

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

September 16, 2002

The Honorable Michael Powell  
Chairman  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Dear Chairman Powell:

Over the last two years, we have witnessed a dramatic decline in the telecommunications sector of the economy. Thousands of our constituents and nearly 500,000 people nationally who were once employed by the telecommunications industry have lost their jobs. The industry has lost \$2 trillion of market value and is saddled with nearly \$1 trillion of debt. In your own words, "the telecommunications industry is riding on very stormy seas."

Congress passed the Telecommunications Act of 1996 with the stated goals of promoting competition and reducing regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encouraging the rapid deployment of new telecommunications technologies. To be certain, competition among all types of communications providers has increased dramatically in the six and a half years since the Act's passage. But because a perverse system of regulation rather than the market has created much of this competition, it has had a negative effect on the ability of the industry to innovate and invest in new advanced services.

The current system of federal pricing and unbundling rules and state regulatory orders is eroding investment in telecommunications networks, threatening the development of innovative new services and retarding the development of full-scale facilities-based competition envisioned by the Act. At the heart of this regulatory regime is the requirement that Regional Bell Operating Companies provide elements of their network, and particularly combinations of elements, to other telecommunications companies at prices far below their actual cost. While Congress prescribed the unbundled network element form of competition, in no way did it intend to establish, nor even foresee the possibility of establishing, a system that forces companies to provide network elements at prices far below their cost. Such a regime undermines the Act's goal of promoting facilities-based competition by discouraging telecommunications companies competing with the Bells from

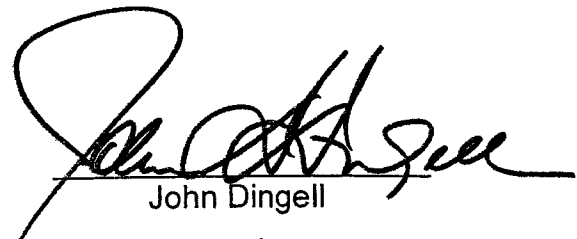
investing in their own new networks. It simply makes no economic sense for these companies to spend the billions of dollars necessary to invest in their own networks if they can instead rent access to Bell company networks and resell their service at an enormous profit.

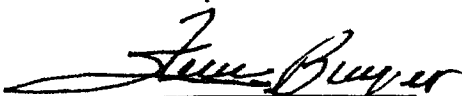
The current regulatory system has also caused dramatic reductions in capital spending by the Bell companies, who have neither the incentive nor the financial ability to make investments in their networks that end up subsidizing their direct competitors. As the financial research firm Dresdner Kleinwort Wasserstein recently wrote, "In the long term, the consumer will suffer as [incumbent phone companies] cut their capital budgets by 30%, which will produce fewer services, more network outages, and crummier customer service." Sadly, those long-term effects are already being felt. The Bell companies have cut capital spending by \$12 billion over the last two years, and each has recently seen its credit rating – which determines a company's ability to access the capital markets – downgraded as a result of concerns over the current regulatory regime. This cutback in spending affects not just consumers clamoring for new services, but also the high-tech equipment industry, which depends enormously on the Bells' capital spending.

The grave situation confronting the telecommunications industry grows more severe with each passing day. It is important for the FCC to address the wholesale pricing issue in a manner that restores the proper incentives for investment in the telecommunications sector. We know that you share our goals of promoting true competition that encourages innovation and promotes economic growth, and we hope that you will take quick and decisive action to further those goals.

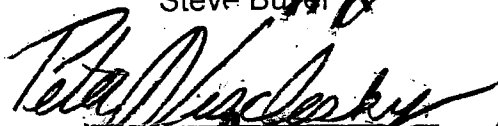
Sincerely,

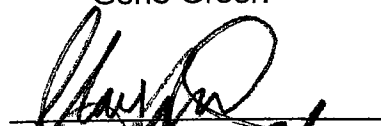
  
Billy Tauzin

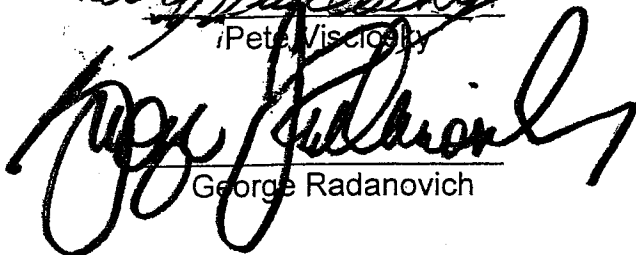
  
John Dingell

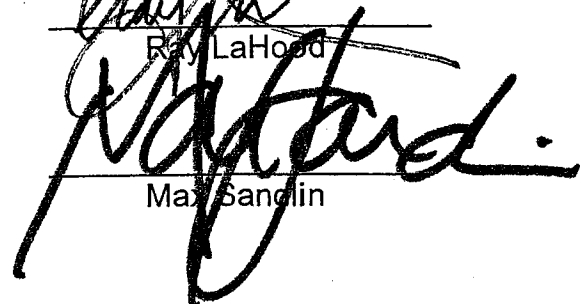
  
Steve Buyer

  
Gene Green

  
Pete Visclosky

  
Ray LaHood

  
George Radanovich

  
Max Baucus

Bobby Rush

Bobby L. Rush

Mark Souder

Mark Souder

Ralph M. Hall

Ralph Hall

John Shinkus

John Shinkus

Ciro D. Rodriguez

Ciro D. Rodriguez

Joe Wilson

Joe Wilson

Solomon P. Ortiz

Solomon Ortiz

Jim Gibbons

Jim Gibbons

Diane E. Watson

Diane Watson

Henry Bonilla

Henry Bonilla

Ruben Hinojosa

Ruben Hinojosa

Jerry Weller

Jerry Weller

Mike Pence

Mike Pence

John Boozman

John Boozman

Jim Turner

Jim Turner

John Sullivan

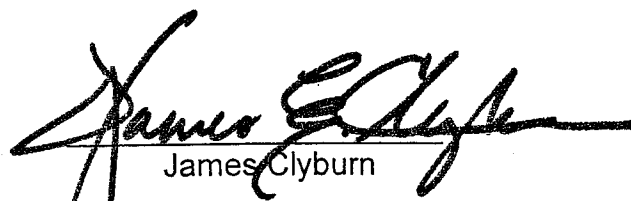
John Sullivan

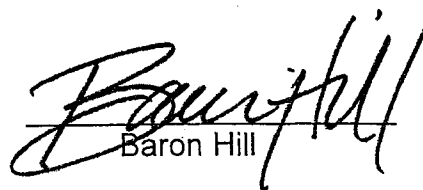
Charles Gonzales

Charles Gonzales

Pete Sessions

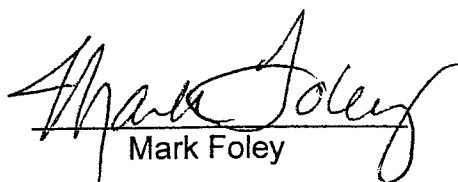
Pete Sessions

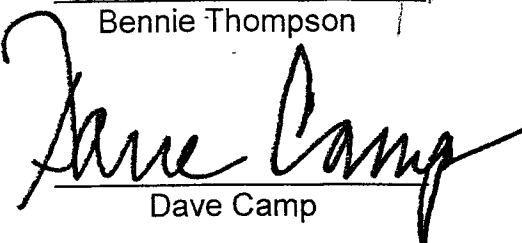
  
James Clyburn

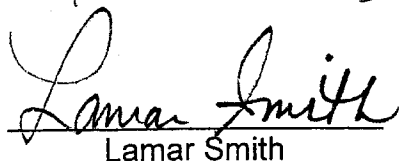
  
Baron Hill

  
Philip Crane

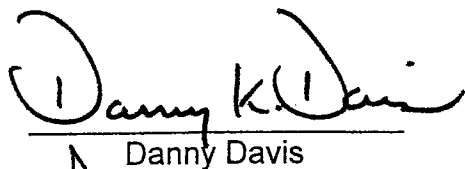
  
Bennie Thompson

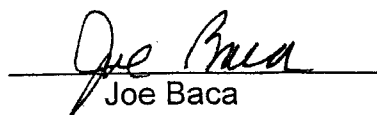
  
Mark Foley

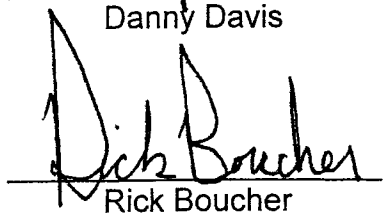
  
Dave Camp

  
Lamar Smith

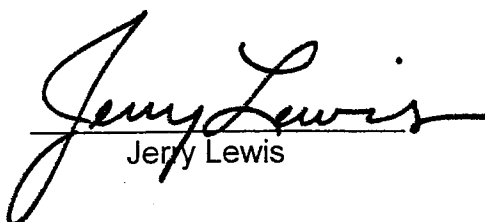
  
Kay Granger

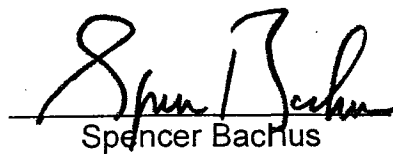
  
Danny Davis

  
Joe Baca

  
Rick Boucher

  
Ronnie Shows

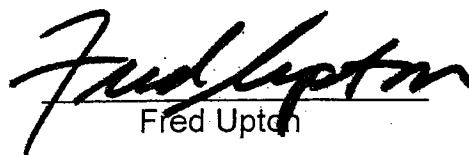
  
Jerry Lewis

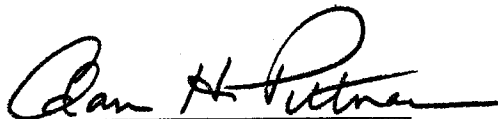
  
Spencer Bachus

  
Richard Burr

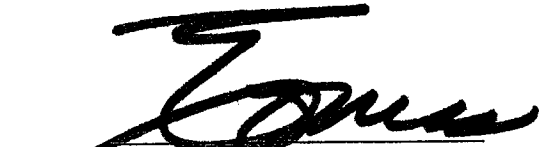
  
Felix Grucci

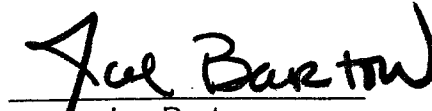
  
Charles Taylor

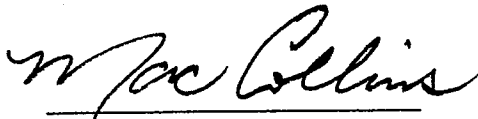
  
Fred Upton

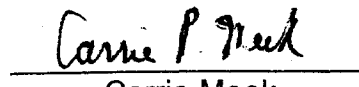
  
Adam Putnam

  
Silvestre Reyes


  
Edolphus Towns


  
Joe Barton

  
Mac Collins

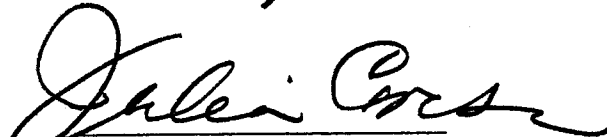
  
Carrie Meek

  
Ron Kind

  
Johnny Isakson

  
Mike Simpson

  
Martin Frost

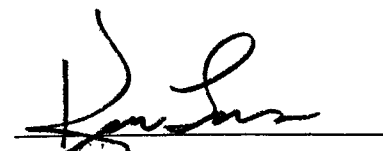
  
Julia Carson

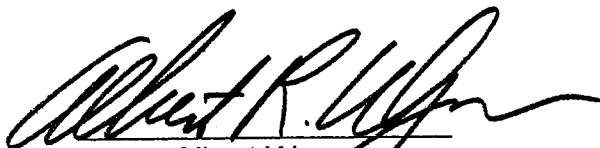
  
Nathan Deal

  
William Lacy Clay

  
Wes Watkins

  
Timothy Johnson

  
Ken Lucas

  
Albert Wynn

  
Eliot Engel

Sue Myrick  
Sue Myrick

Loretta Sanchez  
Loretta Sanchez

Nick Lampson  
Nick Lampson

Ernie Fletcher  
Ernie Fletcher

Paul Gillmor  
Paul Gillmor

Frank D Lucas  
Frank Lucas

John Tanner  
John Tanner

Ken Calvert  
Ken Calvert

Nancy Johnson  
Nancy Johnson

Ellen Tauscher  
Ellen Tauscher

Deborah Pryce  
Deborah Pryce

Roy Blunt  
Roy Blunt

Duke Cunningham  
Duke Cunningham

Dave Weldon  
Dave Weldon

Henry Brown Jr.  
Henry Brown

Melissa A. Hart  
Melissa Hart

Ken Bentsen  
Ken Bentsen

John Lewis  
John Lewis

Harold Rogers  
Harold Rogers

A. B. Schiff  
Adam Schiff

Anne Northup  
Anne Northup

Mary Bono  
Mary Bono

Ileana Ros-Lehtinen  
Ileana Ros-Lehtinen

Gregory Meeks  
Gregory Meeks

Stephy Hoyer  
Stephy Hoyer

Vito Fossella  
Vito Fossella

Mike Ross  
Mike Ross

Rob Simmons  
Rob Simmons CT12

Sanford S. Bishop, Jr.  
Sanford Bishop, Jr.

Robert J. Matsui  
Robert Matsui

Darrell Issa  
Darrell Issa

Allen Boyd  
Allen Boyd

Ed Bryant  
Ed Bryant

Lincoln Diaz-Balart  
Lincoln Diaz-Balart

Tammy Baldwin  
Tammy Baldwin

John Doolittle  
John Doolittle

C. L. "Butch" Otter

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Sheila Jackson-Lee

Sheila Jackson-Lee

E. Clay Shaw

E. Clay Shaw, Jr.

Todd Tiahrt

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J. H. Maloney

Jim Maloney

Robin Hayes

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