

Written Statement of

**The Honorable Jonathan S. Adelstein
Commissioner
Federal Communications Commission**

before the

**Subcommittee on Telecommunications and the Internet
Committee on Energy and Commerce
United States House of Representatives**

**“Health of the Telecommunications Sector: A Perspective from the Commissioners
of the Federal Communications Commission”**

Wednesday, February 26, 2003

Mr. Chairman, thank you for calling this timely hearing on the health of the telecommunications sector. I look forward to hearing from you and all the members of the subcommittee on this issue, as well as any other issues of concern affecting the industry.

We have seen a lot of heated debate over the health of the telecommunications sector, and rightfully so. The performance of this sector is critical to our national economy. Issues that currently are under consideration at the Federal Communications Commission go to the fundamental core of what the 1996 Telecommunications Act means – and what Congress intended to accomplish with it. What is the state of competition in this country? What remains for the FCC to do to open markets? And where is existing competition sufficient to warrant deregulation as envisioned by the Act?

The importance of getting the answers right is underscored by the huge economic challenges now facing the telecommunications industry. We have seen more than half a million jobs lost in the past 18 months. Capital expenditures are plummeting. Equipment manufacturers are engaged in unprecedented layoffs. All of this threatens the quality of our telecommunications system, which can suffer as investment in the network declines. Ultimately, consumers will pay the price if service quality goes down, or they cannot get access to the latest technologies for a reasonable price.

The Federal Communications Commission must create a stable and clear regulatory environment that promotes competition and investment in our telecommunications infrastructure so that consumers can benefit from the most advanced technologies at reasonable prices.

As a new member of the Commission, I am relying on some key principles to guide my deliberations. First and foremost, my role is to implement the law as written by Congress, not to impose my own policy preferences. In following the statute, it is imperative to

render decisions that are judicially sustainable, since the court is the final arbiter of whether a decision comports with the law.

Second, one of the two basic thrusts of the Act is to promote competition. The Act envisioned many forms of competition, both intramodal (among traditional wireline providers) and intermodal. Both types of competition can provide strong competitive pressures that will drive down prices, improve services and offer consumers more choices. In the wireline arena, some competitors are facilities-based, while others compete through resale at negotiated prices, and others through the UNE system. Many have argued persuasively that facilities-based competition will provide the strongest form of competition that is most beneficial to consumers, still it is the Commission's role to encourage all types of competition Congress anticipated. Wireless services also offer a dynamic and burgeoning new avenue for competition in both broadband and voice communications. We must encourage new and innovative technologies, and more efficient spectrum management, to maximize those opportunities.

Third, the Act envisions deregulation in areas where competition has firmly taken hold. Deregulation follows competition under the Act, not vice versa. Once the presence of meaningful competition allows the FCC to modify or repeal rules and regulations, however, we cannot walk away from consumers. I believe, like Chairman Powell, that enforcement will give the FCC tools it needs to correct wrongs that may occur as a result of deregulation.

Fourth, the Act envisions State Commissions as our full partners in its implementation. They play a key role in helping us to determine if a competitor is eligible for universal service. They also are required to determine whether the Bell Operating Companies have satisfied Section 271 requirements in States and should be permitted to provide long distance services. Congress also chose to have the State Commissions arbitrate interconnection agreements between incumbent providers and their competitors. Decisions on competition policy should reflect Congress' directive that we are to achieve the goals it established with the assistance of the State Commissions.

Finally, we are here to protect the public interest. The Telecommunications Act of 1996 was ultimately written for consumers. It was meant to ensure that everyone has access to the best network in the world at reasonable rates.

Clearly, there is room for improvement in the telecommunications economy. As a regulatory body, the Commission can certainly lead the way in bringing the stability and certainty to the market that will translate into faster economic growth. As a member of the Commission, I will do all that I can, consistent with the principles outlined above, to adopt decisions and regulations that will lead to an improved and healthier telecommunications industry.

This hearing touches on one of two foundational pillars of the Act that drives deployment and service quality: competition in the marketplace. Its twin pillar, universal service, ensures that deployment and quality will reach even those areas where competition and the

marketplace fall short. Ultimately, Congress' goal in building the Act upon these twin pillars was to ensure that all Americans have access, at reasonable and affordable rates, to high quality telecommunications services, including advanced services.

Growing up in South Dakota, I learned the importance of including rural America in this equation. The High Cost, Low Income, Schools and Libraries and Rural Health Care Funds have brought services to many people who would not otherwise enjoy them. Although universal service does not now directly support advanced services, it lays the groundwork for the creation of networks that make it possible for consumers to access them.

One of the other top priorities of the Act and, therefore, a central focus of mine as a Commissioner, is to speed the deployment of broadband and other advanced services. The Act makes clear we must extend the benefits of the latest technologies to all Americans – whether they live in the inner city, the suburbs or rural areas.

Our entire economy will benefit if we speed broadband deployment across our country. Broadband deployment will help restore telecommunications as an engine for economic growth. It can fuel a turnaround for not only the telecommunications sector, but also the growth and productivity of the entire economy. Not only domestic economic recovery, but also international competitiveness is at stake, for we must maintain our traditional leadership in a global economy with foreign competitors who have long since begun building their own broadband networks, often with heavy state subsidies. We will win in the end, because we have correctly chosen a market model to drive deployment, but that choice behooves us to take note, and to take careful, considered action, when investment slows to a halt, as it has in our domestic telecommunications markets.

Secure broadband networks are also crucial for our national security. We cannot allow tomorrow's critical infrastructure to roll out slowly, particularly in the face of global terrorism. Nor can we neglect the importance of maintaining domestic sources that provision our networks.

For these reasons, our goal must remain to achieve the greatest amount of bandwidth for the greatest number of people.

Commission decisions should reflect an understanding that Congress enacted the Telecommunications Act of 1996 for the good of consumers. Congress intended all Americans to have access to telecommunications services, and eventually advanced services, at reasonable and affordable rates. Congress gave the FCC tools to attain these lofty, yet attainable, goals through universal service, competition and subsequent deregulation.

Thank you for the opportunity to testify today.