James K. Smith
Executive Director-
Federal Regulatory

SBC Telecommunications, Inc.
1401 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Phone 202 326-8883
Fax 202 408-4801

ORIGINAL

EX PARTE OR LATE FILED

March 25, 2002

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
445 12th Street, SW
TW-A-325-Lobby
Washington, DC 20554

Re: **Ex Parte Statement**
CC Docket Nos. 01-338, 96-98, 98-147

Dear Mr. Caton:

On March 22, 2002 James K. Smith, Christopher T. Rice, Gary L. Phillips, and Bruce R. Byrd on behalf of SBC Communications, Inc. met with Dorothy Attwood, Scott Bergmann, Michelle Carey, Jeff Carlisle, Brent Olson, and Tom Navin of the FCC. The purpose of the meeting was to discuss the infrastructure implications of unbundling loops as set forth in the attachment hereto.

Sincerely,

Attachment

Cc: Dorothy Attwood
Scott Bergmann
Michelle Carey
Jeff Carlisle
Brent Olson
Tom Navin

Result: Less Competition, Less Choice

- **Driving these additional costs into BPON deployment necessarily will chill investment in BPON and other FTTH solutions, which are risky investments regardless of regulatory hurdles.**

- **The end result will be lost opportunity – for customer choice and competition, as cable modem service providers become more dominant and monopoly-entrenched in the provision of advanced and video services.**

- **There is significant demand for BPON-like FTTH complete solutions for voice, data and video, but SBC cannot commit to the investment necessary to offer vibrant competition for this demand due to regulatory uncertainty.**

BPON - Fiber to the Home (FTTH) Impacts of CLEC Access

March 22, 2002

CLEC Access Significantly Increases Infrastructure Costs

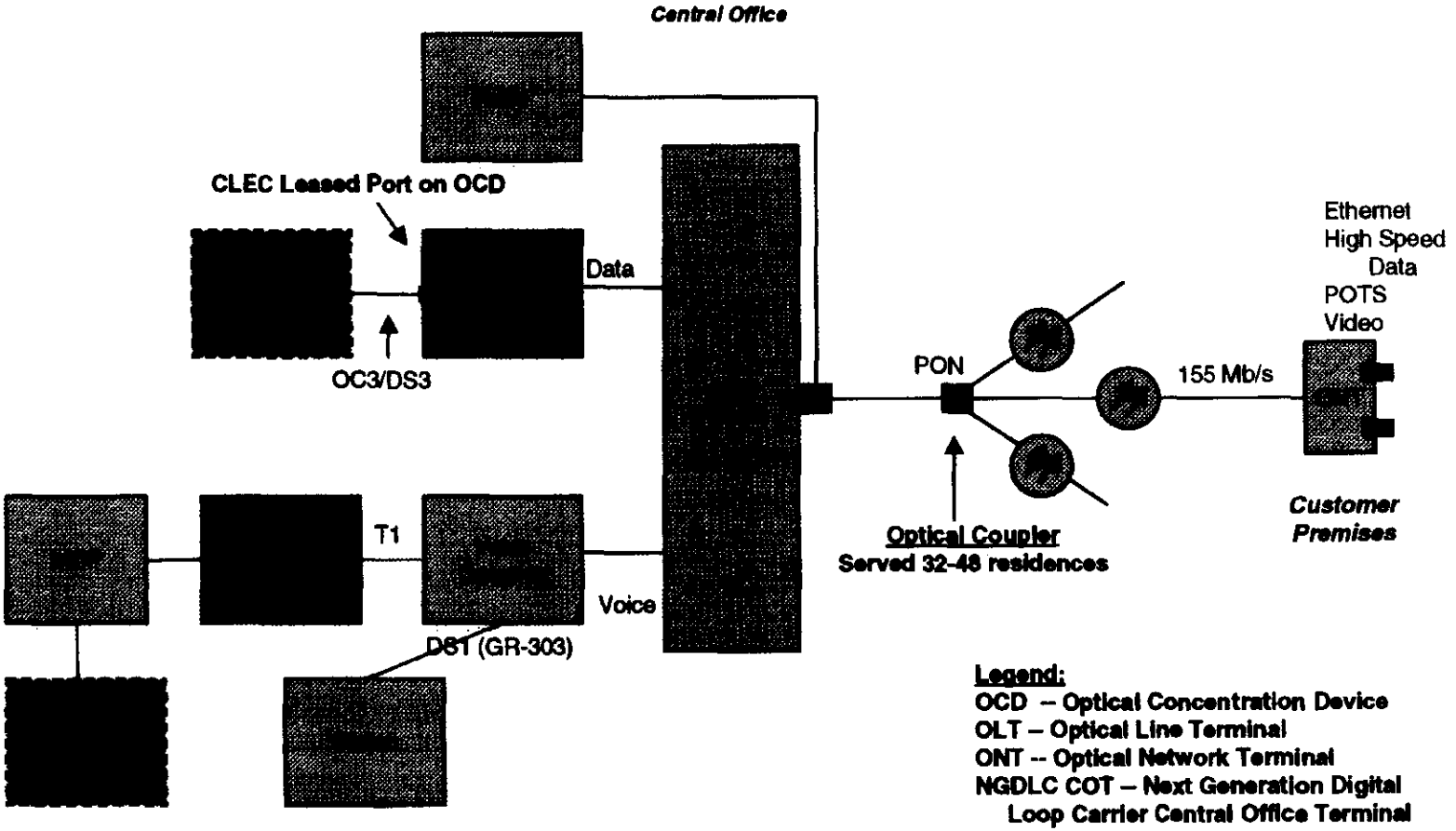
- **For SBC, providing CLEC access as described will increase initial infrastructure costs alone by at least 20%.**
  - **This figure accounts for SBC's use of OCDs already deployed in connection with Project Pronto.**
- **The cost ramifications for other providers considering deploying BPON are more significant, as they have not already deployed OCDs in their networks.**
  - **As a result, BPON infrastructure costs for these other providers will increase by 30% to 50% over the already high costs of such all-fiber architectures.**

Background

- **Industry Dynamics**
  - **Broadband mass market is driven primarily by competition among various technologies that provision similar retail services, e.G., Cable modem, DSL, fixed wireless, satellite**
  - **Broadband mass market is particularly price-sensitive**
- **BPON**
  - **Under the proper circumstances, the BPON architecture more cost effectively extends fiber deeper into the network, indeed, right to the customer premises**
  - **More fiber = more bandwidth = more robust services for end users**
  - **BPON can greatly enhance and expand the overall internet economy, both now and in the future, as it is a highly scalable architecture with bandwidth limited only by the electronics placed at each end of the fiber**
  - **BPON also ultimately will enable telecommunications providers to compete in the video market with existing incumbent cable providers**

BPON FTTH - - Prospective Regulatory Impacts

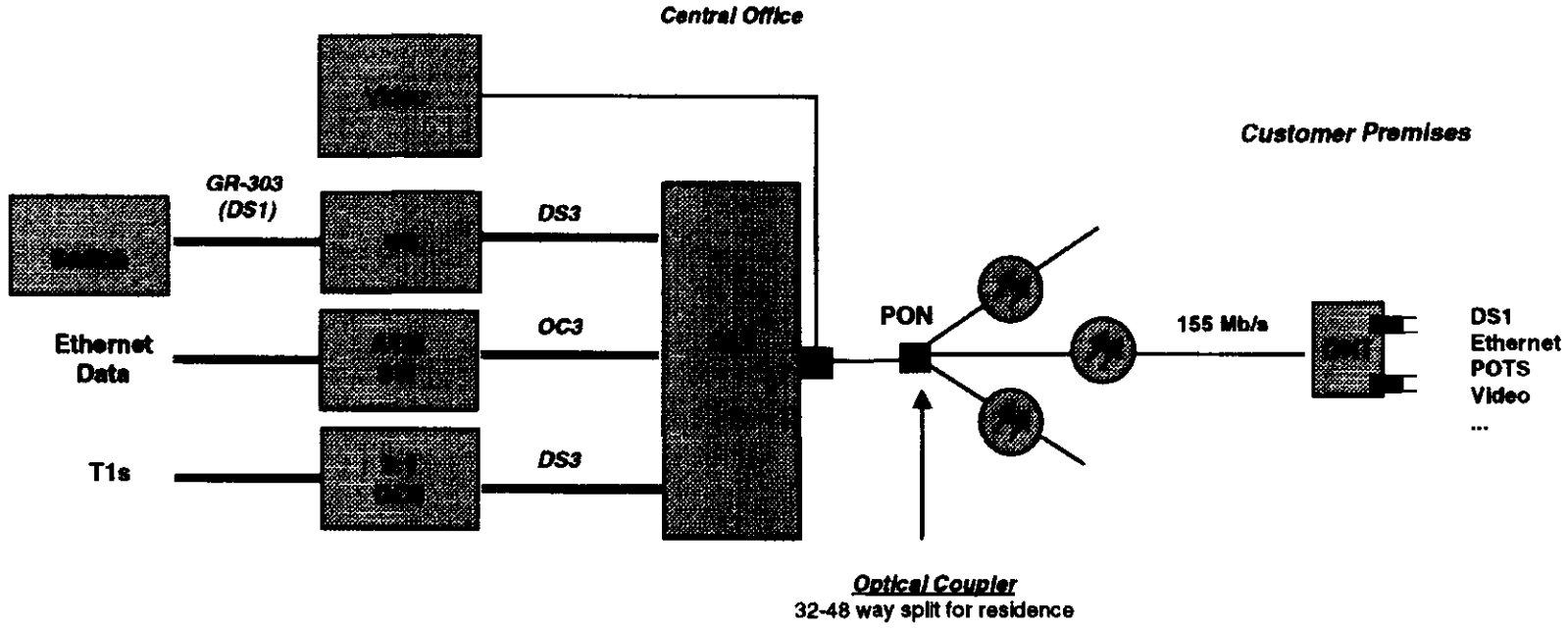
BPON - With CLEC Access



Legend:
OCD – Optical Concentration Device
OLT – Optical Line Terminal
ONT -- Optical Network Terminal
NGDLC COT – Next Generation Digital Loop Carrier Central Office Terminal
MDF – Main Distribution Frame

Background

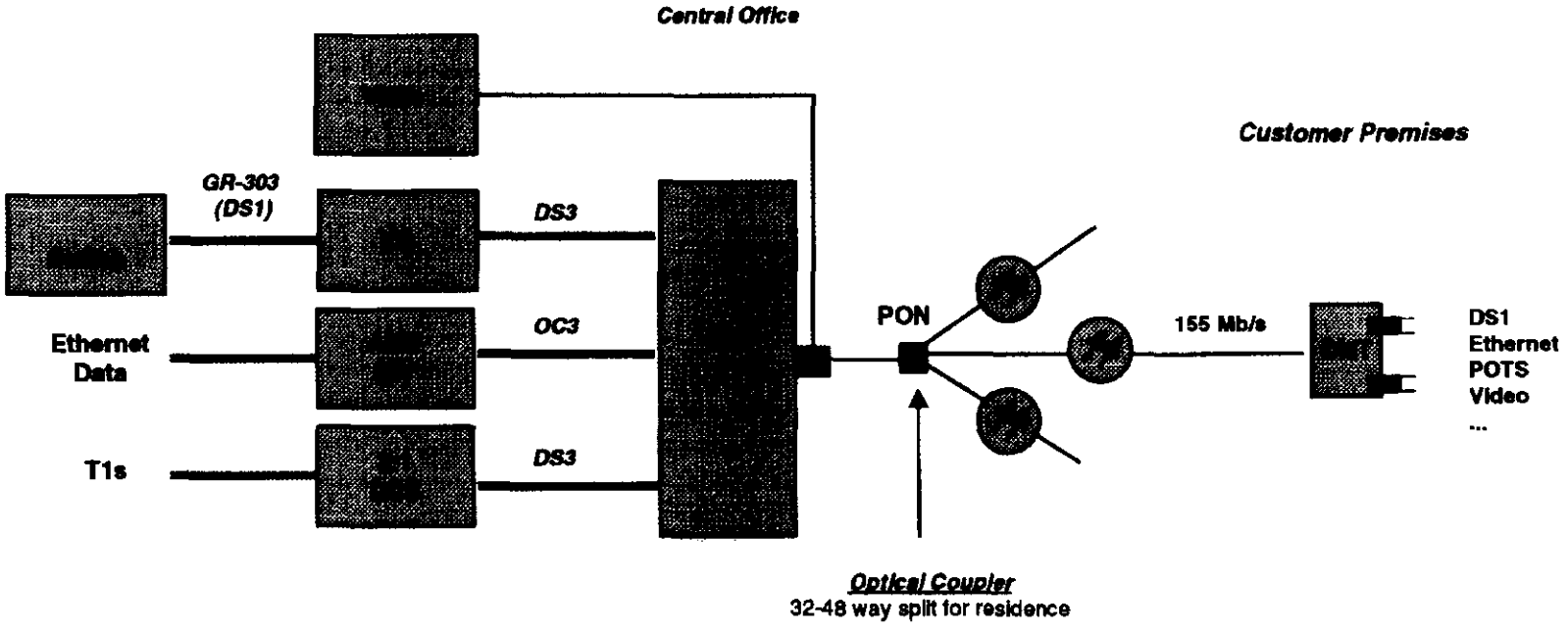
BPON - Without CLEC Access



Legend:
ATM SW – ATM Switch
DCS – Digital Cross-connect System
OLT – Optical Line Terminal
ONT – Optical Network Terminal
VG – Voice Gateway

Broadband Passive Optical Network -- Fiber to the Home

BPON - Without CLEC Access



Legend:
ATM SW – ATM Switch
DCS – Digital Cross-connect System
OLT – Optical Line Terminal
ONT – Optical Network Terminal
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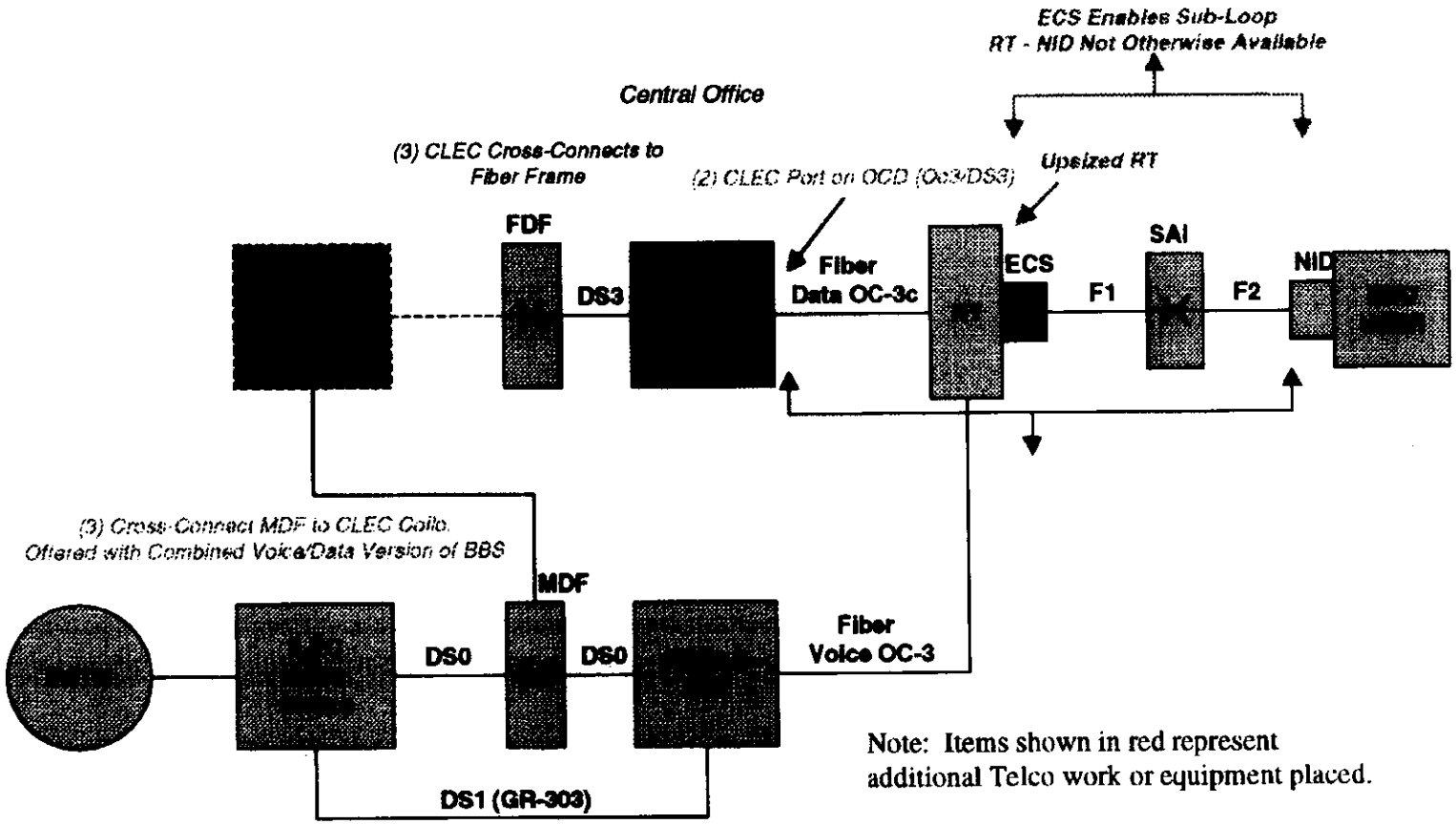
Background

- **Broadband technology is expensive to deploy**
  - BPON economics are best viewed in terms of an incremental investment per home passed over pronto
  - This incremental investment nearly doubles the pronto costs
  - To recover these costs, SBC must conceive and develop new and enhanced applications and services to provision over the BPON architecture. Recovery of these costs is in no way certain
    - No guarantee of consumer acceptance
    - Will likely sell these services in a hotly competitive environment
- **Regulation can have a significant impact on costs**
  - CLEC access to fiber architecture is inherently more expensive than access to copper plant, which itself is quite costly
- **Regulation that drives additional costs into these architectures will increase an already material risk and ultimately eliminate incentives for providers to deploy these technologies and develop new services**

Base "Pronto" Architecture - CLEC Access

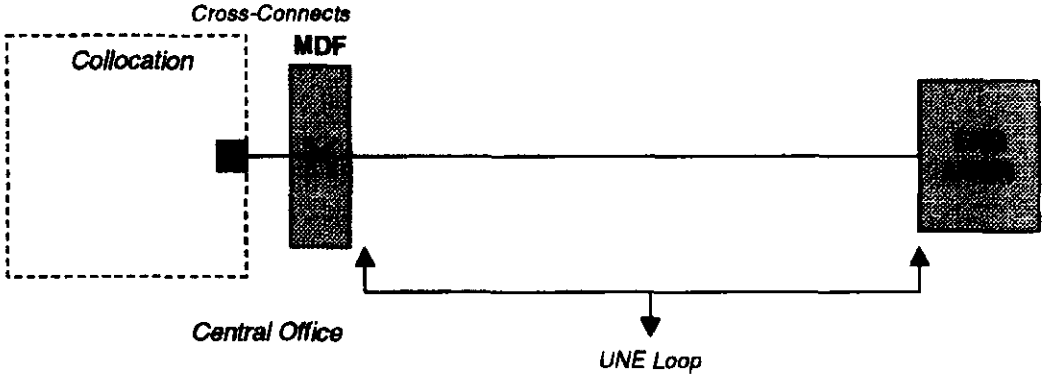
- **Financial Impacts of Access-related requirements imposed by FCC in Pronto Waiver Order - $200M to SBC.**
  - **OCDs = $182M**
  - **Up-sized Huts and CEVs = $20M**
  - **No CLEC, other than SBC-ASI, has purchased the SBC Broadband Service**



Note: Items shown in red represent additional Telco work or equipment placed.

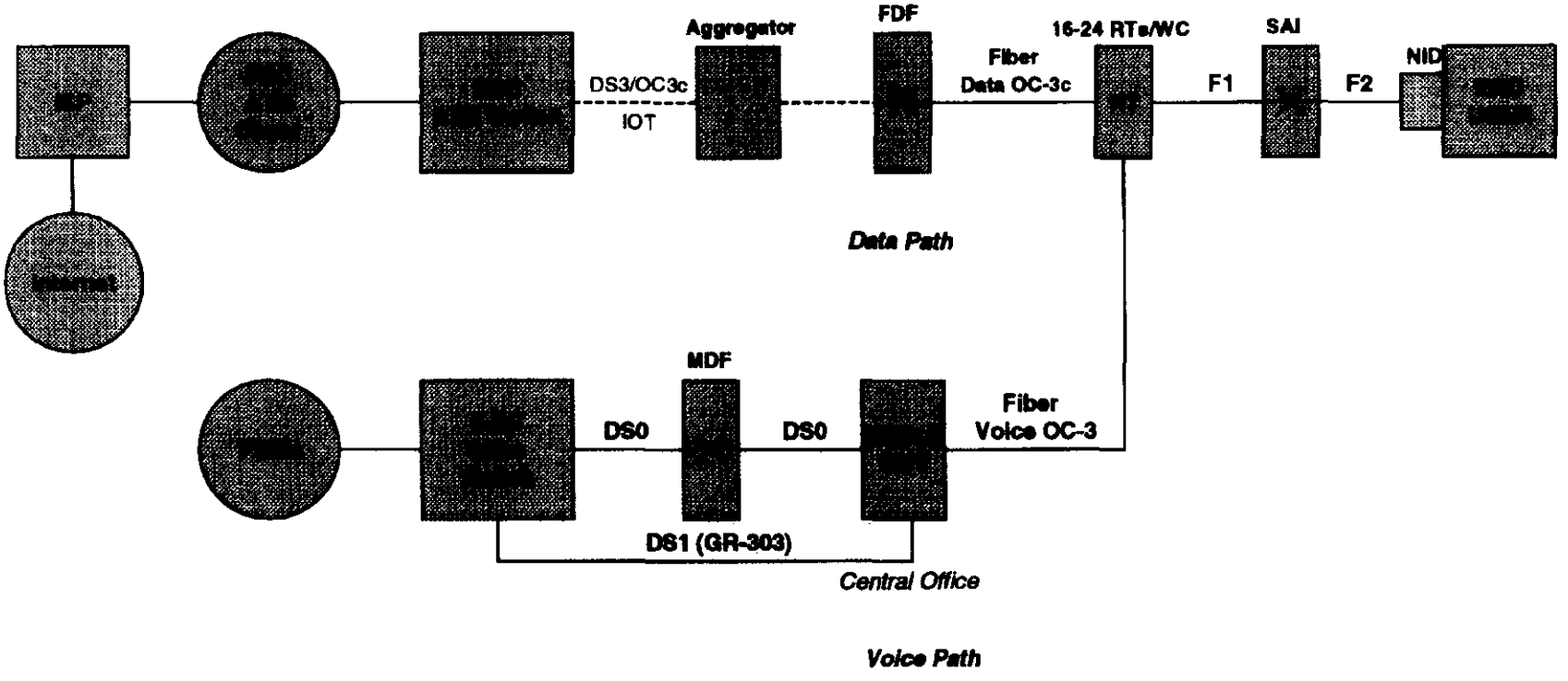
Copper UNE Loop

Traditional Voice UNE Loop, Sub-loops Switching & Interconnection



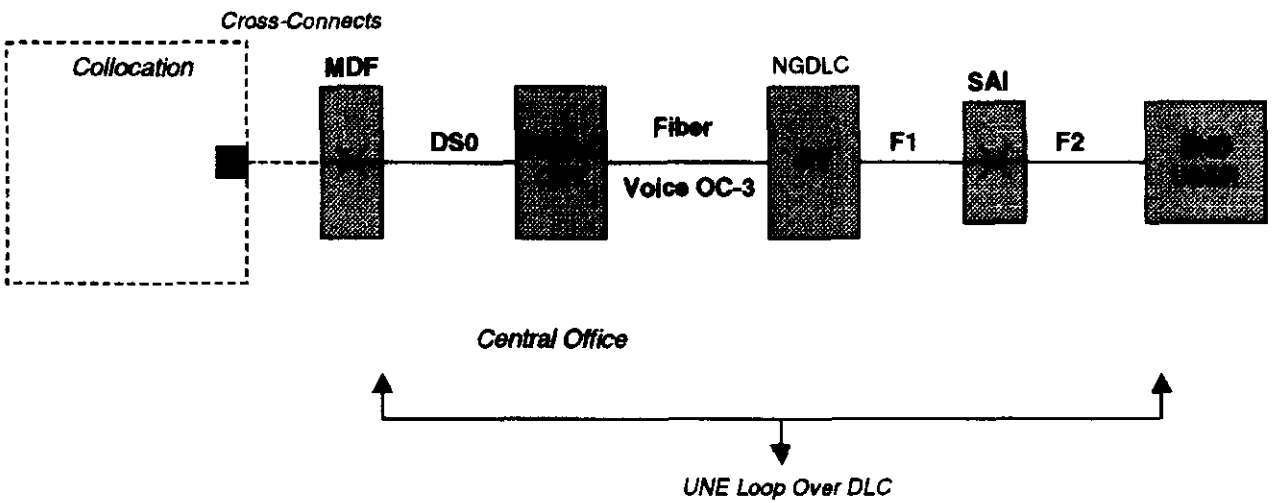
Base "Pronto" Architecture - No CLEC Access

Pronto Architecture - No CLEC Access



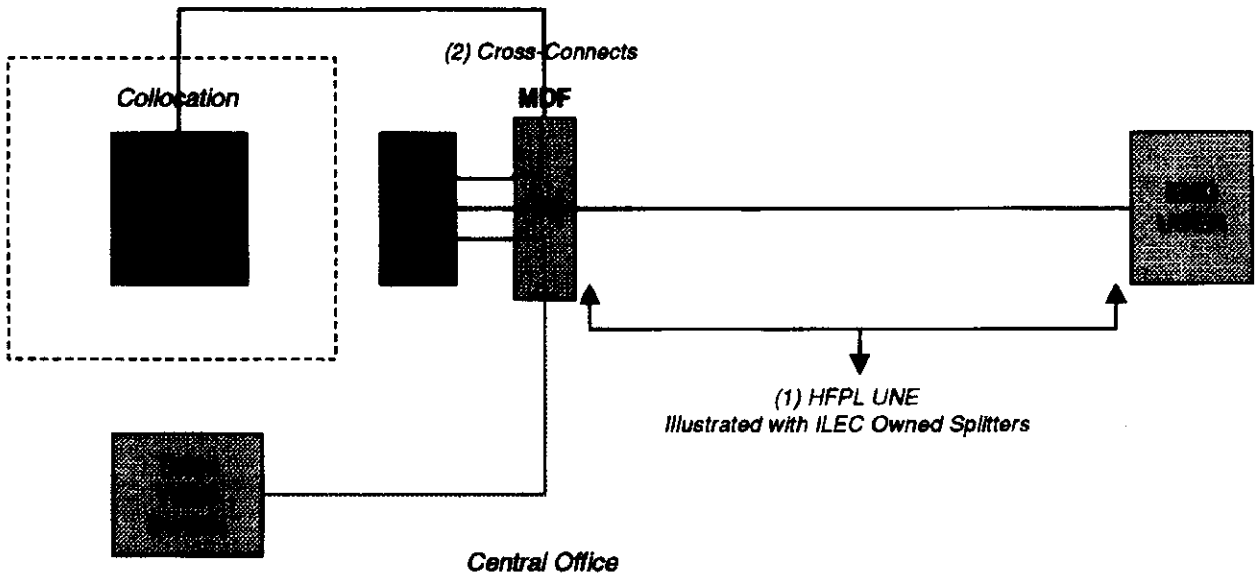
Digital Loop Carrier - UNE Loop

Traditional Voice UNE Loop served on Fiber-fed Digital Loop Carrier



HFPL UNE (Line Sharing)

- **Financial Impacts of Regulatory Requirements exceed $450M to SBC**
  - **Line Sharing Splitters = $107M (14% Utilized to-date)**



Red lines represent the Telco work to enable the CLEC.

Blue Lines represent the CLEC's equipment.