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- FOXNews.com

- April 08, 2010

Broad, Broader, Broadest Band -- The Key to Bringing Access to All

If FCC Chairman Julius Genachowski is serious about broadband to all, he and other policymakers must recognize the indispensable role that will be played by midsize telecommunications companies, not just the large traditional incumbents such as AT&T and Verizon.

FCC Chairman Julius Genachowski, policymakers in Washington and the American people share a laudable and broadly-supported goal: to expand broadband access to every household in the U.S. In the chairman's own words, "I believe we share a common purpose -- we want the Internet to continue flourishing as a platform for innovation and communication, with continued investment and increasing deployment of broadband to all Americans."

However, the road to broadband access for all is not easy, as there are many obstacles to overcome.

If Chairman Genachowski is serious about accomplishing this goal, he and other policymakers must recognize the indispensable role that will be played by mid-size telecommunications companies, not just the large traditional incumbents such as AT&T and Verizon. These other players will help with the continued expansion and adoption of broadband for a variety of reasons.

Midsize providers, companies such as Centry Tel, Windstream and cable companies such as Comcast and Cox, are often more experienced and better able to provide service to rural areas, where broadband services are desperately needed. Their business models are often tailored to smaller markets, which allow them to thrive and produce the best results.

Healthy midsize carriers are vital to ensuring economic success and job growth in rural and less populated areas. According to the Public Policy Institute of California, the relationship between economic growth and broadband expansion is stronger in areas with lower population densities, "consistent with the theory that smaller or more isolated areas may benefit more from high-speed connections, giving businesses in these areas access to larger markets."

The link between the Internet and job creation is also well documented. The Phoenix Center recently found the effect of Internet use on job searches to be significant, and Internet users are more likely to find jobs in the United States. The American Consumer Institute released a study that found network companies create nearly twice as many jobs as non-network companies. For every \$1 billion invested, network companies created 2,329 jobs, while non-network companies provided 1,199 jobs.

As the dominant corporations seek to shed their shrinking landline businesses, midsize carriers can fill the gap.

One critical tool though is the ability for them to engage in mergers and acquisitions. That is, with their lean cost structures, they can obtain landline businesses from bigger companies and still thrive. This will allow midsize carriers to invest in the infrastructure and technology to support 21st century communications in their market areas. By thus strengthening midsize carriers, we can ensure that providers continue to offer the basic services on which countless Americans continue to rely. Landlines still play a critical role in rural areas. Landline phone operators will continue to face line-loss as customers abandon traditional telephone service in favor of wireless options or phone service provided by cable companies. However, line-loss in rural areas and smaller markets occurs at a much slower pace than in urban environments.

One such example is the pending merger between several Verizon landline properties and Frontier Communications, which services suburban, rural and smaller city markets. Last May, Frontier announced plans to expand by acquiring landline properties from Verizon in 14 states. If the deal goes through, Frontier will become the largest rural telecom company in the United States.

The good news is that many state and federal agencies have already recognized the merits of this acquisition. There has been considerable progress both at the state and federal levels, including the Federal Trade Commission and the U.S. Department of Justice. Oregon, Ohio and Arizona recently gave their stamp of approval. Once the remaining state approvals are secured, the acquisition will go before the FCC for final review.

As the communications and technology sectors evolve, mergers and acquisitions will provide an important tool for providers adapting to new market realities. Any action to block efforts of midsize providers to pursue healthy expansion, especially in smaller markets where major providers have shown less interest, would be counterproductive and would hurt consumers. It would seriously threaten the expansion and quality of communications services vital to the health of our economy.

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