



Monopoly Deregulation Legislation Position Paper

The Competitive Telecommunications Association (CompTel) is the principal industry association representing U.S., international and global competitive telecommunications companies and their suppliers. CompTel's approximately 350 members include nationwide companies as well as smaller regional carriers providing local, long distance and Internet services. Since its inception in 1981, CompTel has advocated policies to promote the development of full and fair competition in the provision of telecommunications services. CompTel's role is to ensure that companies of all sizes with different entry strategies have an equal opportunity to compete in all telecommunications service markets.

Introduction

The premise of the so-called "broadband relief" bills currently pending before the U.S. Congress is fundamentally flawed. The RBOCs, GTE and USTA are seeking to obtain deregulation and exemptions from the Telecommunications Act of 1996 under the guise of "broadband" legislation that purportedly seeks to promote the development of the Internet. However, if enacted, they would: 1) exempt the RBOCs from the market opening provisions of § 271 for data services; and 2) exempt ILECS, like GTE, from § 251(c)(3) unbundling and (c)(4) resale for data services.

If enacted, these bills will have a devastating effect on Wall Street's enthusiasm for small competitive local exchange carriers (CLECs). Investors have poured billions of dollars into funding start-up telecommunications ventures believing that the rules of the game were those outlined in the 1996 Act. To change those rules in the middle of the game could bring uncertainty to the equity and debt markets that have been fueling not only local competitors, but a significant portion of America's recent economic prosperity as well.

The Telecom Act of 1996 Is Working and Is Helping Competition Bring Advanced Services to Every American.

- The 1996 Act promotes competition by providing the monopolies with an incentive to open up their local bottlenecks to competitors under § 251.
- Just three years ago, Congress got it right when it outlined the *quid pro quo* that would allow the Bells into in-region interLATA services: open up local markets according to § 251, meet the 14-point competitive checklist of § 271, and then be permitted into in-region interLATA services.
- As a result of the '96 Act, competitors (CLECs and cable operators), not incumbent monopolies, were the first to roll out broadband services.
- Every state, including rural states, is witnessing broadband deployment as a result of pressure brought on by competitors.

- Local phone monopolies began to deploy DSL-type services only in response to competition. DSL is actually not a new technology, but the monopolies did not offer it until they were forced to respond to competition.

Broadband “Relief” Legislation Is Not Needed Because the Monopolies Are Deploying DSL Services Without It Anyway.

- All of the RBOCs and GTE are deploying DSL services in their home regions as the direct result of competitive pressure. The ‘96 Act provides economic incentives to deploy advanced services while maintaining competitive safeguards such as unbundling and resale.

The RBOCs and GTE Have No Interest In Serving Rural Areas.

- The RBOCs and GTE do not even serve many of the rural areas they ostensibly claim the legislation will help.
- The RBOCs and GTE have been selling their rural exchange businesses for years and have abandoned rural deployment efforts.

Enactment of These Monopoly Deregulation Bills Will Impair Competition By Destroying the Incentives Built Into the ‘96 Act.

- Passage of federal monopoly deregulation legislation such as the Tauzin/Dingell (H.R. 2420), Goodlatte/Boucher (H.R. 1685 and H.R. 1686), McCain (S. 1043) or Brownback (S. 877) will allow the Bells into interLATA markets without having to open their local bottlenecks to competitors.

- As voice, data and video all become digital, passage of any of these bills will undo the ‘96 Act by allowing the Bells into all business lines while maintaining their local chokeholds. Competition will be impaired.

Summary

All of the federal “broadband relief” bills eviscerate Section 251 of the ‘96 Act (UNE and resale requirements); and Tauzin/Dingell and Goodlatte/Boucher gut Section 271 (prohibitions against monopoly entry into long distance without first opening up markets according to the 14-point checklist).

The Tauzin/Dingell bill’s (H.R. 2420) prohibition on RBOC marketing of voice services until the 14-point checklist is satisfied is insufficient and implicitly calls for an unworkable “bit police” solution to ensure voice services are not being transmitted over data networks.

CompTel urges Congress to oppose any so-called “broadband relief” measures and to support the growth and innovation that is just starting to benefit Americans. That growth will only survive if you vote for competition and against deregulating the monopolies.