

Technology

Regional telecom firms oppose deregulation



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A telecommunications bill currently in Congress has competitive local exchange carriers and Internet service providers up in arms, fearing that passage of the bill would reinstate a monopoly for regional telephone companies.

The Telecommunications Act of 1996 prohibited the Baby Bells, regional telephone companies formed out of the breakup of AT&T, from offering long-distance service until they met certain requirements in opening their local markets to competition – basically, allowing competitors access to their networks at wholesale prices. Few have met the open standards and regained the right to sell long-distance service.

Supporters of the Tauzin-Dingell broadband deregulation bill, which was passed by the House of Representatives on Feb. 27, say Internet service is a different ballgame from voice communications and should not be subject to the regulations. The bill would allow the Baby Bells to provide Internet service without allowing competitors low-priced access to their networks.

Opponents believe the bill would not only take away the Bells' incentive for providing access to Internet competitors, but for competitors in voice communications.

Data makes up much of long-distance communication, according to opponents who say that further blurring the line between voice and data is the popularity of IP telephony, which conveys voice communication over a packet-switched Internet protocol network. Opponents to the bill believe it would effectively put the Bells back into the long-distance

market, eliminating the motivation to allow local competition.

“The danger here ... is if they are allowed to get in through the back door, they’ll never open up to competition,” said John Marsch, chairman and founder of TMC Communications, a Santa Barbara-based competitive local exchange carrier.

The bill was supported by four primary Baby Bells: Verizon Communications, Qwest Communications International, BellSouth, and SBC Communications, parent of Pacific Bell. They say the bill would allow them to get a return on infrastructure investments and increase broadband rollout, increasing competition among broadband providers.

Subhed: BELLS LEAD IN VOICE SERVICES, LAG IN DATA SERVICES The Bells and other incumbent local exchange carriers controlled 91 percent of local (voice) phone service lines in June 2001. Competitive local exchange carriers, or CLECs, had 9 percent, up from 4.5 percent 18 months earlier, according to a February 2002 report by the Federal Communications Commission.

The broadband market has more diversity. Of the 9.6 million high-speed lines reported in June 2001, cable made up 5.1 million of them. ADSL and other wireline made up 3.7 million, with Baby Bells and other incumbent local exchange carriers controlling about 3 million of those, according to another February 2002 FCC report.

This is consistent with a September 2001 report from Cyber Atlas, which attributed 3.6 million DSL lines to the four major Baby Bells. Including dial-up, there were 143 million Internet lines, the CyberAtlas report stated.

The broadband market has more diversity, with cable providing 55 percent of high-speed broadband connections, and 40 percent coming from ADSL and other wireline technologies, according to another February 2002 FCC report. Baby Bells and incumbent local exchange carriers controlled 80 percent of the ADSL and wireline connections.

The Bell companies say the deregulation bill would help them increase competition in the broadband market. Cable-based Internet providers and others with alternative access methods are generally not subject to similar regulations,

which supporters of the bill say gives cable companies an unfair advantage.

“They say there is competition enough in the local phone service, and not enough in broadband. It’s a ridiculous assertion,” said Jeff Buckingham, founder of Call America, a San Luis Obispo-based CLEC, and a past president of the California Association of Competitive Telecommunications Companies. “Nine percent of local phone lines are CLEC. By any scale of monopoly power, that’s not competition.”

“Our service is the anti-monopoly,” said Ryan Blair, chief executive officer of Santa Barbara-based wireless Internet service provider SkyPipeline. “The phone companies own the copper that goes to the locations. We go wirelessly ... bypassing their [network.]” Satellite and fixed wireless, making up 2 percent of high speed lines in June 2001, was the fastest growing broadband market according to the FCC report.

While some cable-based broadband networks are independent of the phone company infrastructure, others lease T-1 lines and would be affected like other independent ISPs if phone companies had the power and inclination to stop leasing to them.

Subhed: TAUZIN-DINGELL AND THE TELECOM ACT OF 1996 “The concern is [it’s] opening up the Telecommunications Act again – we’re not sure that’s a wise move. Do we want to let the phone companies out of their commitment to open their networks?” said Joe Camicia, vice president of government regulations for Charter Communications, a national cable company with service in San Luis Obispo County. “I don’t feel they should be in any new business ‘til they fulfill their commitment.”

Even though the Tauzin-Dingell bill defines broadband Internet service as “inherently interstate and international in nature,” it says that when the long-distance prohibition was created, “Congress recognized that certain telecommunications services have characteristics that render them incompatible with the prohibition ... and exempted such services from the ... prohibition.”

“High speed data services and Internet access services constitute unique markets that are likewise incompatible with

the prohibition,” the bill states.

Even though the bill doesn't call for allowing the Bells to provide long-distance voice service, opponents still see it as a violation of the prohibition.

“Overall, the biggest concern is it allows Bells to cross the service area boundaries before they prove the local markets are open. Do you let a dog out of a pen before he's taught to heel?” Buckingham said.

ANOTHER BODY BLOW TO THE TELECOM INDUSTRY
The bill, sponsored by Reps. Billy Tauzin, La., and John Dingell, Mich., is not expected to fare as well in the Senate as it did in the House of Representatives.

Marsch said even if the bill is killed in the Senate, the impression of instability in the telecommunications market could hurt competition by creating mental obstacles for investors.

“Wall Street has walked away from telecom industry. The bill makes it even more difficult – it gives a potential capital investor even more pause... It's one more thing you have to explain when looking for capital,” Marsch said. “It just deals another body blow to companies looking for capital to build out their network and compete locally,” he said.

Also pertinent to the broadband debate is a recently released Notice of Proposed Rulemaking from the FCC whether broadband is an information service or a data service. At this stage, the FCC has defined wireline broadband Internet access service as an information service with a telecommunications component.

As an information service, broadband could be freed up from federal regulation, Marsch said, although it would still fall under state regulation. Although the commission is still taking input, the decision in a Notice of Proposed Rulemaking often corresponds to the final ruling, he said.