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November 25, 2002

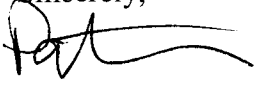
Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Ex Parte
CC Docket Nos. 96-98, 01-338

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this will provide notice that on November 22, 2002, Robert Hale, Sr., Chairman and Robert Hale, Jr., CEO, Granite Telecommunications, Inc., and William Wilhelm of this firm and the undersigned met with: (1) Commissioner Kevin Martin and Dan Gonzalez, and (2) Matthew Brill. We presented the views set forth in the attached document which was provided at the meetings.

Sincerely,



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Granite
TELECOMMUNICATIONS

ELECTRONICALLY CONNECTED AND ROCK SOLID!

Impairment Standards for Unbundled Switching

November 2002

Granite Background

- Founded by Hale Family
- Former founders of facilities based entrant Network Plus
- --$4 B+ Market Cap
- --Founded 1990
- --1100 employees
- Granite UNE-P Serving Business Customers
- Current Offices MA, NY, GA, RI
- Scale of Operations

Significance of UNE-P to New Entrants

- Critical to entry strategy
- Permits focus on concentration of customers <u>then</u> network build
- Financial market makers are no longer receptive to "build it and they will come".
- Customers are essential <u>*prior*</u> *to* substantial network investment.
- UNE-P not a substitute for smart network build.

UNE Switching Myths

■Myth #1: CLECs Can Self Provision Switching

- Financial markets currently closed to facilities based entrants
- Appropriate switches are still too Costly; Less expensive technology not 'Carrier Grade'
- Service to a large customer w/ multiple office locations may require provisioning through multiple central offices in multiple states.
  - Economically impractical to install switching in multiple markets to serve a single customer. Even if traffic could be aggregated into fewer switches, backhaul and transport must be sufficiently available and offered at competitive pricing new
  - Operationally impractical, particularly in the absence of efficient and proven "hot cut" systems.

UNE Switching Myths

- **Myth #2: Competitive Wholesale Switching Alternatives Currently Exist**
  - Bellsouth's 11/18/02 *exparte* suggests CLECs are not impaired due to availability of competitive alternatives.
  - This is a fallacy.
  - Appropriate market is <u>not</u> a LATA but CO
  - Few CLECs currently configured to offer switching capacity to other CLECs although market may be developing.
  - Mere existence of CLEC switching capacity in CO is not evidence that it is being offered for wholesale.
  - To be considered an 'alternative' the carrier offering the services must be willing to offer service, and technically and economically capable of offering switching services without disruption due to economic or technical distress

UNE Switching Myths

- **Myth #3: Non Facilities Based Carriers Don't Provide Real Competition**
  - More than 8 million customers receive service via UNE-P. May be 10 million by end of year according to PACE.
  - Granite and other UNE-P providers are building businesses and hiring employees.
  - Important to recognize, customers don't choose carriers based on regulatory classification.
  - At certain junctures it makes sense to transition off ILEC facilities. Concern in having FCC make arbitrary economic decision regarding the threshold.
  - Telecommunications competition is only 6 years old. It is unreasonable to expect or dictate that all entrants be facilities based.

UNE Switching Myths

- **Myth #4: FCC can Determine Factual Issue of Impairment without State Determination**

- State review of market conditions is essential
- Fact based analysis
- Analysis may need to be performed on a CO by CO basis
- *Inter alia*, states should determine that competitive wholesale market for switching and transport exist
- States must examine issues of hot cut capability

Conclusions

- Non-facilities based CLECs provide true alternatives and competition. No different than IXC market.
- UNE switching at TELRIC pricing is essential to competition <u>in the absence of a true, competitive wholesale market for UNEs</u>
- Market should be defined on CO by CO basis
- State review of market conditions is essential
- Any market based analysis must examine actual wholesale market for UNE switching and other elements not mere availability of capacity.