

September 12, 2000

The Honorable W.J. "Billy" Tauzin
Chairman
Telecommunications, Trade and Consumer Protection Subcommittee
U.S. House Commerce Committee
Washington, D.C. 20515

Dear Mr. Chairman,

We urge, in the strongest possible terms, that you oppose **ANY** change to the reciprocal compensation provisions of the Telecommunications Act of 1996. Any such changes would harm the Internet, local telephone competition, and Internet consumers.

Reciprocal compensation refers to the payments made by one telephone company to another to complete all local telephone calls. H.R. 4445, however, would bar competitive local exchange companies (CLECs) from being paid for their costs of carrying Internet calls (while the Bell Companies would continue to get paid to carry voice calls). Without reciprocal compensation revenues, CLECs may be forced to raise the rates they charge Internet companies for carrying Internet calls. **This could force Internet service providers (ISPs) to increase the rates that 31 million consumers pay for Internet access by up to 35%.**

The Act's reciprocal compensation provisions already permit carriers to recover their costs of carrying calls to the Internet. New legislation could cause tremendous uncertainty among investors and in the companies that support the Internet. **Any** legislative changes could create substantial uncertainty in the capital markets, making it extremely difficult for CLECs to raise the financing they need to construct local and backbone high-speed networks for Internet traffic.

Despite the Bell Companies' complaints about the amount of money they owe to CLECs, the Bell Companies themselves set the rates for reciprocal compensation a few years ago. Based on these rates, CLECs outcompeted the Bell Companies in the marketplace by offering ISPs higher-speed service, better prices, and more responsive customer service. **If the Bell Companies want to reduce the amount of reciprocal compensation they pay to competitors, they should compete to serve ISPs instead of using the legislative process to reverse the results of the free market.**

Furthermore, the rates for reciprocal compensation are now coming down through private negotiations between the carriers, sometimes to levels that are only 10% of the rates that the Bell Companies set three years ago.

The Federal Communications Commission (FCC) is currently reconsidering its reciprocal compensation rules in response to a court decision earlier this year. Indeed, several Members of this Committee wrote to the FCC earlier this year asking for clarification of its policies on reciprocal compensation by September 30.

To summarize, reciprocal compensation legislation is unnecessary and harmful because it will 1) increase rates for consumers, 2) delay the construction of high-speed networks by competitors, 3) override private negotiations, 4) reward the Bell Companies for their failure to compete in the marketplace, and 5) disrupt a current FCC proceeding to consider this very topic.

For the above reasons, we urge you to oppose ANY changes to the reciprocal compensation provisions.

Sincerely,

Advanced TelCom Group
Allegiance Telecom
Arbros Communications
Association for Local Telecommunications Services (ALTS)
Competitive Telecommunications Association (CompTel)
Computing Technology Industry Association (CompTIA)
e.spire Communications
Focal Communications
Global NAPS
ICG Communications
Information Technology Association of America (ITAA)
Intermedia Communications
KMC Telecom
NEXTLINK
RCN
Time Warner Telecom
TriVergent Communications
U.S. Internet Services Providers Alliance (USISPA)
Winstar Communications
WorldCom