

**Remarks of Michael K. Powell**  
**Chairman, Federal Communications Commission**  
**Press Briefing on WorldCom Situation**  
**July 16, 2002**

CHAIRMAN POWELL: Thank you. Welcome again to everyone. I wanted to take this opportunity to make a couple of brief statements about the continuing WorldCom situation and give you an opportunity to ask any questions you might have given that the situation is a fluid one, and I think new speculations continue daily.

The first thing I wanted to say is that while we often debate the subtleties and sophistication of competition policy in the various things we do here, there is no greater sacrosanct role, either for carriers or the Commission, than to ensure the critical continuity of operations of those vital services for consumers, and critical consuming users, like the federal government.

So our focus has been principally and importantly on the importance of ensuring, to the extent that we can, that WorldCom continues to be a carrier that is able to continue its continuity of services for its critical consumer base, I think both in the traditional telephone services and the Internet services. And we have focused quite extensively on both our role, and in working with the company, to ensure that. In a minute I will say a little bit about what we've done in that regard.

But I want to emphasize this first and foremost: in our best judgment, at this moment in time, things look okay in that regard. That is, we don't think that the possibility of significant disruption in service is imminent, and we don't think that the current financial troubles, even if they lead to a bankruptcy situation, will present a catastrophic situation for consumers.

I can tell you that my experience, having visited the critical financial sectors in Wall Street, and having talked exhaustively with interagency governmental officials who also have acute interest in this, that that view is generally and universally shared, barring something else that might present a greater threat to that.

So I want to assure customers and consumers that, at least in our best judgment at the moment, the continuity of operations is in relatively decent condition.

I commend the company for its efforts in this regard, the financial sector, who I think has been astute and sensitive to that anxiety as well and the federal and State governments that have tried to do what they can to ensure that to be the case. That will be a continuing focus of the Commission: the critical importance of continuity of operation.

The Commission will also additionally continue to consider the deep and continuing problems that the financial crisis presents for the telecommunications sector more broadly. I don't need to remind any of you that the day before any us learned about these seemingly heinous acts, that this stock was trading near a \$1 anyway. There were problems in the telecom sector that were continuing to present stresses, and there was no sector who needed less to be kicked in

the gut than the telecom sector at this moment in time.

So we continue to be focused on what policy can do and regulatory authorities can do to continue to try to ensure the economic viability of competitors and the competitive visions that were imagined by Congress in the 1996 act.

Let me say briefly a little bit about what we have done.

Nearly a short day and a half after learning of this situation, we made an immediate decision to travel to New York. The purpose, principally, was to meet with that community that truly controls the financial circumstances of carriers in these environments.

It includes, among others, bond rating agencies who substantially impact the cost of capital for carriers like WorldCom. The discussion centered around not only WorldCom specifically but the sector more generally. There's been much debate about the rating of these carriers, and we wanted to gain a more intimate understanding of that, as well as open up a channel of communication that has not traditionally existed with a regulator with those agencies so that we have a better sense of those stresses and at least can keep our eye on the kinds of things that might trigger more significant problems for the public interest and for consumers.

We also met with members of the investment community whose confidence is critical to restore this area. We also met with banks who are holders of much of the credit that is critical to WorldCom and other companies' continued operations. And we met with a number of key telecommunications CEOs, not so much to discuss the specifics of their companies but to draw on some of their vast experience in helping understand the kind of challenges that we were presented.

As I said at the outset, we left with greater confidence that WorldCom was not about to go into cardiac arrest in the provision of services. The financial sector seemed to be quite comfortable about that as well. We will continue to stand guard and be vigilant about that. That was the purpose of that.

The other thing which has been going on for some time, again, perhaps not as visibly to your eye, but we have been engaged with our state colleagues for quite some time now as bankruptcies have become a more common part of our responsibility. And I say responsibility in the sense that traditionally this has been an area of limited focus of the Commission. Particularly, in the era of regulated monopoly, we didn't deal with a lot of potential and real carrier bankruptcies.

And so there is a very exhaustive dialogue going on between the Commission and state regulatory commissioners to discuss the role of regulatory authority in the context of impending or existing bankruptcy proceedings. There has been a great cooperation in trying to capture the experiences of regulatory authorities who have had to be in the middle of bankruptcy proceedings. We have evaluated our role in those proceedings and are trying to develop appropriate responses as they become more frequent, which they sadly have for the moment.

States are also working with us in an effort to keep a survey of what the impacts are on more of a market-by-market basis and the impacts on their particular states. And they've been really terrific in that regard, and we, again, had an exhaustive conference call on this just a few days ago in our continuing effort to do that.

The second thing that we are spending a lot of time on is working with other agencies within the United States government. You all have seen the press reports that I personally have been asked to serve on the Corporate Fraud Task Force that President Bush announced, largely in the role of a special advisor task force member who is in a position to help those that are investigating and pursuing cases, both criminal and civil fraud, and that are trying to restore confidence through the enforcement mechanism, have the benefit of our expertise in helping to put in context issues that are associated with the telecommunications sector and to provide advice and counsel about things that they may encounter in the context of their investigation.

We are not a criminal or civil enforcement authority; they're well aware of that. We don't imagine participating, which I think would be inappropriate, on the leading edge of criminal or civil investigations under the securities and banking laws. I think our role is perceived as helping them understand the kinds of things that they might encounter given that some of the investigations are in the communications sector.

We also, as a consequence of that, have recognized the importance of potentially establishing more formal procedures to allow for consultation and flow of information. Should something come coincidentally into our possession that would raise questions about violations of securities and banking laws, we would have a provision by which we would make those agencies aware.

We're currently exploring, for example, proposing formal "memorandums of understandings" with the SEC and perhaps with other government agencies that would facilitate and routinize the process by which we would make them available, things that we might encounter in the context of our regulatory responsibilities. As I said before, this is not something I think the Commission's had before it. It hasn't really had cause to. But I think that it's warranted at this point in time.

Finally, we have been working extensively in the interagency government process to really emphasize what the consequences are, and the importance of a carrier like WorldCom are, to both U.S. government policy, to the U.S. economy, to the U.S. competitive objectives. We have consistently urged those within governments to be quite conscious of the potential consequences and not inadvertently contribute to a self-fulfilling prophecy in which the company is harmed, not so much as a consequence of the wrong acts of particular individuals, but because of the reaction of government and its response to the situation. We continue to have a seat at that table and continue to express our concerns to be cognizant of those things.

Finally, two last things. Any time you have a situation like this, it's very vital to work with Congress. We have been in pretty exhaustive dialogue with key members of Congress about this situation, both in terms of understanding it, both in terms of their desire to understand our role, which we welcome the opportunity to explain, and I think that that's going quite well.

We also have been asked to explore whether we believe that the Commission needs any additional authority in the context of protecting consumers through potential bankruptcies. I can tell you that I have concluded, and yesterday specifically in a letter to Congressman Markey, invited Congress to consider an expansion of the Commission's authority to have a role in the discontinuance of service when classes of carriers are in bankruptcy.

We do have some limited authority dating back to the 1930s with respect to common carriers or particular classes of carriers. There are some growing concerns that some classes of carriers or certain types of services might not be covered. I have no problem whatsoever if Congress in its wisdom believes that that provision is inadequate, that it should be expanded, and we would be happy to enforce it.

But I would emphasize that I don't believe, contrary to some press reports, that the Commission is powerless without that authority. I think in every single bankruptcy situation that we've been presented with, we were an active and aggressive participant in the bankruptcy court, with the bankruptcy judge, in an effort to protect and transition consumers to new services.

In Excite At Home, for example, a company that's neither a cable company or a telecommunication carrier, but a traditional ISP to which 214 doesn't apply, we intervened both in writing and repeatedly with the parties involved in an effort to minimize the impact of a bankruptcy ruling that might have ordered prematurely a shutdown.

And, finally, the Commission itself, working with my colleagues, will consider whether to hold "en banc" or any other important information gathering vehicles in the Fall. I would not today announce that specifically, but it is something that I think we have under active consideration.

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