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*In this issue, the U.S. Supreme Court lets phone rules expire. Some phone companies are turning their attention to the state Capitol hoping that lawmakers can help them deal with a series of unfriendly federal rulings. In the industry, SBC is making some in-roads against Comcast and the dash to offer VOIP continues. In Pennsylvania, a new Wi-Fi hot spot is rolled out in Philadelphia and the debate over Kutztown Borough's foray into the cable business erupts. Insiders are still waiting for a nod from Gov. Rendell's office on the next head of the Public Utility Commission.*

From The Papers

The Inquirer reports that, "Kutztown's mayor, Gennaro Marino ... says the municipally owned cable and Internet company, called Hometown Utilicom, is hemorrhaging money, with profits nowhere in sight and with taxpayers subsidizing the system for too few paying customers."

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Phone companies, including AT&T Corp. and MCI Inc., are hoping that in Pennsylvania the General Assembly can shield them - and the rates they charge customers - from a recent spate of unfavorable federal decisions.

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E-Commerce Times cheers recent federal rulings that should clear the way to a "free market for telecom."

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SBC now even with Comcast.

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U.S. Senate to debate Internet phone regulations.

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AT&T pushes ahead with VOIP rollout.

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U.S. Supreme Court lets phone rules expire.

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Verizon Communications Inc. is investing \$7.1 million in two call-switching centers in Center City Philadelphia, reports The Philadelphia Business Journal.

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Time Warner Cable expands VOIP offering.

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Philadelphia Mayor John Street rolls out "Wireless Philadelphia."

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The Detroit News takes on phone competition. "The federal government should stop forcing local telephone companies to subsidize their competitors in the name of competition," the paper contends.

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## Service Uninterrupted by Court Rulings, According to Incumbent Carriers

The Supreme Court's refusal last week to intervene and stop the implementation of a lower court order effectively ending discounted access rates won't interrupt local phone service, insist incumbent carriers (ILECs).

"Nothing changes for consumers," stated a memo from one ILEC on the issue. "Today it is the market that determines prices for telephone service, not any individual companies."

Under a March 2 appeals court order, the rules established by state regulatory bodies that provided network access for competitive carriers at discounted rates ended on June 16. The ruling and the Supreme Court's refusal to intervene represent a set back for competitive carriers (CLECs), which have looked to getting access under the discounted rates to stay competitive with the incumbent carriers.

But the ILECs insist that changes in the industry, among other developments, have made low-rate access unnecessary.

"If one provider decides to increase retail prices, consumers have plenty of alternatives: traditional phone companies, wireless carriers, voice over the Internet, and cable companies," said one phone company official.

The ILECs, moreover, have indicated that they will make every effort to negotiate commercial agreements with the competitive carriers for access to the networks. Just last week, Verizon announced that it has a binding letter of intent with Granite Communications for a number of high-value services not offered under the UNE-P plan, the government-regulated plan. Granite Communications is one of Verizon's largest buyers of wholesale services under the UNE-P system. The company serves customers in 25 states where Verizon has a presence.

Verizon's Wholesale Advantage offer provides a framework for reaching agreements on negotiated, commercially reasonable terms, and ensures the continued availability of wholesale services after the federal court order becomes effective, according to a statement released by the company.

## PUC Position Still Up in the Air

Utility lobbyists and others working closely with the Pennsylvania Public Utility Commission (PUC) say that there is no word yet on Governor Rendell's pick to replace current PUC Chairman Terry Fitzpatrick. Fitzpatrick's five-year term expired at the end of March, but the Governor has six months to nominate a replacement. Until the end of the six months or a replacement has been approved by the Senate, Fitzpatrick is allowed to continue to hold the position. Fitzpatrick's replacement is not expected to assume the chairmanship. Rather, talk is that Commissioner Wendell Holland, a Democrat will become chair.

## Report: More Spectrum Auctioned

The Wall Street Journal is reporting that the Federal Communications Commission (FCC) will announce a multi-billion dollar auction of 2,400 megahertz of wireless spectrum this January. According to the report, 234 licenses will go on the block and be sold to the highest bidder.

Phone carriers have been increasing their requests for more bandwidth as demand for wireless phones, and other handheld devices has jumped dramatically over the past few years. The auction is likely to attract many of the nation's biggest wireless companies, including Nextel Communications Inc., Sprint Corp. and T-Mobile USA Inc., the newspaper said.

Verizon Wireless, a joint venture of Verizon Communications Inc. and Vodafone Inc., and Cingular Wireless, owned by BellSouth Corp. and SBC Communications Inc., also likely would seek the lucrative airwaves, industry analysts predicted.

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