

Brian J. Benison
Associate Director –
Federal Regulatory

SBC Telecommunications, Inc.
1401 I Street, N.W., Suite 1100
Washington D.C 20005
Phone: (202) 326-8847
Fax: (202) 408-4801



January 27, 2003

VIA ELECTRONIC SUBMISSION

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Memorandum of Ex Parte Presentation**
CC Docket No. 01-338, Review of the Section 251 Unbundling
Obligations of Incumbent Local Exchange Carriers;
CC Docket No. 96-98, Implementation of the Local Competition
Provisions in the Telecommunications Act of 1996; and
CC Docket No. 98-147, Deployment of Wireline Services Offering
Advanced Telecommunications Capability

Dear Ms. Dortch:

On January 24th, James C. Smith, Don Cain and Gary Phillips representing SBC Telecommunications, Inc. (SBC) met with Commissioner Kevin Martin and his senior legal advisor Dan Gonzalez. SBC used its CLEC business case to demonstrate that CLECs can profitability serve residential customers without UNE switching. On broadband, SBC noted that under its proposal CLECs would continue to obtain access to non-packet voice and data UNEs where impaired, including voice grade loops and non-packet high capacity loops (e.g. DS1s). The attached materials were distributed to facilitate the discussion.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter and attachment are being electronically filed. I ask that this letter be placed in the files for the proceedings identified above.

Please call me should you have any questions.

Sincerely,

/s/ Brian J. Benison

CC: Kevin Martin
Dan Gonzalez

UNE-L Competition Generates Positive Margins



California		CLEC Retail Price Points		
		\$40	\$50	\$60
		Margin		
Market Share	5%	-\$2.31	\$5.69	\$13.69
	10%	-\$0.65	\$8.65	\$16.65

Michigan		CLEC Retail Price Points		
		\$40	\$50	\$60
		Margin		
Market Share	5%	-\$0.97	\$8.97	\$16.97
	10%	\$6.48	\$14.48	\$22.48

Texas		CLEC Retail Price Points		
		\$40	\$50	\$60
		Margin		
Market Share	5%	-\$3.25	\$4.75	\$12.75
	10%	-\$0.03	\$7.97	\$15.97

Note: Margins reflect SG&A costs estimated as 20% of revenue

Our study demonstrates that CLECs can profitably serve residential customers using a facilities-based UNE-Loop serving arrangement

UNE-L Competition Generates Positive Margins Based on Local Revenues Alone



-
- **Local revenues and associated features alone will still allow for local competition**
 - **Removing \$9.71 in long distance revenues, \$5.00 in associated costs and \$1.94 in associated SG&A will reduce the margin by \$2.77 per line.**
 - **Even with a reduction in margin of \$2.77 per line, margins are still sufficient to support UNE-L competitive entry**



"On the all-d[istance] side, we are going after the high-value customer, which is our focus and our target, those above \$50 dollars a month..."

John Polumbo

President & CEO - AT&T Consumer

4Q02 Earnings Call - 1/23/03

Capabilities Today

- UNE Capabilities: Voice, DS1
- Service Capabilities: ADSL

