

**STATEMENT OF  
COMMISSIONER KEVIN J . MARTIN**

*Re: Review of the Commission's Rules Regarding the Pricing of Unbundled Network Elements and the Resale of Service by Incumbent Local Exchange Carriers. WC Docket No. 03-173*

I am pleased that we are taking action to alter our existing TELRIC pricing regime. Today, we tentatively conclude that our unbundled network element pricing methodology, while forward-looking, should be based upon the incumbent local exchange carrier's actual network rather than the totally hypothetical assumptions contained in a cost proxy model. I believe that the prices for unbundled network elements should be based on the forward-looking replacement cost of the ILEC's network.

As I have long stated, I believe that that the TELRIC rules should be reviewed and revised. I have also stated before that the existing TELRIC formula may provide incumbent service providers with an insufficient return on investment capital for new infrastructure. Today's item, in conjunction with our decision in the recent Triennial Review Order, begins the process to provide the necessary adjustments to the TELRIC formula that will more accurately reflect incumbent costs and help spur deployment in new facilities and services.

While I am pleased that we are initiating this proceeding, I am cognizant that the Wireline Competition Bureau's interpretation of the TELRIC pricing rules in the recent Virginia Arbitration Order may not reflect the direction and spirit of today's decision.