The following should be investigated and stopped: How Big Telecom Used Smartphones to Create a New Digital Divide

As the 2011 holiday shopping season geared up, the country?s leading mobile wireless carrier, Verizon, announced a special deal. For a limited time only, customers could get the popular HTC Droid Incredible 2 smartphone for free, if they signed up for a two-year data plan. Since the phone?s full retail price is usually more than $430, the deal meant a savings of more than $200 with a new contract. It features a four-inch touchscreen and eight mega-pixel rear camera, along with top-of-the-line video and one of the industry?s fastest processors. It?s everything you need to feel like you?ve got the Internet in your pocket, and for a fraction of the price of a computer. That?s a compelling selling point for many buyers, but particularly so among the black and Latino consumers who are so key to the now-massive smartphone market.

There are 234 million cell phone subscribers in the United States, 45.5 million of whom own smartphones. By the end of 2011, the consumer electronics industry is expected to bring in more than $190 billion. The industry?s trade group, Consumer Electronics Association, noted in June that smartphone sales are the market?s primary driver. They?re expected to bring in more than $23 billion in industry revenue this year.

A remarkable share of that revenue is coming from people of color, who are adopting smartphones at faster rates than white consumers and are doing far more with them. Research shows people of color are more likely to surf the Internet, send and receive messages, engage social media and produce or publish media on their phones. The reason for that, many say, is simple: It?s the most affordable way to get onto the information superhighway. A couple hundred dollars for an Android and a data plan is much less than $1,000 for a laptop computer and broadband connection.

Verizon, in particular, has targeted the massive and growing market among smartphone users of color, and not just with bargains. In 2010 the company unveiled its ?Rule the Air? campaign. One commercial featured a racially diverse cast of women making a series of bold statements, including: ?Air has no prejudice. It does not carry the opinions of a man faster than those of a woman.? And, ?Air is unaware if I?m black or white and wouldn?t care if it knew.?

The companies selling that air are certainly aware of race, however, particularly those selling Android phones. More than a quarter of black cell phone users have Androids, which is more than twice the number of those who use Blackberries and five times more than those who use iPhones. (Indeed, Colorlines.com?s own audience metrics show that if you?re reading this on a mobile device, you?re probably holding an Android right now.) In contrast, only 12 percent of white smartphone users prefer Androids. The retail price of the Droid Incredible is over $200 cheaper than the iPhone.

In an increasingly digital world, the relative affordability of smart phones have made them the bridge across the the Internet?s long-discussed digital divide. Nearly a fifth?18 percent?of African American

wireless subscribers use only their cell phones to get online, as do 16 percent of Latinos. Just 10 percent of whites say the same. While 33 percent of white subscribers use their cell phones to surf the Internet, 51 percent of Latinos and 46 percent of African Americans do.

?When you look at the groups that are more likely to say that they go online mostly using their cell phone, they tend to be most highly oriented around groups that have not had high levels of broadband adoption,? explains Aaron Smith, an analyst at the Pew Research Center?s Internet & American Life Project who has studied the smartphone market.

All of this market data is more than information-age trivia, though. ?Broadband adoption??or, creating widespread access to high-speed Internet in homes?is arguably the most significant challenge in our political, economic and cultural transition to being a linked-in nation. But the leading solutions for achieving it, both among D.C. policy makers and telecom executives, are likely to program racial injustice into 21st century life.

There are, in essence, two Internets emerging in the United States. The first is the one that?s driven innovation and commerce for the past two decades: traditional Internet hookups that connect wires to desktop computers and allow users to work, play and explore from the comfort of their home. That Internet is regulated?loosely, but regulated?by the federal government, which has issued rules that prohibit Internet service providers from interfering with their users? online access. Those rules exist as an implicit acknowledgement that the Internet isn?t just fun and games, but rather the central communication platform of the 21st century, an essential medium for everything from commerce to elections.

Meanwhile, mobile wireless is quickly taking shape as a second Internet, one in which people of color and users with little income are entirely dependent upon cell phone companies for access. That Internet is unregulated. Companies are free to do as they please with customers?they can control what users see, do and say online. And as the country grows more dependent on high speed Internet, the handful of companies who own its mobile version are steadily working to consolidate their power. Whether and how policy makers allow that to happen may determine who gets a voice in our 21st century economy, and who?s left as its prey.

America Online?and Mobile

Gaining access to the Internet is fast becoming a prerequisite for participating in civic and economic life. From education to politics to even basic tasks like renewing a license plate, the town square is increasingly virtual.

Take, for instance, the 14 million people out of work right now. Several large retailers require people to fill out job applications online. Home Depot, Target, Walgreens and Walmart?five companies that employ a combined 2.3 million workers in the U.S.?take applications online only. And while those 14 million job seekers are online applying for work, they?ll be wise to surf over to their state unemployment-insurance office as well. As more state workers are laid off, applicants for unemployment insurance are faced with longer waits and diminished support for paper applications.

The same goes for civic life. During the 2008 presidential election, then-candidate Barack Obama was widely celebrated for his campaign?s innovations in online organizing. The campaign

aggressively targeted voters between the ages of 18 and 29 on Facebook, and even built its own online social network to aid supporters in their efforts to get out the vote. In 2011, the president launched his reelection campaign with an online video and email to supporters titled, ?It Begins With Us.?

While television continues to be king in election messaging, the power of mobile political users continues to grow. A quarter of all Americans used their cell phones to connect to the 2010 congressional elections, according to Pew. That number is colored by race: while 25 percent of white mobile subscribers used their cell phones for political activities, 36 percent of black mobile subscribers used their phones to do things like tell others they had voted and keep up with election news.

For years, the gap between those who are connected to this electronic town hall and those who aren?t has been a hot topic. According to the Federal Communication Commission?s 2010 National Broadband Plan, half of all Latinos in the U.S. don?t have access to broadband Internet at home, while over 40 percent of African Americans are without high-speed Internet in their homes.

But as people of color have closed that divide with their mobile devices, they?ve moved into another uncertain realm. Already, examples of wireless companies interfering with content on their networks are mounting.

Verizon customers, for instance, learned the hard way in 2007 that they?re not in control of the content on their cell phones. NARAL Pro-Choice America, like many political candidates and advocacy groups, decided that year that text messaging was an effective tool to communicate with people who care about abortion rights. But Verizon disagreed?and decided its users wouldn?t receive NARAL?s texts. The company said that it had the right to block what it deemed ?controversial or unsavory? messages.

?Our internal policy is in fact neutral on the position,? Verizon spokesperson Jeffrey Nelson told The New York Times, in a rather confusing bit of Big Brother speak. ?It is the topic itself [abortion] that has been on our list.?

The uproar around that incident brought to the forefront an important question: should the information that travels along our networks in fact be ?neutral,? or can Internet service providers have a say in the content that?s available to their customers? The question of ?network neutrality,? as it is known, grew increasingly urgent.

The Obama administration?s answer to that question took effect on Nov. 20. That?s when the FCC?s net neutrality rules officially became law. The rules, established after years of contentious debate, created two separate, but unequal Internets. They do prevent telecom companies from playing favorites on the Internet?but only while users surf the Web on broadband connections. So in that part of the Internet, defined by how users connect to it, service providers like Verizon, AT&T and Comcast aren?t allowed to block content or create special Internet ?fast lanes? for users with money to buy entry to them.

But in the other part of the Internet, in which users connect via mobile devices, the FCC is ominously

silent. It?s an important oversight: As the Internet service market moves rapidly toward mobile phone networks, led by communities of color and those without resources to get broadband, there?s nothing to stop the companies that own those networks from doing whatever they please to either users or content. It may have been in bad taste for Verizon to block messages from NARAL back in 2007, but there?s no law against it.

The FCC?s net neutrality decision was widely understood as a classic Obama administration compromise. But something more lurks underneath it. As the debate has continued to rage, the federal government has found itself in a far from ideal position to wield authority. Decades of deregulation in the telecommunications market has eroded federal power over the industry, even as telecom companies have built up extraordinary power of their own.

Pulling the Plug on Regulation

To untangle how today?s phone companies became so powerful, it?s important to understand what happened in 1968. It was, of course, a turbulent year. America was being pushed into new social and economic terrain, and many people weren?t very happy about it. But it was a good year for one man: Thomas Carter, an independent inventor from Texas.

In the mid 1950s, Carter had begun to sell small devices that allowed people to attach two-way radio transmitters to their telephones. The machines were called ?Carterfones? and weren?t all that popular; between 1955 and 1966, only about 3,500 were sold worldwide. Carter had one big problem: AT&T?s monopoly. FCC Tariff Number 132 outlined that ?no equipment, apparatus, circuit, or device not furnished by the telephone company shall be attached to or connected with the facilities furnished by the phone company.?

Carter took AT&T to court for anti-trust violations, arguing that the company shouldn?t have a legal right to tell people which devices they could use on their own phones. On June 26, 1968, he won.

The Carter decision paved the way for answering and fax machines to enter America?s homes and businesses, but the broader implications were much larger: the tide was slowly turning against America?s phone monopoly. Across industries, new players wanted to compete in the telecom game. Just a few years later, another ambitious entrepreneur named Bill McGowan sued AT&T for anti-trust violations as well, arguing that the company was unfairly keeping competitors out of the market. In the fall of 1974, shortly after former President Richard Nixon resigned from office, Gerald Ford?s Justice Department joined McGowan?s suit, as the parties fought bitterly in federal court for almost a decade. In 1982, U.S. v. AT&T was finally settled. The company agreed to divest its local operating systems in exchange for the chance to go into the computer business. AT&T Chair Charlie Brown had as early as the mid 1970s seen the future of communication; it was to be in what he called the ?information age.?

The Reagan administration, meanwhile, saw another future?one defined by deregulated markets. One by one, the government relinquished its watchful eye over industries, including airlines, railroads, banking?and telephones. Industry, according to Reagan?s line of thought, would flourish if the government simply left it alone and let it work its magic. The game had indeed gotten more players, but there was no longer a referee to ensure that they played fairly.

AT&T?s local operating companies, known as ?Baby Bells,? split off largely according to geographic region. But over the years, they amassed their own power. Bell Atlantic, for example, eventually morphed into Verizon. Southwestern Bell Corporation went on to purchase several of the other regional operations, and eventually bought its former parent company, AT&T Corporation, in 2005.
Just as Brown had promised, these new telecom companies plunged into the computer business. Mobile phones were the result. But unlike land-line telephones, there is no ?Carterfone? agreement insuring that mobile phone companies play fairly with one another?or their customers.
In 2001, a Republican-led Federal Communications Commission made that challenge many times greater by divesting itself of power over what is increasingly the core function of mobile phones. In a crucial decision, the FCC classified broadband Internet as an information service, instead of a communications necessity. That means that in the government?s eyes, how and if people access the Internet is merely a matter of luxury. Telecom companies and their supporters now use that ruling to argue for the freedom that they enjoy in the wireless market.
?I think that what we see going on at the FCC is no different than what we see going on across the country,? says Amalia Deloney, policy director at the Center for Media Justice, a progressive media policy think thank based in Oakland, Calif. ?We?re in a political moment where anything that?s perceived as being ?big government? is trouble.?
Still, for most of the country, all of this is just wonkish political machination. We have phones. They work. And they seem to get fancier by the day. We call or text whomever we please, and generally say whatever we want. The decisions our cell phone carriers make behind closed doors don?t seem to matter all that much as long as we have the freedom to be heard. Problem is, that freedom is increasingly imagined, particularly for communities of color who are stuck in the wireless side of the Internet.
It?s a sad and seldom discussed truth of our information age. Sure, there?s a ton of information out there, but it remains out of reach to many of the communities that need it the most. And even when it is available, the companies that earn billions of dollars in profits from it also can dictate what gets seen.
Cyber Ghettos
Though we marvel at the latest iPhone or gawk at the speed of our new tablets, the truth is that most of our gadgetry is merely sugar coated over a set of decaying teeth. Those teeth are the Internet: a stunningly complex, yet remarkably physical thing that?s failing those who need it most.

Only 60 percent of households in America use broadband Internet service, according to a 2011 report from the Department of Commerce. Sometimes, it?s too costly. But in other instances, services just aren?t available or the infrastructure simply does not exist. Take Philadelphia. Comcast purports to offer complete broadband coverage to the metro area, but a 2010 focus group of local residents said that it doesn?t offer service to the city?s 81,000 public housing residents. Those residents have the option of choosing Verizon?s DSL service. But to do so they would also have to agree to the company?s phone package, which costs upwards of $100 each month.

The U.S. ranked a dismal 16th globally in the International Telecommunications Union?s 2006 evaluation of countries? efforts to connect households to broadband Internet. By 2009, a similar survey by Strategy Analytics found that the U.S. had fallen to 20th. South Korea topped the list, with 95 percent of its households having access to broadband.

Even those who are connected in the U.S. link up to a broadband that is slower than in countries with comparable economies. The FCC released data in 2010 that concluded actual broadband speeds in the U.S. are typically about half of the ?up to? speeds that companies advertise.
Everyone agrees that America?s broadband infrastructure is badly in need of an upgrade. But there are at least three distinct approaches to fixing it?one from the federal government, another from the telecom companies and yet another from advocates of the consumers who are caught in the middle.
President Obama has rested his legacy, rhetorically at least, on the country?s ability to get its act together on broadband. In his 2011 State of the Union address, the president outlined his administration?s ambitions when he said that the country is at a ?Sputnik moment.? In the president?s eyes, innovations in technology can be the economic driver that the country desperately needs. He emphasized that the goal of widespread high-speed Internet is about much more than relieving pressure on cell networks. ?It?s about a firefighter who can download the design of a burning building onto a handheld device; a student who can take classes with a digital textbook; or a patient who can have face-to-face video chats with her doctor.?
So far, Obama?s plan for creating that tech utopia has turned largely on selling public utilities to private companies. In February 2011, Obama released a budget proposal that called for the sale of wireless airwaves. The sales would generate an estimated $27.8 billion, $5 billion of which would go toward the development of a 4G wireless network in rural areas.

Industry?s vision, on the other hand, focuses on the idea that consolidation and deregulation are the keys to the future. Both AT&T and Verizon have come out strongly in opposition to the FCC?s net neutrality rules, weak though they may be. In 2009, the company sent a memo to employees asking them to oppose the FCC?s efforts. According to the letter, the Commission was ?poised to regulate the Internet in a manner that would drive up consumer prices.?
Both AT&T and Verizon sued the FCC to prevent the rules from going info effect, arguing that they would stifle innovation. The industry believes that it needs more power to fix the country?s wireless problems, not less.
Last March, AT&T took this argument a step farther than even its few remaining competitors, when the company announced its bid to acquire T-Mobile. The proposed $39 billion deal would further shrink the already tiny market of cell phone service providers in the U.S. But AT&T argues that the merger is a necessary step toward improving the national broadband network. The company recently withdrew its merger application, after widespread public criticism, a lawsuit from the Justice Department and skepticism from the FCC itself. But AT&T has vowed to forge ahead eventually.

In many ways, AT&T finds itself in a strangely familiar position. Back in 1968, when the government?s ?Carterfone? ruling helped usher in a new era of industry competition, AT&T was also dealing with customer complaints of poor service. The difference is that four decades ago, lawmakers were slowly inching away from the idea that one telephone company could adequately deliver communication service to an entire country. Today, the fight is to decide whether two companies?AT&T and Verizon?should own 80 percent of the wireless market.

Big Telecom?s Long Influence

If there?s been one constant in the telecom industry, it?s the extraordinary influence companies have in Washington. They?re D.C.?s most truly bipartisan, non-ideological lobbying force, spreading their money around everywhere from the halls of Congress to the advocacy organizations that represent communities? interests there.

Last spring, it was widely reported that AT&T?s charitable arm, the AT&T Foundation, gave large donations to several high profile civil rights groups. Those donations were scrutinized after several of the same groups gave vocal support to AT&T?s T-Mobile bid and opposed net neutrality regulations. The groups agreed with the industry?s approach to fixing the digital divide: Leave telecom alone, let it consolidate and it?ll be well positioned to connect everybody to broadband.

In 2009, the NAACP received a $1 million donation from AT&T, along with another million dollars from the Verizon Foundation and $300,000 from Sprint, according to tax returns. The National Urban League received $500,000 from AT&T in 2009, along with another $250,000 from Verizon and $250,000 from Sprint. GLAAD, which later rescinded its endorsement for AT&T?s merger, got $50,000 from AT&T.

The Communications Workers of America is one of the nation?s largest industrial unions, representing over 40,000 workers at AT&T and another 35,000 at Verizon. It also eagerly offered up its support for the AT&T merger, in 23 pages of reply comments submitted to the FCC in June.

All of these organizations defend their support of the merger and decry the insinuation that they?ve somehow been compromised by the industry?s donations. ?We need to argue the merits of the issue?what works, what doesn?t work?rather than attack groups who make the arguments,? Lilian Rodríguez López, president of the Hispanic Federation, told me last June. The Hispanic Federation submitted a letter with 14 other Latino advocacy organizations in support of the merger.

Meanwhile, comparatively little attention has been paid to the vast reach of telecom companies? money into the American political system as a whole. AT&T has given generously to federal-level politics over the past two decades. In a list of top corporate donors compiled by OpenSecrets.org, AT&T ranks second, with $47 million in donations since 1989, while Verizon comes in at 34th, with over $20 million. Time Warner makes the list in 33rd place with over $20 million in donations.

The House Subcommittee on Communications and Technology has a total of 28 members; all but four have gotten campaign donations of at least $1,000 from either?often both?AT&T or Verizon. In June 2011, 76 House Democrats signed a letter endorsing the AT&T deal. The plan, they wrote, would help realize President Obama?s vision for broadband adoption. All but five of them had previously received donations from the company. Twenty-nine of the signees were black or Latino

politicians who represent districts that are predominately of color, and in many cases poorly connected.

For media justice advocates, all of this money has crowded out the most important voices for success in the president?s Sputnik moment.

?We want a communications medium that?s more transparent so we can control how we communicate,? says Joshua Breitbart, director of Field Operations for New America Foundaiton?s Open Technology Initiative. Brietbart advocates for a multi-issue approach that improves both literacy and access among consumers. ?Right now we have an Internet that works for half the country, and we need those people who it doesn?t work for to design a new system.?

Going Public

Last summer, more than 300 people gathered in St. Paul, Minn., to do just that. They met at the National Rural Assembly, a convening in which advocates, progressive organizations and rural leaders discussed ways to improve life in some of the country?s more overlooked areas. In the FCC?s analysis, rural America is home to the country?s biggest digital divides. In places like northern New Mexico and parts of Montana, high-speed broadband simply isn?t available, and it would cost between $5 million and $20 million to build the infrastructure that?s needed to connect residents.

In a working group of about 20 people that was devoted specifically to the challenges facing rural America and its pursuit of broadband access, participants offered a policy framework that seemed anathema to industry?s love affair with privatization: defining broadband as ?community infrastructure.?

The central distinction in this approach isn?t so much about giving the federal government back the regulatory power it gave up with the FCC?s 2001 ruling. Sure, advocates think that?s important, as a first step. But the bigger defining feature of the community-centered approach is transforming how the Internet is regulated. It?s an ideological shift as much as it is a practical one; an approach that operates from the premise that the Internet is a public utility that was built using public funds and has become an integral part of how nearly every community interacts in the 21st century.

According to advocates of this approach, people should know their role in helping to shape the Internet, have access to federal subsidies when they can?t afford it and have some degree of local authority in if?and how?it?s adopted by their families.

?Just as electricity reshaped the world, high-speed broadband is re-shaping our economy and our lives,? the St. Paul group wrote in a four-point policy proposal in June.

The nod toward the country?s widespread adoption of electricity in the 20th century underscores another moment in which Congress used its authority to support the massive build-out of a costly utility nationwide. In 1936, President Franklin Delano Roosevelt signed the Rural Electrification Act and issued an executive order establishing the Rural Electrification Administration. The new agency offered low-interest loans to small, organized groups made up of farmers, lawyers and engineers to help them create their own non-profit cooperatives to build electricity. The effort was enormously successful: In January 1925, only about 205,000, or 3.5 percent, of the nation?s 6.3 million farms had access to centralized electricity. Ten years later, nearly 750,000 rural farms had electricity.

The electricity effort was based on the government?s view that electricity was a public good, and not just a private enterprise. For those embroiled in today?s fight for media justice, the struggle that?s ahead isn?t all that different.

?People of color have fared the best whenever media policy has promoted decentralized media systems,? says Joseph Torres, government affairs director at Free Press and co-author of the book ?News For All the People: The Epic Story of Race and the American Media.? ?Whether it?s radio or television or cable, are we promoting policies that allow the most vulnerable in our society to represent themselves, or are we just going to turn over the megaphone to the rich and powerful??