BELLSOUTH

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September 24, 2002

Ms Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte in CC Docket No. 01-338

Dear Ms Dortch:

This is to inform you that on September 23, 2002, John Pappanastos and I met with Commission staff members including Michelle Carey, Ian Dillner, Julie Veach, Brent Olsen, Tom Navin, Gina Spade, Daniel Shiman, Jeremy Miller, Rob Tanner, Ben Childers, Mike Engel, and Claudio Pabo from the Wireline Competition Bureau – Competition Policy Division, and Jerry Stanshine from the Office of Engineering and Technology.

We discussed some of the more pressing financial challenges facing local exchange carriers, and the telecom industry more generally. Topics addressed during the course of the meeting are summarized in the attached presentation.

In accordance with Section 1.1206, I am filing two copies of this notice and the accompanying attachment and asking that you please place them in the record of the proceeding identified above. Thank you.

Sincerely,

Robert T Blau

Attachment

cc: Michelle Carey, Ian Dillner, Julie Veach, Brent Olsen, Tom Navin, Gina Spade, Daniel Shiman, Jeremy Miller, Rob Tanner, Ben Childers, Mike Engel, Claudio Pabo, Jerry Stanshine

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Wireline Telecommunications: Situation Analysis and Recommendations

September 3, 2002

Executive Summary

- The Telecom industry is caught in the midst of a financial crisis created by three dynamics which have together resulted in massive excess industry capacity and destructive competition:
  - Internet "explosion"
  - Economic downturn
  - Telecom Act Implementation
- The combination of these dynamics has created a situation that carries huge, ***long-term*** negative implications for telecom investment, innovation and universal service.
- The number of business failures within the industry and the nature of bankruptcy law will exacerbate the situation.
- Specific changes in the regulatory framework provide the single best lever to stabilize the sector in the near-term.

Discussion Outline

- Current State of the Telecom Industry
- Current State of BellSouth's Wireline Business
- What Happened?
- Proposed Solutions

Current State of the Telecom Industry

- **As a significant part of the U.S. economy as well as the core infrastructure, the Telecom industry has the potential to be a long-term drag on the overall economy's growth and productivity.**

  - **Massive Excess Capacity.** Industry analysts estimate that less than 97% of the fiber in the US has been lit.

  - **Diminished Investor Confidence and Constrained Access to Capital.**
    - » 6 of 7 major domestic wireline carriers' debt has been downgraded since January 2000. Of these companies, two are rated as "junk" and two others are near junk status.
    - » Equity capital raised by Telecom carriers has declined from $31B in 1999 to $7B in the first half of 2002.

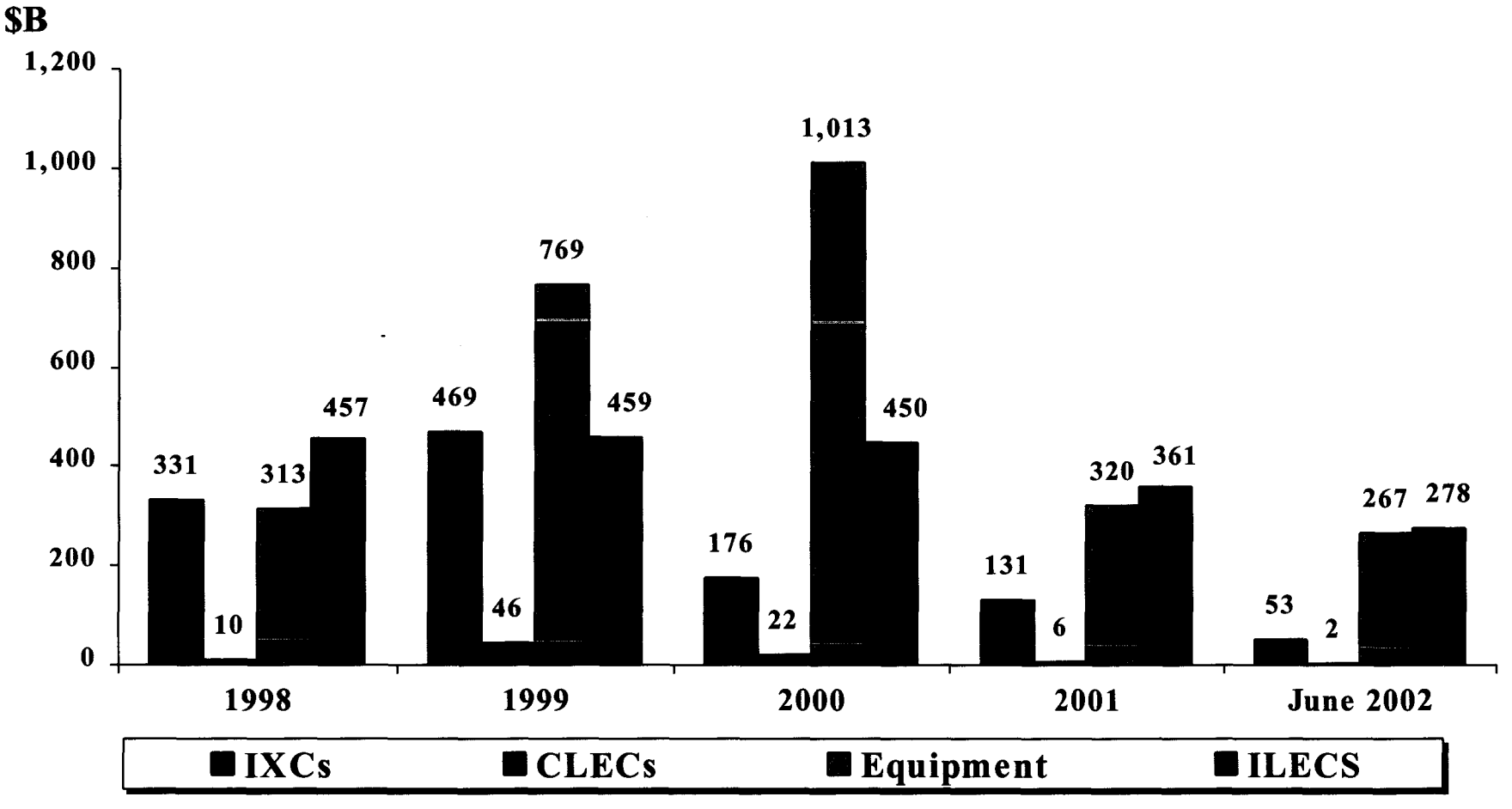
  - **Reduced Capital Spending / Innovation.** Annual Telecom capital spending will decline from $97B in 2001 to a projected level of $69B in 2002 (28%).

  - **Declining Revenue Growth.** Telecom industry revenue growth has declined from 11% in 1998 to a 3% decline in 1st Qtr 2002.

  - **Widespread Layoffs and Bankruptcies**
    - » Over 80 bankruptcies have been filed in the Telecom sector since January 2000.
    - » Telecom layoffs have exceeded all industries in 9 of the last 12 months, and announcements total more than 600,000 since January 2000.

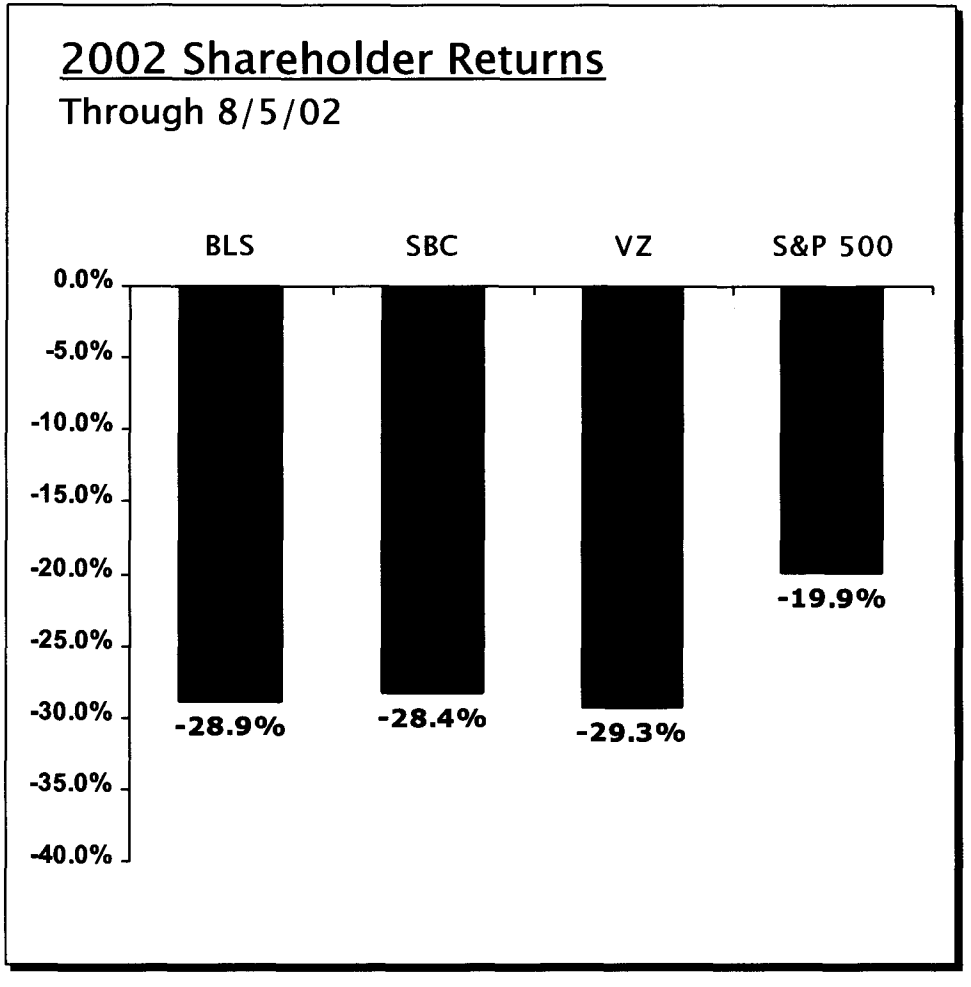
Current State of the Telecom Industry

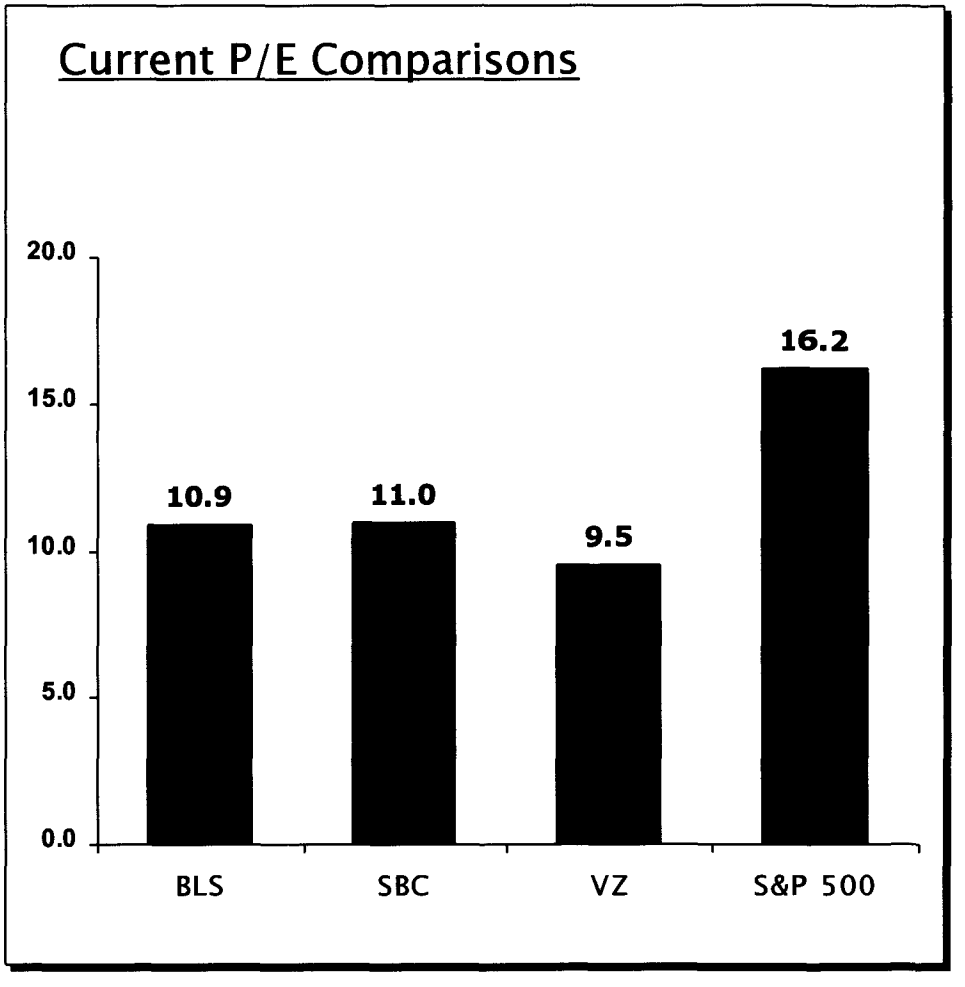
- **The implosion of the Telecom industry has resulted in the destruction of $1.4 trillion in shareholder value (from each segment's high point).**



Current State of Telecom Industry

- **Far from being immune, ILECs are increasingly viewed as high risk due in part to heightened analyst understanding of UNE-P impact. BellSouth, along with the other ILECs, are trading at historically high discounts to the market.**





Current State of BellSouth's Wireline Business

- **BellSouth's financial situation is not unlike the rest of the Telecom industry, just a little behind in terms of timing.**

  - **Competition** - Accelerating declines in access lines, revenues and margins driven by intense wireline and wireless competition.

  - **New Products** - (primarily DSL and LD) once thought to be the equalizer, offer increasingly lower margins than traditional services and carry unknown regulatory risks.
    - The LD market is now in systemic decline driven by wireless competition and excess capacity.
    - DSL is under review by state regulators who want to unbundle the service, significantly raising the risk profile of any potential investment.

  - **Cost Structure** - Substantially fixed, dominated by labor and investment-related costs.

  - **Trends** - Declining revenues are placing substantial pressure on capital spending and employment levels in order to attempt to maintain profitability and returns.

  - **Result** - Driven by factors above, Telecom industry stock valuations reflect a historically high discount to market, and year-to-date shareholder returns significantly lag the broader market. Investors are abandoning the sector due to the risk/return profile.

Current State of BellSouth's Wireline Business – Competition

- **Competitive activity in the BellSouth markets continues to be robust.**

  - 354 CLECs providing local telephone service (***up* 61, or 21%** since January 1st) to over 4.4 million lines.
    - » 3,930 collocation arrangements in 548 wire centers
    - » 297 operational Competitor switches
    - » 259 operational points-of-interface (POIs) connected to the BellSouth network

  - Competitive lines served on the BellSouth network:

» Resale:	543K	(2.1% of total lines)
» UNE-Platform:	1,115K	(4.3% of total lines)
» UNE Non-Data Loops:	365K	(1.4% of total lines)
» UNE Data Loops:	40K	

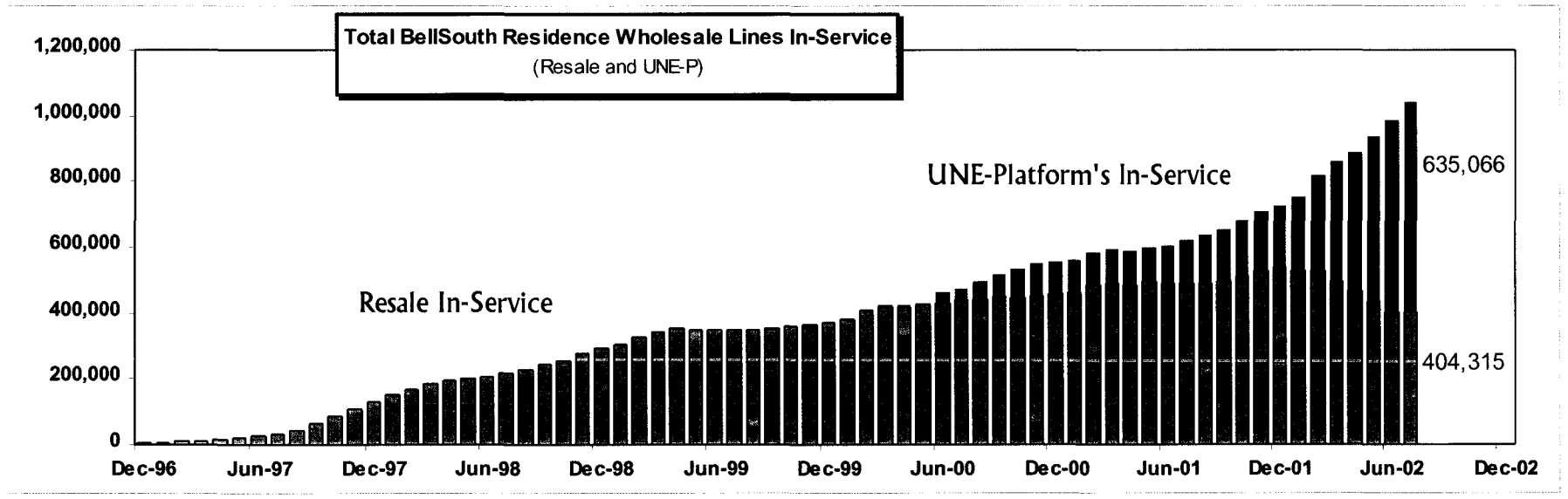
  - Estimated additional Competitive lines served **entirely off the BellSouth network:** 2,305K (8.4% of total lines)

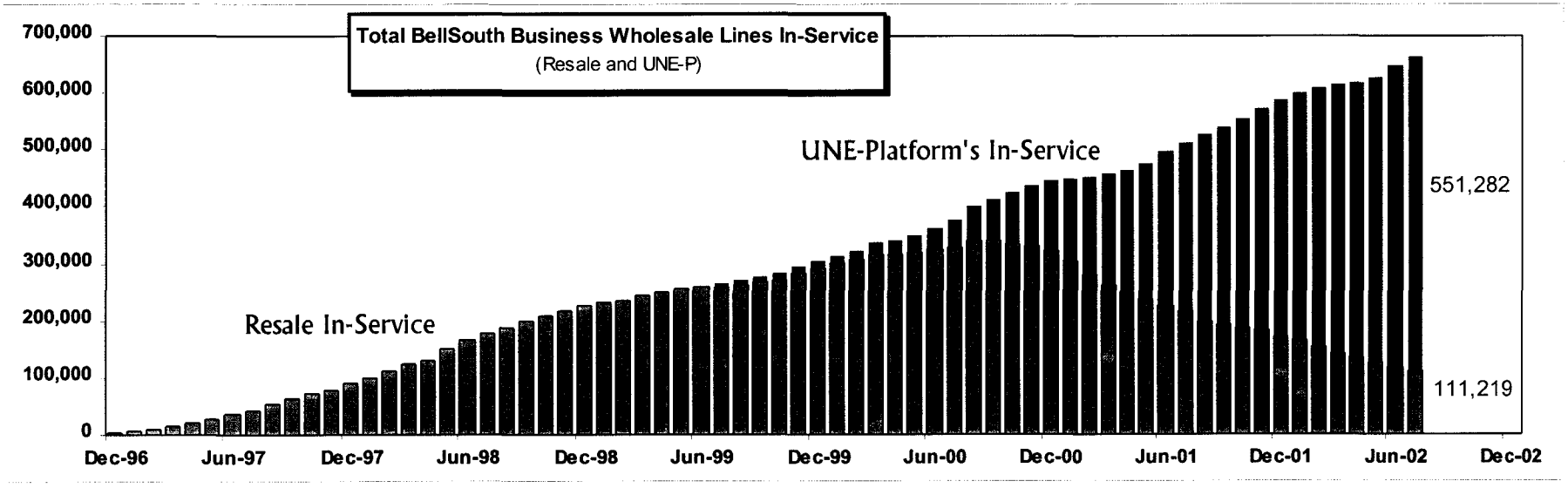
  - Estimated BellSouth Retail Market Share:

» Residence:	15,755K	(92% of total residence lines)
» Business:	5,887K	(**66%** of total business lines)

Current State of BellSouth's Wireline Business – Competition

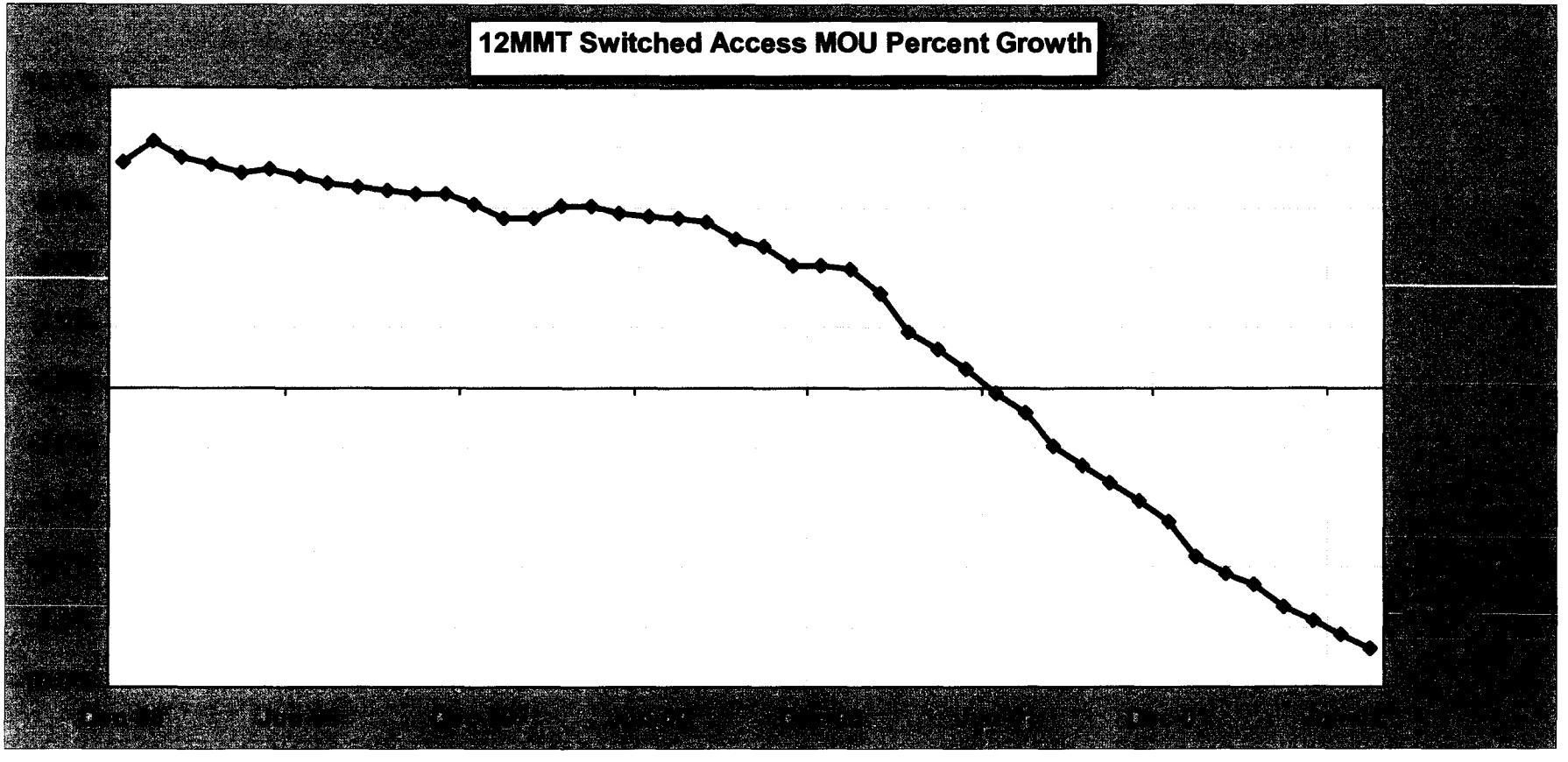
- **... even with the financial turmoil in the industry more competitors jump on UNE-P capturing the arbitrage opportunity...**





Current State of BellSouth's Wireline Business – Competition

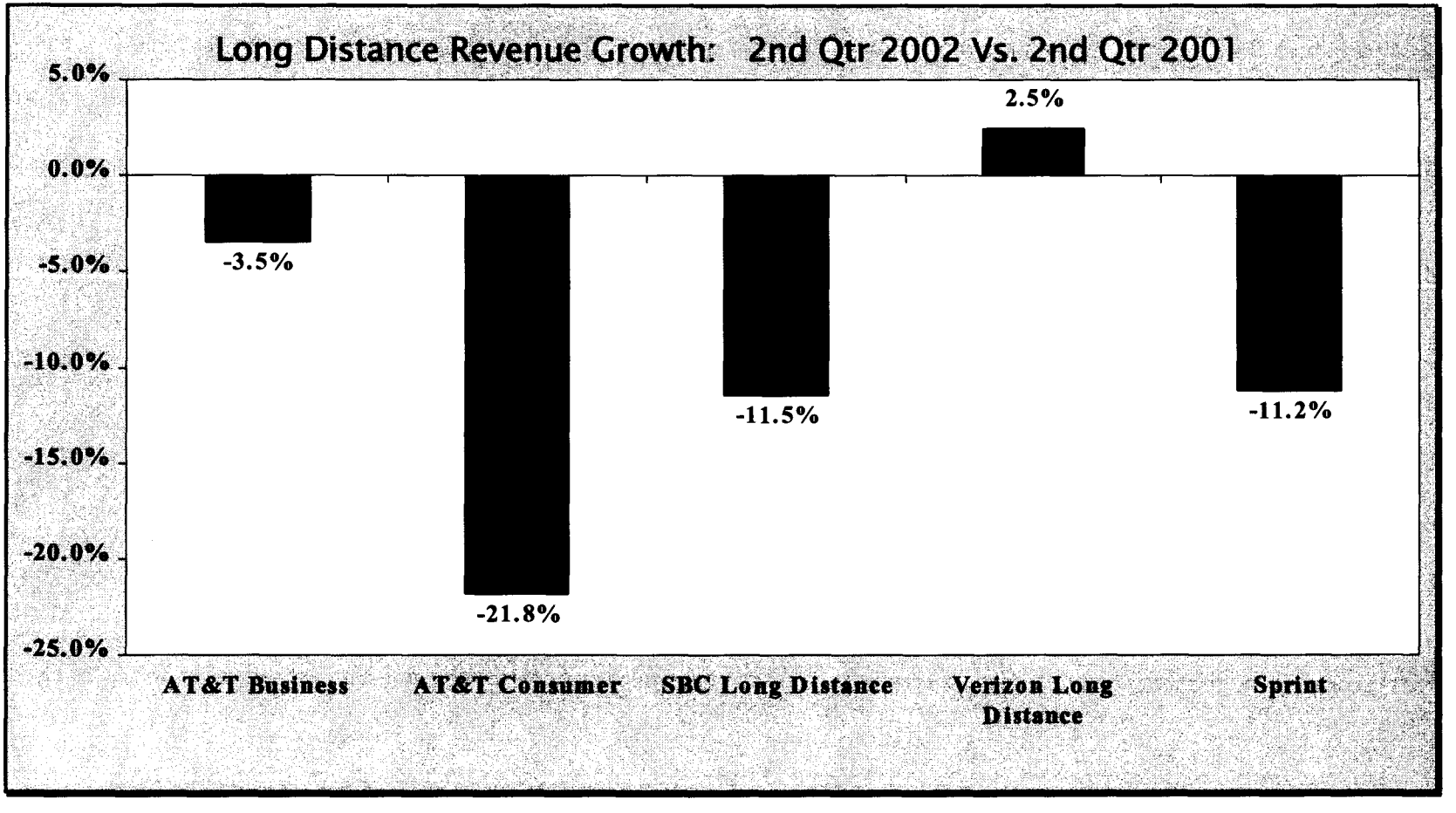
- **Competition from wireline and wireless providers continues to drive down network usage, which drives BellSouth's $1.0B Switched Access revenue stream.**



... that same competition negatively effects a new revenue stream which we have invested in and planned on to help offset the competitive erosion in our wireline business ...

Current State of BellSouth's Wireline Business – New Products

- **While still critical to BellSouth's product "bundle," the revenue and contribution growth potential associated with Long Distance is limited as a result of intense wireline and wireless competition.**



Current State of BellSouth's Wireline Business – New Products

- **Driven by wireless competition and excess capacity, long distance margins have declined significantly.**

USB Warburg States:

"… they will need to add 5.4 LD customers for every local line lost just to break even at the EBITDA line."

Current State of BellSouth's Wireline Business – New Products

- **DSL is under review by state regulators who want to unbundle the service, significantly raising the risk profile of any potential investment. Yet, BellSouth's market share lags that of its competitors.**

BellSouth Investment in DSL

Investment

- Cumulative network deployment: $1.1 billion
- Cumulative negative operating cash flow: $0.4 billion
- Cumulative negative free cash flow: $1.5 billion

Coverage

- Regional household coverage: 72%
- Total wire center deployment: 80% (1,282 wire ctrs)

Subscribers

- Total subscriber base: 803K (as of 06/30/02)
- Household penetration: 5%

Competitive Position

- **BellSouth Residential Market Share: 42%**
- Estimated end of year, in-region competitor cable modem subscribers: 1.1 million

PSC Actions Related to DSL

FL – As a result of the FDN and Supra arbitrations, PSC has required DSL to be offered of UNE-P

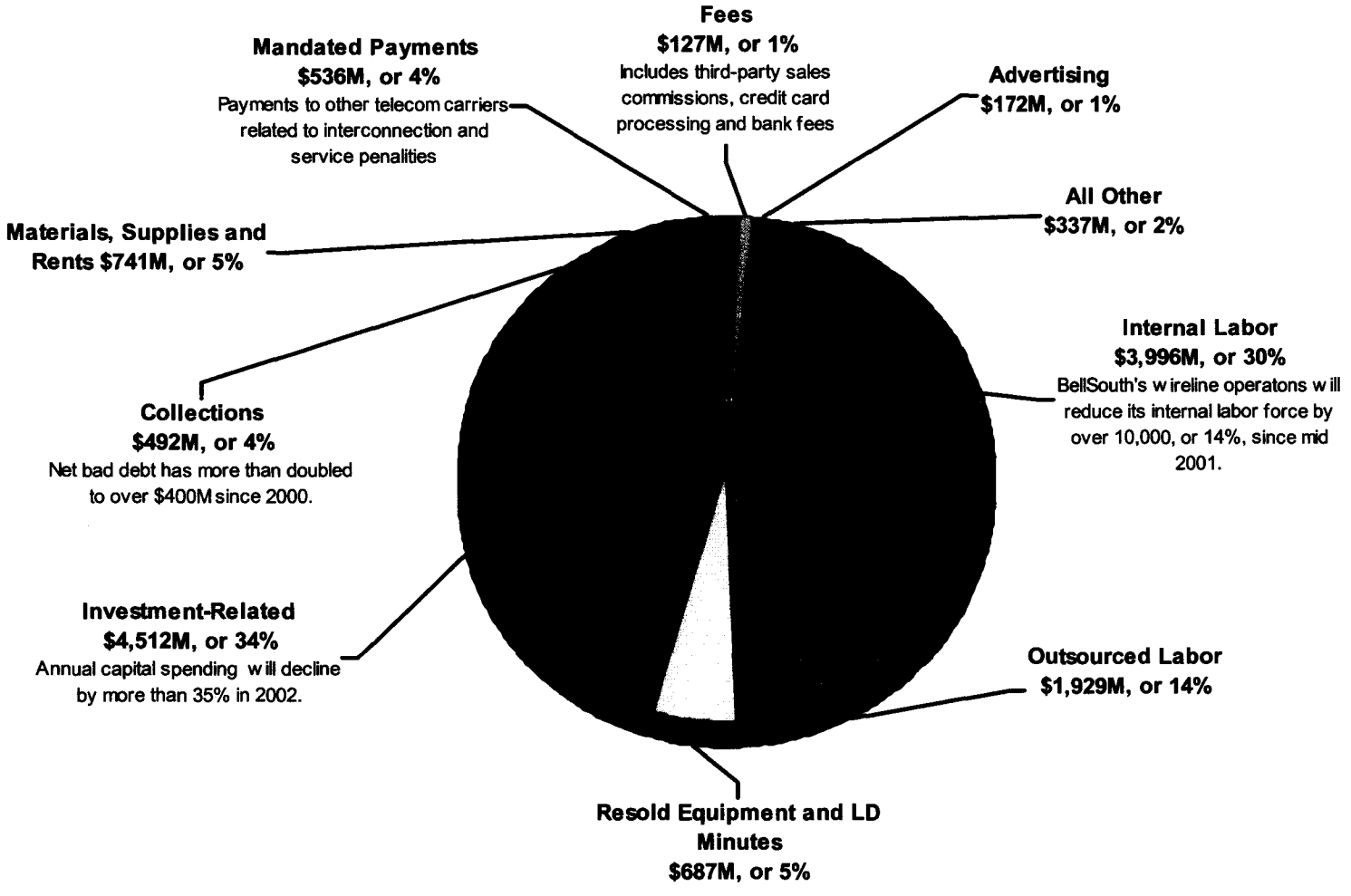
GA – As a result of MCI complaint, PSC is considering DSL over UNE-P

KY – In the Cinergy arbitration, PSC required DSL over UNE-P and is considering requiring unbundled packet switching.

LA – Commission staff has recommended that the PSC require BellSouth to offer DSL over UNE-P.

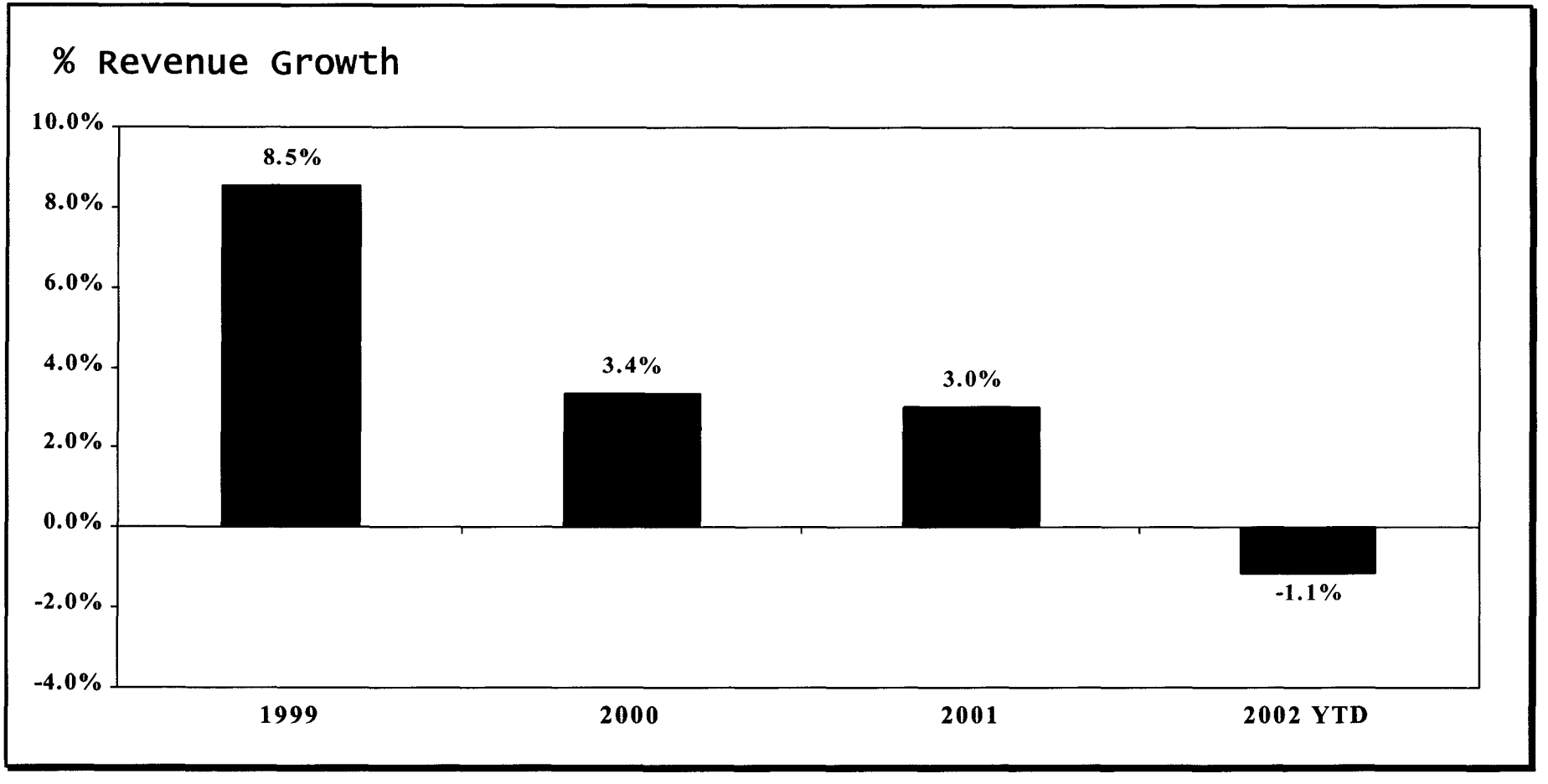
TN – In the generic UNE docket, PSC ordered implementation of "Dual Purpose Line Cards" which in effect unbundles packet switching. PSC is also reviewing DSL over UNE-P in an accelerated docket.

Current State of BellSouth's Wireline Business – Cost Structure



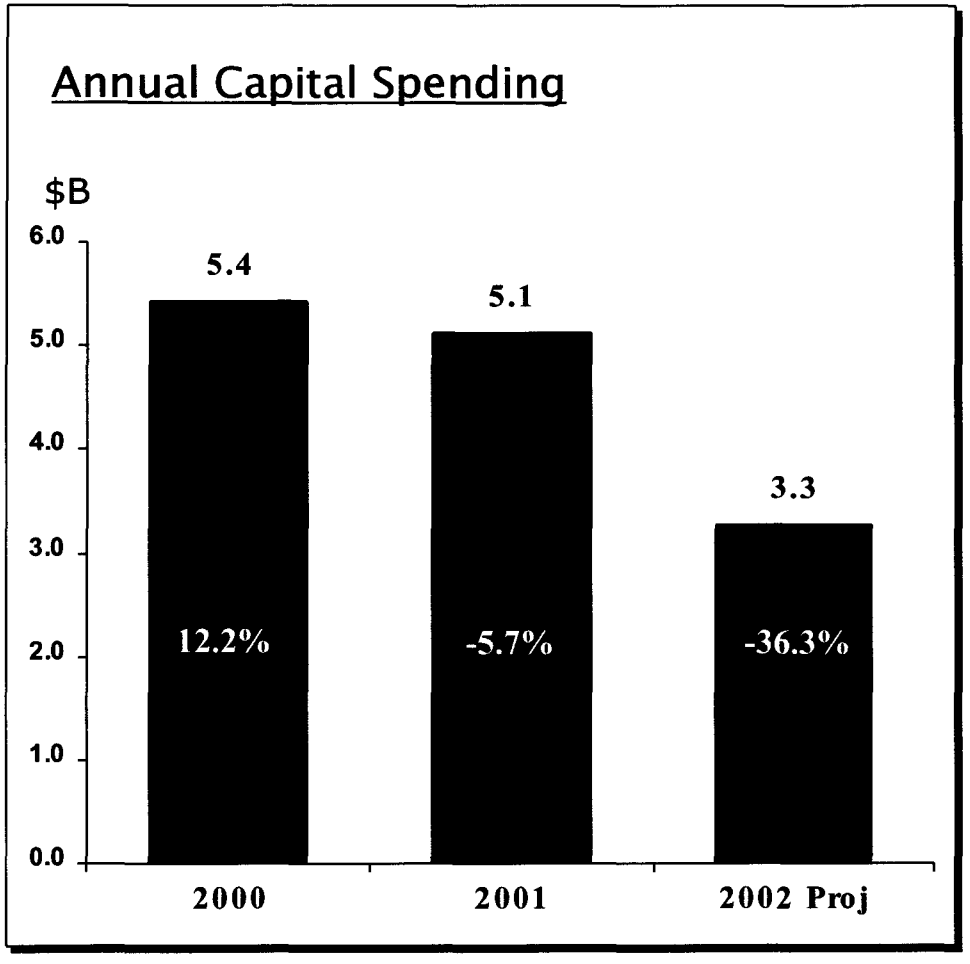
Current State of BellSouth's Wireline Business – Trends

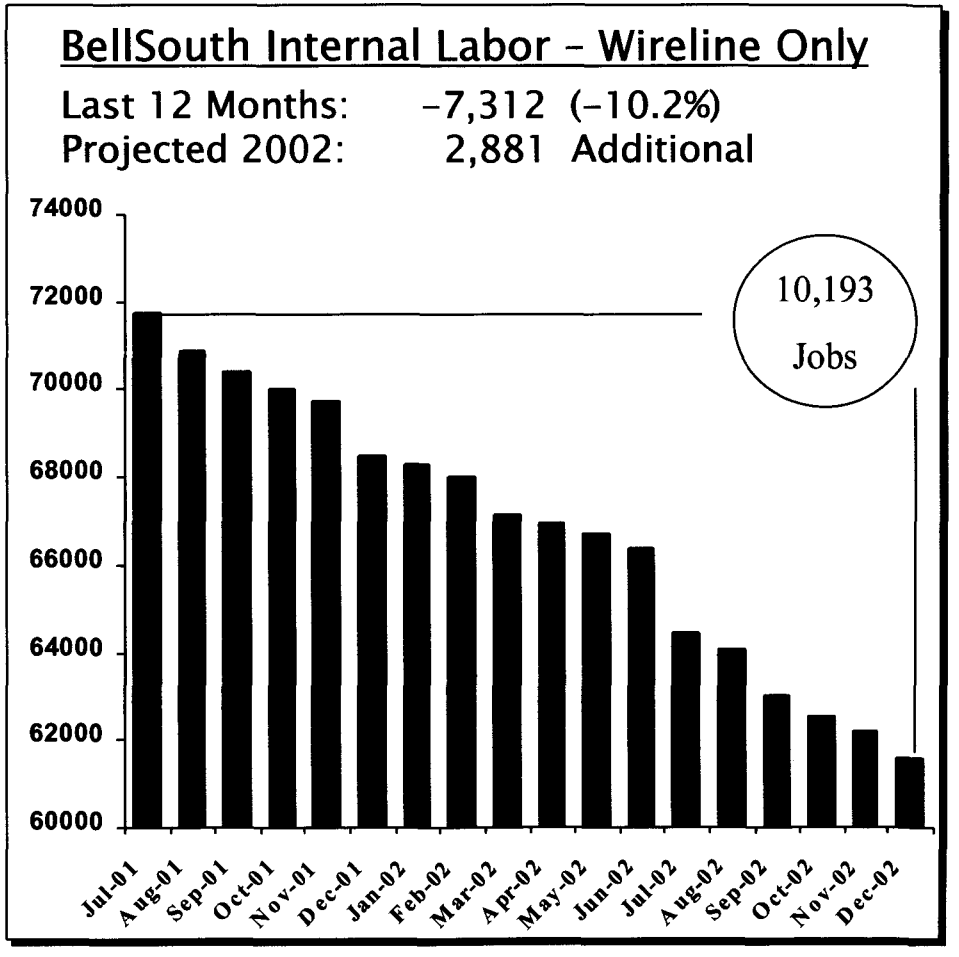
- **The cumulative affect of access line losses to wireline and wireless competitors has driven BellSouth's top line growth negative in 2002.**



Current State of BellSouth's Wireline Business – Trends

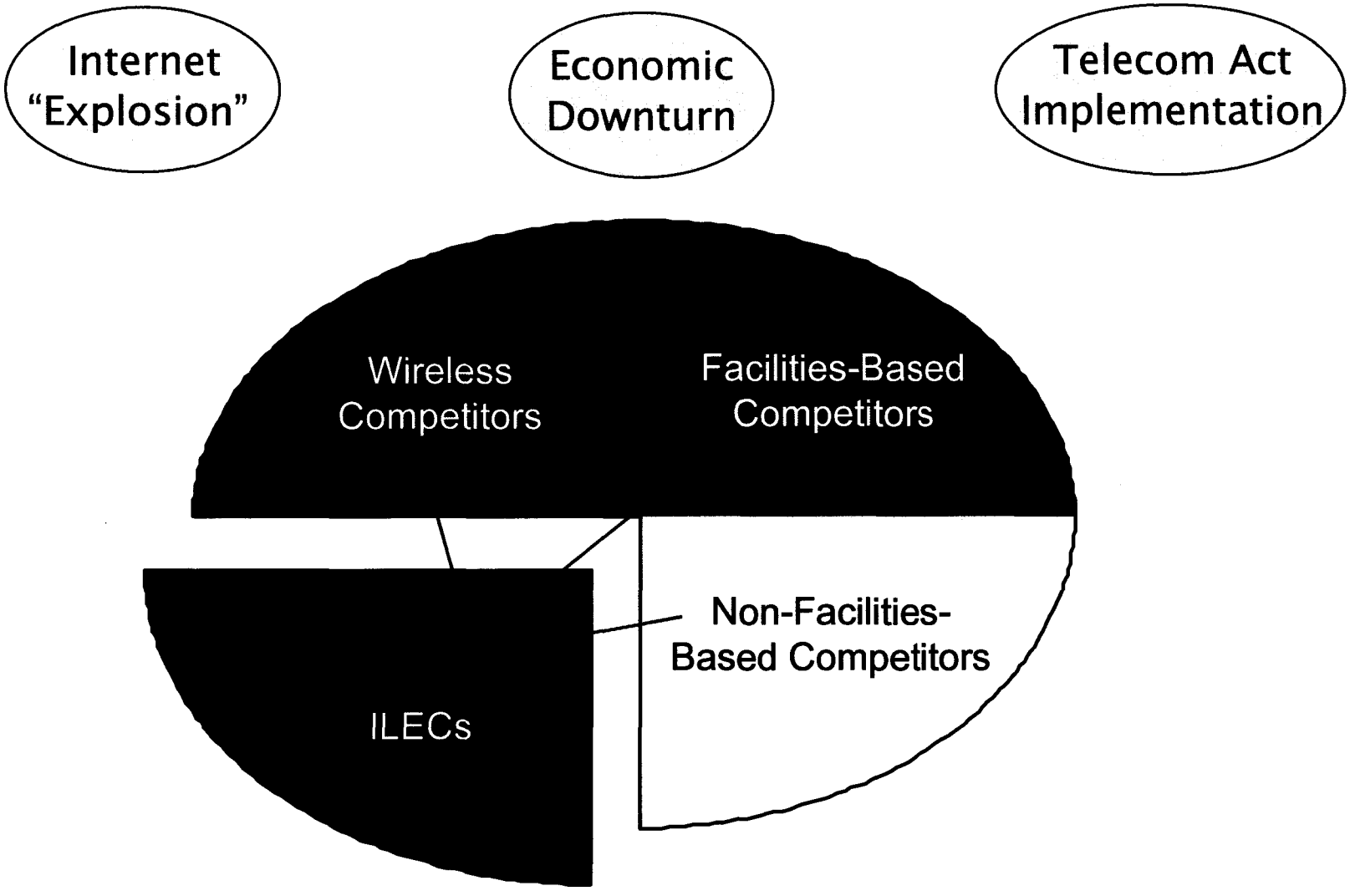
- **Declining revenues have placed substantial pressure on capital spending and employment levels in order to attempt to sustain asset returns and strengthen the balance sheet.**





What Happened?

- **The massive excess capacity within the Telecom industry was the result of three contributing dynamics all of which put tremendous financial pressure on the ILECs.**

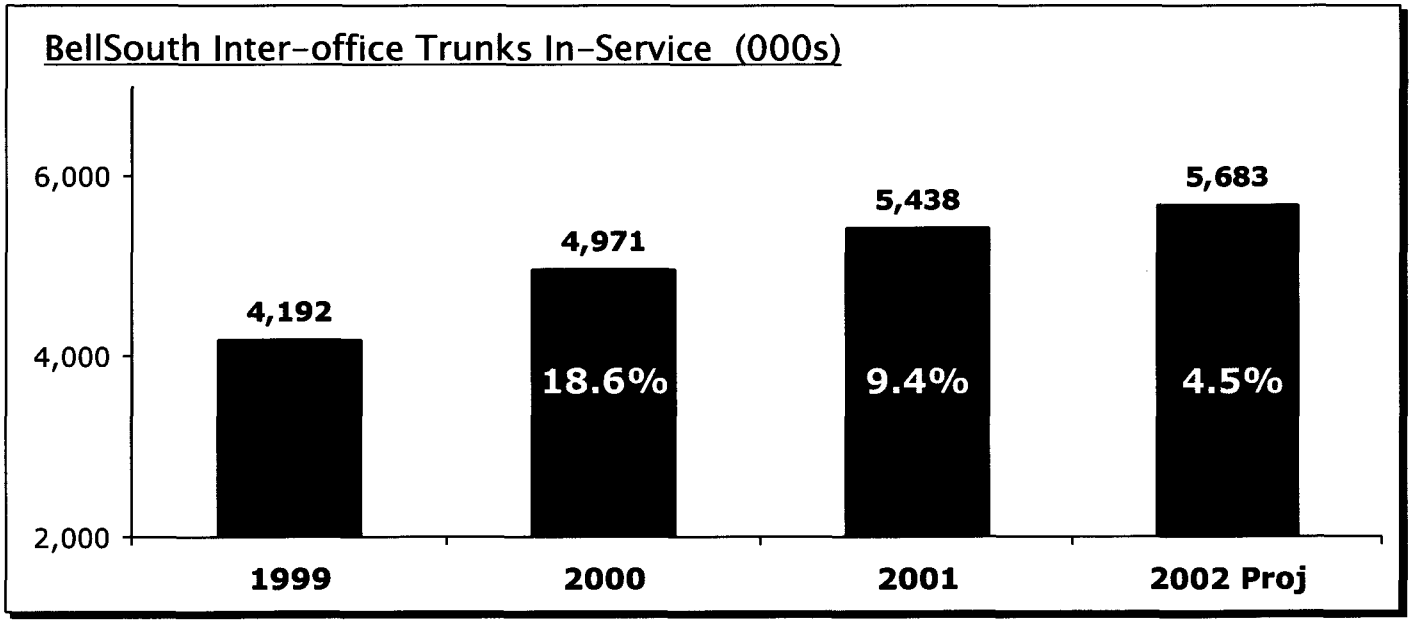


Internet "Explosion"

- **Although Internet growth did not meet publicized expectations, the annual doubling of Internet traffic dramatically increased the permanent cost of maintaining the PSTN.**

  - Flat-rate Internet pricing, enabled by the exemption of Internet traffic from per-minute access charges, increased the design requirements for the PSTN by adding longer call duration traffic to the network. The call duration of dial Internet access traffic is estimated to be six times longer than traditional voice traffic.

  - As a result, the combination of CLEC and Internet growth substantially increased ILEC inter-office trunk requirements. The ILECs earned virtually no incremental revenue on this incremental investment.



Economic Downturn

- **While not the cause of the Telecom industry implosion, the economic downturn exposed systemic industry issues sooner, creating an environment where businesses are retrenching and Carriers are grooming their networks.**

  - In-region business bankruptcies have substantially increased in 2002. In BellSouth's Large Business market, new voice access line connections have declined 47% in the first half of 2002 relative to the same period in 2001.

  - In BellSouth's Carrier market, growth in hi-cap services (a $1.1B revenue stream in 2001) has declined from 33% growth in the first half of 2001 to –2.5% in the same period of 2002.

  - The growth rate in total BellSouth wireline Data revenues (a $4B revenue stream in 2001) has declined from 24% in 2001 to only 6% in the second quarter of 2002.

  - The downturn in the Internet market has driven a 25%, or $100 million, decline in BellSouth's revenues from Internet Service Providers (ISPs) in 2002.

  - Net bad debt has increased across all segments of the wireline business. Year-to-date, BellSouth's uncollectibles expense is 80%, or $127 million, higher than 2001.

Telecom Act Implementation

- **We believe one intent of the Telecom Act was to provide for an efficient wholesale market promoting long-term, sustainable economic competition. From a practical standpoint, certain aspects of the way the Telecom Act was implemented undermined the economics of the Telecom industry by creating a rules-intensive, enhanced price regulation model which serves simply to redistribute market share (and shareholder value).**

- Issues fall into three broad buckets:
  - **Over Stimulated Competitive Entry** that has resulted in too many companies chasing too few revenue dollars.
  - **Additional Operating/Financial Requirements** that drive up fixed costs by dictating unnecessary granularity with respect to UNEs as well as complicated interconnection arrangements.
  - **Uneconomic Rules** related to network unbundling have destroyed value in the facility-based carriers and discouraged investment and innovation.

Telecom Act Implementation: Over Stimulated Competitive Entry

- **The Telecom industry has demonstrated that heavy debt does not mix well with anemic growth – over 80 companies have filed for bankruptcy protection since January 2000.**

Ten Largest Bankruptcy Filings in Telecom ($ bn)

	Company	Date	Assets		Company	Date	Assets
1	WorldCom	7/21/02	$107.0	6	Metromedia Fiber Network	5/20/02	$7.0
2	Global Crossing	1/28/02	25.5	7	360Networks	6/28/01	6.3
3	Adelphia Communications	6/25/02	24.4	8	Exodus Communications	9/26/01	6.0
4	NTL	5/8/02	16.8	9	Williams Communications	4/22/02	6.0
5	XO Communications	6/17/02	9.1	10	McLeodUSA	1/30/02	4.8

Other Bankruptcies

Company	Date	Company	Date	Company	Date	Company	Date
Adelphia Business Solutions	3/27/02	FLAG Telecom Holdings	4/12/02	Mpower Holding	4/8/02	SSE Telecom	5/17/01
Adesta Communications	11/2/01	FutureOne	3/29/01	NEON Communications	6/25/02	Star Telecommunications	3/13/01
Advanced Radio Telecom	4/20/01	General Datacomm Industries	11/2/01	Net2000 Communications	11/16/01	StarBand Communications	5/31/02
Advanced Telcom Group	5/2/02	Global Telesystems	11/14/01	NetVoice Technologies	10/17/01	Startec Global Communications	12/14/01
Ahead Communications Systems	2/7/02	Globalstar	2/15/02	Network Plus	2/4/02	Telecom Consultants	2/23/01
American Metrocomm	8/16/00	Grapes Communications	4/16/02	NorthPoint Communications	1/16/01	Teleglobe Holdings	5/15/02
Anicom	1/5/01	GRG	8/7/01	Novo Networks	7/30/01	Teligent Communications	5/21/01
Arch Wireless	12/6/01	GST Telecommunications	5/17/00	Orbcomm Global	9/15/00	Telscape International	4/27/01
At Home Corp. (Excite@Home)	9/29/01	iBEAM Broadcasting	10/11/01	Pacific Gateway Exchange	12/29/00	U.S. Wireless	8/29/01
Birch Telecom	7/29/02	ICG Communications	11/14/00	Paging Network (PageNet)	7/24/00	Ursus Telecom	4/6/01
BroadLink Wireless	6/25/02	IMPSAT Fiber Networks	6/11/02	Pathnet Telecommunications	4/2/01	Verado Holdings	2/15/02
Century Communications	6/10/02	Information Management Associates	7/24/00	Pensat	10/9/01	Versatel Telecom International	6/19/02
Clariti Telecommunications Int'l	4/18/02	International FiberCom	2/13/02	Pinnacle Holdings	5/21/02	Viatel	5/2/01
Convergent Communications	4/19/01	ITC DeltaCom	6/25/02	Pliant Systems	5/1/01	Wavve Telecommunications	8/15/01
Covad Communications	8/15/01	Lernout & Hauspie Speech Products	11/29/00	PNI Technologies	6/8/01	WebLink Wireless	5/23/01
Digital Broadband Communications	12/27/00	Let's Talk Cellular & Wireless	5/30/00	PNV	12/20/00	Western Integrated Networks (WINfirst)	3/11/02
DTI Holdings	12/31/01	Log on America	7/12/02	PSINet	5/31/01	Winstar Communications	4/18/01
e.spire Communications	3/22/01	Logix Communications Enterprises	2/28/02	qServe Communications	6/21/02	World Access	4/24/01
eGlobe	4/18/01	MarchFirst	4/30/01	Rhythms NetConnections	8/1/01	Yipes Communications	3/21/02
EqualNet Communications	8/9/00	Metrocall	6/3/02	RSL Communications	3/19/01	ZeroPlus.com	2/14/02

Source: Bloomberg, Thomson Financial, BankruptcyData.Com.

1. Excluding private companies and companies with pre-bankruptcy assets under $100 mm.

Telecom Act Implementation: Over Stimulated Competitive Entry

- **"Bankruptcy law effectively rewards and subsidizes market failure by deleting debt and allowing capacity to come back at irrational prices that solvent companies structures cannot match." [Precursor Group, 6/21/02]**

		Before	After	% Change
Covad	*Filed: Aug-01 Emerged: Dec-01*			
	Total Indebtedness:	$1,338M	$50M	-96%
	Annual Interest Expense:	$150M	$6M	-96%
	Cash and Investments:	$295M	$167M	-43%
ITC-Deltacom	*Filed: Aug-01 Emerged: TBD*			
	Total Indebtedness:	$724M	$194M	-73%
	Annual Interest Expense:	$60M	$12M	-80%
	Cash and Investments:	$23M	NAV	

...Not surprisingly, the growth in wholesale access has shown little evidence of this financial turmoil as few competitors have discontinued, or even slowed, operations while in bankruptcy...

Telecom Act Implementation: Additional Operating/Financial Requirements

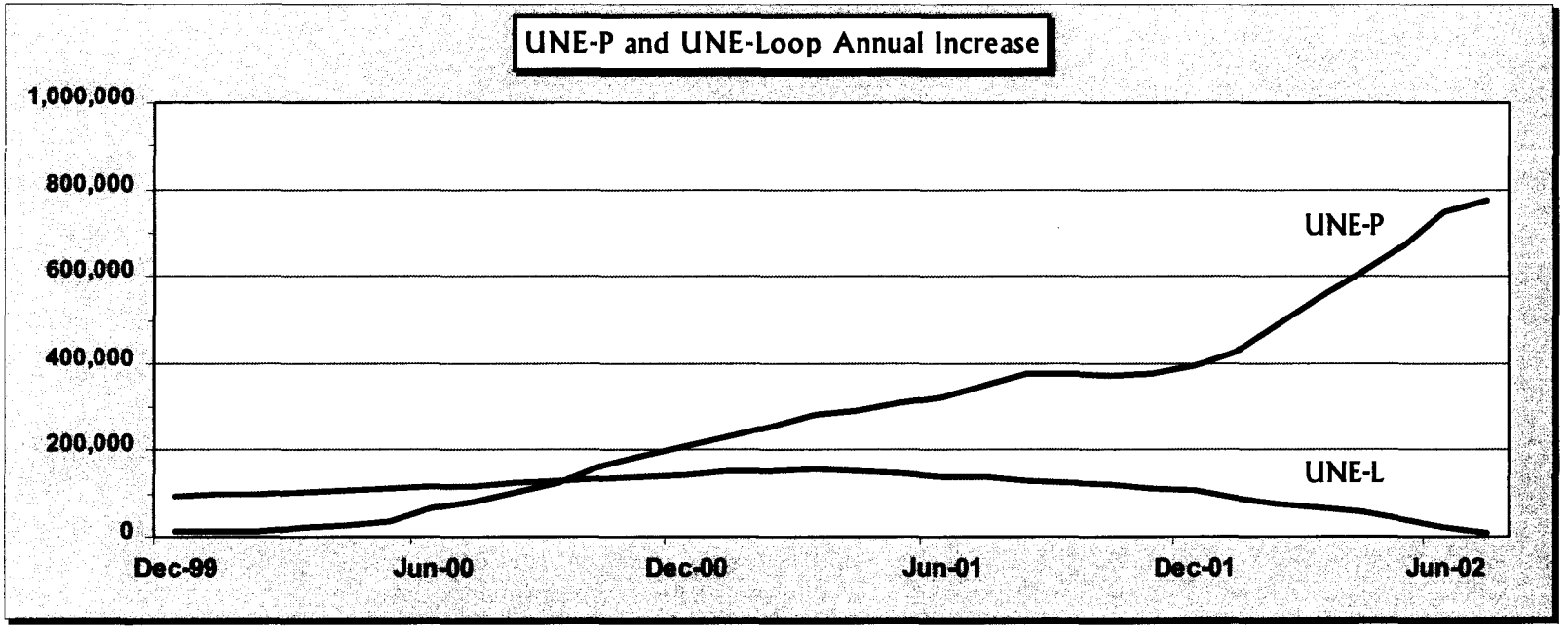
- **The implementation of the act has also dictated costly, complex and cumbersome operating requirements further pressuring BellSouth's fixed cost structure.**

  - Reciprocal Compensation – From 1997-2001, we paid out $239 million more than we received.
  - Developed operating systems for 92 UNE product groups – Ten account for 90% of UNE revenue.
  - Service Standards - BellSouth has spent $135 million building a tracking system to report over 2,300 unique measurements each month.
  - SEEMS – Paid $42 million in 2001 and $23 million so far in 2002.
  - Co-location – Massive over ordering during internet boom caused BellSouth to deploy approximately $400 million in capital followed by significant disconnects, bankruptcies and abandonments.

Telecom Act Implementation: Uneconomic Rules

- **The Act requires ILECs to unbundle loops and switching in order to allow CLECs the flexibility to recombine elements with their own networks. (We believe this requirement was intended to lower barriers to entry and encourage facilities-based competition.)**

. . . In practice, rather than encouraging investment and innovation, non-facilities-based competitors have used UNE-P as an alternative to facilities deployment. In fact, 56% of the 354 active CLECs in BellSouth's region rely solely on BellSouth's network and UNE-Loop demand has all but disappeared.



. . . Competitors have increasingly relied on UNE-P as an "end" rather than as a "means" to develop a competitive facilities-based telecom business...

Telecom Act Implementation: Uneconomic Rules

UNE pricing has been the primary mechanism to accomplish this competitive "end" as competition was introduced by imposing a hypothetical cost-based wholesale rate structure into a historical social goal-based retail rate structure...

Actual Monthly BellSouth Service Rates (as of 8/15/02)

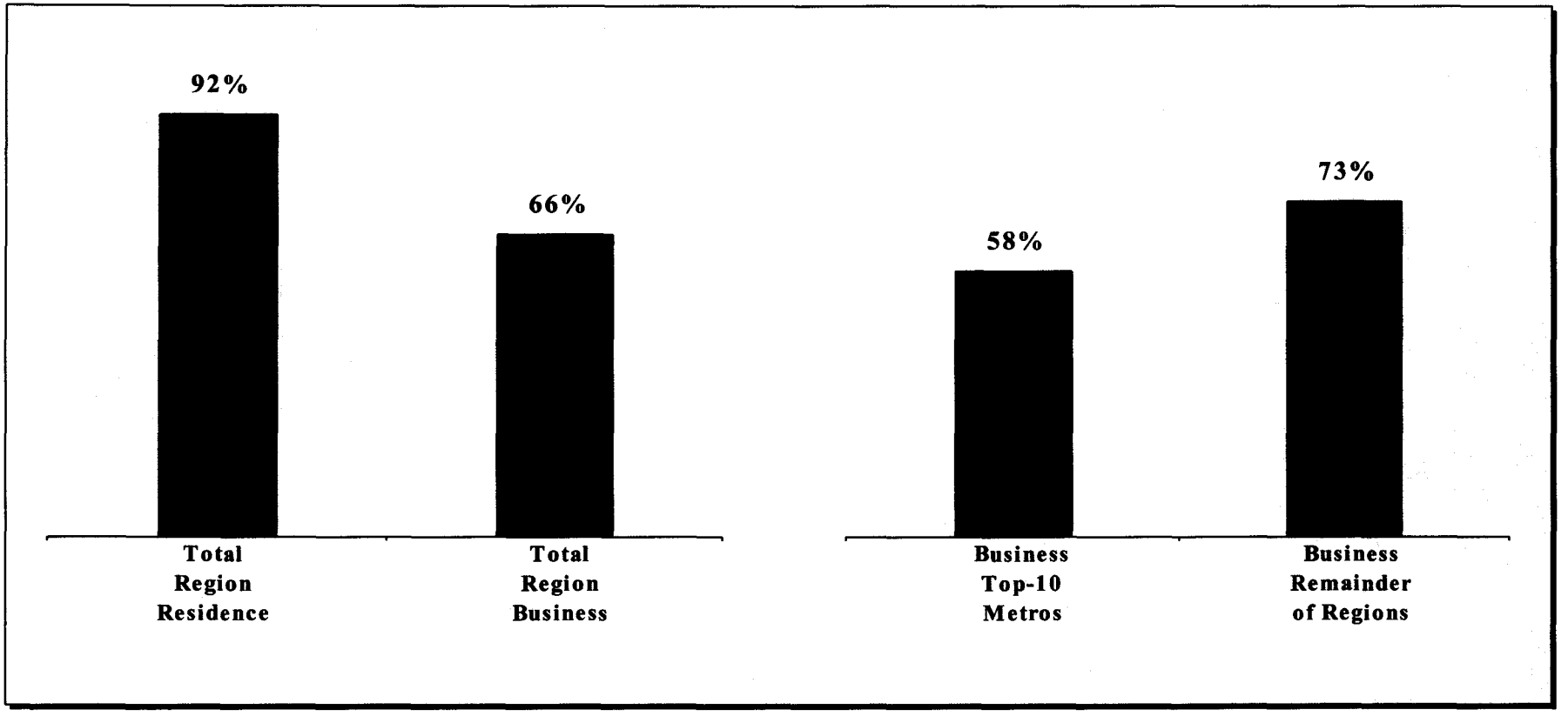
	Subsidized				*Hypothetical Cost*			
	Residence		Business		UNE Loop		UNE - P	
	Metro	Rural	Metro	Rural	Metro	Rural	Metro	Rural
AL	16	15	36	36	13	34	16	38
FL	11	7	30	20	13	33	16	35
GA	17	12	48	25	14	26	17	26
KY	18	14	33	35	11	31	14	35
LA	13	11	33	29	13	48	18	55
MS	19	15	37	35	12	44	16	49
NC	13	10	34	28	12	34	17	37
SC	15	13	43	33	15	27	19	31
TN	12	8	40	27	13	23	17	26

. . . placing ILECs at a significant competitive disadvantage in that they bear the entire framework of subsidies built into their rates (where margins are richer in business than residence, and in urban than rural), allowing CLECs to cream-skim the highest value customers . . .

Telecom Act Implementation: Uneconomic Rules

- **... The pattern of cream-skimming is evident in BellSouth's market share activity ...**

% BellSouth Retail Market Share



Telecom Act Implementation: Uneconomic Rules

- **. . . In addition, ILECs are required to sell services at UNE-P pricing in areas where facilities-based competition is flourishing. The presence of alternative facilities dispels any notion of impairment.**

	Alternative Facilities at Market Rates			TELRIC Facilities (07/31/02)		
	Instances of Non-BST Entrance Facilities From CLEC Networks [1]	Numbers Ported to CLEC Facilities [2]	Percent of BellSouth Lines Addressed by more than three CLEC Switches [2]	Business UNE-P	Residence UNE-P	UNE-L
BellSouth MSAs in National Top 50 [3]	498	1,240,781	95% Bus 90% Res	158,010	332,171	186,736
BellSouth MSAs in National 51-100 [4]	273	601,955	90% Bus 84% Res	122,348	79,124	97,760

[1] Entrance facilities are gateways into CLEC networks. Data as of February, 2002

[2] Source: NERA Reply Comments in Triennial Review

[3] Includes Atlanta, Greensboro-Winston Salem-High Point, Charlotte-Gastonia, Miami-Ft. Lauderdale-Hollywood, Nashville-Davidson, New Orleans and Orlando

[4] Includes W. Palm-Boca Raton, Baton Rouge, Raleigh-Derham, Columbia, Memphis, Greenville-Spartanburg, Jacksonville, Knoxville, Louisville and Mobile

Telecom Act Implementation: Uneconomic Rules

...In the end, UNE-P is ***highly deflationary*** to the industry.

From a macroeconomic point of view, UNE-P represents a policy-stimulated transfer of wealth (from facilities-based carriers' shareholders and employees to UNE-P CLEC's) that devalues the investments of all facilities-based providers and offers no improved value to the customer.

Summation

- BellSouth is not "de-regulated", but finds itself in a "market environment".
  - » Revenue growth is declining precipitously
  - » Cost requirements remain relatively fixed
  - » Earnings are being driven down.
- With the need for access to capital as great today as ever, investors are avoiding the sector.

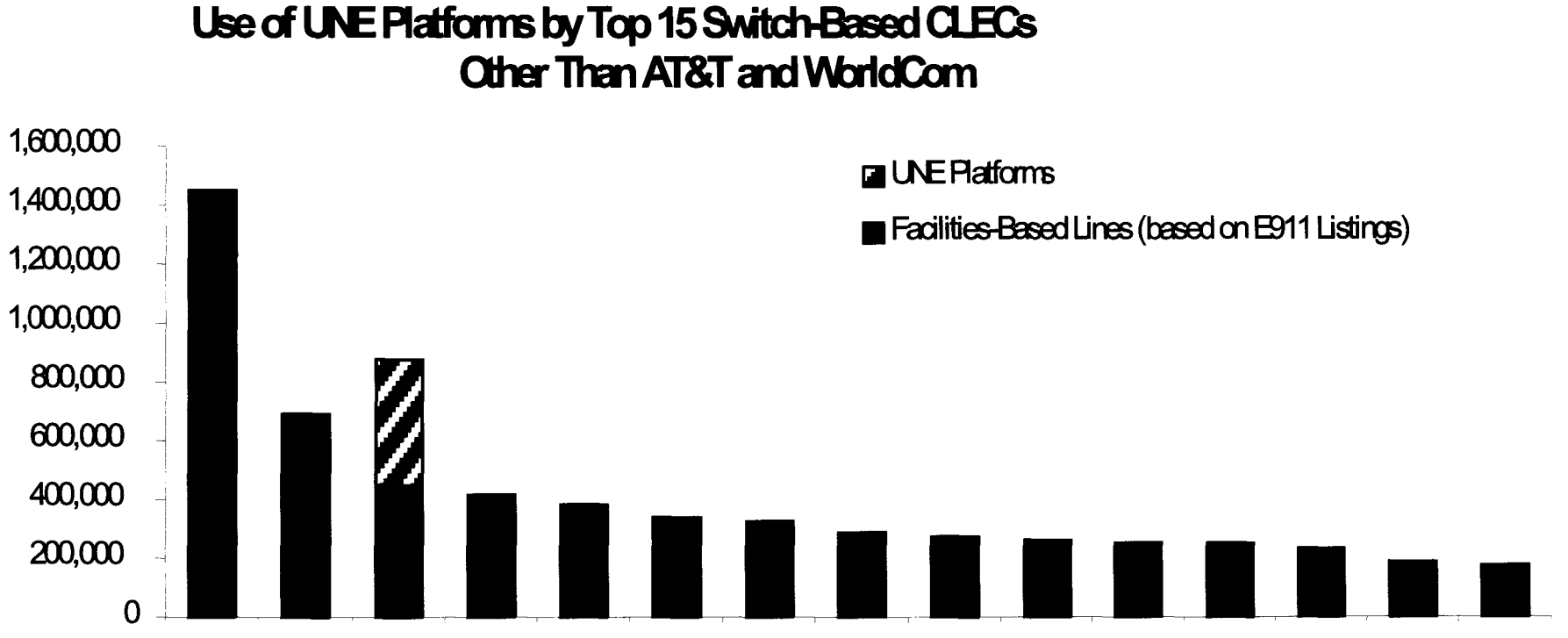
...there are a number of forces at work today in the telecom industry that market participants cannot avoid. But there are also some man-made forces that pose grave, immediate threats to our vitality that must be addressed ...

Proposed Solutions

- FCC can help stabilize network economics by:
  - Limiting the number of UNEs available at TELRIC, especially switching and transport
  - Act quickly on Triennial review
  - Adopt policies that encourage investment
    - Broadband NPRM
    - TimeWarner/BellSouth framework
  - Adopt policies that reward sound financial management
    - Approve deposit tariffs
    - Avoid actions that reward bankruptcy and fraud

Proposed Solutions

- Other than AT&T and WorldCom, the 15 largest CLECs that have deployed switches make virtually no use of UNE-P



Top 15 CLECs represented include: Allegiance Telecom, Cablevision Lightpath, Choice One, Cox, Electric Lightwave, Focal Communications, ICG, Intermedia, McLeodUSA, Mpower, Net2000, RCN, Sprint, WinStar, and XO.

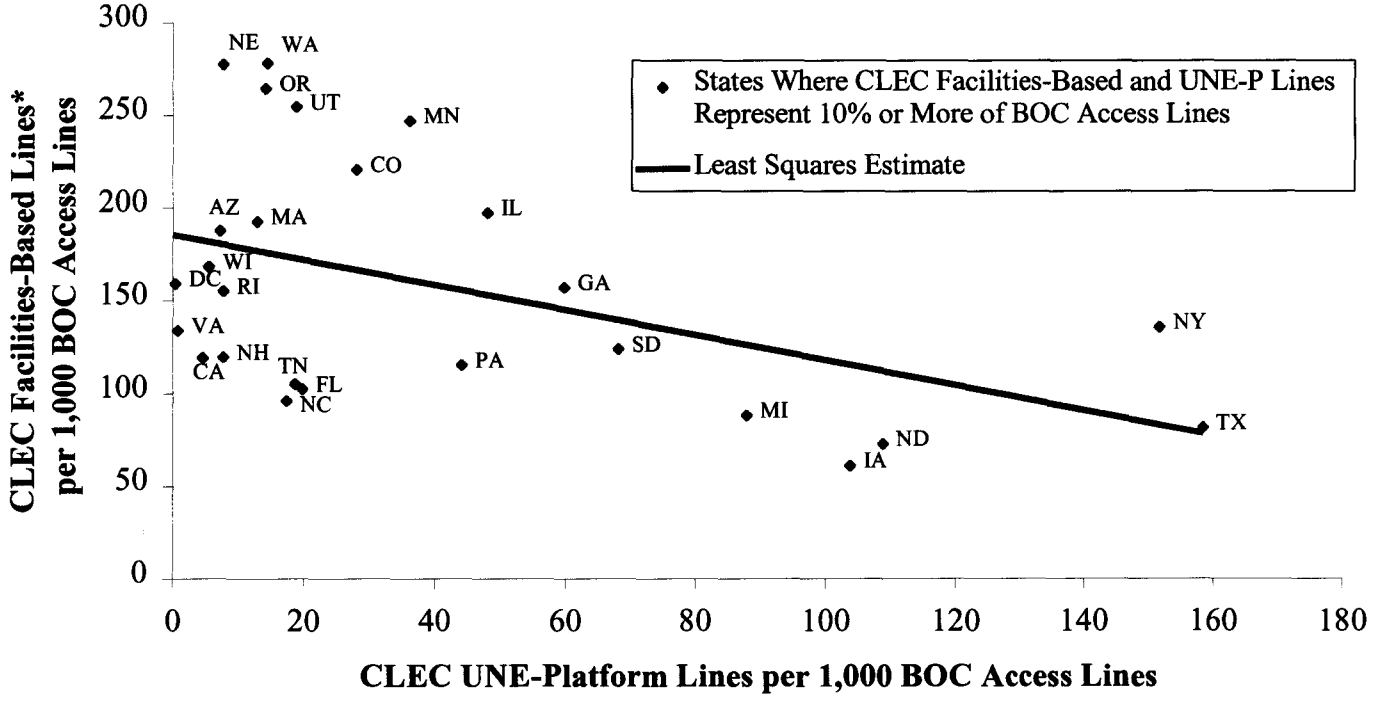
Source: Based on E911 listings
Fact Report reference: p. I-9

Proposed Solutions

The Availability of UNE P Decreases the Level of Facilities-Based Competition

- Data from all states with significant CLEC entry demonstrate that the availability of the UNE-P decreases the level of facilities-based competition.

Figure 1. Facilities-Based Competition Decreases as UNE-P Penetration Increases



*Facilities-based lines are based on CLEC E911 listings as of year-end 2001.

Proposed Solutions

Proposed Solution – Eliminate UNE-P Telric

- In New York, AT&T and WorldCom together provide UNE-P service to over 1M residential customers
- AT&T and WorldCom operate 28 local circuit switches in New York
- Yet the two companies have converted virtually none of these UNE-P customers to service utilizing their own switches
- Arbitrage opportunities are too rich to encourage new investment or even use of existing investment

Fact Report reference: pp. II-18-19

Proposed Solution

- **While UNE-P does nothing to create sustained investment in Competitive networks, it does create huge concerns about the financial viability of the ILEC.**

Recent Analysts comments:

Deresdener Kleinworth Wassatein*

"From an macroeconomic point of view there are general concerns with the UNE-P system:

- It's a policy-stimulated transfer of wealth (from shareholders and employees to consumers), rather than being left to market forces.
- In the longer-term it could rob consumers of advanced services that require the RBOC's plentiful cash flow to fund.
- Asset write-downs will cause "stock-shock" and a shock to the telecom "supplier system."

* UNE-P: The Un-Profitable RBOC (August 9, 2002)

Proposed Solution

Recent Analysts comments: (continued)

UBS Warburg*

"Economics of UNE-P are Worse than we Originally Expected.

- UNE-P lines generate negative EBITDA in 18 States for the Bells (60% of US residential lines)

  . . . .

- Long Distance Opportunity is only a Partial Offset
  - Bells only need to add 1.3 Long Distance Customers for each UNE-P line added to break even at revenue line.
  - However, the Bells need to add 5.4 Long Distance Customers for each UNE-P line added to break even at EBITDA line.
  - "UNE-P IS AN EBITDA STORY, NOT A REVENUE STORY"

Solomon Smith Barney**

- "From a Bell perspective, as we've written many times over the past several months, this is a nightmare. They get half the revenue with the same cost."

* The Regional Bells: How Much Pain from UNE-P

** SBC Communications Report (July 23, 2002)

Proposed Solution

Recent Analysts comments: (continued)

Commerce Capital Markets*

- "For the CLECs, the lower UNE rates present the opportunity to enter the local market with minimal up-front investment.
- From the RBOC – investor's perspective UNEP presents several problems. One is the reduction in revenues that comes from converting retail to wholesale revenues. The other is the pricing compression that comes from the RBOC's an attempt to restructure their prices to compete with new entrants. Finally, there is the exposure during a period when an RBOC cannot yet enter long-distance, but the IXCs have begun to enter its local market."

Percursor Group*

- "There is a "telecom debt spiral" where over-capacity is not getting worked out of the system, but comes back less leveraged and on competitive steroids. The trends toward data and wireless present profit-challenged growth; and regulator-priced "competition" continues to deflate profits."

* The States of 271 and UNE-Platform in the Regional Bell Territories (August 22, 2002)

** Percursor Investment Perspective (April 3, 2002)

Proposed Solution

Eliminate transport as UNE (unnecessary for competition) and continue special access protections.

Special Access Facts

- 1985 – Teleport Provides Transport Services for special access to business customers in NY
- 1986 – 16 States authorize special access competition
- 1995 – 29 CAPS serve 100 cities with 21K fiber route miles
- 2001 – 1800 networks serve 70% of US population, 150 largest MSAs. 91/100 top MSAs served by 3 networks, 77 by 7, 59 by > 10.

Source – UNE Fact Report 2002, p.K-1

Proposed Solutions

- FCC can help stabilize network economics by:
  - Limiting the number of UNEs available at TELRIC, especially switching and transport
  - Act quickly on Triennial review
  - Adopt policies that encourage investment
    - Broadband NPRM
    - TimeWarner/BellSouth framework
  - Adopt policies that reward sound financial management
    - Approve deposit tariffs
    - Avoid actions that reward bankruptcy and fraud