WASHINGTON (Reuters) - A U.S. appeals court on Friday upheld the Federal Communications Commission’s latest attempt to ease requirements that the large telephone companies lease their networks to competitors at government-set rates.

A divided FCC ruled in December 2004 that companies such as AT&T Inc. and Verizon Communications should only have to continue providing discount rates for rivals to serve business customers where competition is lacking.

Under the new rules for the residential market, the big carriers, known as the Baby Bells, would no longer have to provide the access to their networks that has allowed rivals to serve homes at a low price.

The FCC set a transition period for the new regulations to take effect. Still, the Bells and competitor Covad Communications Group Inc. appealed the decision.

"Because we conclude the commission's fourth try is a charm, we deny all of the petitions for review," a three-judge panel on the U.S. Court of Appeals for the D.C. Circuit.

The FCC has tried for almost a decade to set local telephone rules to promote competition for service, but the three previous attempts were struck down by the court.

"The commission is pleased that the court has upheld its pro-competitive rules governing network unbundling. The court's decision provides long-awaited certainty for the telecommunications industry and consumers," an FCC spokesman said in a statement.

To boost competition, the 1996 Telecommunications Act authorized the FCC to require, if necessary, the Bells to unbundle pieces of their networks so competitors could lease, repackage or use them to offer service.
Jim Kirkland, Covad's general counsel, said the decision added to recent stability in the industry and any price increases the company has seen were absorbed and did not have a material impact on its business.

Covad competes with Verizon and AT&T, but it also rents local telephone lines from these companies to sell business customers high-speed Internet links and Web-based telephone service.

"You've seen a whole new era of stability and greater increase in investor interest in the competitive sector," he said.

The earlier battles over the rules pitted the Bells against Covad and long-distance and telephone giants AT&T and MCI Inc. But in the last year, SBC Communications acquired AT&T and kept that company's name, while Verizon bought MCI, which ended much of the fight.