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In this issue, the Bush administrations stays out of court battle over access to Baby Bells' networks, sparking a new round of debate over competition and pricing. FCC Chairman Powell promises to try and "temper" any rate hikes as a result. The Associated Press, meanwhile, reports that the VOIP price war is on. In the industry, it's all about Wi-Fi hot spots, says The NY Times. The Times also looks at the major telecoms and their foray into VOIP. Meanwhile, wireless broadband access continues to grow as a viable option; and a town in New York is considering a plan to offer residents high speed Web access over the power lines. In Pennsylvania, officials are debating impact and next steps in wake of PUC UNE decision and officials are debating possible tax breaks for Comcast in Philadelphia. Finally, Veronica A. Smith will become the Public Utility Commission's (PUC) Chief Administrative Law Judge later this month.

From the Papers

FCC Chairman Powell says he'll try to temper rise in phone rates.

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AP: The price war for Internet phone service is on.

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NY Times: "As much as 30 percent of homes in the United States and Britain could subscribe to Internet-based phone services in the next three years if major telecommunications companies offer services similar in price and quality to traditional phone connections, according to a new survey by Mercer Management Consulting."

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The NY Times looks at Wi-Fi hot spots.

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All wireless all the time.

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Bush administration's decision not to appeal phone ruling, "...adds confusion to an industry already being roiled by technological changes, as wireless phones take off and Internet calling becomes a reality" reports The Boston Globe.

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NY town considering Internet access through outlets.

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Post-Gazette: "Philadelphia roiled by plan for Comcast tax breaks."

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AT&T continues to expand VOIP services.

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CLECs Bemoan Latest Developments Regarding Access; Verizon Says Avenues to Competition More Available Than Ever

In a recent letter to Governor Rendell and key members of the General Assembly, a group of competitive carriers (CLECs) stated that recent decisions both at the Federal Communication's Commission (FCC) and in the federal courts has threatened competition for both broadband and traditional "voice" services.

"This is a time of great uncertainty in the industry, and there are a number of factors you should consider before making decisions on any telecommunications legislation," the letter stated.

But a Verizon spokesman said that recent developments on the federal level will serve to restore stability to a telecommunications industry that has been undermined by below cost pricing mandates.

"Claims that the recent decisions are undermining competition are patently false," said Verizon spokesman, Harry J. Mitchell. "Rather, the federal actions may force companies to get serious and negotiate with us for rational wholesale pricing, bringing even more competition to the industry."

The claims and counter-claims stem from last week's decision by the Bush Administration not to seek a Supreme Court appeal of a federal district court decision that invalidated the rates that state regulators established for CLEC access to networks build by Verizon and other incumbent carriers. The incumbent carriers have long maintained that the rates don't even cover the cost of providing the service. The March 2 ruling by The U.S. Court of Appeals for the District of Columbia is scheduled to be implemented on June 15.

(Separately, the Chairman of the FCC Michael K. Powell has indicated that the Commission will work on re-writing the phone leasing rules.)

The decision by the nation's Inspector General Theodore B. Olsen not to ask the Justice Department to appeal the March 2 ruling prompted comments from a number of CLECs that they can't compete without the lower access rates, and that the local phone industry would revert to a monopoly controlled by the incumbent carriers.

Advances in technology alone will prevent the phone industry from retreating to a simple monopoly, Verizon points out.

"Wireless calling, instant and text messaging, e-mail and Internet-based phone services -- as well as cable modems, WiFi, WiMax and satellite high-speed Internet access -- have totally changed Pennsylvania's telecommunications landscape," Mitchell said. "This sea change has led to tremendous competition that only will grow in intensity."

Mitchell added that the competition among many providers of communications services using a variety of delivery methods constrains the retail price for the flat-rate, call-anywhere packages that are increasingly the option of choice for customers.

One area where the two sides do agree -- at least in part -- lies with Voice over the Internet Protocol (VoIP). In its letter to Governor Rendell and state lawmakers, the coalition of CLECs stated that some members of Congress wisely are promoting a hands-off approach to regulating VoIP. "...earlier this year, the Pennsylvania Public Utility Commission chose to follow the lead of those at the federal level. We encourage you to do the same as you debate and consider the many proposals that are before you this session," the letter stated.

Mitchell said that Verizon agreed that VoIP should be allowed to develop in the market place unencumbered by regulation. But he noted that many VoIP calls are originated or terminated on the public switch phone network. "Local phone companies must be allowed to recover those costs," Mitchell said. "Competitive carriers should not be permitted to skirt their responsibilities there."

Smith to Take Over as PUC's Administrative Law Judge

Veronica A. Smith will become the Public Utility Commission's (PUC) Chief Administrative Law Judge (ALJ) on June 25, a move welcomed by many in the regulated community.

"She isn't the type who is going to come in with a set way of approaching regulation," said one phone company official. "I expect her to be impartial and broad-minded, something you need in a competitive environment...she does not have an old-fashioned regulatory mind set. "

Smith replaces Robert A. Christianson, who is retiring as Chief ALJ after 30 years with the Commission. She currently works as the Commission's Executive Director. The Commission also appointed Deputy Executive Director Karen O. Moury as Acting Executive Director, effective June 28, until a permanent successor can be named

Smith began her career with the PUC in September 1977. She previously served as Deputy Executive Director; Deputy Chief Counsel in the Commission's Law Bureau; Assistant Counsel with the Commission's Rates Division of the Law Bureau and the Office of Trial Staff; an attorney with the Office of Special Assistants; and Staff Counsel to a Commissioner.

Smith also led the PUC's technical team that advised the Commission through the implementation of the nation's model electric-competition program.

Moury was appointed Deputy Executive Director on March 28, 2002, and has more than 20 years of service with the Commonwealth. She previously served as Deputy Chief Counsel of Energy; an attorney for the Pennsylvania Small Business Advocate; and an Assistant Counsel in the Commission's Law Bureau.

The Executive Director oversees all of the Commission's operations, including nearly 500 employees, 12 Bureaus and five offices across Pennsylvania. The Executive Director serves as the management link between the Commissioners and the Bureaus; is responsible for strategic goals, procedures and policies, staff selection and training, case management, and assignments to Bureaus; and coordinates and monitors special projects, such as the PUC continuity of government plan, working groups and implementation teams for telecommunications and energy restructuring.

The Office of Administrative Law Judge's primary duty is to provide fair and prompt conflict resolution by independent administrative law judges who preside at formal hearings in contested matters before the Commission. The Bureau also contains a mediation unit to facilitate settlements rather than protracted proceedings.

Spring "Keystone Competition" Report Released by the PUC

In its quarterly update of competition in the utility industry, the Pennsylvania Utility Commission discussed its recent order regarding changes to filing and review of interconnection agreements between telecommunications carriers. The order makes three important changes to the 1996 guidelines: requires incumbent carriers (ILECs) must keep a log of dates when a carrier requests interconnection; allows ILECs to file petitions requesting approval of jointly signed "true and correct" interconnection agreement; eliminates need to file standard order paragraph with the Commission. The "Competition" report also covers investigations regarding virtual NXX codes, and a review of the Commission's posting of interconnection agreements on its website. To read a full copy of the report, go to www.puc.paonline.com

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