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**From:** Bret Freedman  
**To:** Drema Johnson; Kathryn Brown; Robert Pepper; Sh...  
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**3 Stories Attached**

- (1)(AP) FCC Releases Study on Internet  
 (2)(San jose Mercury News)  
**Local politicians feel the heat of Pseudo - Grass Root Campaigns**  
 (3)(Chicago Tribune) Study: FCC's hands off policy Helps Net Flourish

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**(1)Monday July 19 2:42 AM ET****FCC Releases Study on Internet***By KALPANA SRINIVASAN Associated Press Writer*

WASHINGTON (AP) - The Internet has flourished in part because of the Federal Communications Commission's hands-off approach to regulating it, says a study released today by the commission staff. The working paper examines the commission's policies over 30 years and credits several of the commission's policies in helping foster the growth of the medium. It also recommends that the FCC follow a similar path in the future, considering only the minimum necessary regulatory action to address anticompetitive behavior.

For example, the study cited the commission's role in developing a reliable and affordable telephone system over which data services could be offered as enabling the Internet to prosper. FCC policies also have helped to keep dial-up Internet access costs down by exempting enhanced service providers from the access charges paid by other types of carriers.

Deregulation of the telecommunications equipment market has enabled users to connect their own equipment - such as modems - to access the network.

The paper also recommends that the chartered course of action continue into the future and advises against the FCC simply imposing regulations developed for old technologies on new Internet-based technologies. Instead, the study suggests that the commission should review those old services with any eye toward deregulation.

The commission still must be wary of anticompetitive behavior in the market, such as bottlenecks and tying up lines. But the paper urges that any responses should be at the bare minimum and should outweigh the costs of regulation.

The paper, from the FCC's Office of Plans and Policy, represents the views of individual staffers and are not official statements by the commission or its commissioners.

**(2)****Local politicians feel the heat of pseudo grass-roots campaigns**

ISPs, cable firms battle over access

BY JON HEALEY

Mercury News Staff Writer

San Francisco Supervisor Leslie Katz isn't an electrical engineer, but maybe she should be.

Katz and her colleagues on the board are in the middle of a highly technical debate over whether to force cable TV companies to open their high-speed Internet systems to competitors. AT&T Corp. and its cable brethren say no; Pacific Bell, GTE Corp., America Online Inc. and other Internet service companies say yes.

The issue reduces in the short run to questions about engineering and high-speed network management.

At stake, however, is whether the cable companies and their affiliates will have exclusive control over what may prove to be the least expensive high-speed Internet pipeline to homes.

Although only a handful of cities have taken up this issue, the stakes are so high that both sides are lobbying with an aggressiveness rarely seen by local governments. Like her counterparts in south Florida, Los Angeles and Portland, Ore., Katz has heard from a parade of lawyers, technical experts, callers, letter-writers and petitioners lined up by the dueling coalitions.

What she hasn't heard are the voices of San Francisco residents with high-speed "cable modem" service -- the people who would be affected most directly. That's because there aren't any, and there won't be with

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AT&T until it upgrades the cable network recently acquired from Tele-Communications Inc.

In fact, relatively few people have cable-modem service in any of the communities where this issue has been debated. Only about a million U.S. households have high-speed Internet access of any kind, although that number is projected to rise rapidly over the next few years.

The cable and phone companies are launching competing high-speed services in a growing number of cities around the country, with prices generally running between \$40 and \$60 per month. While the phone companies must open their networks to competing Internet service providers, the cable operators require all their customers to use their hand-picked Internet provider -- for example, AT&T affiliate Excite@Home Corp. of Redwood City.

### **Two tentative victories**

The Federal Communications Commission has taken a hands-off approach, so the phone companies and Internet providers have taken their case to local governments. They have won "open access" ordinances in two counties so far -- Multnomah County, Ore., and Broward County, Fla. -- but both are being challenged in court.

FCC Chairman William E. Kennard on Friday again called for local governments not to act, saying, "We have to have a national policy." He also hinted that the FCC would take jurisdiction over the issue, but he declined to give details.

Unless and until it does, local officials like Katz are left to sort through the issues and lobbying fog without much real input from consumers. The issue may be extremely important to home Internet users in the long run, but today it's barely dented the public consciousness.

Not that the two sides aren't trying to get consumers involved. They've tried to gin up concern with TV and print advertisements warning that the government wants to regulate the Internet (the AT&T-backed position) or that AT&T is trying to monopolize the Internet (the phone and Internet companies' position).

Katz's office recently received a number of calls from people urging "Supervisor Kate" not to regulate the Internet. The callers evidently had been given handwritten scripts to read by lobbyists for AT&T's side, she said, and they apparently mistook the "z" at the end of her name for an "e."

"They stopped when I informed their lobbyist that I found that singularly unpersuasive," Katz said.

In Los Angeles, Rohit K. Shukla, a member of the city's technology advisory commission, said both sides have "done their own building-up-of-the-consumers kind of thing, caused them to send letters to City Hall and so forth." He added, "Most of these people know nothing of this issue at all."

The tech-savvy Shukla knows a lot about this issue, and it's galled him to watch the pseudo grass-roots campaigns on both sides. At a recent public hearing, he said, AT&T's lobbyists were "picking people from the street, literally, who didn't know what cable was, let alone broadband, mouthing canned phrases that they were told to say."

AT&T spokesman James Peterson replied, "In response to our competitors' aggressive lobbying, we encouraged people who were predisposed to our position to speak out. Granted, some were more articulate than others."

The Los Angeles City Council hasn't acted yet on the issue. It's still reviewing a report from Shukla's commission that recommends against opening the cable networks to competing Internet providers.

In San Francisco, supervisors may take a position on the debate later this month. One major concern is that AT&T won't upgrade its cable network if ordered to give competitors access, said Laura Spanjian, a legislative aide to Katz.

### **Pulling out all the stops**

ther tactics -- some of them textbook lobbying, some unusual -- used by the two sides include:

Recruiting the local officials' friends and political associates to lobby them. Broward County Commissioner John E. Rodstrom Jr. said the cable companies' representatives tried to hire his two best friends to change his position. Although one of those friends agreed, the tactic didn't work: Rodstrom still voted in favor of opening the cable networks.

Rodstrom and fellow Commissioner Lori Parrish said that the two sides hired seemingly every major political organizer and fundraiser in the area as lobbyists, including the presidents of the local Democratic clubs and the "condo commandos" who help get elderly voters to the polls. "This is the worst I've ever seen," said 11-year-veteran Parrish, who added, "I think both sides used scare tactics."

Even U.S. Rep. Peter Deutsch, D-Fla., got into the act, calling the board's swing vote, Norman Abramowitz. Deutsch couldn't be reached for comment; Rodstrom said the congressman was aligned with the cable

operators against the ordinance.

Offering to pay the local government's legal fees. GTE Corp. has agreed to pick up at least part of the tab for defending Broward County against a lawsuit by AT&T. A GTE spokeswoman said the company agreed to do so because it's "a very small county with a very small legal office."

Bringing in local celebrities to present the case. Shukla said the host of a Los Angeles public-affairs TV show sent information packets to local officials, advocating the phone and Internet companies' position. Much of the material, he said, had been "pulled directly from the AOL submission to the city."

Katz said that she's also heard from a string of experts on both sides of the debate, giving conflicting views on how hard it would be to open the cable networks to other Internet providers. Nevertheless, she's felt compelled to consult even more experts -- ones with no stake in the debate's outcome.

"What it boils down to is, with the lobbying effort I get pieces of information," she said. "I feel very strongly . . . (that) no side is presenting the full picture."

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Study: Hands-off policy helps Net flourish

#### TECH NEWS

**Silicon Prairie** For complete tech coverage **Business** For our full business report Other stories and features available Other stories and features available **Associated Press July 19, 1999** The Internet has flourished in part because of the Federal Communications Commission's hands-off approach to regulating it, says a study released today by the commission staff. The working paper examines the commission's policies over 30 years and credits several of the commission's policies in helping foster the growth of the medium. It also recommends that the FCC follow a similar path in the future, considering only the minimum necessary regulatory action to address anticompetitive behavior. For example, the study cited the commission's role in developing a reliable and affordable telephone system over which data services could be offered as enabling the Internet to prosper. FCC policies also have helped to keep dial-up Internet access costs down by exempting enhanced service providers from the access charges paid by other types of carriers. Deregulation of the telecommunications equipment market has enabled users to connect their own equipment -- such as modems -- to access the network. The paper also recommends that the chartered course of action continue into the future and advises against the FCC simply imposing regulations developed for old technologies on new Internet-based technologies. Instead, the study suggests that the commission should review those old services with any eye toward deregulation. The commission still must be wary of anticompetitive behavior in the market, such as bottlenecks and tying up lines. But the paper urges that any responses should be at the bare minimum and should outweigh the costs of regulation. The paper, from the FCC's Office of Plans and Policy, represents the views of individual staffers and are not official statements by the commission or its commissioners.

CC: Audrey Spivack; David Fiske; Joy Howell; Linda ...

11. Within two years new spectrum space (including any future digital spectrum space) should be allocated for continued expansion of microradio broadcasters so that any community group that wishes to broadcast has access to available spectrum space (frequencies). Further, all manufacturers of consumer radio receivers for sale in the United States should be required to include this spectrum set aside for microradio broadcasters.

12. Licensing fees should be affordable to all communities.

Again, we commend Chairman Kennard and the Commission for your willingness to address these issues. We are hopeful that the creation of a new class of low power FM radio licensing becomes a reality during the Chairman's present term. We look forward to working on making the airwaves more accessible for our local communities.

Signed,

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