Occupy Telecom, Occupy the FCC: How the Communications Trust is Harming America's Future

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In light of Major Mike Bloomberg's displacement of Liberty Plaza/Zuccotti Park, the Occupy Wall Street (OWS) campaign is spreading throughout the nation and the world. Most important, its critique of inequality is getting sharper and more systematic. Its core target has been the banking and financial-services industry, but activists are turning the spotlight on other, equally pernicious sectors of the economy, including the extraction, healthcare military and prison industries. Analyses of these industries reveal a common story: the fix is in.

The nation's communications industry traditionally escapes critical inspection. In our busy postmodern life, communications, like air, water and electricity, is essential, merely taken for granted. Whether making a phone call, emailing a friend, accessing information, paying a bill or watching a political debate or TV show, our telecommunications infrastructure is a vital link to others and the world.

On October 27 the Federal Communications Commission announced a reform plan of the Universal Service Fund (USF) as part of its implementation of the National Broadband Plan. The reform is part of the American Recovery and Reinvestment Act of 2009, President Obama's stimulus plan. Unfortunately, the USF reform plan is going to raise your phone, broadband, Internet and wireless rates in five new ways, all designed to give more money to the phone and cable companies.

Few have raised objections to the FCC's effort and one can only ask why? The answer is that the "communications trust" -- AT&T, Verizon, Comcast and other major telecom companies -- has taken control of the FCC, the agency that is suppose to "regulate" telecommunications and the media. The trust spends hundreds of millions of dollars annually buying off members of Congress, state legislatures and Public Service Commissions

(PSCs), maintaining an army of influence peddlers and subsidizing numerous think-tanks, astroturf groups and nonprofit organizations.

OWS has put greed on the political agenda and exposed how pervasive it is throughout corporate America. The telecom trust's use of the FCC to raise your communications rates is a direct pocketbook example of how corporate greed impacts each of us in subtle and not so subtle ways.

In order to stop the regulatory sham, Americans are urged to occupy the FCC and call for the breakup of the communications trust. On October 21, formerly striking Verizon workers and others picketed Verizon headquarters on West Street, then marched on a Verizon store on Broad Street and ended at OWS at Liberty Plaza. Now it's time to occupy the FCC as well as Verizon and the other companies that makeup the trust. (For profiles of key trust companies, see "The Telecom Scam: 5 Behemoths That Strangle Innovation and Ensure You Pay Too Much for Bad Service," AlterNet, November 11, 2011.)

Occupation works! Last year, enraged British taxpayers shut down Vodafone stores in England and Scotland and held demonstrations against the company in 10 cities. They were incensed that the company reportedly owed the government £6 billion in unpaid taxes; in the wake of the protests, it paid £1.25 billion. (Vodafone is part owner of Verizon Wireless.)

The universal slush fund

The Communications Act of 1926 established the original Federal Radio Commission that, in 1934, became the FCC. Repeatedly over the last 85 years, it has sought to strengthen corporate control and consolidation of both the telecommunications network (the "pipes") and the media (the "content").

The most disturbing illustration of this policy involves how the FCC, working with the post-Reagan deregulatory Congress, has put Ma Bell back together. A quarter-century ago, the old AT&T was formally broken up; today, two of AT&T's seven offspring, the duopoly of AT&T and Verizon, control both the nation's wireline and wireless services. Most egregious, in January 2011, it approved Comcast's acquisition of NBC-Universal; a few weeks after the decision, a FCC commissioner, Meredith Attwell Baker, took a job with Comcast. However, in July, the U.S. Court of

Appeals for the Third Circuit overturned an FCC effort to weaken cross-ownership rules that would allow big media companies to buy up even more local outlets.

The FCC established the USF in 1998 and is a 15-percent surcharge on all long-distance phone bills. It ostensibly helps subsidize phone and broadband services to 18 million people living in rural America as well as to schools and libraries. To date, it has expended $25 billion subsidizing phone service in rural areas; the real benefactors have been the long-distance carriers, AT&T and Verizon.

The FCC plan to increase USF fees was announced as part of a well-choreographed exercise in picking the American people's pockets. It will be accompanied by a much-hyped call for job creation and infrastructure build-out. However, the FCC will move to increase your telecom taxes, strengthen the telecom trust's control over the nation's information system and further retard America's global competitiveness.

In announcing the USF reform, the FCC's chairman, Julius Genachowski, finally acknowledged what the General Accounting Office (GAO) and others have long recognized: the USF is a slush fund for the telcos, where accountability is minimal and federal "regulation" essentially non-existent.

How out of control is the USF? The FCC does not audit the books of the phone companies. Some rural carriers get $10,000 a line or more in "high-cost" subsidies. In 2008, the FCC Inspector General found that in 2006 there was an overcharging error rate of 22.8 percent or $970 million. According to the Improper Payments Information Act (IPIA) of 2002, a significantly improper payment exceeds 2.5 percent of program outlays or $10 million.

Genachowski proposed to remake the USF into the Connect America Fund. According to the FCC chairman, the new fund "would ensure money is spent in a more targeted and efficient way, bringing greater fairness and benefit for consumers who pay into USF each month." The real winners of this "reform" will be AT&T and Verizon, which have long backed the change to subsidize the build-out of their fiber optic networks. About $7.5 billion in USF monies annually go to carriers, and over the last decade-plus, these companies have received sufficient state and federal subsidies to bring broadband to every American home but have failed to do so. The real question that the FCC and Congress refuse to ask is simple: why does this goal remain unmet?

The advisory scam

The FCC's October 27 announcement of a new fund was accompanied with fanfare about new jobs, economic growth and closing the "digital divide." However, the real purpose of the announcement will be to introduce a series of five new rate increases. The FCC may continue USF tax. In the broadband plan, the FCC identified five additional new taxes: (i) a new "Connect America" broadband tax; (ii) a new mobile communications tax; (iii) an increase in the FCC Subscriber Line Charge; (iv) a "rebalance of rates" that will raise local rates; and, adding insult to injury, (v) additional state and federal sales taxes. These rate increases are designed to add to telecom companies' bottom lines.

To legitimize the new effort to revise the USF, the FCC put together an advisory coalition consisting of industry and nonprofit representatives, dubbed "Connect to Compete" (CC). Like a nightmare version of the "Wizard of Oz," pulling back the curtain on the CC reveals that the wizards pulling the FCC's strings are none other then those it is mandated to regulate, the telecom trust of leading telcos and cable companies.

The CC program is modeled after a similar scam launched in 2000 known as Coalition for Affordable Local and Long Distance Service (CALLS). (You have to love these names.) CALLS is the model of "regulatory capture," the process by which telcos, working through astroturf shills, co-opted consumer groups, corporate-funded research firms, a compliant media, federal bureaucrats and generous campaign financing of politicians, have effectively taken control of the FCC's agenda. CALLS exemplifies how the artful use of a well-orchestrated and financed marketing campaign can fulfill corporate goals. (See "How AT&T, Verizon and the Telecom Giants Have Captured the Regulator Supposed to Control Them," AlterNet, January 8, 2011.)

With CC, the FCC has pulled together a diverse group of nonprofit groups including Boys and Girls Club, Goodwill and the 4H as well as Common Sense Media, Connected Nation, and the National League of Cities; AT&T, Verizon and Comcast support of the last three groups. More significant, however, it has recruited the telecom-backed Broadband Opportunity Coalition (BBOC) as its lead partner.

BBOC promotes itself as “a partnership of this country’s leading civil rights organizations that recognize the importance of bringing digital opportunities to minority communities.” Among its members are the Asian American Justice Center, National Council of La Raza (NCLR), League of United Latin American Citizens (LULAC), National Urban League and National Association for the Advancement of Colored People (NAACP), all recipients of telecom largess. It also includes One Economy, an international nonprofit backed by AT&T, Comcast and Time Warner, among others.

To further strengthen CC’s appearance of “transparency,” the FCC is working with the Media and Technology Institute of the Joint Center for Political and Economic Studies (MTIJCPES). The Institute claims to be “a catalyst for groundbreaking research and critical policy analysis on topics of concern to all Americans, especially African Americans and other people of color.” According to the FCC, it “will serve as the independent evaluator of Connect to Compete and will implement a longitudinal research plan that sets program metrics and assesses the short- and long-term impact of the initiative.”

Missing from the CC announcement was any mention of who are the Institute’s backers. This is in keeping with the three-card monte shell game that defines FCC “advisers.” Verizon, Comcast, Microsoft, National Cable & Telecommunications Association (NCTS) and CTIA, the wireless association, provided initial funding for the Institute. This is a replay of the telecom industry’s pimping of nonprofits in the AT&T/T-Mobile merger effort. (See “Shills R Us: Organizations That Get AT&T Cash Endorse its Mega-Merger with T-Mobile, ”AlterNet, June 22, 2011.)

Regulatory capture

Regulatory capture is endemic to corporatized American politics. Writing in *Bureaucracy*, the political scientist James Q. Wilson found that it “occurs when most or all of the benefits of a program go to some single, reasonably small interest (and industry, profession, or locality) but most or all of the costs will be borne by a large number of people (for example, all taxpayers).”

The FCC’s Connect to Compete advisory committee is an example of how regulatory capture works in telecommunications. The creation of special outside committees must conform to requirements of the Federal Advisory Committee Act (FACA). Nevertheless, these ostensibly “independent” advisory groups are the shell games through which political buy-in is orchestrated and corporate ends like rate increases and industry consolidation are achieved.

Influence is wielded through well-coordinated “skunkworks” campaigns. Telcos harness corporate-funded think tanks, often operating as nonprofit consulting firms, hire influential lobbyists, underwrite numerous nonprofit groups and buy valuable media time. In 2010, AT&T added some 90 lobbyists to its ranks, including former Senators Trent Lott (R-MS) and John Breaux (D-LA), both of whom served on the Senate Commerce Committee; it paid the Breaux Lott Leadership Group $120,000 to lobby the House and the Senate on "issues related to" the T-Mobile merger. And one shouldn’t forget Obama’s chief-of-staff, William Daley, a former frontman for SBC which is now AT&T.

In a devastating 2004 critique of FCC policies with regard to its recruitment of advisory committees, the GAO found that nearly one quarter (22 percent) of advisers did not provide advice and some advisers had no “telecommunications viewpoint.” Only about half (54 percent) of respondents to the GAO analysis found that the FCC took “the committees’ advice into account when developing policy.” In addition, even some trade groups said they had little influence on FCC actions.

In 2005, Teletruth filed a complaint against the FCC Consumer Advisory Committee because of the multiple conflicts of interests and ethical issues surrounding its use of nonprofit advisors. It revealed how many of the nonprofit groups were actually just fronts for the phone companies or paid by them through their corporate foundations.

A review of a handful of current FCC “advisory” groups reveals just how little has changed. Tom Wheeler, former CEO of the CTIA (the wireless association) and the NCTA (the cable association), heads the Technical Advisory Committee; non-telco companies (e.g., Apple) are the corporate partners of the telcos (e.g., iPhone is sold through AT&T and Verizon). The Consumer Advisory Committee has Verizon, CTIA, NCTA, Consumer Federation of America and something called the Digital Policy Institute (backed by AT&T and Verizon) on board.

The FCC uses advisory groups as window dressing to forge policy decisions that are developed in private and in collaboration with industry influence peddlers like Lott and Daley and think-tanks like ALEC. This has drawn the ire of Congress. It is currently considering legislation (HR 1320), introduced by Rep. Lacy Clay (D-MO) and House Oversight and Government Reform Committee Chairman Edolphus Towns (D-NY), to amend FACA. The proposed legislation is designed to make these panels more transparent and accountable, particularly with regard to committee members' conflicts of interest. Given the role of telecom lobbyists, one can assume this bill will die a silent death.

The racket economy

One of the insights of the ongoing OWS campaign is that American capitalism consists of a constellation of rackets. Each racket is distinguished by the self-serving, intimate interrelation of private corporate interests and the ostensibly "public" government, whether at the federal, state or local level.

Each racket involves a host of distinct businesses units, organized through both vertical and horizontal operations, and each charged with maximizing profit. For example, the telecom sector ranges from the handheld devise, the coolest "app" and the wireless and Internet connectivity as well as the infrastructure of cell towers on rooftops and lampposts and the wireline networks that knit together the nation's communications infrastructure. In turn, this includes the scientific and other specialists who provide technical expertise; the content suppliers who create and offer the content; the banking, VCs and stock traders who provide the financing to fund startups and the telecom conglomerates; and the army of wage and salary workers (including union members) who do the day-to-day work that keeps the system running. Each sector is a profit center, a part of the whole.

A combination of corporate finesse and government complicity defines the great capitalist racket. Corporate racketeers have effectively captured the Congress and the regulatory bodies ostensibly intended for their oversight. As a consequence, no one is protecting the public good.

Nothing better illustrates how this racket is being played out than the FCC's National Broadband Plan. Unveiled in 2010, it is conceived as a roadmap for U.S. broadband modernization for the coming decade, involving everything from public safety, education, health information technology, wireless spectrum and the economy. The revision of the USF is part of this bigger initiative.

The plan's most ambitious goal is, within the next five years, to get 100 million Americans hooked up to broadband service with speeds of 50 Megabytes per second (Mbps) downstream. As of Q-2 2011, the U.S. ranked 15th globally in average connection data rate speed, averaging only 5.3 Mbps.

The FCC's recent Internet speed report reveals an even more pathetic situation. It noted that 84 million Americans had an Internet connection at the end of 2010 and defined "broadband" as a one-way, downstream speed of 200 Kbps (1/5th of a Mbps), thus including anything with a string and two tin cans. Nevertheless, only 1.2 million have rates above 25 Mbps; only 48,000 have speeds "at least 100 Mbps"; only 9 percent of the population has speeds over 6 Mbps and only one half of that can do an upstream speed of "at least 3 Mbps." The clock is ticking. (The FCC report is here.)

It is now time to Occupy Telecom and Occupy the FCC. Those involved in OWS efforts in New York and throughout the country are on the front lines addressing major political issues and pocketbook issues. They are showing that the fight against greed and corporate control of the regulatory process needs to take place at all levels of government. It is time to view each industry's problems as being caused by a similar process of regulatory capture and self-serving corporate greed -- and to confront it. This can be done by showing up at OWS actions, occupying the FCC and telecoms as well as by undertaking virtual sit-ins that stop business as usual. America's very future is at stake.