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**WALLMAN  
STRATEGIC CONSULTING, LLC**

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**APR 25 2001**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

1300 Connecticut Ave, N.W.,  
Suite 1000  
Washington, D.C. 20036  
www.wallman.com

voice 202.347.4964  
fax 202.347.4961

April 25, 2001

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: Ex Parte Submission, CC Docket No. 96-98

Dear Ms. Salas:

On April 24, 2001 Dave Conn, of McLeodUSA and Kathleen Wallman of Wallman Strategic Consulting, LLC met with Dorothy Attwood and Glenn Reynolds, Associate Bureau Chief and Assistant Bureau Chief, respectively, of the Common Carrier Bureau; and Michelle Carey and John Reel, Chief and Attorney, respectively, of the Policy and Program Planning Division.

Please find attached the McLeodUSA presentation entitled UNE-P and Facilities-Based Telecommunications Services. We used this document to discuss the desirability of maintaining UNE-P.

In accordance with the Commission's rules, I submit two copies for the record.

Respectfully submitted,



Kathleen Wallman  
President and CEO

Copies to:  
Dorothy Attwood  
Glenn Reynolds  
Michelle Carey  
John Reel

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# *McLeodUSA*

## UNE-P and Facilities-Based Telecommunications Services

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- Dave Conn, Deputy General Counsel and VP - Product & Policy
  - Contact Information
    - 319 790 7055 voice
    - 319 790 7901 fax
    - [dconn@mcleodusa.com](mailto:dconn@mcleodusa.com)

## *McLeodUSA Overview*

- Over \$1B in competitive revenue in 2000
- Sales offices in 130 cities
- About 11,000 employees
- Almost 30,000 route miles of fiber deployed (20% intracity/80% intercity)
- Service in over 1200 central offices
- Over 300 collocations under Sec. 251
- About 50 voice switches and 400 ATM/Frame switches

# McLeodUSA Local Service Footprint



- Over 300,000 competitive customers
- About 1M competitive lines in service

# Competitive Local Service Platform Summary

- “Platform Agnostic”
  - Best platform will depend on market characteristics and relative costs
  - Providers must be able to take advantage of these characteristics in order to succeed in broad markets
- Current Platform Choices
  - UNE loops where collocations exist
  - UNE-P where feasible
    - “New combinations” issue
    - Conversion of existing resale lines a problem
  - Resale otherwise

## Necessity for UNE-P (Unbundled Switching)

- McLeodUSA market goal is to have a broad, sustainable presence in the markets we enter
  - Establish sales offices locally
  - “Beat Cop” approach to marketing
- Broad, sustainable presence requires ubiquitous ubiquity
- Ubiquity requires ability to serve customers regardless of their present central office

# Options to Achieve a Ubiquitous Presence

- Resale
  - Difficult to implement in a viable economic fashion
  - Not supported by investors/capital markets
- UNE loops
  - Collocation required: time, capital expense
  - Whether feasible depends on costs and market characteristics
  - Existing capital constraints

## The Importance of UNE-P

- Superior to Resale
  - Economically
  - Ability to provide new services/packages to customers
- Allows entry throughout market area
- Accepted by investors/capital markets
- Allows targeted deployment of scarce capital

## UNE-P: A Complement to Facilities-Based Services

- During CY2001, McLeodUSA plans to deploy:
  - 17 voice switches
  - 14 ATM switches
  - 164 collocations under Sec. 251
- At EOY 2001, McLeodUSA will still need UNE-P to reach customers in about 70% of the central offices it serves

## The “Impair” Test: Sec. 51.317(b) and (c)

- McLeodUSA’s ability to serve its existing customers will be materially diminished in the absence of UNE-P
- EELs are not a practical method of serving smaller customers
- Ubiquitous competition will be delayed in the absence of UNE-P

## The Reality of Current Competition

- Huge changes in capital market environment since Nov. 1999 decision
- McLeodUSA now represents, by itself, about one-third of the entire valuation of all publicly traded CLECs
- Capital markets will not support immediate wide expansion of switch and collocation deployment

## The Need for Unbundled Switching

- Current capital markets will not support huge new buildouts by CLECs
- Without new buildouts (switches and collocations), CLECs must rely on the incumbent's switching to provide service
- McLeodUSA is deploying network as quickly as possible, but still must depend on UNE-P to serve customers in 70% of its central offices
- Without UNE-P, widespread competition will be delayed

## *Conclusions*

- To promote competition, the usefulness of ULS should be enhanced
  - Real-time access to switch feature
  - No “two-step” ordering processes
  - Simple conversions from resale
  - No contraction of availability
- If additional limitations are imposed, they should recognize:
  - Need for ubiquity
  - Need of end-user for simplicity
  - Need for stability