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JUN 25 2001
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

June 25, 2001

BY HAND

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20054

**EX PARTE
PRESENTATION**

Re: CC Dkt. No. 96-98

EX PARTE OR LATE FILED

Dear Ms. Salas:

On June 21, 2001, Dave Scott, President and CEO of Birch Telecom, Inc.; Gregory Lawhon, Birch's Senior Vice President of Public Policy and General Counsel; Jeff Kuenne, Birch's Director of Technology Planning; and Albert Kramer and Jacob Farber of this law firm met with Commissioner Kathleen Abernathy and Bryan Tramont, the Commissioner's Legal Advisor. We discussed Birch's deployment of advanced services and why the availability of the unbundled network element platform (UNE-P) is critical to facilities-based competition. The attached materials were distributed at the meeting.

If you need any further information or have any questions, please do not hesitate to call me.

Sincerely,



Jacob Farber

Enclosure

cc: Commissioner Kathleen Q. Abernathy
Bryan Tramont, Esq.

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UNE-P and Facilities-Based Competition

June 2001

Dave Scott, President and Chief Executive Officer

Greg Lawhon, Senior Vice President of Public Policy and General Counsel

Jeff Kuenne, Director of Technology Planning

Birch Brings Advanced Services to Unserved Customers and Markets



- Birch serves 72,000 customers with 260,000 lines.
 - Residential customers constitute 26% of Birch's total customers and 10% of its lines.
 - Birch serves the lost market - customers and areas that would otherwise not see the benefits of competition.
 - Birch targets small businesses and serves residential customers as well.
 - Birch serves outer suburbs and small towns, not just the dense business districts of large cities.
 - 70% of Birch's customers have 4 or fewer lines.
 - Birch offers services that the ILEC doesn't provide to these customers and areas.
 - Birch offers local and long-distance voice services, but also provides dial-up Internet access, dedicated Internet access services through T-1s and high-speed DSL circuits (SDSL), web hosting and design services, and customer premises equipment, including key systems, PBXs, routers, and integrated access devices for its integrated voice and data offerings.
 - Birch's target customers can't afford a dedicated telecom manager, usually don't have a network administrator on staff, and often don't even have an office administrator to handle telecom and Internet access needs of the business. Without Birch, these customers are unlikely to wade through the maze of multiple service and equipment vendors necessary to integrate these services, even if available. Birch's integrated service and product offerings allow very small businesses and home offices to obtain all the benefits of advanced voice and data products that typically are available only to much larger enterprises in larger cities.
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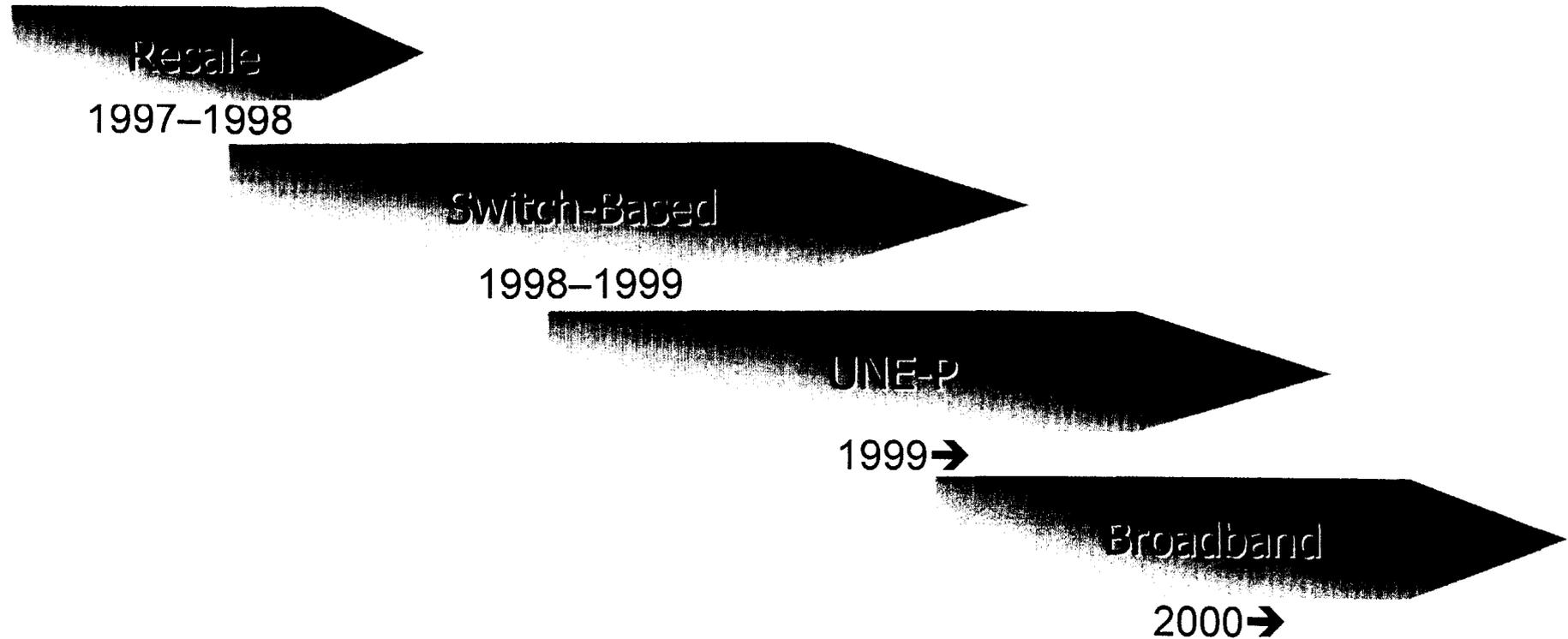
UNE-P Complements Facilities-Based Competition

- Birch is a facilities-based carrier with its own extensive voice and data network assets, but UNE-P still is a critical component of Birch's overall service delivery methodology.
 - Birch has deployed Lucent 5E Circuit switches, a region-wide ATM network, and an extensive DSL network, but also relies on UNE-P today in order to reach **all** segments of its markets.
- To ensure that Birch and other competitive carriers can successfully transition to and develop a facilities-based strategy to serve small business and residential consumers, the Commission must increase the line cap.
 - UNE-P is the key to our facilities-based strategy for the small business and residential market segment. It allows us to develop the customer base and revenue stream that are necessary precursors to effective facilities-based competition. When cost-effective softswitch alternatives are available, the customer base will be migrated to facilities.
 - If Birch were not permitted to serve larger customers in downtown business districts, it could not afford to provide service to its targeted customer base. There simply isn't sufficient revenue from serving small business and residential customers alone to pay all the fixed overhead costs of the business.
 - While 70% of Birch's customers have 4 or fewer lines, 45% of Birch's revenues are generated from customers with 7 or more lines.
 - We have demonstrated that--even where a circuit switch is already in place--it is not economical to serve customers under the DS1 level through self-provisioned circuit switching. We believe that will change with softswitches.

Where We Serve



Birch's Service Evolution

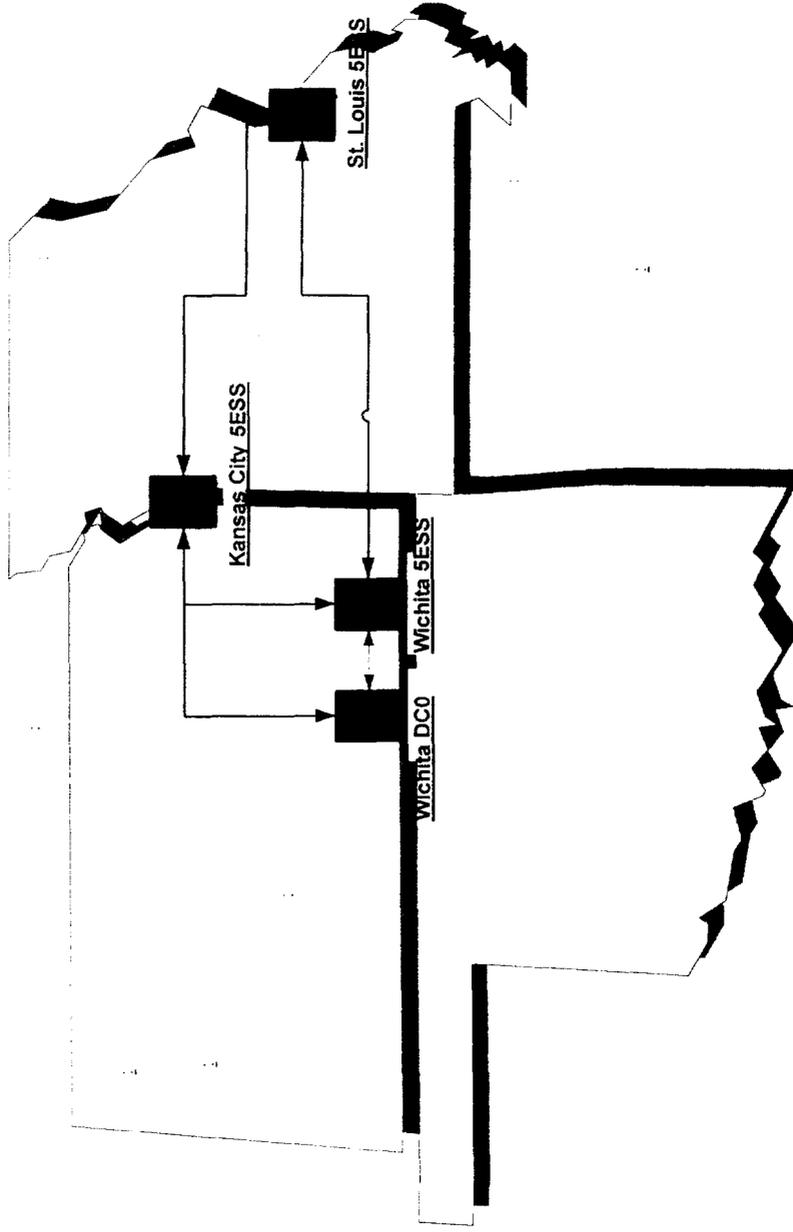


- Birch began providing service in St. Joseph, Missouri and smaller communities in Kansas in 1997 through resale.
 - Birch installed switches in 1998 in Kansas City, St. Louis, and Wichita.
 - Birch was a UNE-P pioneer in Texas, using its experience there to expand UNE-P to Missouri, Kansas and Oklahoma.
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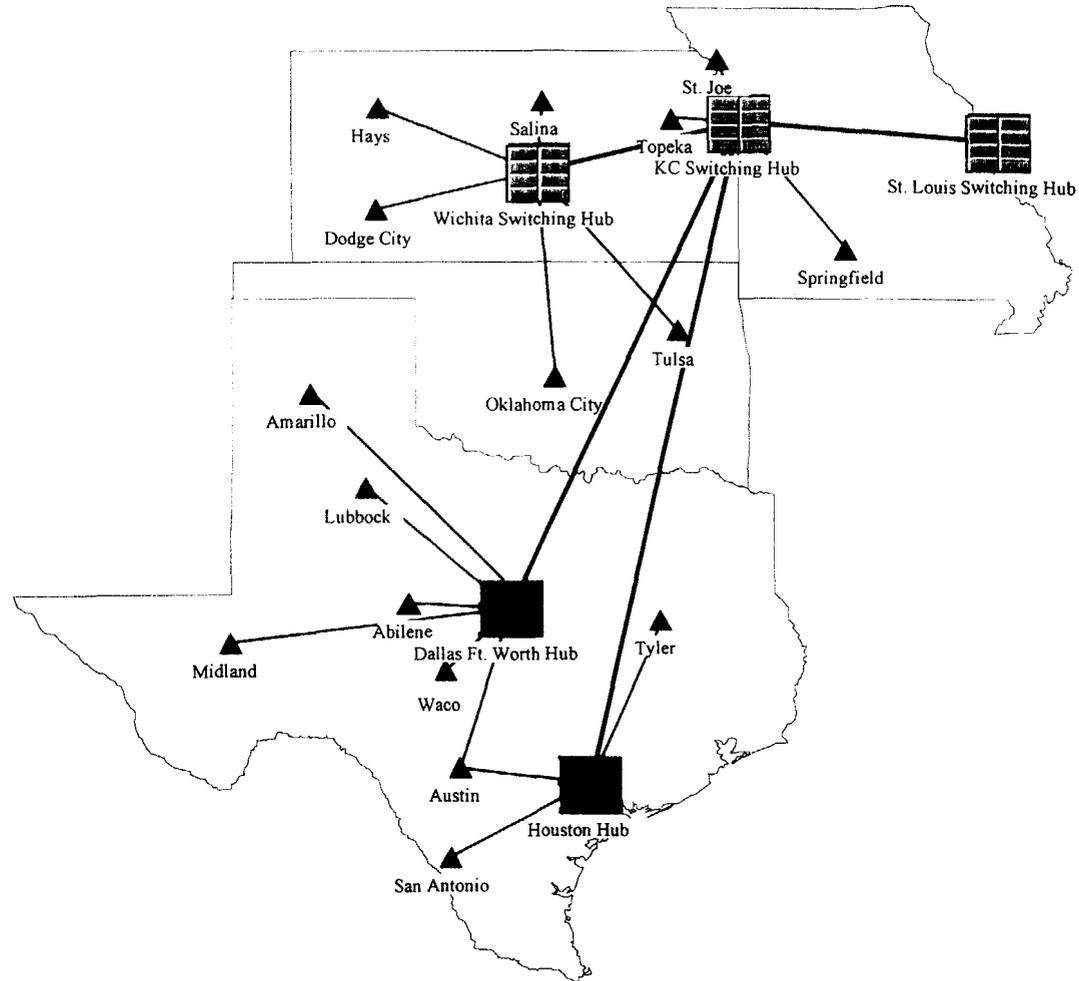
Birch's Facilities-based Strategy

- Circuit switches currently in place in three markets serving customers at DS1-size and above.
- Long-distance network operational.
- ATM switching network operational.
- Have replaced resold DSL with Birch's own DSL network.
 - 158 collocations in place in Southwestern Bell central offices.
 - Provisioning DSL customers in Texas, Missouri, Kansas, and Oklahoma
- Will deploy softswitches once technology is ready
 - Currently testing various vendors' products in proof of concept laboratory

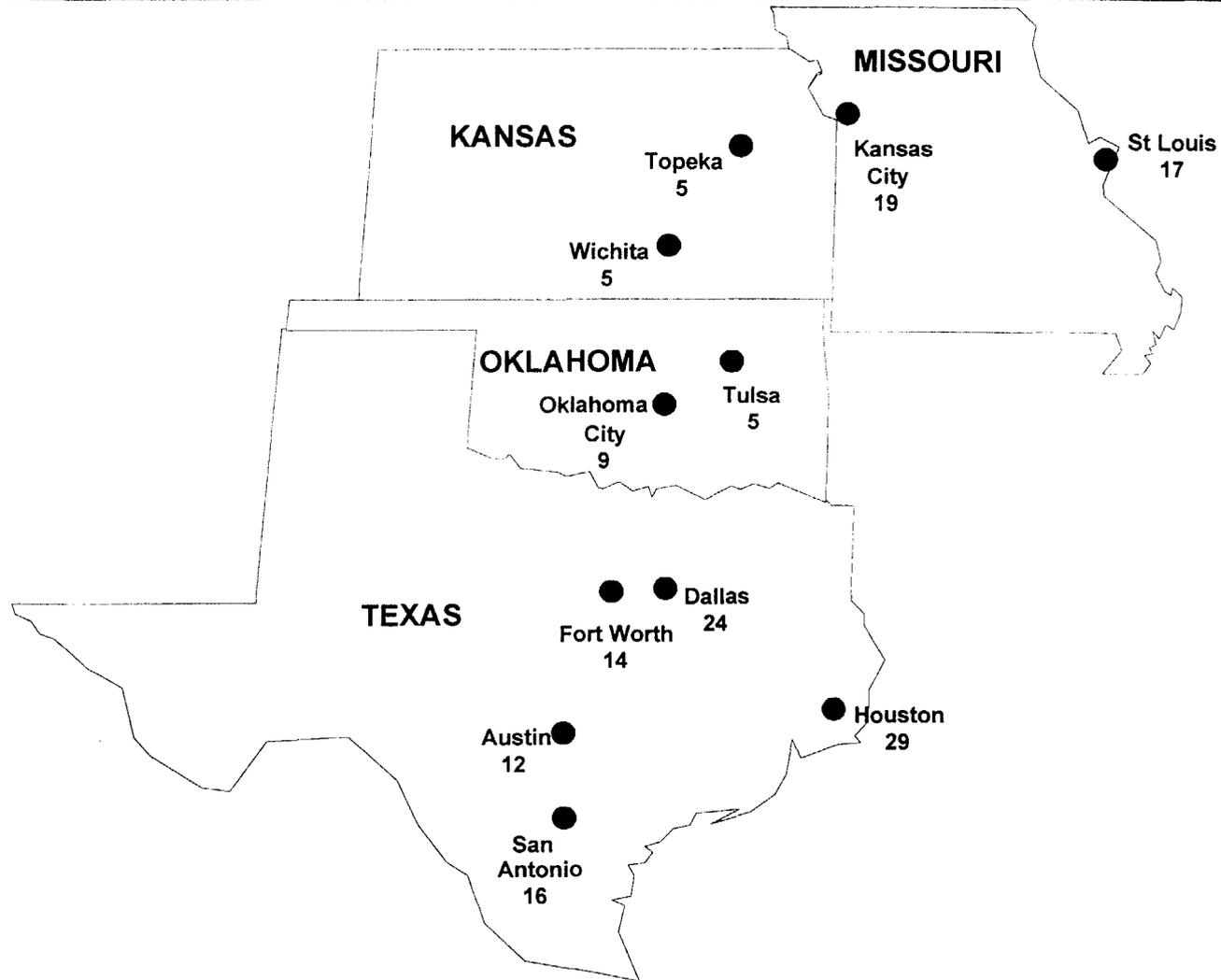
Birch's Circuit Switch Network



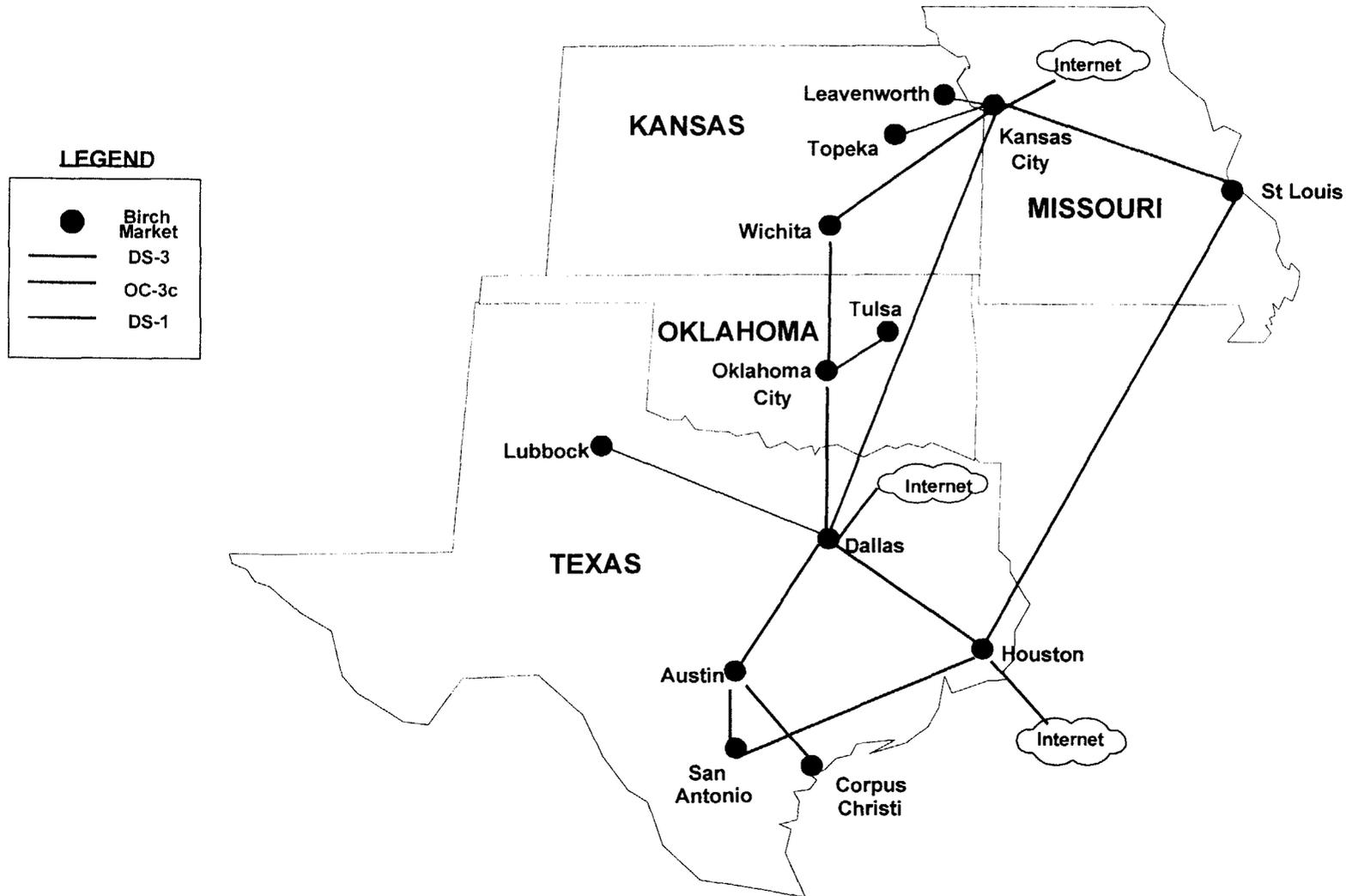
Birch's Long Distance Network



Birch's Collocations in Southwestern Bell Central Offices

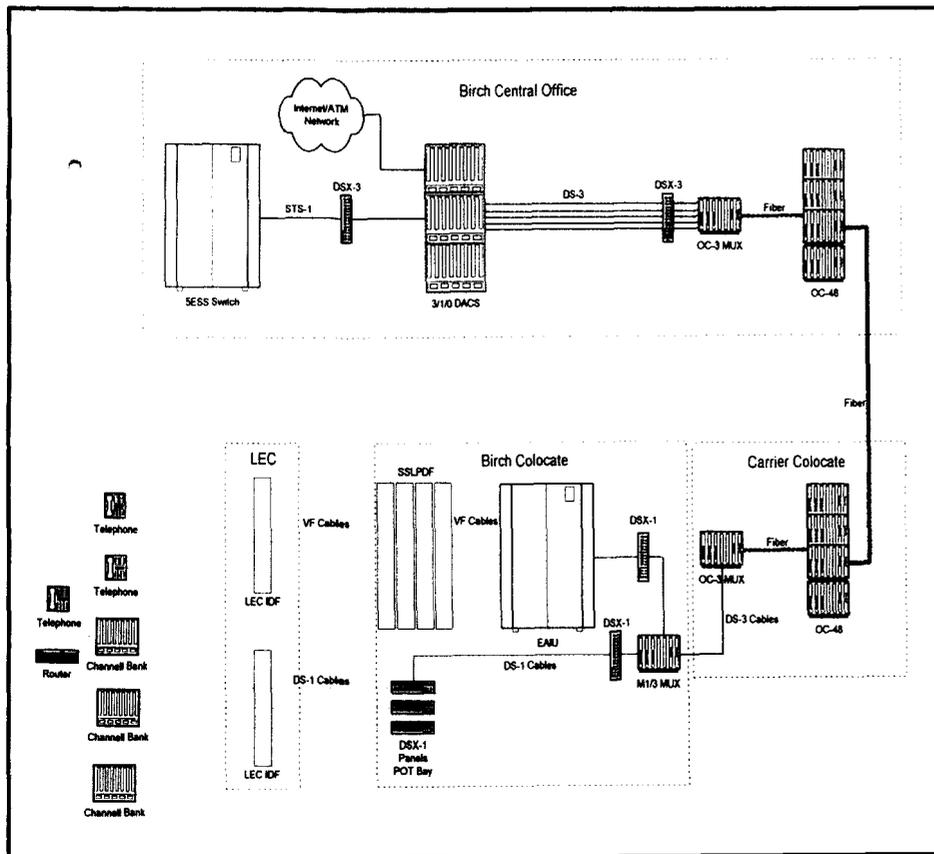


Birch's ATM Backbone Network

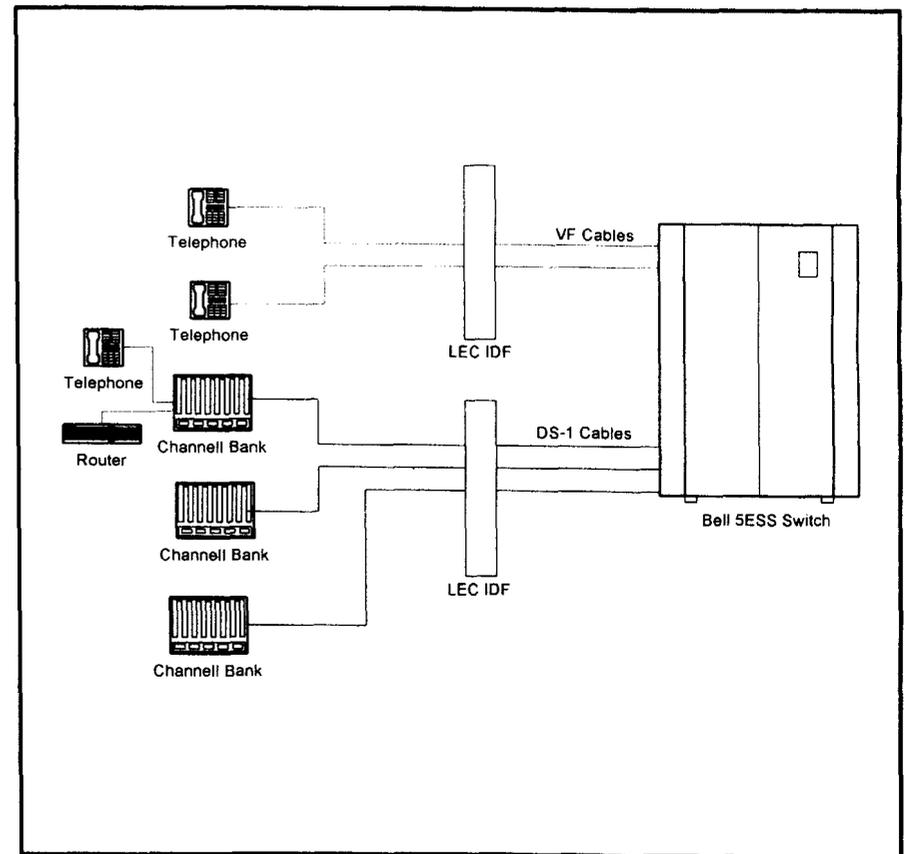


Birch's Current Voice Network Architecture

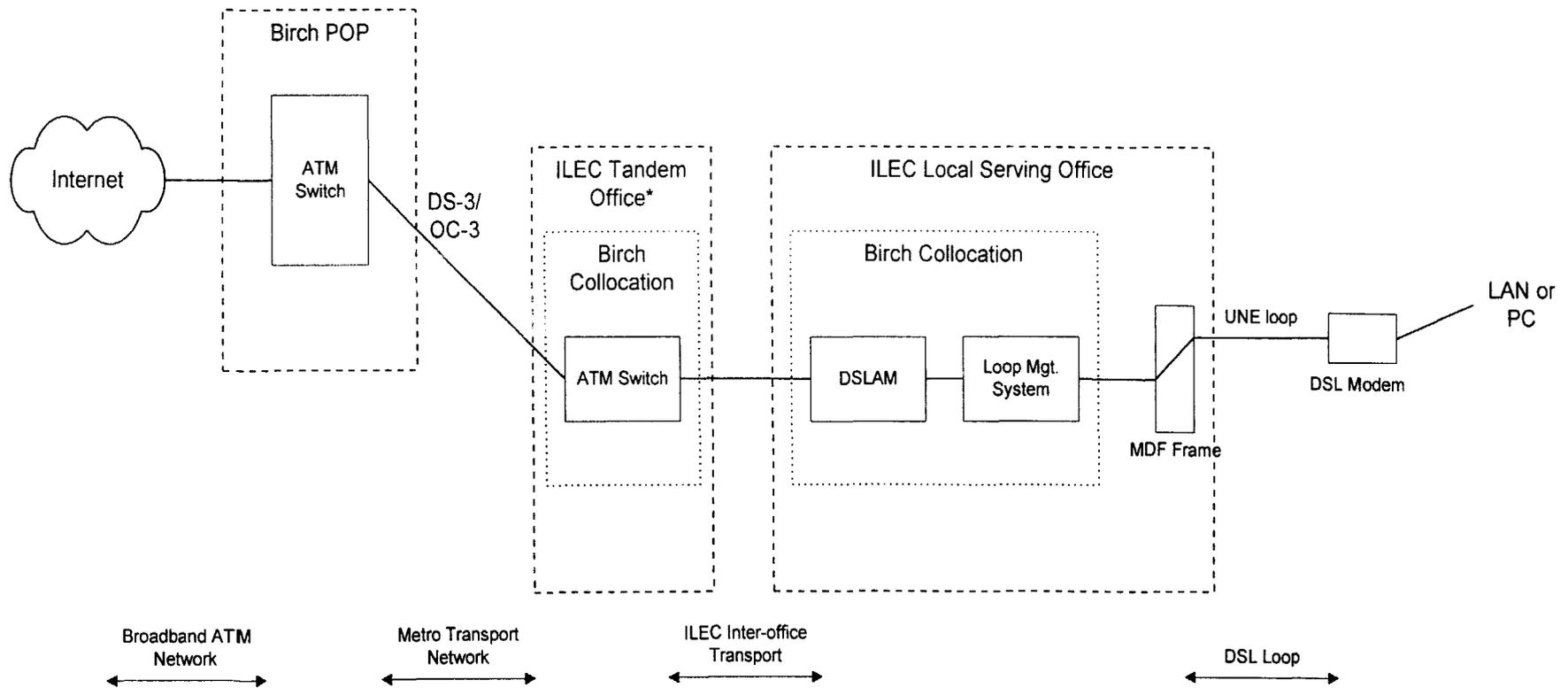
Birch's Circuit Switch



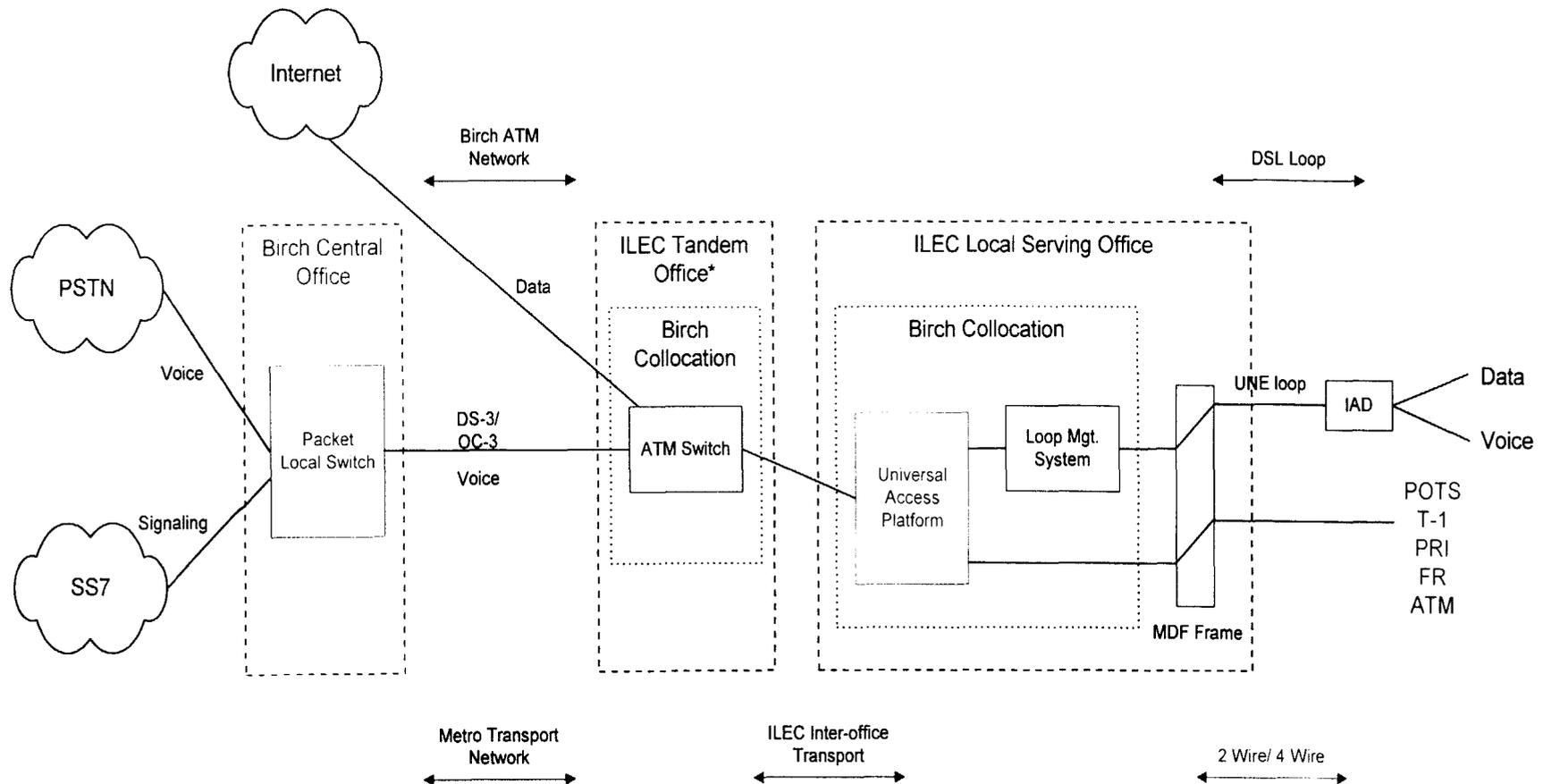
UNE-P



Birch's Data Network Architecture Today



Birch's Future Voice and Data Network



Birch's Softswitch Proof-of-Concept Lab

- Commissioned in August 2000
- 2500 square foot central office grade facility
- Simulates a scale version of the Birch production ATM/DSL network
- Designed to support 2 concurrent softswitch trials
- Began first softswitch evaluation in September 2000 (Santera)
- Testing reliability, scalability, feature-set and OSS capabilities

Softswitch Proof-of-Concept (POC) Lab Work-to-Date

- Birch was awarded Santera's first beta slot against McLeodUSA and Worldcom
- Began first softswitch evaluation in September 2000 (Santera)
- Sonus' beta Class 5 code enters testing in August 2001
- Feature servers evaluated to date include Longboard, Iperia
- Also tested were Salix, TTI, Numerous IADs and DSLAMs

Next-Generation Facilities-Based Objectives

- Bring the tools and capabilities of big business to Birch small business and residential subscribers.
- Improve margins through increased network efficiencies, allowing Birch to serve small customers economically over its own facilities.
- Provide compelling new features and services to those who haven't been able to receive them from the incumbent or the "big business" CLECs.

Next-Generation Features Overview

- **Advanced Messaging Services**
 - Unified messaging
 - Computer/Telephony integration

 - **Self Provisioning**

 - **Subscriber Self Services**
 - Web-based care
 - Add lines, bandwidth

 - **Personal Services**
 - Follow-me/Presence management
 - Communities of interest
 - Customized call control

 - **IP based Video Conferencing**
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An Increase in the Line Cap is Critical

- Birch is currently precluded from serving a segment of our market critical to our overall viability and our ability to serve a broad customer base.
- The ability to serve the top 50 markets and grow a customer base is critical both to our ability to continue to serve secondary and tertiary markets and to successfully transition to and develop a softswitch-based VoDSL strategy.
- An increase in the line cap does not stifle the incentive to deploy facilities.
 - Circuit switch deployment remains viable for larger customers.
 - Birch deploys facilities even where there is no line cap, e.g., TX, MO, OK, KS.
- UNE-P is the critical element in the transition to next-generation voice and data facilities, particularly for the mass market.