



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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As part of its recent wireline proceedings, the FCC recently announced its intent to phase out linesharing for competitive broadband services. While supporting many other portions of the Commission's order, Americans for Tax Reform strongly disagrees with this position.

Linesharing has been a boon for the nation's small businesses. Small businesses rely on competitive DSL services. Because cable companies have traditionally grown their networks to service the residential market, DSL represents the only viable high-speed Internet option for many small businesses.

Unfortunately, prior to the FCC's linesharing decision in 1999, the Bell companies were deploying DSL at a snail's pace. And before competitors were allowed to deploy DSL services, the only high-speed data offerings available to small businesses were priced at hundreds, or even thousands of dollars per month. Only after competitors introduced much lower-priced DSL products were monopoly providers forced to lower their prices to compete.

Linesharing has clearly resulted in lower broadband prices and greater broadband service choices, creating powerful economic benefits for the nation's small businesses.

Deregulation is always a good idea - government-sanctioned monopolies aren't. Prior to the passage of the 1996 Telecommunications Act, government regulation enabled monopolies to control the nation's telecommunications networks for over a hundred years - without any incentive to lower prices or introduce new services. Deregulating this monopoly is exactly why Congress passed the Telecommunications Act - a law that virtually every conservative in Congress voted for.

The linesharing enabled by the Telecommunications Act fulfills this promise.

DSL technology was first developed in the 1980s. However, the Bell companies understood that DSL would undercut their higher-priced legacy data services. So they chose not to introduce the product - like any monopolist would. Only when linesharing kicked down the barriers to entry did the Bells begin deploying DSL and lowering broadband prices.

Broadband competition is a national policy that should be implemented locally. The FCC's previous position guaranteeing linesharing nationally makes sense. Clearly, the best way to make sure local markets are open to competition is to require network elements to be made available to competitors at the national level. Congress also recognized that market conditions vary widely among the states, and that state authorities play a strong role in ensuring that local markets are open to competition.

As announced, however, the FCC's new order not only ignores the clear Congressional intent to open broadband markets nationwide -- it also purports to remove from the states any jurisdiction over these matters. This is a flawed decision that runs contrary to the time-honored principles of federalism.

Congress should take immediate steps to protect the ability of competitors across the nation to provide broadband services to small businesses and consumers using line