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May 18, 2000

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, TW-A325  
Washington, DC 20554

Written Ex Parte  
WT Docket 99-217 and CC Docket No. 96-98

Dear Ms. Salas:

On Wednesday, May 17, 2000, the attached materials were sent to Jeffrey Steinberg and Lauren Van Wazer providing additional information in the above-referenced dockets.

Pursuant to Section 1.1206(b), an original and three copies of this letter are being filed with your office. Please associate this letter with the file in both of the above-referenced proceedings.

Should you have any questions regarding this matter, please contact the undersigned.

Sincerely,

Kathleen Q. Abernathy  
Vice President, Public Policy

Enclosures

cc: Jeffrey Steinberg-w/o enclosures  
Lauren Van Wazer-w/o enclosures

## **BANDWIDTH**

### **Birth of the BLEC: Service providers jump at chance to win over MTU audience**

**Elizabeth Starr Miller**

**05/15/2000**

#### **Telephony**

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Tenants in skyscrapers, office buildings and complexes have been largely ignored when it comes to incumbents providing them with high-speed data services. RBOCs seem to expect multi-tenant unit customers to "get nothing and like it" rather than meeting their ever-growing needs for bandwidth and other e-business services.

A new breed of service provider is making its way into the competitive service provider market by exclusively serving the MTU market. These service providers, sometimes called building local exchange carriers (BLECs), make deals with property owners, wire a building with fiber and copper, and turn up voice, data and even cable TV (CATV) services. >From the Sears Tower to the Empire State Building to a strip mall in the suburban Midwest, these service providers have found a captive audience in small and medium-sized business occupants.

In addition to addressing the needs of the MTU tenants, the market also grew from the need to improve the level of service real estate companies provide their tenants, said John Todd, president and chief operating officer of Allied Riser Communications. "They were

very disgruntled with the ability of local service providers and their lack of desire to come into a building and offer the tenants a new way to do business."

ARC takes a dedicated pair of fiber to each customer in a building and provides IP-based services. The provider then aggregates all traffic in the building and sends it to an interconnection point. "We believe that by taking fiber all the way to the customer, we enable a new view of broadband applications. Capacity is not an issue anymore," Todd said.

While ARC focuses more on providing capacity to the desktop, Urban Media concentrates on the applications, said Jeff Barnell, vice president of marketing for Urban Media. "Because the cost of bandwidth is declining rapidly, we decided to give away access to the Internet," he said. Though free Internet access is not new in the residential space, it is unusual for business customers. Urban Media makes money through its toolbar, an interactive interface between the end user and a variety of applications and content that customers can build their businesses around.

Urban Media plans to offer services such as transaction applications, desktop integration and management capabilities, and human resources applications. "The value is in making a company more successful, more competent and more efficient," Barnell said. "We are not just giving them a pipe for less money."

Broadband Office takes a similar route, said President Dan Chu. "We focus on what's in the cloud," he said. "It's all about enabling the building with a whole new network of capabilities." Significant IT needs are going unaddressed, he added. "Providing an end-to-end solution is what the market needs. We focused on creating a platform that's a differential, end-to-end platform with unique levels of scalability, provisioning and service creation."

Broadband Office and Urban Media emphasize services rather than capacity, whereas OnSite Access, which recently finished wiring the Empire State Building for broadband access, focuses on customer service (see sidebar on page 138). "By getting to know the building owner and tenants, we can offer great services," said Joe Basile, CEO of OnSite Access. "We focus on what it is that the small to medium-sized businesses want related [to] telephony and the Internet, but other services as well," he said. The provider plans to develop a Web portal service that can provide content-rich services to tenants and building owners, Basile said.

Business plans aside, MTU service providers have different ways of sharing revenues with building owners. Agreements range from splitting revenue 50/50 with the property owner to giving them a flat fee or handing over 5% of revenues.

Though most deals between property owners and service providers are not officially exclusive, exclusivity is implied. "If we do the wiring and charge \$25 per month for Centrex services and 6 1/2 cents per minute for long-distance, no one can match that," said Chris Catranis, CEO for Skyway Partners. Skyway targets residential and business

MTU markets with digital CATV, voice and data services and e-business services. "The Bells are not going to go in and build. They couldn't get any customers," he said.

Once a service provider has wired a building, it's a barrier for entry by others, said Carl Garland, principal analyst for network services for Current Analysis. It's unlikely a building owner will allow another service provider to come onto the premises, he said. "Construction is a nuisance, and it's costly. Building owners aren't service providers so the FCC cannot mandate access."

When it comes to partnering with building owners, some service providers prefer to deal with building owners that know their building and tenants well. Skyway, for example, tends to avoid dealing with major real estate companies.

Not so for Broadband Office, which has partnered with 50 major real estate owners across the country, Chu said. "We focus on those buildings, which represent 25% of all office buildings in the U.S."

Although the market is growing, there are enough buildings to go around, Garland said. The BLECs have a golden opportunity now because the MTU market isn't regulated, he said. "They have a bare toe-hold on the market, sort of like the free Internet phone services," he said. "But nothing free lasts long." Eventually, Garland said, BLECs will be subject to the same regulations as other service providers.

### **OnSite Access takes a strike at Empire State Building**

#### **Elizabeth Starr Miller**

With 20 miles of fiber and copper cabling, provider OnSite Access wired the Empire State Building for high-speed voice and data services. Because the building's construction was completed in 1931, Onsite Access faced major obstacles, including the lack of risers and telco closets and New York City Landmarks Commission guidelines. Plus, making the fiber optic network redundant was a major concern.

"The biggest obstacle was to try to find a pathway," said Scott Ringelspaugh, construction engineer for OnSite Access. The original pathway and telco closets that Bell Atlantic installed years ago were small and already full. And citycodes forbid OnSite Access from sharing.

Instead, Ringelspaugh found a janitor's closet on the 80th floor that was at the same location on every floor down to the 55th floor. OnSite simply drilled right through the floor, inserted sleeves to protect the fiber and ran fiber from the 80th floor to the 55th floor. From the 55th to 54th floor, OnSite ran cable encased in conduit in the false ceilings to connect to another janitor's closet. From there, the company linked from the 54th floor to the second floor.

To offer redundant voice and data services, OnSite Access divided the building into three sections, with six interconnected points of presence.

"Just the engineering took one-and-a-half months. This wasn't like any other building. It was like three separate buildings," Ringelspaugh said. The project began in November 1999 and was completed in mid-February.

**SECTION:** No. 8, Vol. 93; Pg. 14; ISSN: 0007-3725

**IAC-ACC-NO:** 55617016

**LENGTH:** 534 words

**HEADLINE:** Join the bandwidth wagon: update facilities with improved cabling options; News & Views

**BYLINE:** Raiford, Regina

**BODY:**

What do tenants really want? An impressive lobby? Speedy elevators? Sparkling restrooms? Actually, high-speed Internet access and broad bandwidth have become increasingly important tools to attract and retain tenants. In the current market, high-quality Internet, video, and data connections are top priorities for most businesses. A facility with state-of-the-art connectivity has a competitive edge over its low-tech neighbors.

Few things are more frustrating than waiting for a large file to download or losing crucial information due to a transfer. Property managers of existing buildings often believe they have no way to remedy this problem. Many facilities, even those built during the '80s building boom, were constructed without fiber-optic access. Relying on traditional infrastructure for high-speed access can be limiting. Instead of succumbing to a bandwidth bottleneck, there are solutions to upgrade existing facilities.

One possible solution is outfitting facilities with fiber-optic cable. "We recognized that the bottleneck existed and understood that the demand for bandwidth and broadband communication services will grow, particularly for small- and mid-sized businesses," says David Crawford, CEO, Allied Riser Communications (ARC), Chicago. In response to this demand, ARC works in partnership with landlords who are looking for a carrier to service their tenants. Adds Crawford, "It's the spirit of cooperation. A lot of landlords we took on saw the opportunity to bring future-proof infrastructure to their commercial office buildings."

Connecting to two national backbones, ARC works by pulling fiber, usually 48 to 96 strands, directly into buildings. This method gives the client quick setup and a high degree of flexibility. According to Crawford, this high-speed access improves end-users' productivity and can lead to greater growth.

At the Mercantile Building in Chicago, for example, tenants were hampered by their traditional communications structure. Consisting of two towers connected by a trading floor, the facility had numerous communications carriers.

After partnering with ARC, the facility had fiber connectivity throughout the entire physical plant. The affordability and increased speed of the new expanded bandwidth, paired with the extensive customer service, delivered an extraordinary value for the tenants. "We provide very hands-on services," explains Crawford.

Businesses can learn how to enhance their performance by allowing their carriers to function as an information technology (IT) or telecommunications technical support. Adds Crawford, "We will do the kinds of integration and network management services that small- and mid-sized businesses don't have the staff to take care of themselves."

In the future, industry will rely increasingly on content and video applications services. Because of the breakneck pace of emerging communications technology, Crawford predicts more and more landlords will seek out these types of partnerships. Beyond reducing expenses, many facilities managers want to maintain their facilities' competitive edge. "Don't think **smart buildings**," says Crawford. "Think smart business."

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**HEADLINE:** FiberNet Telecom to light the Chrysler Center.

**BODY:**

FiberNet Telecom Group, Inc. and OnSite Access, Inc. have announced the signing of a Master Service Agreement to offer advanced communications services to tenants at the world famous Chrysler Center in Manhattan. Under the terms of this agreement, FiberNet will interconnect its high-speed redundant SONET network inside the Chrysler Center with OnSite Access, enabling OnSite Access to deliver advanced digital communications, high-speed Internet and broadband data services directly to tenants.

For the first time in the industry FiberNet, a carriers' carrier, is extending the fiber optic SONET based networks, typically deployed in the streets and nationwide, directly to the building and the floors of tenants nationwide.

"We are the first all-optical alternative to the ILEC for complete local loop transport from a carrier's POP to the customer floor," said Michael Liss, FiberNet's president and CEO. "We are making this alternative available on a non-discriminatory basis to carriers and service providers to reach and deliver services to tenants in FiberNet lit buildings. Under the terms of this agreement, OnSite Access will utilize the FiberNet in-building Network (FIN) to deliver advanced telecommunications and data services to the tenants of the Chrysler Center."

"This agreement provides business tenants inside the Chrysler Center with access to a powerful network and a robust package of communications services equal to those afforded Fortune 500 companies," said Howard Taylor, chairman and CEO of OnSite Access. "Cooperative agreements like this also allow building owners and tenants to leverage the strengths of two companies that are dedicated to creating smart buildings' ready for the millennium."

FiberNet has lit four strands of fiber on its metropolitan area backbone covering Downtown and Midtown Manhattan. The company's initial plan is to focus on New York City and pursue a "carriers' carrier" marketing strategy, selling primarily to telecom carriers and other communications service providers in Class A and dot.com buildings. FiberNet has license agreements with national building owners for the construction, implementation and operation of intra-building, fiber optic transmission networks that interconnect with the company's metropolitan area backbone.

OnSite Access is offering a full suite of products and services in commercial office buildings throughout the United States. The availability of these enhanced services gives commercial property owners a unique marketing and leasing tool for attracting and retaining quality tenants. For the tenants of these buildings, OnSite Access offers one-stop shopping for competitively priced communications services bundled into a single invoice.

"With this agreement, the Chrysler Center and its tenants will gain access to our high-speed, bandwidth intensive services running on FiberNet's robust and technologically advanced fiber backbone," said Daren W. Hornig, executive vice president of real estate services for OnSite Access. "We are leveling the playing field for businesses to have access to the same type of telecom products and services formally only available to large companies."

"It is the best of both worlds - tenants of the Chrysler Center can now combine the innovative and cost effective products and services of OnSite with the high quality speed and redundancy of the fiber optic network that FiberNet has made available for carriers in the Chrysler Center," added Les Hankinson, senior vice president of sales and marketing for FiberNet.

FiberNet Telecom Group, Inc. is a facilities-based carrier that designs, builds and operates intra-building and metropolitan area broadband networks in commercial, multi-tenant office buildings in national Tier 1 markets.

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## Commercial Property Managers Need to Get Smart About Smart Buildings

The dream of working in a bathrobe from home is rapidly becoming a reality for many Americans.

But trends such as telecommuting, remote officing and increasing reliance on web-based data have important implications for commercial real estate managers.

According to W.S. 'Bill' Garland, president of the Building Owners and Managers Association, building managers will need to reassess their needs to successfully cater to tenants.

"Managers of 'smart' buildings will need tremendous computer capabilities, and the emphasis will shift from managing physical space to managing data space," he stated. "High tech buildings often require capital-intensive infrastructure alterations, as tenants need greater power capabilities and MIS systems demand extensive space, wiring and ducting."

Such intelligent workplaces are essential for productivity in the information age, according to Vivian Loftness, head of the school of architecture at Carnegie Mellon University.

Loftness noted that the model intelligent workplace meets four criteria: flexibility of organization, technological adaptability, individual comfort and productivity, and environmental sustainability. And to a greater or lesser extent, all depend on implementation of greater computer and bandwidth capacity.

"Telecommuting from home and teleconferencing between multiple offices are obvious advantages of an intelligent workplace," Loftness noted. "But this means high speed bandwidth is a necessity."

But even if employees are working from the office, high-speed bandwidth is practically a necessity.

"The web is not only a great research tool in general," Loftness said. "But as CDs and web databases replace huge rooms of paper, fast access to the Internet is crucial for most companies."

One company offering such access is Kivex, one of several companies that provide Internet service exclusively for commercial office buildings.

Tom Gray, vice president for marketing at Kivex, says that his company saw a need for an inexpensive way to provide high-speed bandwidth to commercial buildings because close to 20% of tenants were leaving their buildings because of inadequate access to the Internet.

Starting two years ago, Kivex pioneered its "Internet Building" concept, where it would put a T-1 line, which is ten times as fast as an ISDN line and up to one hundred times as fast as a dial-up modem connection, into a building and invite all the tenants to share the connection to the Internet.

"The connection between a T-1 line and a dial-up modem is like the difference between a highway and a dirt road."

from a fire hose instead of a straw," Gray said.

Gray stated that of the five hundred buildings that Kivex services, the renewal rate is 98%.

"Tenants get addicted to the benefits of high-speed Internet access, IP telephony (voice over the Internet), and teleconferencing, and they loathe to give it up."

Kelly Barbour, communications manager of the American Bakers Association, is one such tenant.

"When our building installed the T-1 connection I didn't think it was a very big deal. But now, I can't imagine giving up such quick access the Internet nor the ability to dial in to my computer from home."