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In this issue, the FCC focuses on wireless boom; MCI announces new VOIP service and massive job cuts, and Fitch Ratings says VOIP will "... materially erode local exchange revenues over the next decade." Verizon CEO Seidenberg calls on Congress to enact new broadband policy. MCI President and Chief Executive Officer Michael Capellas looks to "all-IP future." In Pennsylvania, a Cleveland-based ISP announces move to Pittsburgh and The Philadelphia Inquirer looks at the growing competition in the wireless market. A milestone has been reached as the number of broadband subscribers in the United States has passed the amount of people who subscribe to America Online or one of its affiliates

From The Papers

Verizon Chairman and CEO Ivan Seidenberg calls on Congress to create a new policy for the broadband era.

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Broadband users now out-number AOL subscribers.

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Fitch looks at impact of VOIP on local exchange carriers.

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MCI will cut 7,500 after posting 1st quarter loss.

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MCI President and Chief Executive Officer Michael Capellas looks to "all-IP future."

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Expedient Holdings USA LLC to move to Pittsburgh.

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'Plenty competitive' wireless market gets a market education.

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FCC Forum to Examine Surge in Wireless

A spokesman for the wireless broadband equipment manufacturer, Alvarion Inc., says there are two things the Federal Communications Commission (FCC) should take away from its Wireless Broadband Forum in Washington on May 19: increase spectrum availability, and don't regulate the industry.

"We're not the only ones saying this by a long shot," said Dan Guitteau with the California-based Alvarion. "Nearly everyone in the industry has been getting that message across."

[Just this past week, the Commission did announce it would make vacant TV channels available for wireless broadband use. See story below.]

The Forum will examine the economic, regulatory, and technological factors that impact the deployment of wireless broadband services, according to the FCC's website. Wireless broadband business, technology, and regulatory experts will share their knowledge, experiences, and views on the future of the industry. Subjects covered will be "Wireless Broadband Technologies and "Barriers to Entry into the Broadband Market."

The forum couldn't be timelier. The deployment of wireless broadband is surging nationwide, with some of the most dramatic advancements in rural areas. One rural county in Maryland, for instance, used Alvarion equipment to offer wireless broadband access throughout the entire county.

"The county is using it for its own needs, but they can also offer broadband access to 95 percent of residents and 100 percent of the businesses in the area," Guitteau said. "You're going to see more and more municipal governments, especially in rural counties, offering this service at a competitive price."

At least part of the reason for the growth in wireless is a stifling regulatory climate for the wireline end of the business, according to Verizon Chairman and CEO Ivan Seidenberg. Seidenberg told the U.S. Senate Commerce Committee this past week that Verizon's wireless business is growing at an annual rate of 21 percent. The regulated wireline business declined nearly four percent from the level of the previous year.

"Even in the face of shrinking wireline business, Verizon has been willing to invest because we expected a move to a more stable regulatory environment," Seidenberg told the committee. "Unfortunately we see the practices of the last eight years becoming permanent."

Vacant TV Channels Will Be Available for Broadband

In an initiative to increase the use of radio spectrum to provide greater service to the American public, the Federal Communications Commission (FCC) is proposing to allow unlicensed devices to operate in the broadcast television spectrum at locations where the spectrum is not in use by television stations. In order to ensure that no interference is caused to TV stations and their viewers, the Commission proposed to require unlicensed devices to incorporate “smart radio” features to identify unused TV channels.

“We continue to examine ways to advance broadband deployment and further the goal of universal access,” said FCC Chairman Michael K. Powell. “...notice of Proposed Rulemaking proposes a smart solution that would expand the availability of spectrum for new advanced and innovative services.”

The proposals advanced by the Commission are intended to allow the development of new and innovative types of unlicensed broadband devices and services for businesses and consumers by utilizing vacant spectrum that is particularly well suited for these purposes. Due to the physics of signal propagation, transmissions in the TV band can travel farther and can better penetrate into buildings than transmissions in the spectrum where existing unlicensed wireless broadband operations are permitted. As a result, allowing unlicensed operations in the TV bands could benefit wireless internet service customers by extending the service range of current providers’ (WISPs) existing operations, particularly in rural and underserved areas. The Commission believes that by carefully tailoring this initiative to protect incumbent television service, it provides a balanced proposal for the American public, for WISPs and for television station operators. These proposals also have the potential to provide benefits to broadcasters as well, as they may facilitate the provision of interactive TV services.

In the Notice, the Commission proposed to classify the unlicensed broadband devices that could be used in the TV bands into two general functional categories. The first category would consist of lower power “personal/portable” unlicensed devices, such as Wi-Fi like cards in laptop computers or wireless in-home local area networks. The second category would consist of higher power “fixed/access” unlicensed devices that are generally operated from a fixed location and may be used to provide a commercial service such as wireless broadband internet access. The Commission proposed to allow both of these types of operations in the TV spectrum, provided appropriate measures are taken to ensure that operations are limited to unused TV channels. Different interference avoidance requirements are proposed for these two different types of unlicensed broadband applications. These proposals should provide flexibility to permit a wide range of unlicensed broadband uses and applications and ensure that the most appropriate and effective mechanisms are in place to limit such unlicensed use to only unused TV channels.

FCC Reaffirms 2001 Rules on Fees Paid to CLECs

Following up on an April 2001 order, the FCC last week clarified rules governing the access fees that interexchange carriers pay competitive local exchange carriers, CLECs. The original rule stemmed from some local competitors charging excessive interstate access fees.

The Commission's 2001 order attempted to resolve a long-running industry dispute between the long distance carriers and the CLECs over the rates that the CLECs may tariff, or charge, to the long distance carriers for access to the CLECs' end-user customers. The Commission's Order permitted the CLECs to tariff access rates only up to a Commission-set benchmark. CLECs may charge more than the benchmark rate for their access service only if the long distance carrier agrees to the higher rate in negotiation.

The ruling this past week reaffirms the benchmark regime adopted in 2001, denies a number of petitions for reconsideration that would result in increased access rates, and clarifies several issues to provide greater regulatory certainty to CLECs and IXCs, including:

- A CLEC is entitled to charge the full benchmark rate if it provides an IXC with access to the CLEC's own end-users.
- The access rate a CLEC charges for access components when it is not serving the end-user should be no higher than the rate charged by the competing incumbent LEC for the same functions.
- The "competing ILEC rate" for a CLEC switch is the end office switching rate when a CLEC originates or terminates calls to its end-users and the tandem switching rate when a CLEC passes traffic from one carrier to another.
- A pre-subscribed interexchange carrier charge (PICC) may be imposed by a CLEC qualifying for the rural exemption in addition to the rural benchmark rate if, and only to the extent that, the competing incumbent LEC charges a PICC.

Verizon Customers Can Carve Private Network Out of Shared Network in Cost-Effective Move

A new service launched by Verizon will allow customers to create a virtual private network in a shared system, according to a spokesman for the company. The new cost-effective service, IP-VPN, is aimed at businesses, schools, banks, and government agencies with multiple locations.

“This is the first advanced IP data service over our new national broadband network,” said Kevin Irland, a spokesman for Verizon. “We expect the service to be available in 35 major markets by the end of the summer.”

The service is currently available in Pittsburgh, Philadelphia, Baltimore, Harrisburg and other locations in the mid-Atlantic. But Verizon plans to move quickly beyond its traditional service area, into markets in the Midwest and West.

Under the new service, Verizon is offering two service quality options -- basic and premier. Verizon also supports IP-VPN service with service-level agreements (SLAs) for both the local and long-haul portions of the company's network.

Verizon said its new IP-VPN service supports standard industry routing protocols, as well as Cisco's proprietary Enhanced Interior Gateway Routing Protocol (EIGRP). The company has spent \$15 million to deploy an automated provisioning process

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