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For more information, contact John Kennedy at [Johnk@pabroadbandnews.com](mailto:Johnk@pabroadbandnews.com)**

*In this issue, the industry is left grappling with last week's U.S. Court of Appeals decision on FCC rules for network sharing agreements. Pundits across the political spectrum are wondering, first, whether the Bush administration will intervene in the case and, second, whether telecom policy will emerge in the 2004 Presidential campaign. Solicitor General Theodore B. Olson has until June 15 to decide whether to appeal the ruling that would void regulations that govern the commercial interaction between phone companies. In the industry, Vonage has cut the price of its starter kit for Internet phone service; LecStar Telecom Inc. will test a broadband, VOIP service over power lines with an un-identified regional electric company; and a new round of surveys and studies shows that broadband wireless and VOIP markets will continue to grow. In Pennsylvania, Verizon announces a move to increase "...the outgoing speed of its residential and small-business DSL service to a rate that is 50 percent faster than competing cable-modem service offered by Comcast," reports The Patriot-News. The Morning Call looks at AT&T's CallVantage service and says it is "nothing less than a breakthrough."*

## **From The Papers**

Verizon's DSL users get faster Net links.

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The Washington Post: "The Bush administration is being forced to take sides in one of the longest-running and most consumer-sensitive feuds in corporate America, between long-distance telephone companies such as AT&T and MCI and regional phone giants, including Verizon, BellSouth and SBC Communications."

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Vonage cuts cost of VOIP starter kit to \$30.

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LecStar Telecom to test broadband service and VOIP over power lines.

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Ten percent of all broadband subscribers will use broadband VOIP by 2008.

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CWA petitions the FCC to treat VOIP as a telecommunications service.

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Global Crossing makes case for VOIP reform.

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Regulators eye host of broadband wireless issues.

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McCaw unveils wireless broadband service.

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AT&T adds big name to Internet calling.

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## **Federal Court Rebuffs Telecommunications Regulators, Declaring No Delay in Implementation of March 2 Ruling**

The U.S. Court of Appeals for the District of Columbia has rejected a request from the Federal Communications Commission (FCC) and a number of state regulatory commissions that it delay implementation of a March 2 ruling that in effect said the FCC erred in giving state regulatory bodies the authority to set access rates that competitive carriers pay to Verizon and other regional phone companies. The rules are scheduled to lapse on June 15.

State regulatory bodies, the FCC and competitive carriers (CLECs) are almost certain to appeal the decision to the U.S. Supreme Court, beginning with a request that the High Court block the expiration of the rules. Industry officials said, however, that consideration of an appeal by the Supreme Court is more likely if the Justice Department decides to join in the appeal. That decision could in turn rest on the Solicitor General, Theodore B. Olsen. Thus far, Olsen has give no indication where he – or for that matter the White House – stands on what has become the center of the debate over local phone competition.

The rules grew out of the 1996 federal law that deregulated the industry. The CLECs insist they need the access to the networks and the low rates to compete effectively in the marketplace. Verizon and other incumbent carriers contend that in many instances the rates are so low that they are losing money leasing the networks. Moreover, they say that advances in technology in the industry have made the leasing of networks unnecessary.

In the face of intense lobbying from both sides on the issue, the White House has remained quiet, almost secretive, about which direction it will move. Any decision, or no decision at all, is likely to result in negative publicity for the administration. The trade association for the CLECs, has prepared political commercials against the President if the Solicitor General, Olsen, takes not action.

Even if Olsen does decide to join in the appeal process, it's unlikely it would be successful. The rules have already been struck down twice in federal court, and the Chairman of the FCC, Michael K. Powell, opposes the rules, even though a majority of the members of the FCC, three of five, favor keeping the rules in place.

### **Timing Unclear Regarding FCC Decision on Nextel Request for Band Space**

Regulatory officials in Washington say that have no idea on when the Federal Communications Commission (FCC) will rule on a Nextel request for a different and larger portion of air space so that its walkie-talkie wireless service won't interfere with police and other public service calls. The issue over the interference and the possible solution has dragged on for nearly five years.

“Nextel is offering a deal that it will pay for all the re-banding necessary when it moves to other part of the spectrum,” explained one FCC official. “Other carriers though feel that Nextel shouldn't just be offered the airspace. It should be auctioned off.”

Other carriers say that Nextel would be underpaying for the air space and tipping the industry's competitive balance in its favor. In the past, the FCC appeared receptive to Nextel's plan. In April, three of the five commissioners voted in favor of the proposal. But recently Nextel was set back when FCC Chairman Michael K. Powell rescinded his vote, effectively buying time for negotiations on a compromise that Nextel's rivals support, sources close to the commission confirmed.

The battle over the airwaves comes at a critical time for the industry. After consolidation, the nation's remaining wireless phone companies have been slashing prices to win customers for the long term. Nextel, the smallest national wireless operator, is the only one that does not have a large, deep-pocketed phone company for a parent.

*For more information, contact John Kennedy at*

*[JohnK@pabroadbandnews.com](mailto:JohnK@pabroadbandnews.com)*

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