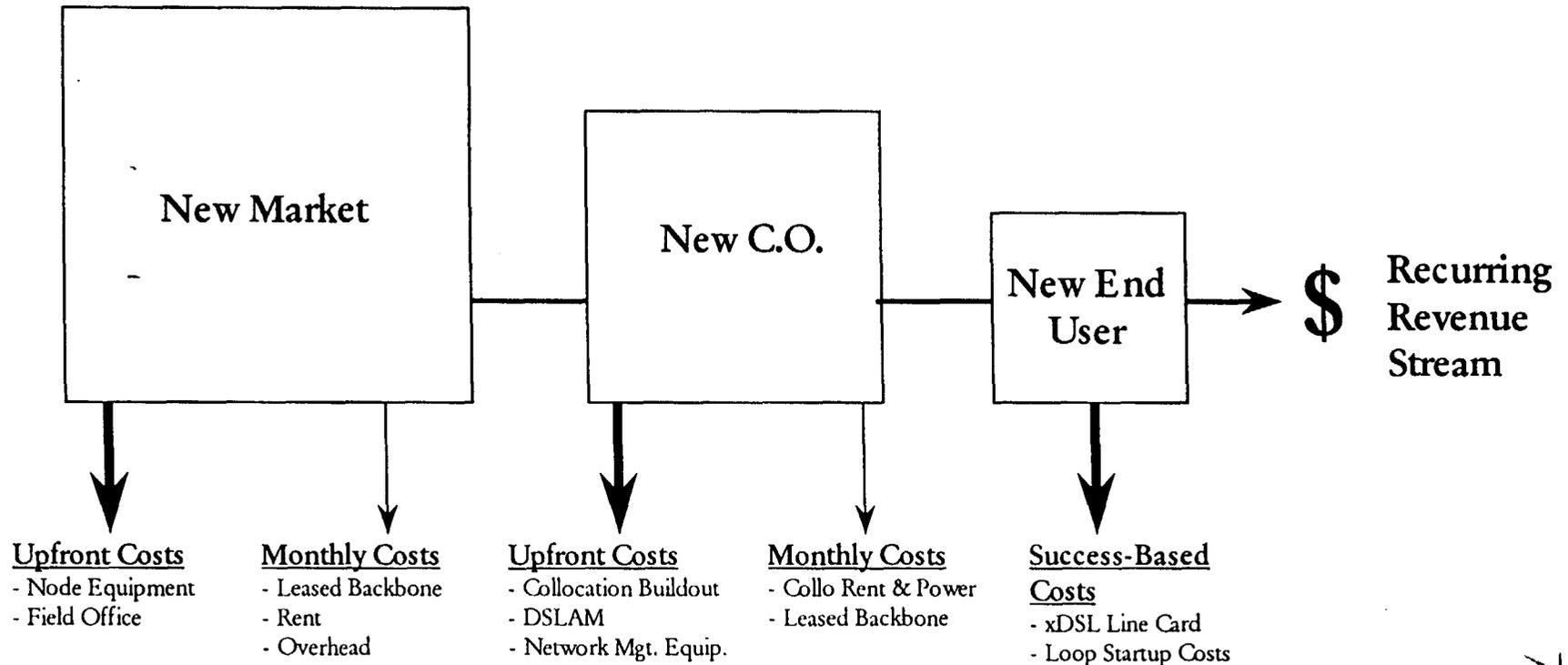


Source: International Data Corporation, 1997



Economics

Modular Business Model



NorthPoint Communications, Inc.

Section 706 Advanced Services

November 2, 1998

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Spectrum Interference: Status

- NorthPoint is selling synchronous SDSL service at 1.04Mbps and 1.54Mbps in seven states (only synchronous DSL alternative in many markets)
- SBC has prohibited NorthPoint from deploying SDSL at speeds greater than 784 Kbps in Texas
 - In California, SBC is threatening to adopt a similar position
- SBC apparently concerned SDSL above 784 kbps not an ANSI standard
 - SDSL above 784, like other ANSI-approved technologies, can interfere with ADSL over 12,000 feet
 - SBC protecting its ADSL service at expense of innovative CLEC services (SBC ADSL limited to <784 kbps upstream)

Spectrum Interference: Issue

- NorthPoint and SBC agree that SDSL standard should be established for >784kbps
- NorthPoint and SBC agree that HDLS2 standards work should be accelerated
- Benefits of continuing SDSL >784kbps deployment (while standards are finalized) exceeds limited interference risk
 - SDSL is well tested
 - SDSL standards set by ANSI (to 784kbps), ETSI (to 1.168 Mbps)
 - Rockwell studies demonstrate little interference at 1.04Mbps
 - SDSL >784kbps poses less risk to ADSL than other currently deployed technologies such as AMI T-1
 - SBC can segregate SDSL in binders with AMI T-1 and HDLSL
 - SDSL only available symmetric solution >784kbps in many markets

Digital Loop Carriers

- Solution required for 10-40% of loops served by DLCs
- ILECs must look for alternate copper when CLECs seek to serve customers served by DLCs
 - Existing copper-served customers should be switched to DLCs to free up the copper loop for advanced services
 - ILECs should do cross-box to cross-box cross-connects
 - works more than 90% of the time in California
- IDSL (144kbps) a solution for some DLC-served customers; ILECs must provide loops by demultiplexing IDLCs
- ILECs should be required to allow collocation at the DLC
 - collo adjacent to DLC with CLEC access to ILEC rights of way
 - Commission should require line card collocation

Pricing Parity

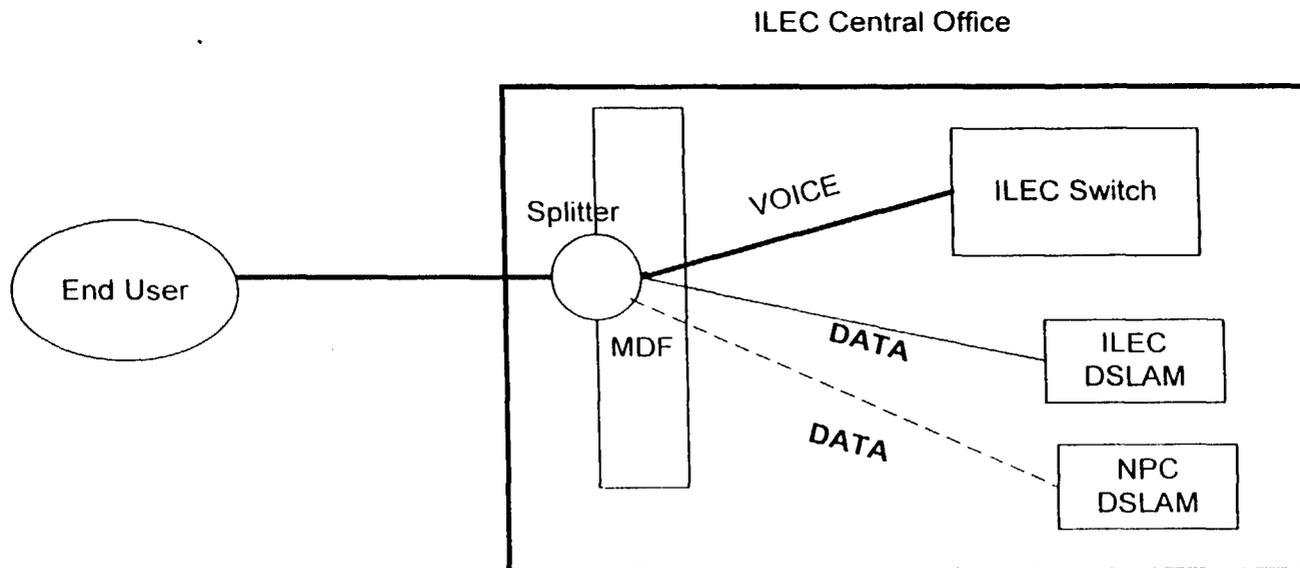
- Recent ILEC DSL charges impede competition through “Price Squeeze”
 - Total DSL charges as low as \$30/mo. are LESS than ILEC charges for unbundled loops, collocation and OSS
 - ILEC ADSL tariffs do not reflect any loop, collocation or OSS charges
 - CLECs lose money matching ILEC prices BEFORE they recover cost of their networks, overhead and profit
- Commission should adopt a four-part remedy

Pricing Parity (cont'd)

- 1) When an ILEC provides xDSL on an integrated basis, it must impute the cost of the monopoly network elements
- 2) When an ILEC provides xDSL on an integrated basis, it tariff the service at a wholesale discount
 - Neither imputation nor resale is necessary when an ILEC provides advanced services through a separate subsidiary
- 3) Commission should require parity as to one-loop products
 - If CLEC advanced services affiliate obtains access to loops carrying the parent's voice traffic, CLECs must be given equal and nondiscriminatory access
- 4) Joint FCC/State Focus on Wholesale UNE Prices
 - \$2 - \$41 Loops; \$10,000 - \$300,000 Collocation Cages

One Loop Product: Parity

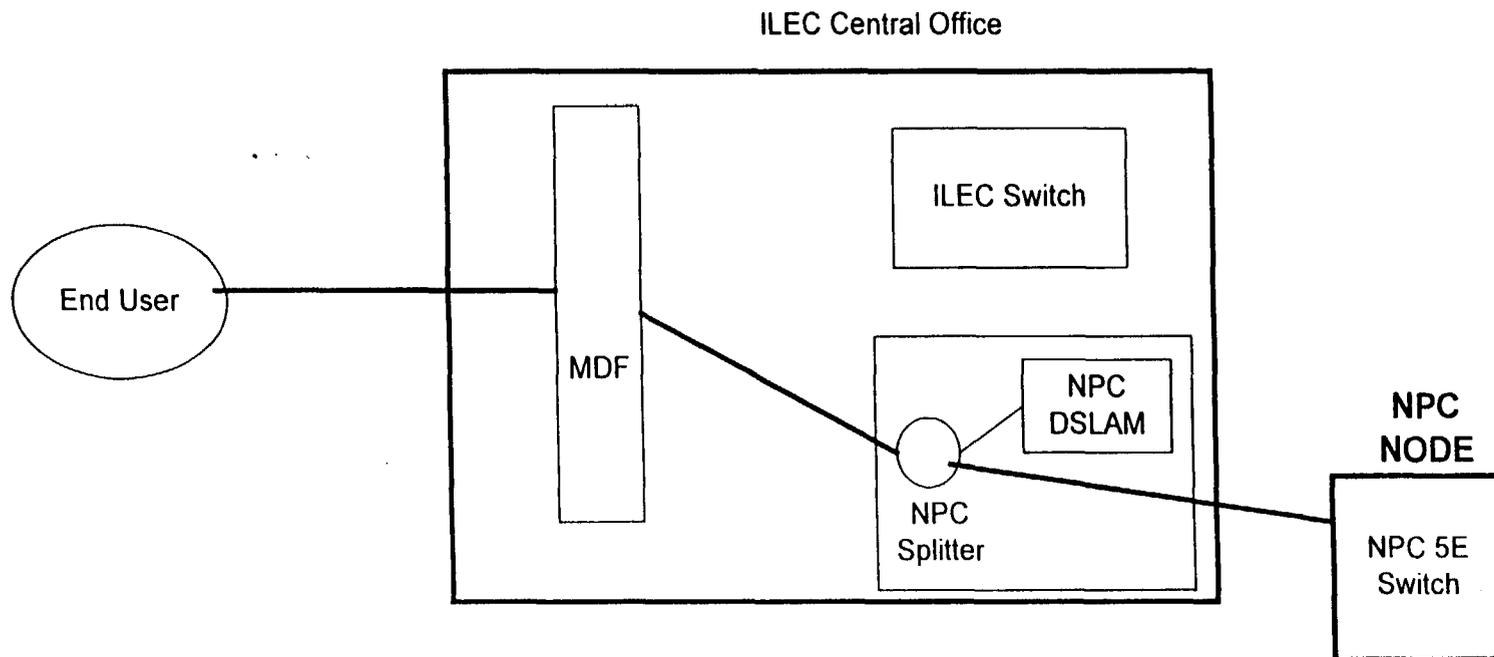
- ILEC Keeps Voice and “Splits-Off” Data to Designated DSLAM
- Advantages:
 - No Service Disruption
 - Zero Additional Loop Cost
 - Change is Transparent to End User



Undesirable Alternative 1: Voice Traffic Sent to NorthPoint 5E Switch

■ Disadvantage:

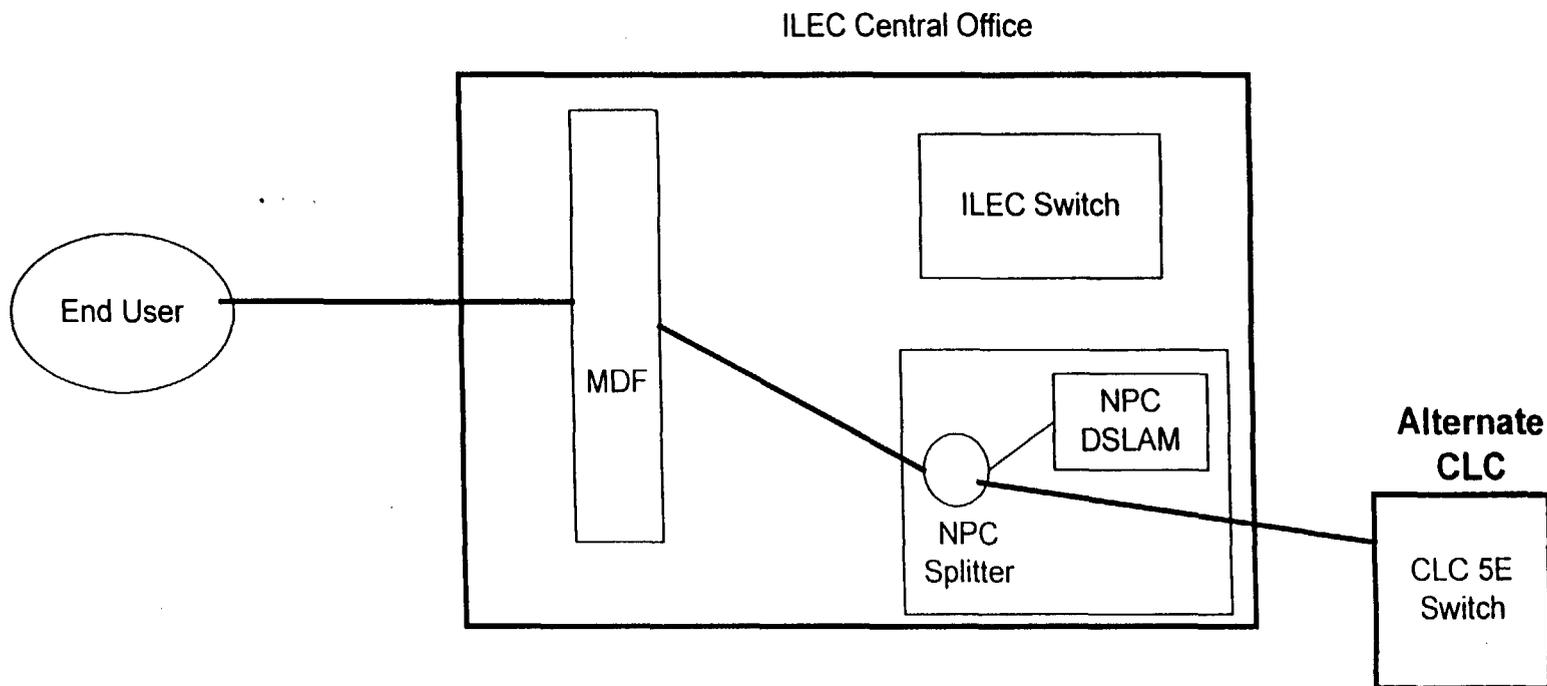
- Money and Focus to Build Voice Business will Dramatically Limit Broadband Deployment



Undesirable Alternative 2: Voice Traffic Sent to Alternate CLC

■ Disadvantages:

- End User Needs to Purchase Alternate Voice Service; Hot-Cut/
Service Disruption Required; No Willing/ Able CLECs



Undesirable Alternative 3:

Voice Traffic Sent to ILEC Via Unbundled Switching and Transport

■ Disadvantages:

- Significant Unbundled Switch & Transport Costs; Imposes Myriad of Unbundled Voice Requirements (e.g. OA & DA); Much Less Efficient than Parity Solution

