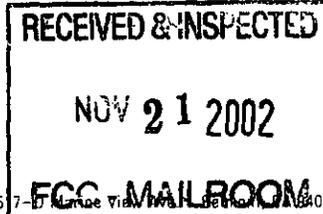




First World Connect
A Division of TGEC Communications



tel 1 800 829 4861 tel 650 596 7302 fax 650 654 0919 url www.firstwc.com

01-338

November 1, 2002

Commissioner Michael J. Cops
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

NOV 26 2002
Distribution Center

Dear Honorable Commissioner Cops,

I am a local reseller of telephone services. My company gives business and residential consumers a choice when they buy telephone service. I am writing to you today about the aggressive and intense lobbying and public relations campaign that has been mounted by the Bell operating companies to undermine local competition. I am especially concerned about the particular aim that they have taken at the pricing and availability of network piece-parts, which the federal Telecommunications Act of 1996 mandates the monopolies provide to competitors at cost-based rates in a package called the "Unbundled Network Element Platform" or "UNE-P."

The Bell operating companies, pressured by a multitude of market forces, are engaged in an unprecedented anti-UNE-P advocacy campaign characterized by threats, distortion, and political manipulation. I believe that their ultimate objective is to kill all competition, so that they can remonopolize the market for themselves. The Bells know full well that if they should be successful in getting the FCC to phase out UNE-P in favor of a "facilities-based" approach, then local competition to their services for small business and residential customers would effectively be destroyed. They know that these customers cannot be served by any facilities-based solution, due to the costs of three to six loops that are required for Facilities Based Service to function. This is why they are campaigning so hard to eliminate UNE-P! The elimination of UNE-P would clearly terminate choice of a telecommunications provider for small and medium size business and residential customers, as telephone services for the credit challenged market from companies like mine would no longer exist! The elimination of UNE-P service would effectively eradicate the sixteen hundred resellers in the United States that today provide competition to the Bells. Due to competition in Telecom, prices for telephone service have dropped for consumers, forcing resellers to look to UNE-P, with its associated revenue streams from Carrier Access Billing, and the FCC Approved Subscriber Line Charge, as the only way to survive. It is virtually impossible to exist in a competitive situation with the 21% margin (maximum) that is offered by the ILEC's under 'Resale', and offer a competitive price as well. This leaves UNE-P as the only avenue for local competition to survive.

Efforts by the Bells to eliminate the only vehicle for consumer and small business local competition, just as they push into long distance themselves, are classic monopolistic maneuvering tactics. The Bells are blaming UNE-P for "financial woes" driven by entirely different issues such as wireless substitution, poor investments on their part, and a depressed economy. They fail to tell regulators of the double-digit long distance market share they typically capture in the first few months of market entry, at gross margins that are twice the level of UNE-P based local service, or in the case of SBC, the excessive price that they paid to purchase Ameritech. The Bells tell an entirely different story to financial groups when they are seeking to borrow money, than they tell to the FCC and Congress, with regard to UNE-P competition.

I would like to remind you that both Verizon and SBC agreed to compete out of district to get merger approval. SBC built to 30 cities, staffed a national sales force, and Ed Whitacre swore to Wall Street in early 2000 this was not a sham. Billion dollar volumes were predicted. Verizon countered in the summer of 2000 with a \$1B+ offer for North Point, which would have given them over a thousand Central Offices across the country. This was the expectation under which Kennard had allowed the GTE and Ameritech deals to go through - serious SBC/Verizon competition. It's a matter of history that by December 2000, SBC laid off nearly all the out-of-district staff, and Verizon cancelled the North Point deal. I suggest that this behavior was a direct result of monopolies totally unable to face competition in the marketplace. They broke their promises to the FCC to compete with each other, and they don't want to compete with UNE-P providers either. Their goal is to simply remonopolize their own markets.

In Summary, the Telecommunications Act has finally begun to work, and UNE-P has finally evolved to become a workable economic model on which a future of vibrant communications competition can be built. To this end, it is essential for the FCC to allow UNE-P based competition to continue to develop beyond its nascent stage, and let market forces and technology drive the transition to facilities wherever and whenever it becomes economically possible, without artificial triggering mechanisms. If UNE-P competition isn't allowed to survive, the United States will return to a very few monopolistic providers, (the Bell Companies), which will cause prices for telecommunications services to increase - absent of any competition to check them, and millions of credit challenged customers, needing both business and residence services, will soon find their only viable suppliers of prepaid telephone service out of business.

Sincerely,

GEORGE T. HAYMAKER III