Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers	)	CC Docket No. 01-338
Implementation of the Local Competition Provisions of the Telecommunications Act Of 1996	)	CC Docket No. 96-98
Deployment of Wireline Services Offering Advanced Telecommunications Capability	)	CC Docket No. 98-147

REPLY COMMENTS OF THE
INFORMATION TECHNOLOGY INDUSTRY COUNCIL

The Information Technology Industry Council ("ITI") respectfully submits these reply comments in the Notice of Proposed Rulemaking ("NPRM") in the above-captioned docket. ITI represents the nation's leading information technology companies, including computer hardware and software, Internet services, and wireline and wireless networking companies. ITI member companies employ more than one million people in the United States and exceeded $668 billion in worldwide revenues in 2000.

As the leading information technology trade association, ITI supports the development of a regulatory framework that will promote the rapid development of affordable, high-speed Internet access. ITI has developed a 10-point broadband plan to

ensure that the maximum number of consumers can experience the full potential of the Internet and the information technology revolution.[1]

ITI writes to urge the Commission to act expeditiously in this proceeding. The condition of the telecom sector has reached a crisis stage. Capital spending by telecom companies fell 25% last year, with another 20% decline predicted for this year according to Thomson Datastream and the Wall Street Journal. They also report that a 60% drop in the telecom sector's market value has resulted in investors losing more than $2 trillion over the past two years. Therefore, in light of the current investment environment immediate action by the Commission is necessary.

ITI also writes to support the comments submitted by the High Tech Broadband Coalition ("HTBC")[2] and Corning, Incorporated.[3] The comments of both HTBC and Corning, Inc. set forth reasonable and balanced models for important but limited changes in unbundling rules that will increase the deployment of broadband infrastructure.

ITI supports the detailed unbundling model set forth in the comments of HTBC. HTBC argues that the Commission should refrain from imposing Section 251 unbundling obligations on fiber, remote terminals, and DSL (and successor) electronics deployed on the customer side of the central office used to provide broadband services. At the same time, HTBC maintains that the Commission must continue to require incumbent local exchange carriers ("ILECs") to provide collocation space and unbundled access to their

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[1] *See* ITI 10 Point Plan to Bring Broadband to More Americans [www.itic.org/policy/brdbnd_020502.pdf]

[2] *See* comments of the HTBC in Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98, and 98-147. Note: the HTBC is a coalition of leading trade associations, including ITI, the Business Software Alliance, Consumer Electronics Association, National Association of Manufacturers, Semiconductor Industry Association, and the Telecommunications Industry Association.

[3] *See* comments of Corning, Inc. in Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98, and 98-147.

legacy copper facilities. Finally, HTBC believes that the Commission must establish economically rational, provider-specific build-out requirements for the ILECs as to both the percentage of customers served and the bandwidth speeds provided to those customers. This combination of a relief from unbundling in the limited case of new broadband infrastructure and important safeguards to ensure continued competitive access and widespread deployment deserves close consideration from the Commission.

ITI also supports the Comments filed by Corning, Incorporated. ITI supports Corning's position that the deployment of fiber to the home ("FTTH") is being inhibited by the current unbundling rules. The Commission has an opportunity in this proceeding to modify these rules in such a manner so as to stimulate investment in FTTH without hindering the development of competition.

The Corning Comments include a study prepared by Cambridge Strategic Management Group ("CSMG") which demonstrates using market-based analysis that FTTH will be deployed six times more extensively under a "free market" scenario without the unbundling obligations versus a regulated scenario with the unbundling rules. It also shows that the free market scenario would generate over ten years $39 billion more in capital expenditures by ILECs.

Even more startling is the projection by the CSMG of the penetration of FTTH under existing rules. Under this condition, only 5% of American households will be passed by FTTH by the year 2013. Needless to say, this pace of deployment will leave the United States far behind many other countries that have put a priority on the deployment of broadband including Japan, Sweden, Canada, Korea, and others. Moreover, FTTH capability can be deployed for a first installed cost that is comparable to

that for copper-based technology. Evidence of this cost parity was presented by Paceon in the Commission's recent Section 706 Inquiry.[4]

Based on the information set forth, ITI supports Corning's argument that the Commission should act to relieve FTTH from the unbundling requirement because such action will not "impair" the ability of competitive local exchange carriers ("CLECs") to provide service over FTTH networks. The CSMG analysis in the Corning Comments identifies the fact that FTTH has been deployed to 34,000 homes throughout the country, 26,000 of which are CLEC customers. Only 400 homes are served by FTTH systems deployed by regional Bell operating companies ("RBOCs"). Clearly, the CLECs have demonstrated the ability to self-provision FTTH. Based on this data, the Commission should determine that lack of access to ILEC-provided FTTH capability does not "impair" the CLECs ability to provide service over FTTH. Furthermore, ILECs have no unfair advantage in the deployment of FTTH because such networks require entirely new outside plants. Thus, existing legacy networks cannot be leveraged. In such a situation, the ILECs have no inherent advantage.

ITI appreciates the opportunity to express our views to the Commission.

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[4] *See* Corning, Inc. Section 706 Comments, Exhibit I, declaration by William Shank *("Paceon Declaration")*, Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans, Third Report, CC Docket No. 98-146, FCC 02-33.

Respectfully submitted,

INFORMATION TECHNOLOGY INDUSTRY COUNCIL

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