Thank you Mr. Chair,

Ladies and gentlemen…

It is a pleasure to be here on behalf of Verizon to present views on broadband infrastructure from a U.S. viewpoint. I am Wanda Walker Jansen, Director of European Government Affairs for Verizon’s representation office in Brussels. I oversee Verizon’s public policy and external affairs interests in Europe and work closely with our operating companies in several European states.

During the next few minutes I hope to convey Verizon’s key views on the importance of broadband infrastructure to future services and Internet access, second, to identify impediments to the deployment of broadband technologies and finally to promote a pro-competitive broadband policy in the United States.

A question was asked of me recently on why broadband is needed.

We’ve begun today’s session with discussing what broadband is in terms of speed, but the question of WHY still lingers in the minds of many who see narrow band technology delivering the services desired by most customers. The fact is…broadband represents increased economic opportunities for the IT, communications and content sectors. And, it proposes to enhance the convenience of online transactions and services by end-users —whether public or private sector, personal or professional.
In a Nov 29 2001 report entitled Broadband: Bringing home the bits”, the National Research Council, an independent panel of experts stressed the value of broadband technology not only to technology lovers but to a broad base of Internet users viewing broadband as an important communications tool.

Looking at infrastructure… high speed networks with connections to the Internet beyond speeds of 256 kbps (downstream) will enable the transmission of voice, data and video simultaneously. New services over broadband networks such as distance learning, tele-working and video on demand will not only be deliverable as they are presently, but on a scale and scope which will offer new operating solutions to companies and applications for consumer needs.

Investment in network infrastructure, routers, switches, web based applications and end-user devices will be a catalyst for economic growth with accelerated deployment projected to contribute over $500 billion annually to the US economy.

A key concern however, is whether the right market conditions exist to stimulate broadband build out by operators.

The broadband market, today, represents a competitive, yet nascent market with high speed Internet service for consumers spread over digital subscriber line, cable, satellite, and fixed and mobile wireless platforms. Cable operators have 6.2 million consumers or 73% of broadband connections in the U.S. market, while ADSL, including both incumbent and digital local exchange carriers (DLECs) make up 2.8 million or 29% of the U.S. market. In total over 9 million households have broadband connections also counting satellite and wireless connections.

ADSL, as many here know, is a technology that uses the high frequency portion of the cooper loop to provide high speed data services over the existing baseband voice service. Use of this technology by incumbent and competitive local exchange carriers has shown significant growth in a relatively short time, but not enough to keep pace with cable. Looking at the supply to rural areas, ADSL as a technology is constrained by distance limitations from the central office when the copper wire exceeds a 5 kilometer radius. Consumers with more than 5 kilometers of wire between
their location and the central office housing the DSL access multiplexor (DSLAM) cannot get this service.

In order to bring high speed services using DSL to these more distant consumers, a DSLAM must be placed closer to the consumers location in what is known as a remote terminal. Fiber optic cable must be run from the RT back to the central office to carry the high speed traffic generated by the DSL customers served there. Remote terminals house the electronics used for the fiber and DSL connections and provide the power and back-up power needed for continuous service. Needless to say, since these frequently are located in neighborhoods, it is desirable to keep them as small as possible.

Investment in fiber and remote terminals is important for making DSL-based broadband more widely available, and yet the extension of unbundling and collocation obligations to these new investments is deterring the needed investment.

Today… more Americans have access to cable broadband than DSL – 75 million households for cable versus 45 million having DSL access. 35 million households can get either DSL or Cable, leaving 10 million households with DSL as their only choice and 40 million with cable as their only choice. This data can be referenced in the November 2 2001 report on the cable market by JP Morgan.

Clearly something needs to be done to bring more competition to the 40% of US households with cable as their only choice, as well as the 20% who don’t have any wire-line broadband choices.

Many companies in the telecom sector are suffering serious financial setbacks, mostly due to high levels of debt and a shortage of new money from capital markets. This has inevitably lead to instability as companies restructure, consolidate and focus on becoming cash-flow positive. But let’s not lose sight of the fact that competition continues to grow, even as individual companies fail. Competitors continue to win market share from incumbents, nearly doubling year over year, and their revenues are rising accordingly.

The successful transition from regulated monopoly to competitive markets has been facilitated by regulatory tools such as collocation and unbundling. But these very tools that were so successful in opening the old telecom
market are now impeding investment in the new broadband market. Changes must occur to continue to allow competitive entry while also encouraging investment in facilities, by both the incumbents and new entrants.

The US congress is now considering legislation that would modify the regulations to eliminate this investment disincentive. It would remove the unbundling and collocation obligations for these new broadband investments, clarifying the rules providing regulatory certainty for both incumbents and new builders. The NTIA (part of the administrations Department of Commerce) has launched a request for comments from the industry regarding broadband deployment barriers and the Federal Communication Commission will soon be initiating a Notice of Proposed Rule Making on Broadband.

In conclusion, I believe that a new, pro-investment broadband policy which ensures the competitiveness of infrastructure and new services while eliminating burdensome regulation is essential if this nascent market is to flourish. In the U.S. experience, we have seen the success achieved by cable and wireless networks with no common carrier regulation and the difficulties experienced by incumbents in upgrading to new technologies in the presence of burdensome unbundling and collocation regulations. Where incumbent telcoms operators in the US have been able to deploy DSL, we see true facilities competition and no bottlenecks, at least on the telecom side. In addition...as new forms of broadband emerge based on terrestrial wireless (fixed or mobile) or satellite, we will see increasing benefits from competition and even less need for burdensome regulation on any one class of competitors.

In a quote by Nikil Jayant of the National Research Council, “Now is the time for the government to be patient and let the private sector continue investing in greater deployment of broadband so that more people can-and do make use of its capabilities”.

With that thought, I will close my presentation.