

**Opening Statement
of
Kevin J. Martin**

Commissioner, Federal Communications Commission

on

“Competition Issues in the Telecommunications Industry”

**Before the
Committee on Commerce, Science and Transportation
United States Senate**

January 14, 2003

Opening Statement of Kevin J. Martin

Thank you for this invitation to be here with you this morning. I look forward to listening to the insight you will provide and trying to answer any questions you might have. As I said during my confirmation hearing, I recognize that the FCC is a creation of Congress, and I welcome the opportunity to discuss the Commission's activities with you.

As you know, the telecommunications industry has been responsible for much of the nation's economic growth during the past decade. And the availability of advanced telecommunications is essential to the continued strength of the economy in the 21st century. There is no question, however, that these are turbulent economic times for the telecommunications sector.

Companies are struggling under too much debt, unable to recoup the past investments they have made. Markets are valuing companies at depressed levels, leaving companies with little capital. Carriers are postponing the purchase of the equipment necessary to deploy competitive local and advanced services, leaving the manufacturers to suffer the consequences.

As more manufacturers founder, we risk being left with too few domestic providers of critical infrastructure for advanced services, a significant threat even to our national security. Finally, investors are questioning whether communications continues to be a profitable industry in which to risk capital.

But this is not just about companies, it is about real people. Unfortunately, the impact of this downturn has not been limited to the companies in the telecommunications sector. Employees and their families throughout the nation have experienced real pain resulting from the downturn and the numerous bankruptcies that have occurred. By the middle of last year, nearly 500,000 employees in the sector had lost their jobs, and the industry had lost over \$2 trillion in stock value. As a result, many saw their life savings disappear overnight just as they were hit by layoffs, with little or no severance pay.

Several proceedings currently pending at the Commission could have a significant impact on the industry. I believe we have an opportunity to craft a balanced package of regulations to revitalize the industry by spurring investment in next generation broadband infrastructure while also maintaining access to the network elements necessary for new entrants to provide competitive service.

I believe it is critical to create a regulatory environment that encourages the deployment of new broadband infrastructure. Incumbents should have the proper incentives to invest the capital necessary to make 21st century broadband capabilities available to all American consumers. This in turn would allow consumers to experience the benefits of next generation services and applications that new broadband networks can offer.

In addition, I believe it is essential to continue to encourage local competition. By maintaining the ability of new entrants to access elements of the incumbent network that are essential for competitive services, consumers can receive the benefits of competition. Such an approach is crucial if we are to ensure that all areas throughout the nation, including rural America, continue to have access to the benefits of competitive choice.

In that spirit, I offer the following three priorities for potential Commission action:

First, the Commission should prioritize new investment and deployment of advanced network infrastructure. I believe the Commission should focus on creating a regulatory environment that allows and encourages companies to invest in and deploy advanced services.

I fear that without a stable regulatory framework for deploying and providing such services, our country's communications network and services could remain stagnant, not improving, not developing. The many people without access to advanced services now, particularly consumers in rural and underserved areas, will remain without. And competition, the driver of innovation, growth, and effective pricing, will remain minimal.

Even if we change our underlying regulations governing the provision of basic telephony, companies will not invest in advanced services unless we ensure that our regulations will not deprive them of the ability to make a sufficient return on their investment.

Second, the Commission must minimize further questions and avoid creating greater uncertainty or prolonging ambiguity in this area. To put off decisions that have the greatest impact on the marketplace to another day will only aggravate current market conditions and prolong the angst and uncertainty that surround the deployment of advanced services.

Third, the Commission must faithfully implement the Act and be responsive to the courts. We must address the court's recent criticism of our existing unbundling framework, while still keeping our eye on Congress's goal of ensuring that local markets

are truly open to competition. We must rigorously review our list of required elements for unbundling and determine which are necessary for sustained competition, while also ensuring that access to essential facilities continues.

Assessments of whether access to an element is necessary to provide service may vary significantly among different markets, states, and regions. State commissions have worked well with the Commission in implementing the requirements of the 1996 Act. A more granular review could allow for state cooperation and input, especially regarding highly fact intensive and local determinations.

As you can see, a number of issues before us are vital to consumers and the marketplace and need timely resolution. Nevertheless, we must begin somewhere.

I believe the framework I have set forth would achieve our goals without favoring any particular industry. This calls for a delicate balance: we need to make sure that incumbent networks are open to competition, but, at the same time, provide incentives for both incumbents and new entrants to build new facilities.

Again, thank you for inviting me and my colleagues to be here with you today. I am happy to try to answer any questions you might have.