

The Outlook for the FCC and Broadband Not Good

There has been a series of recent events in telecom, broadband, Internet – cable, wireline and wireless – where the outcomes are going to harm customers and the economy. Worse, the FCC's National Broadband Plan looks to be a big disappointment, and that's the good news.

Here's what we were told: [FCC, National Broadband Plan, 2010](#)

"The United States must lead the world in the number of homes and people with access to affordable, world-class broadband connections. As such, 100 million U.S. homes should have affordable access to actual download speeds of at least 100 Mbps and actual upload speeds of at least 50 Mbps by 2020. This will create the world's most attractive market for broadband applications, devices and infrastructure."

Notice that this is to be accomplished by 2020.

A better name for the plan might be the "FCC's AT&T-Verizon-Comcast National Broadband Plan."

Verizon and [AT&T](#) have stopped upgrading their advanced TV networks FiOS and U-Verse, respectively; thus no network upgrades and, worse, no likely enhancements that would create more competition to cable. And the two giant telecoms stopped upgrading the state Public Switched Telephone Networks (PSTN), the essential state based-telecommunications utility networks, a long time ago.

Other countries, such as France, Japan, and South Korea are offering 100 Mbps services (in both directions) today, for the price of America's average speed of about 5 Mbps in one direction. One company in Hong Kong is rolling out 1gigabit speeds (1000 Mbps), also cheaper than America's fees for 5 Mbps.

As of the last FCC Internet report, the U.S. had 48,000 customers with speeds at least 100 Mbps in 1 direction or more. Rounded off, that's zero percent of Internet users, as the FCC claims there are 150 million Internet wireline and wireless connections.

If America's giant telephone companies are simply not upgrading the wireline networks, (including broadband upgrades), how will we get 100 Mbps speeds? Instead of catching up to the other countries – we are 15th or lower in the world in broadband, depending on the research cited – we'll just creep along.

In addition, more consolidation of the wireless companies is underway. [Verizon just cut deals](#) with the cable companies, including Comcast and Cox, to get billions of dollars in wireless spectrum that could have gone to potential cable company competitors. AT&T also just bought another competitor, Qualcomm. While AT&T's plans to acquire T-Mobile were blocked, AT&T and Verizon nevertheless have 75 to 80 percent of all wireless services as well as the the overwhelming majority of the wireline networks.

So what about competition to drive down prices and bring innovation? Forgeddaboutit. Over the years at every Bell merger the companies claimed they would compete "out of region" with each other for wireline and broadband but they never did. Worse, over the last decade they got the FCC to close down all competition using the wire, from local phone competition to DSL and Internet competition.

On top of this, we have the FCC National Broadband debacle. The FCC's plan, which is also part of the Universal Service reform, will [raise people's rates](#) multiple ways, including new fees and taxes, most of which will go to AT&T and Verizon. I estimate that \$50-\$75 billion dollars will be collected, costing individuals \$40-\$75 a year extra for phone service and costing small businesses \$150-\$300 a year or more. As of this writing there are no caps to business increases.

The kicker: The speed requirements of broadband enabled with the new funding are, well, a slap in the face. My personal favorites, which are from the National Broadband Plan: "wireless – 4G (768 kbps/200 kbps minimum at cell edge)" and "wireline – 4 Mbps/1 Mbps to all supported locations."

The fact is, the FCC under President Obama is as much controlled by the huge telecoms as it was under President George W. Bush. It has essentially been bought off by a phony campaign called "Connect 2 Compete," which was created by AT&T and Verizon to coordinate thousands of AT&T, Verizon and Comcast funded non-profits and so-called Astroturfs, or fake grassroots groups. It is not about bringing competition to America, regardless of the name.

The FCC's Technical Advisory Committee, dominated by the telecoms and the hardware, software and applications companies that have a financial relationship with the telecoms, are calling for closing down the Public Switched Telephone Networks, America's state-based utilities. And, relying on rigged data prepared by people and companies with massive conflicts of interest, the FCC action will remove federal and state-based consumer safeguards as well as increasing rates and taxes.

As it stands, the phone and cable companies will just go to bed and share the markets – i.e., the wires and the wireless in the hands of a 'communications trust.' Any would-be competitors, please close the door as you leave.

There are additional points:

Americans have already paid about \$340 billion for a fiber optic future that was supposed to serve almost 100 percent of the country and be completed by 2010. Connections, that is, have been paid in most states for every home, office, school and library, and municipalities were to be upgraded by then with a fiber optic service capable of at least 45 Mbps in both directions. Most state laws were 'altered' to give the telecoms massive financial incentives for these upgrades.

Also, and not widely discussed, is the issue of "Special Access." The phone company networks that handle broadband as well as wireless calls from cell phone towers are known as "special access." According to Economics & Technology's report, "Special Access Overpricing and the US, Economy," (2007) they had about an 80 percent rate of return (profits), which is only possible if they are monopoly products. Historically, the profit margin was to be 11.25 percent. But by inflating their costs, the companies set high rates for all broadband and wireless calling. Ironically, Special Access lines use the same copper and upgraded fiber wires; there's nothing special about them except for the out-of-control profits they generate for AT&T and Verizon. (We note that the FCC has not published the raw phone company data on this topic since 2007 to examine what happened since then.)

The regulator here is the FCC. But the FCC has unfriended you.

Projecting out – If AT&T and Verizon are not building 100 Mbps services, if wireless can't do it, if the wireline-wireless cabal are working with the only other wire, cable, where's the competition to drive down prices? Where's anyone going to build out the Public Telephone Networks of America, the utilities? Who's going to do anything faster than what we have today, which is essentially a tin can and string when one considers the needs of medical and scientific users, bringing competition to cable services, or ordinary folks who want to download movies?

The FCC, the phone companies and even the research agree that America needs fast broadband to compete globally. It also needs competition to lower cable prices, phone prices and wireless prices. America's economy is directly harmed by keeping broadband a scarce, expensive commodity.

Shame on the FCC for the snow job that is the National Broadband Plan, for working with the corporate-funded [Connect 2 Compete](#).

As for Verizon, its executives may need some help with facts. Chairman Ivan Seidenberg, trying to rebut a NY Times op ed by Susan Crawford, wrote, "The 2011 World Economic Forum global survey ranks the United States first in Internet competition." [Tim Karr of Free Press](#) checked the stats. He found that "the most recent WEF "Global Competitiveness" report (pdf) features its U.S. rankings on page 363. The good news is that America ranked first in the world for available airline seats. But our Internet rankings are terrible. We're 18th in the availability of the latest technology, 18th in Internet users per capita and 26th in Internet bandwidth per capita."

There is no force, not the FCC, not Congress, but most especially not competition to drive high-speed services in America at reasonable rates. While we hear of municipalities taking it upon themselves to bypass the dysfunctional incumbent, those aren't the norm in America. So, as the FCC raises your rates, adds new fees and the phone companies proclaim themselves the masters of the digital universe, it might be time to 'Occupy' the FCC.