

February 25, 1999

VIA HAND DELIVERY

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

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

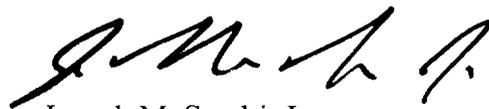
Re: Notice of Ex Parte Presentation; CS Docket 96-83; CC Docket No. 96-98;  
IB Docket 97-95

Dear Ms. Salas:

On February 23, 1999, William Rouhana, Timothy Graham, Barry Ohlson and the undersigned, on behalf of *WinStar Communications, Inc.* ("WinStar"), met with Commissioner Michael Powell, and other members of his staff which included, Special Assistant, Paul Jackson, Legal Advisor, Kyle Dixon and Legal Intern, Paul Nagle. During the meeting, WinStar discussed its positions on record in the above-captioned proceedings concerning non-discriminatory access to buildings and rights-of-way and urged the Commission to act on its outstanding pleadings. WinStar is enclosing a copy of its handout from the meeting. 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.

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

Very truly yours,



Joseph M. Sandri, Jr.  
VP & Regulatory Counsel

Enclosures

cc: Commissioner Powell (w/o encl.)  
Paul Jackson (w/o encl.)  
Kyle Dixon (w/o encl.)  
Paul Nagle (w/o encl.)

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Winstar Communications, Inc.

**WinStar Communications, Inc.**  
**February 23, 1999**

1. Introduction to WinStar Communications, Inc.
  - 38 GHz licenses
  - over 200 *area* licenses, each covering up to 10,000 square miles
  - licenses in the top 50 U.S. cities
  - 31 GHz and 28 GHz licenses (LMDS); 3<sup>rd</sup> highest bidder at recent LMDS auction
  - Hub Networks attached to Lucent Class 5 Switches
  - Approximately 2600 employees worldwide
  - Interconnection Agreements Completed
  - RBOCs, GTE, Sprint, major independent LECs
  - CLEC Authority - 35 jurisdictions; CAP Authority - 42 jurisdictions
  - IXC Authority - 47 jurisdictions
2. Process outstanding 39 GHz applications.
3. The Telecommunications Act of 1996 was crafted precisely for companies like WinStar
4. Satellite Encroachment
  - Engineering studies clearly prove that ubiquitous satellite systems cannot economically or feasibly share the same spectrum with high density fixed services
5. Non-Discriminatory Access to Customers via Building Rooftops, Inside Wire and Rights-of-Way is essential to the success of Wireless CLECs.
  - Rule on WinStar's *Petition for Reconsideration or Clarification* filed Sept. 30, 1996, in the Interconnection proceeding (CC Docket No. 96-98). WinStar seeks clarification that Section 224 of the Act requires, where technically feasible and safe, access by providers of facilities-based telecommunications services to ducts, conduits, rights-of-way, roofs and poles, within and on a building, that are owned or controlled by utilities, including ILECs and electric utilities. Clarification is also sought that CLECs have a right to access house riser cable and conduit as unbundled network elements.
  - Large-scale Competitive Telecommunications Networks Are Stopped at the last "100 feet";
  - Building owners hold virtual monopoly control over tenant access to competitive telecommunications providers;
  - Incumbent LECs often pay nothing for building/customer access;
  - Federal solution needed
  - LMDS and broadband satellite systems success is also tied to building/customer access
  - Section 207 of the Act clearly provides the FCC with authority to prevent the blockage of video signals to viewers.

**WINSTAR®**

# The WinStar Story

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- Large Market Opportunity
- Innovative Solution
- Established Position
- Demonstrated Execution

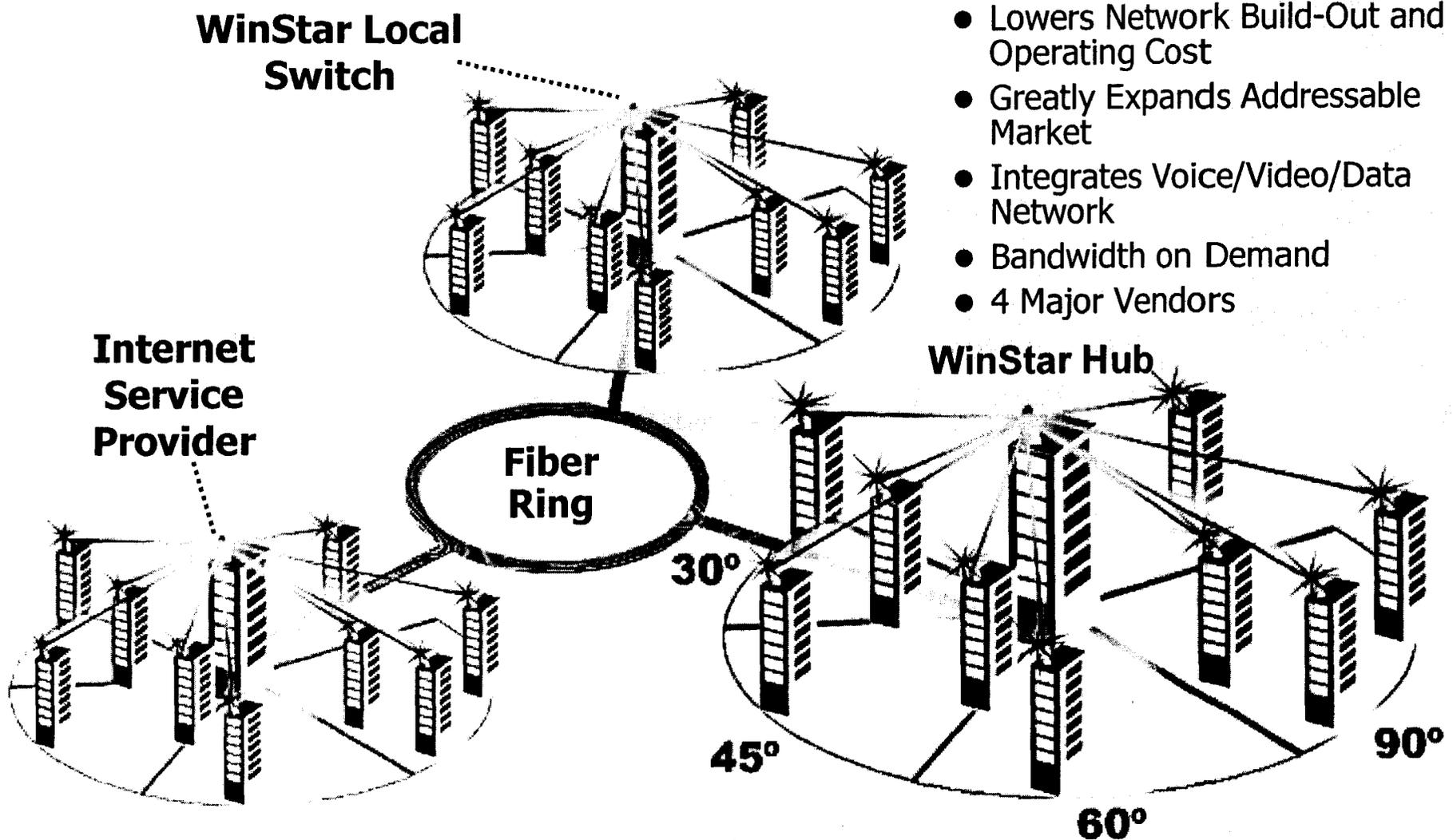
# The WinStar Mission

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*Achieve Superior Returns on Capital by  
Operating Alternative Local Networks  
Which Are Broadband and Enable Our  
Customers to Be More Productive*



# WinStar Point to Multipoint Metropolitan Area Network



- Lowers Network Build-Out and Operating Cost
- Greatly Expands Addressable Market
- Integrates Voice/Video/Data Network
- Bandwidth on Demand
- 4 Major Vendors

# Size of Global Business Telecom Market

*(\$ Billions)*

<u>Segment</u>	<u>Aggregate 1999 Market</u>	<u>Aggregate Rev Growth Rate</u>	<u>WinStar Addressable Market By 12/31/00</u>	<u>WinStar Rev Growth Rate</u>
Local (Domestic)	~\$55	~6%	~\$45	30%+
Long Distance (Domestic)	~\$45	~8%	~\$38	30%+
Data (Global)	\$20 - \$30	>30%	\$10 - \$15	100%+

Local Exchange Carriers have > 95% of Domestic Local Market Revenue After 10 years of CLEC Competition

International Market Virtually 100% Controlled by PTT'S

Source: Company Estimates



# Current Market Environment

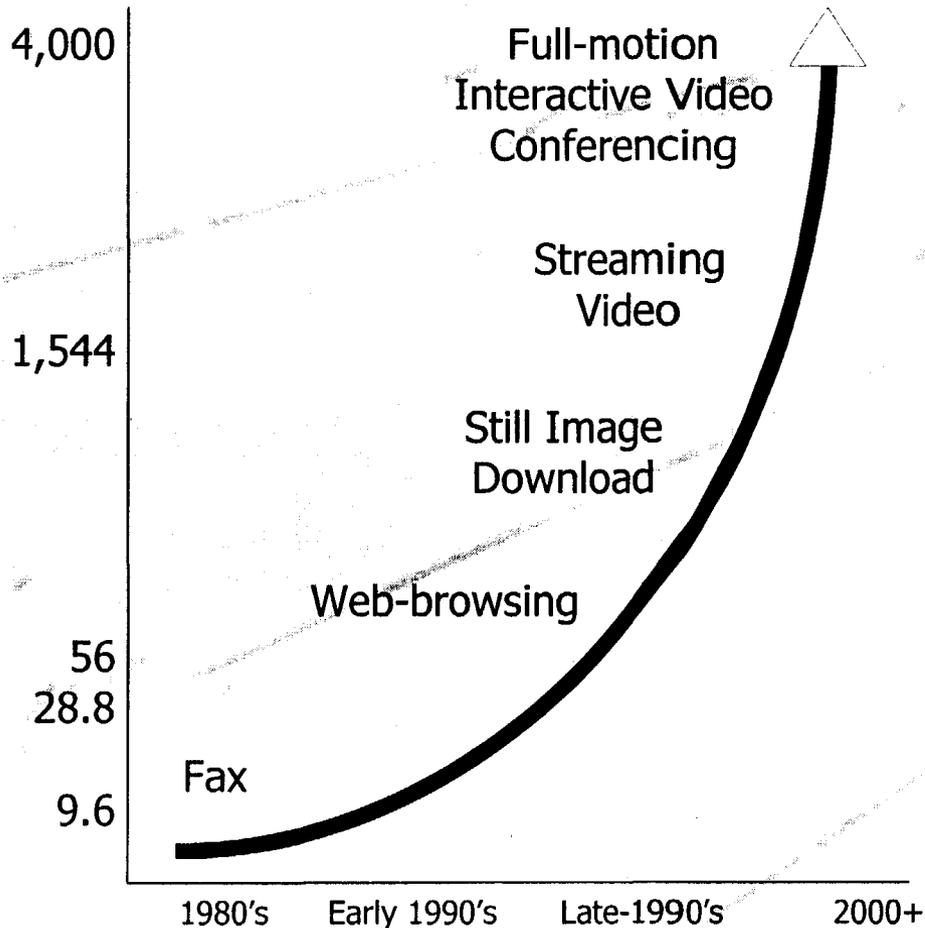
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- Static Pricing
- Lack of Product Line Innovation
- Deregulation
- Technology Gap
- Expansion of Mass Market Demand for Broadband Services

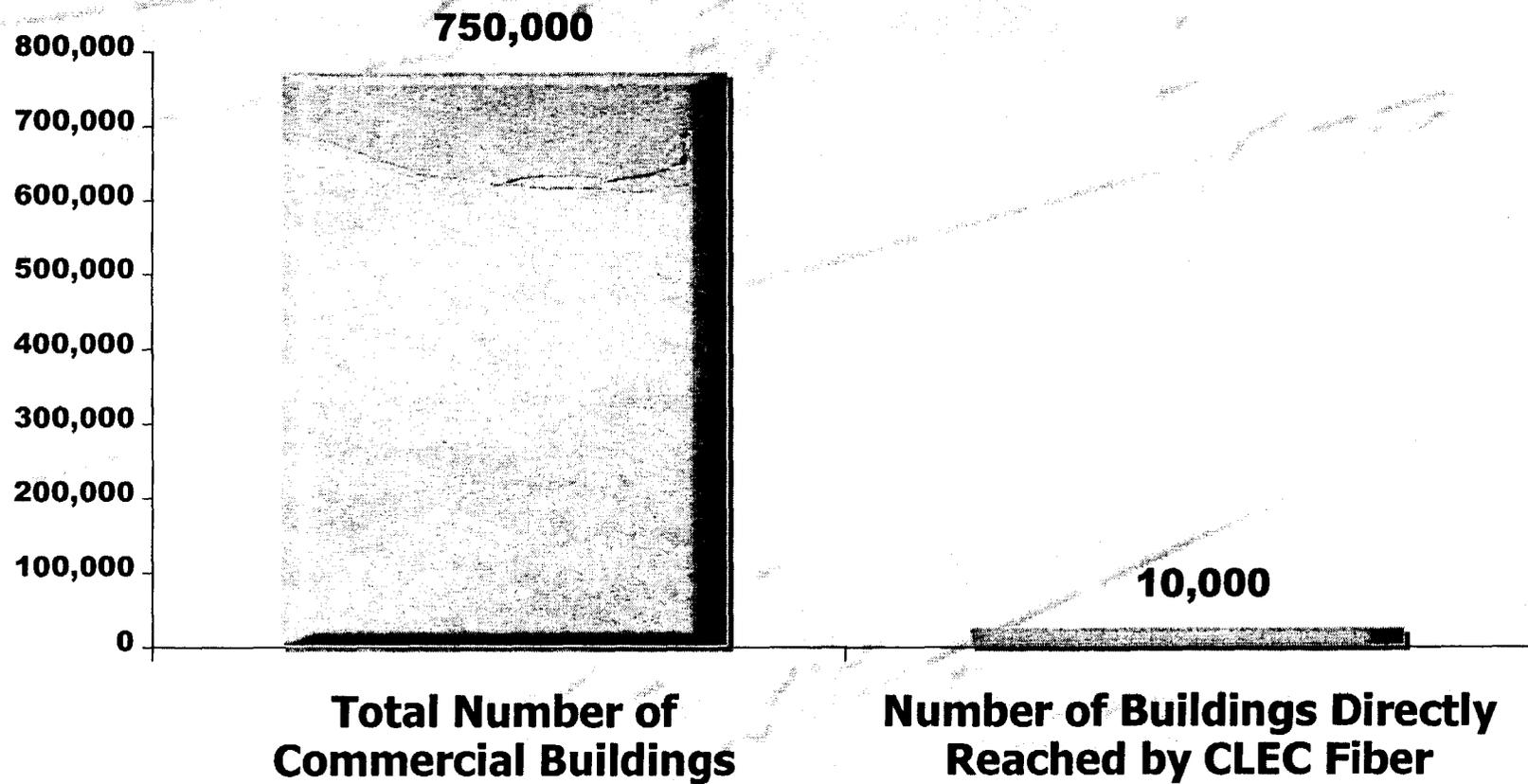
# Computing Trends Drive Demand for Bandwidth

<u>Processor</u>	<u>Applications</u>
Next Generation	Mass-market applications incorporating live motion image processing PC
Pentium	Mass-market web browser penetration
486	Graphical user interfaces
286	Lotus 1-2-3

Bandwidth in Kilobits



# Untapped Market Ripe for Conversion

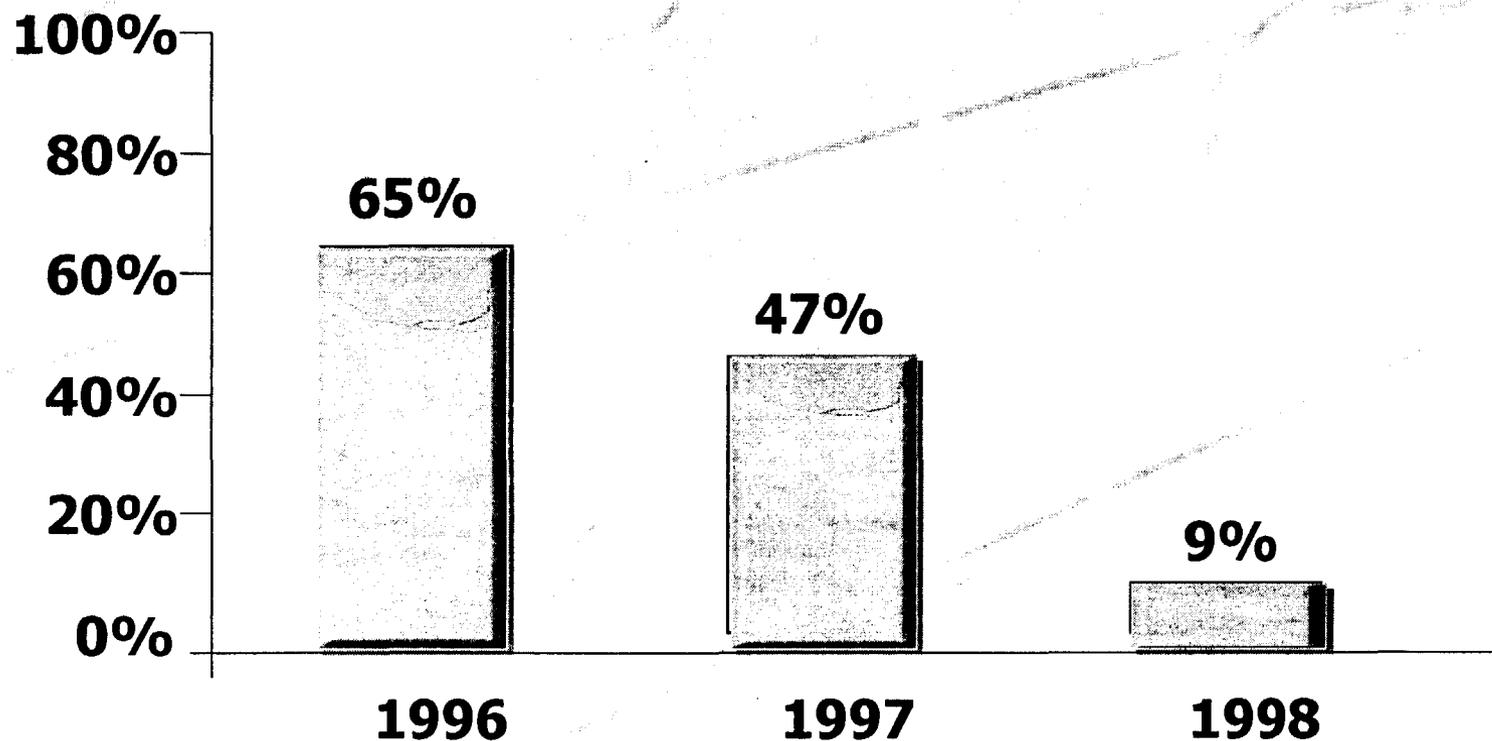


Note: Despite Mass Market Demand for Bandwidth the Fiber Business Model Cannot Scale to Ubiquity



# Fiber Is Reaching Its Addressable Market Limit

## *Annual Growth in Domestic Fibered Buildings*



Note: International Market Possesses a Limited Number of Fibered Buildings

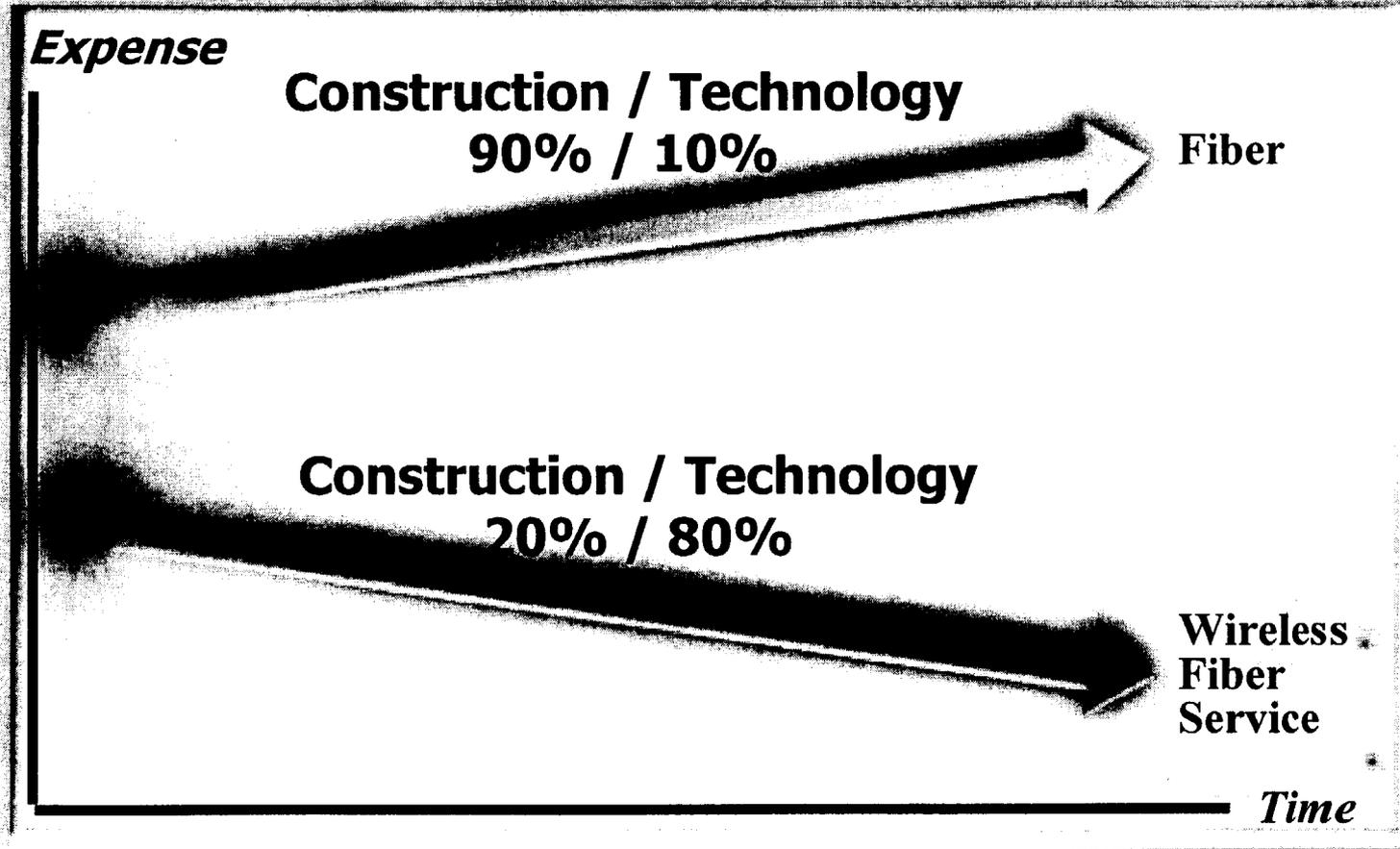
Source: Piper Jaffray Equity Research

# Wireless Fiber's Superior Scalability

	<u>Point to Multipoint</u>	<u>Point to Point</u>	<u>Fiber</u>
Addressable Buildings	100,000+	15,000 +	~10,000
<i>Lines Sold to Break Even on Capital*</i>	10	20	~165
Incremental Link Cost	\$6.5K	<\$20K	~\$300K
Capital Cost to Connect	\$25K	< \$50 K	~\$400K
Time to Provision	Days	Days	Months
Capacity Delivered	250 Mbs/ 3,000 + Lines	45 Mbs/ 672 Lines	Unlimited
Ubiquitous	Yes	Yes	No

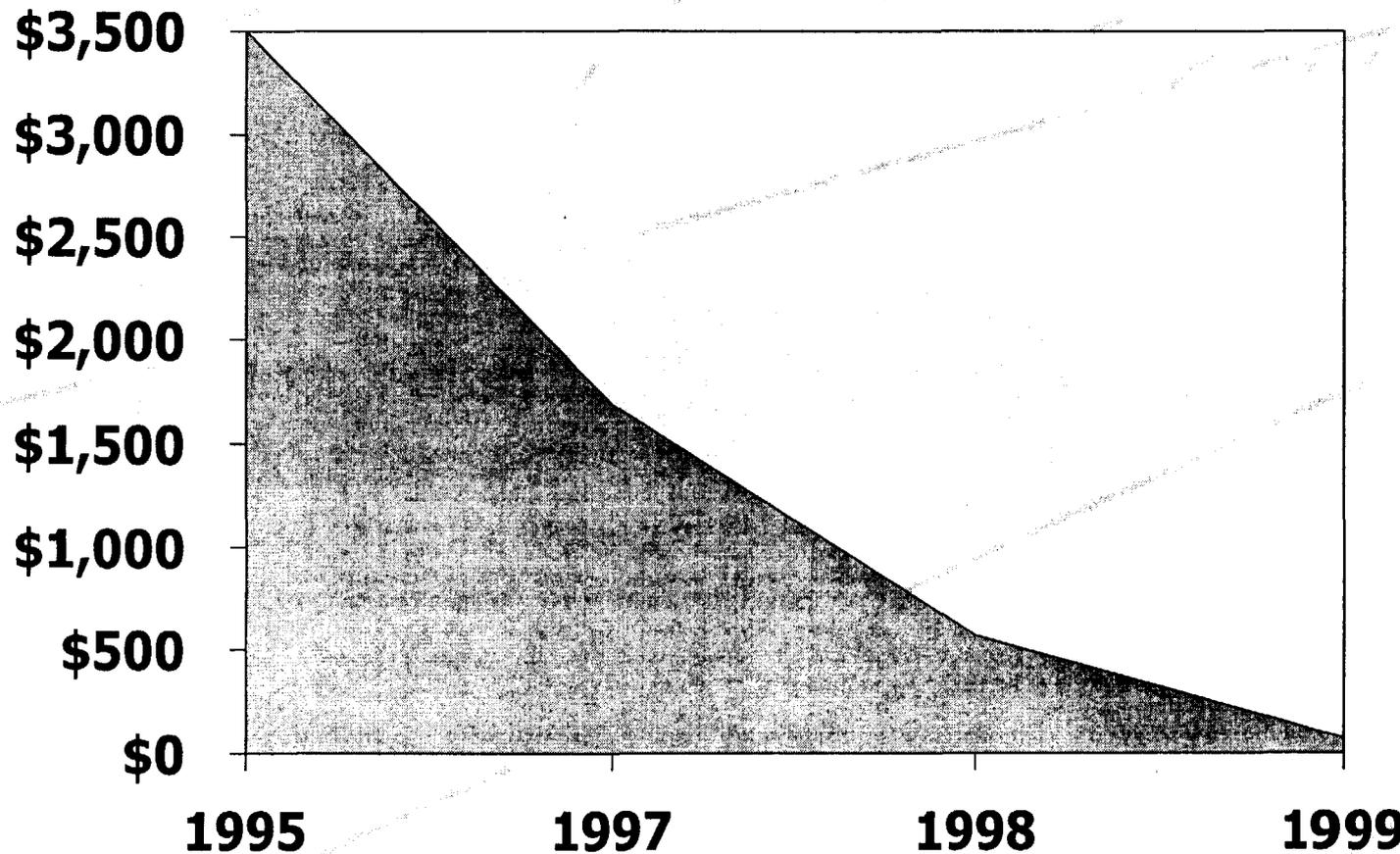
# WinStar's Expanding Cost Advantage

## *Cost to Build New Capacity: Fiber vs. Wireless Fiber<sup>sm</sup> Service*



# Capital Cost Per Wireless T-1

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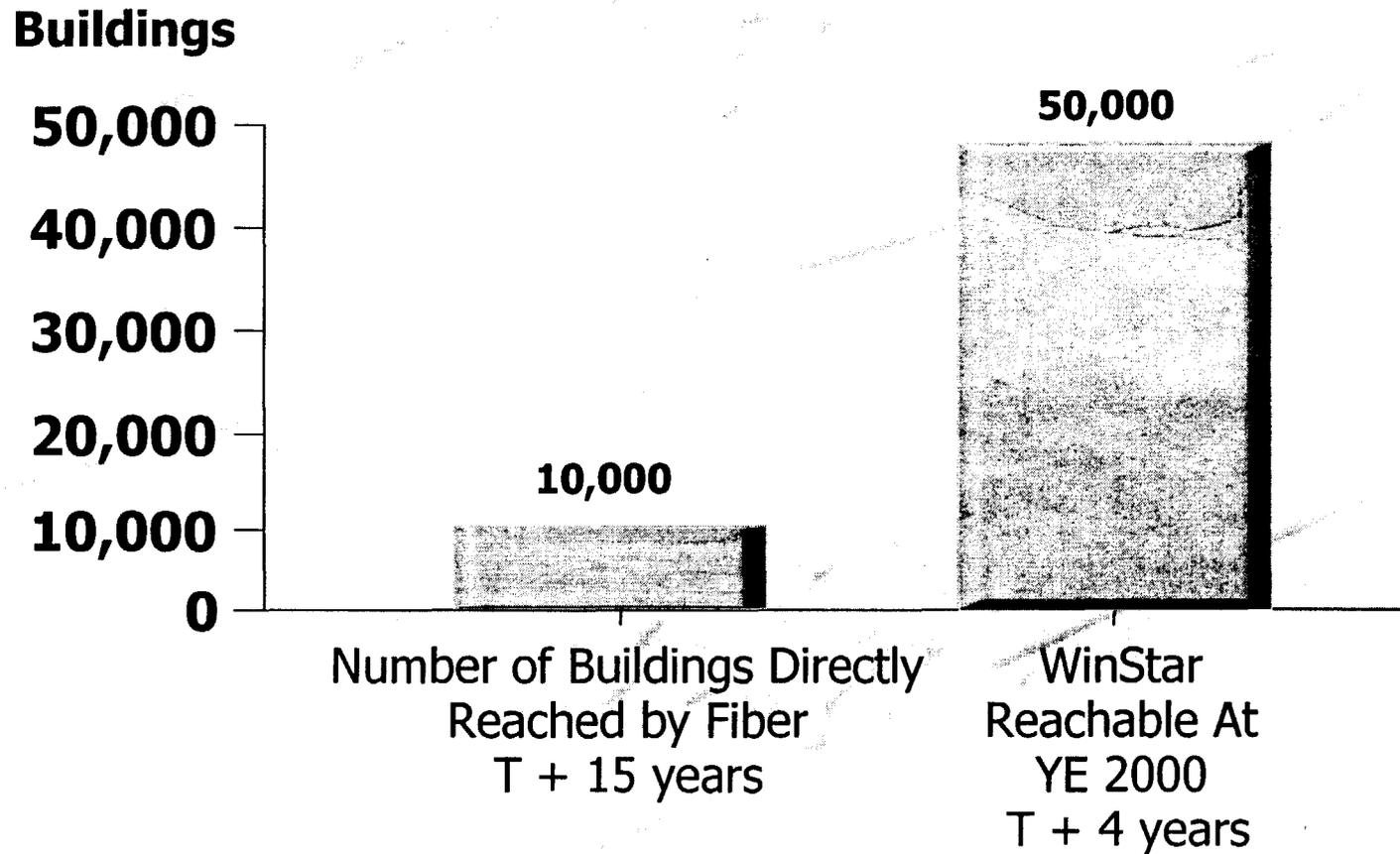


Note: Reduced Capital Cost Increases Addressable Market

Source: Company Estimates



# Superior Market Reach in One Third the Time



# Momentum & Critical Mass on All Fronts

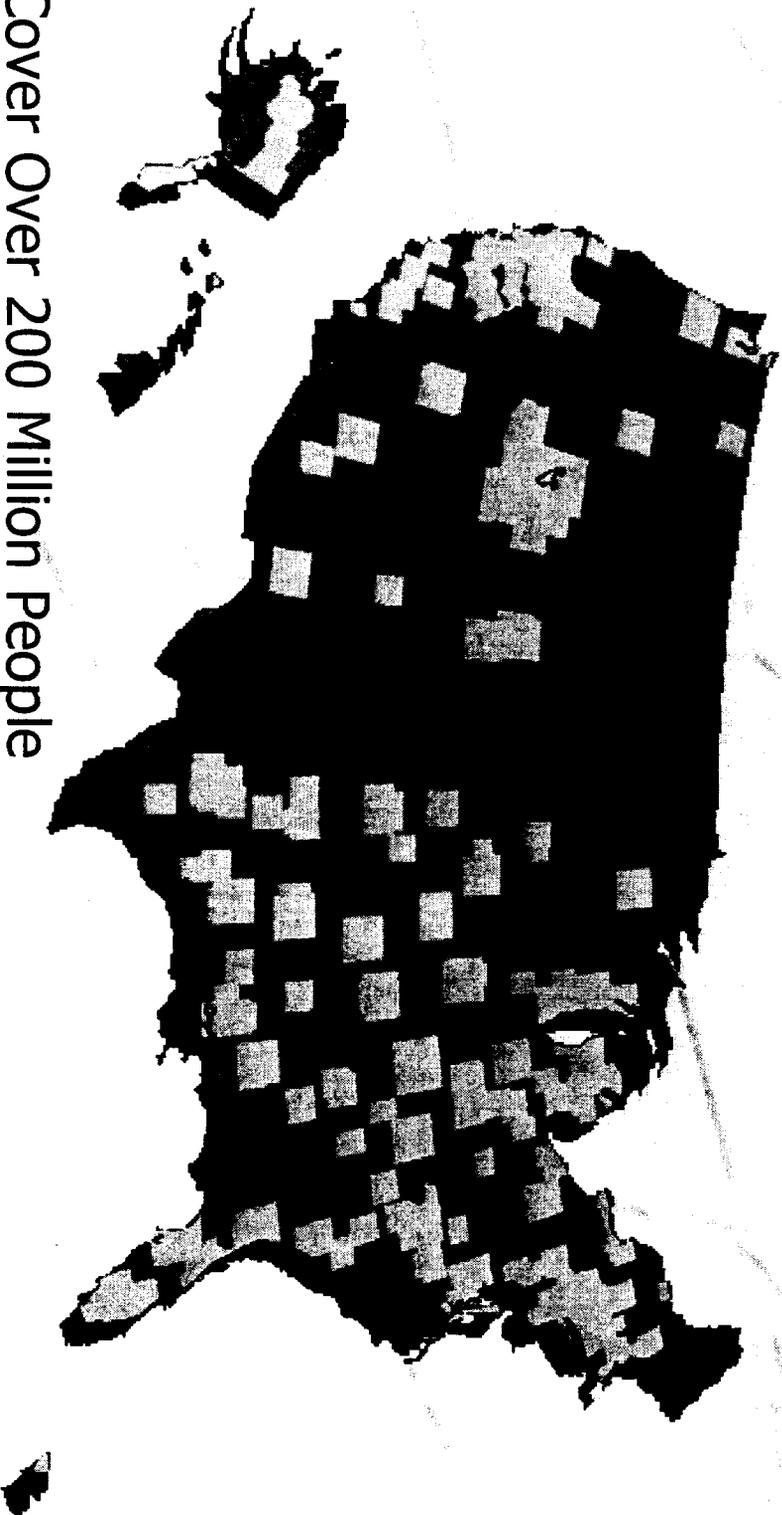
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- National End to End Broadband Network
- Lucent Relationship
- Focused Organization and Systems
- Project Millennium

# Premier National Spectrum Portfolio

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*WinStar's Spectrum Holdings Cover the  
Nation's Business Market*



- Cover Over 200 Million People
- > 80% of the Business Market

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# A Rock Solid Broadband Network

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- 99.999% Reliability
- Outstanding "Customer Troubles" Record
  - WinStar's NYC Trouble Rate for First Week in December was 0.23 vs. New York PSC Benchmark of 4.2
- Best Network Components

# \$2 Billion Global Strategic Relationship with Lucent

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- WinStar Selects Best of Breed Technology
- Leverages Brain Power and Know How of Both Organizations
- \$2 Billion in Vendor Commitment with \$500 Million Immediately Available
- Turnkey Services to Build Out Each New Global Market and Augment Existing Markets

# International Expansion Strategy

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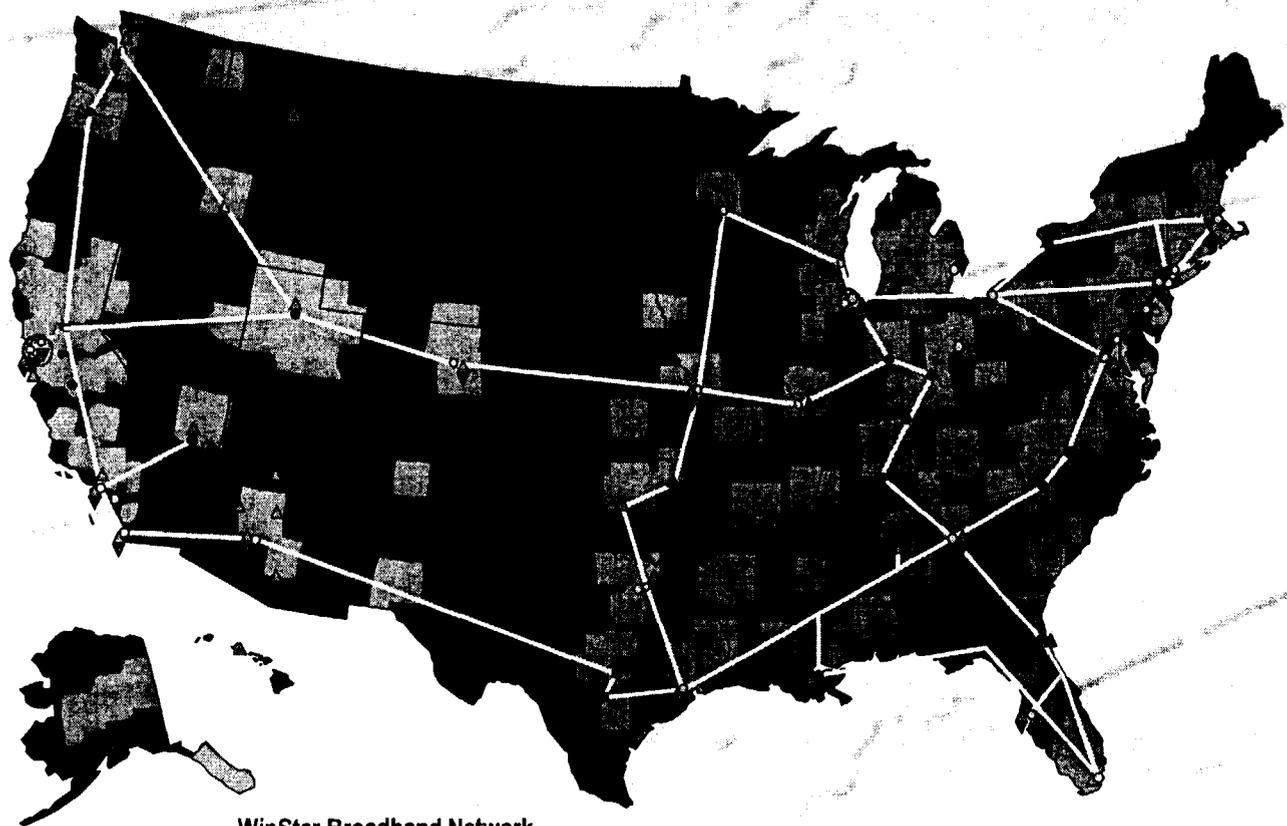
- Service in 50 Targeted Markets by 2004  
(6 Markets by 12/31/99)
- Secure Spectrum in the 22-40 GHz Bands
- Leverage Domestic Platforms, Systems and Infrastructure
- Keep Capital Expenditures Lower Through Initial Focus on Data
- Interconnect Local Wireless Markets With Backbone Fiber

# Williams Strategic Transactions

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- Williams Acquires 2% of WinStar's U.S. Capacity for \$400 Million+
- WinStar Acquires National Long-haul Assets and Services for \$640 Million
- Connects WinStar's Local Broadband Networks Nationwide
- Improves EBITDA and Cash Flow

# Optimal Network Topology



Western Europe



Asia/Pacific



Latin America



**WinStar Broadband Network**

- Spectrum      ▼ Voice Switch      ○ MFN Intracity Fiber IRU\*
- Existing Markets      ▲ ATM Switch      — MFN Intercity Fiber IRU\*
- Targeted Markets      ▲ Frame Switch      Williams Fiber IRU\*

\* Substantial Portions of This Fiber Network Are Currently Being Constructed



# Focused Organization – Building Access Rights

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● Year End 1998	<u>4,200</u>
● Access Rights at End of 1999*	8,000
● Effect of PMP Technology in 2000*	12,000 +
● Legislative Access Rights (LARs)* (4 current states)	15,000
● Legislative Access Rights* (additional states)	<u>15,000</u>
Year End 2000 Potential Buildings	<u><u>50,000 +</u></u>

\* Estimated

# Focused Organization – What We Sell

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- Basic and Enhanced Services
  - Local and Long Distance Phone Service
  - High Speed Data and Internet Access
  - Voice Mail, Web Hosting and Information Services
  - Customized Solutions
- 3 Goals
  - Drive Network Usage by Selling Multiple Services
  - Differentiate Our Services
  - Create Customer Loyalty

# Focused Organization – How We Sell

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- 2 Direct Sales Forces
  - Small and Medium-sized Businesses
  - Large Businesses
- Broadband Data Overlay Sales Force
- Superior Customer Experience
- Marketing \$'s Focused on WinStar Buildings

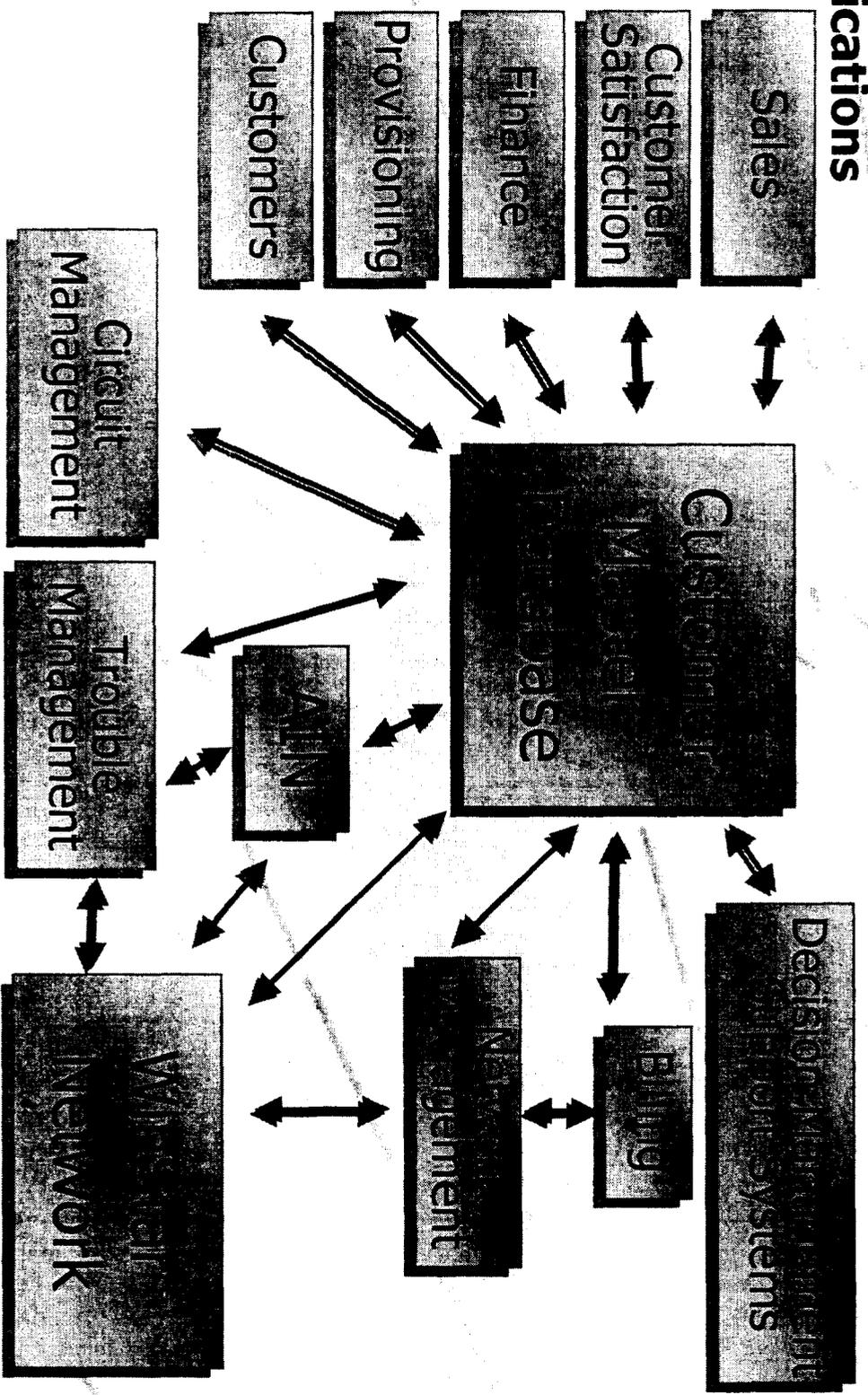
# Focused Organization – Customer Centric Systems

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- Integrated Customer Master Database
- Scalability, Reliability, Availability
- Mechanized Business Processes
- Products to Market Quickly

# Focused Organization – Customer Centric Systems

## Applications



## Focus in Action – Project Millennium

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- Sold to 1,000 Buildings in 13 of 30 Markets
- Free Local Service Until Year 2000 with 3-year Commitment and Acceptance of Intralata Toll Service
- High Margin Business – 100% on Our Network
- Extremely Positive Response – Raising On-net Rates Significantly in Millennium Markets

# Focus in Action – Millennium On-net Results

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- Percentage of Orders in Millennium Buildings (All On-net)

New York	93%
Boston	73%
Chicago	65%
Dallas	65%
Los Angeles	56%

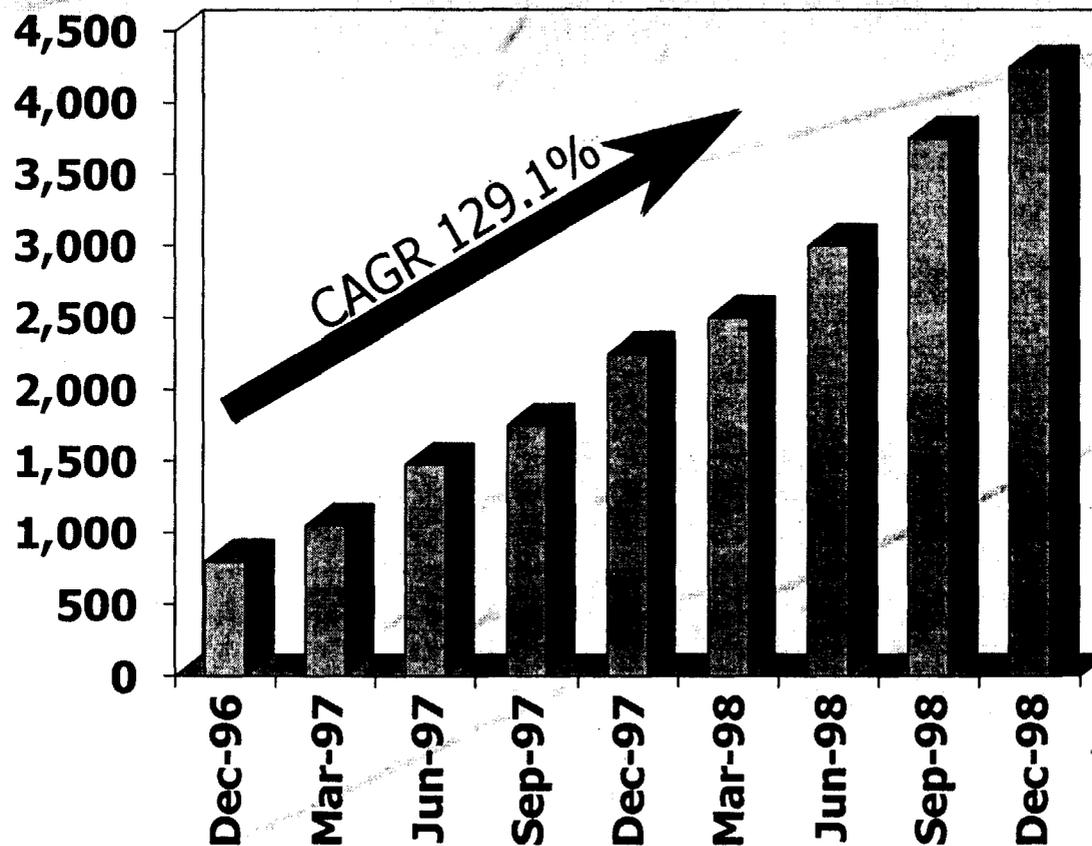
# Financial Review

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- Business Progress
- On-net Focus
- Pro Forma Capitalization

# Focused Organization – Building Access Rights

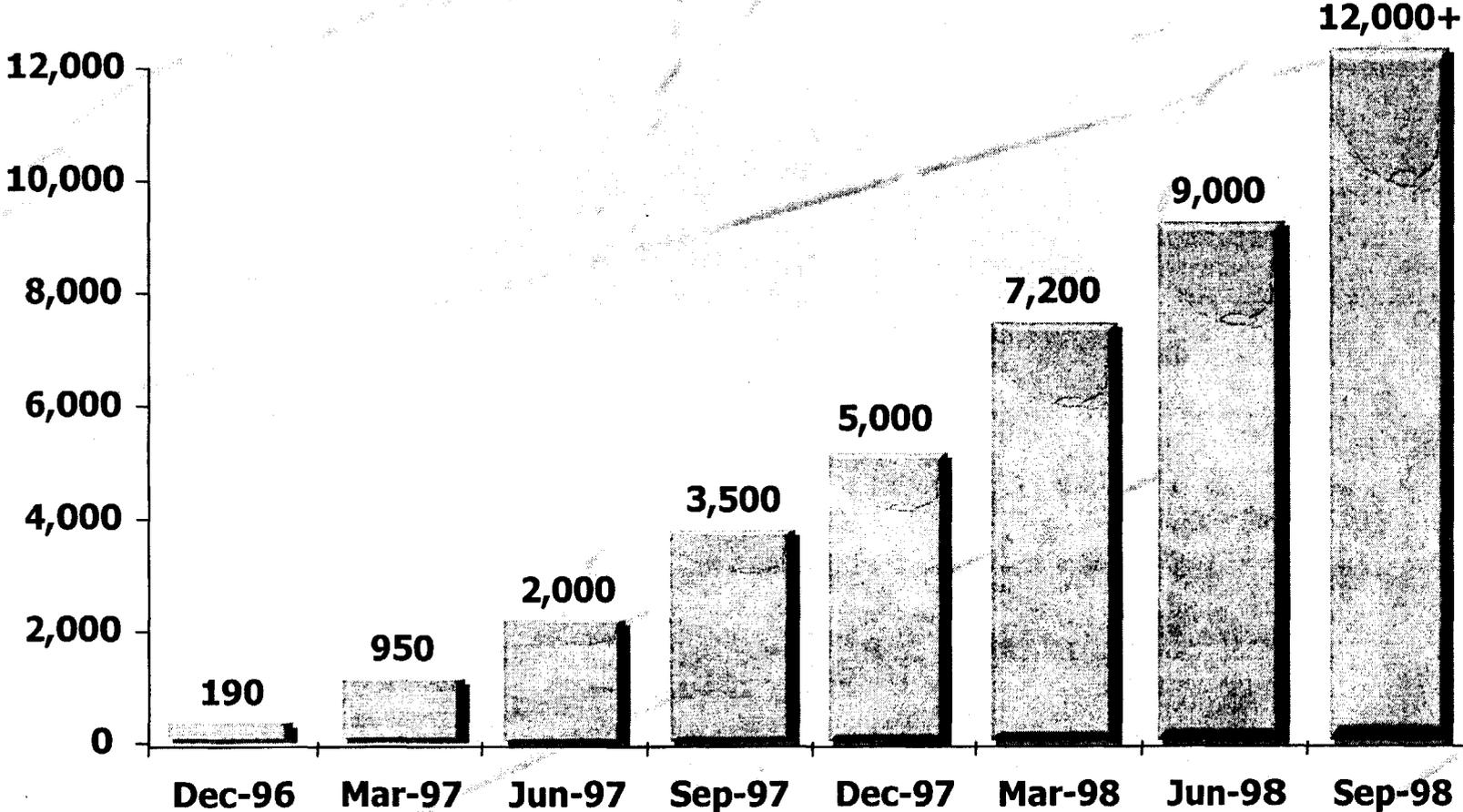
## *Cumulative Roof Rights*



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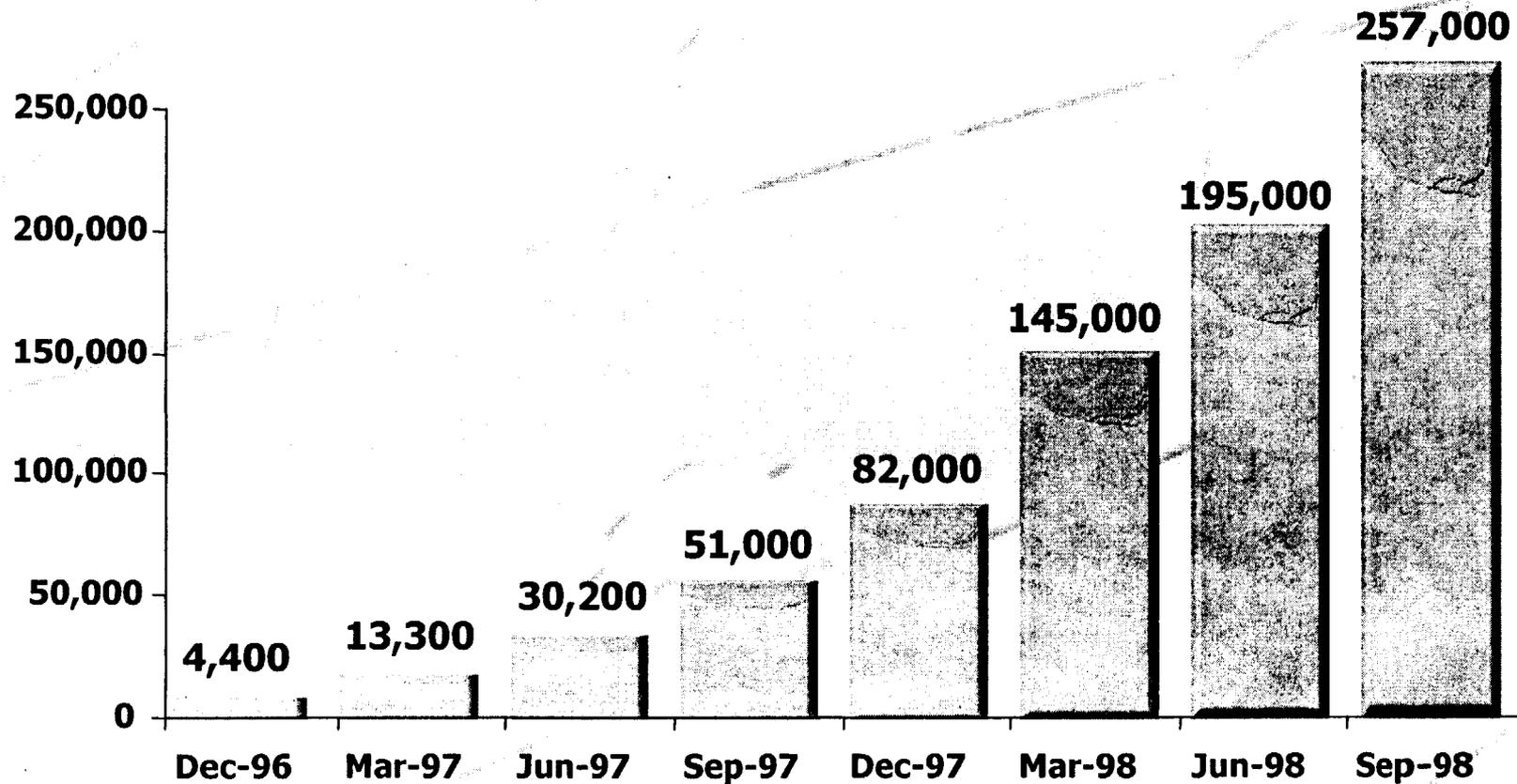
# Accelerating Customer Acceptance

## *Cumulative Customers*



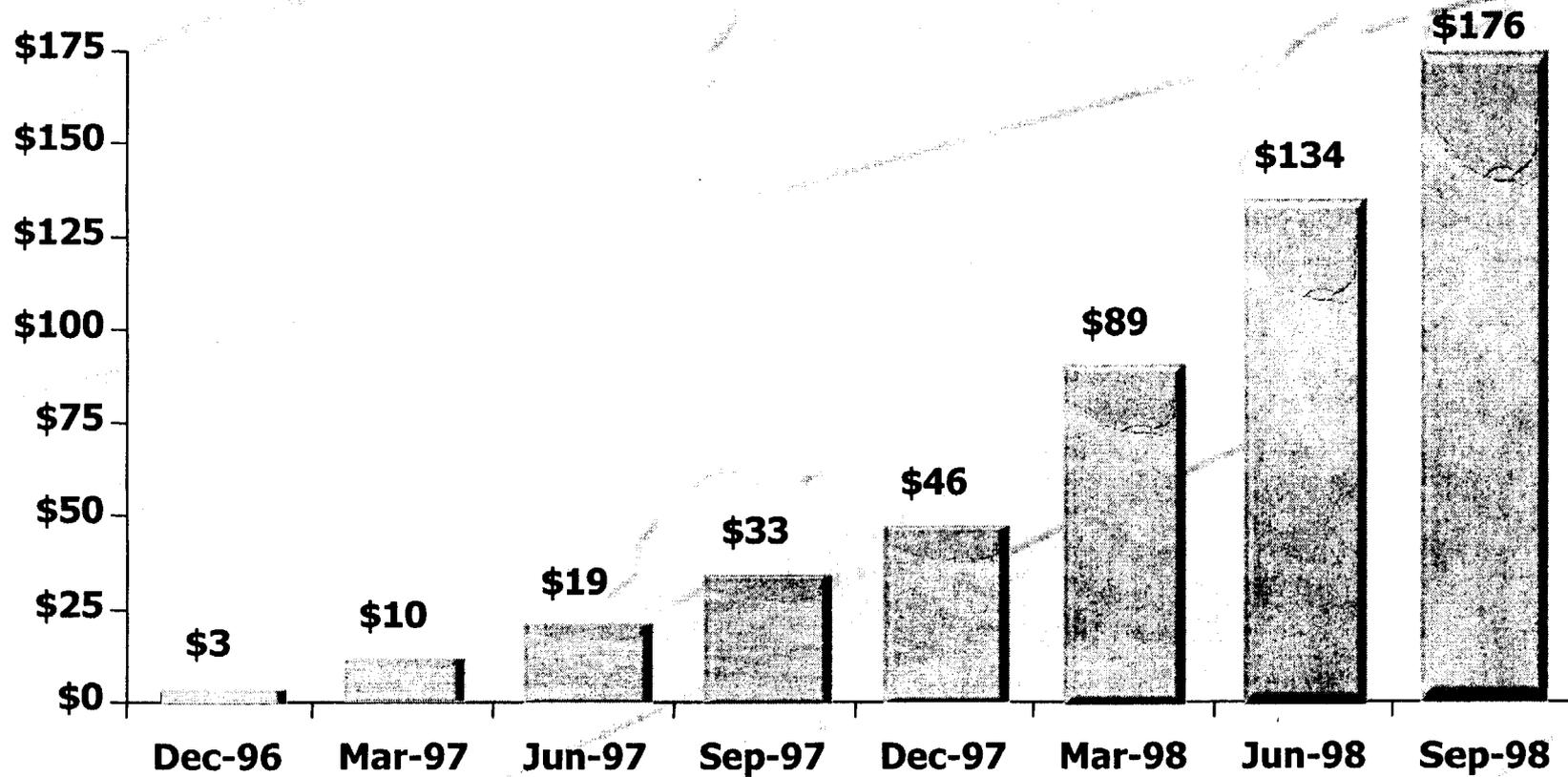
# Overall Line Growth

## *Cumulative Lines Installed*



# Rapid Revenue Growth

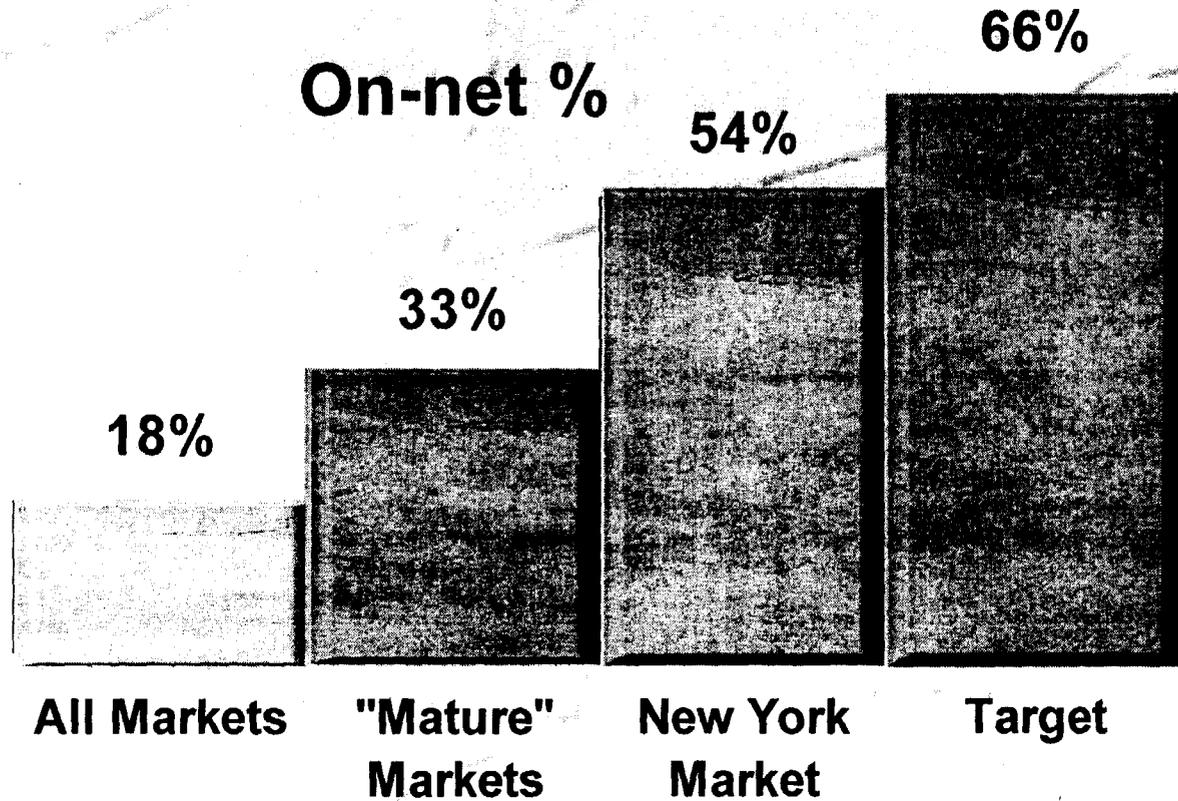
*Annualized Core Revenues (In Millions)*



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# On-net Status In Mature Markets

*Composition of Lines as of September 30, 1998*



- WinStar On-net Gross Margins are 60-70%



# New York Market Performance

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*As of September 30, 1998*

- Gross Margin Exceeds 45%
- Positive EBITDA During Quarter, as Predicted at Inception of New York Operation in December '96
- Fiber CLEC Business Model has Typically Required 5 Years for EBITDA to Break Even

# Accelerating Momentum and Achieving Critical Mass

	Domestic			International
	Dec. 31, 1996	Dec. 31, 1998*	Dec. 31, 1999*	Dec. 31, 1999*
<b>Major Markets with Sales Offices</b>	<b>10</b>	<b>30</b>	<b>45</b>	<b>6</b>
<b>Field Sales Personnel</b>	<b>100</b>	<b>~500</b>	<b>600+</b>	<b>~50</b>
<b>Buildings</b>	<b>800</b>	<b>4,200+</b>	<b>8,000+</b>	<b>~350</b>
<b>Customers</b>	<b>190</b>	<b>15,000+</b>	<b>35,000+</b>	<b>~200</b>
<b>% of Business Market Covered</b>	<b>10%</b>	<b>45%</b>	<b>75%+</b>	<b>NM</b>

\* Estimated

# Extending Breadth & Depth

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- Accelerate Build-out to 110 Markets
  - 60 Domestic (45 by 12/31/99, 60 by 12/31/00)
  - 50 International (Up to 6 by 12/31/99)
- Increase Focus on High-margin "On-net" Buildings
- Create Multiple Levels of Value Through Businesses That Drive Traffic to the Net
- Unlock Value of Network Through Additional Strategic Relationships

# The WinStar Story

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- Large Market Opportunity
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