

**The Weekly Telecom Report provided by www.pabroadbandnews.com.
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In this issue, broadband over power lines is gaining traction at the FCC and in Allentown. FCC Chairman Powell touts the new technology during a visit to California while electric utility PPL wires up an Allentown hotel. AT&T continues its VOIP rollout and industry analysts are grappling with the long-term implications VOIP technology will have on the telecom sector. In DC, regulators say they have no plans to tax VOIP and lawmakers are weighing in. Comcast offers up a new service and a possible takeover of MCI is in the works, leading to debate over whether or not a new round of consolidation in the industry is afoot. Nextel wins praise as the company continues to defy skeptics. Finally, wireless internet service providers receive a boost from the feds.

From the Papers

Bloomberg: "The Treasury Department said it doesn't plan to tax telephone calls made over the Internet after a lawmaker asked for a clarification of a notice the government issued last week."

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AT&T's VOIP bet continues to spark debate: "While the telecom giant's push into the market raises VOIP's street cred, its aggressive service pricing may drive startups over the edge, analysts say."

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The NY Times on Nextel: "Nextel's rapidly improving business has defied skeptics, who have long seen the company as a scrappy, but distant, contender."

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"AT&T Corp. may face fines and lawsuits because it avoided paying \$355 million in call-connection and telephone-subsidy fees related to its prepaid calling cards, the top U.S. communications regulator said."

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A takeover of MCI, should it occur, could trigger the telecom industry's long-anticipated consolidation. Since 2001, when Internet-related stocks collapsed and the telecom industry went into a tailspin, executives have awaited a wave of mergers that could restore financial health."

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The Federal Communications Commission is close to creating temporary telephone competition rules that could help AT&T, MCI and others stay in the local phone business, Chairman Michael Powell indicates.

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Federal Communications Commission Chairman Michael Powell said electric power lines may some day make broadband Internet service available universally.

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FCC Chairman Powell "... joins executives from PG&E and AT&T in praising the possibilities of delivering phone and Internet service over ordinary power lines at a demonstration Wednesday in Menlo Park."

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"In the next step of the race between Internet service providers for more customers, Comcast Cablevision today will begin offering video mail to its high-speed Internet customers," reports The Bucks County Courier Times.

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The Allentown Morning Call takes an in-depth look at CAWinet of Hanover Township, Northampton County, that offers high-speed connection without wires.

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The Morning Call: "PPL's broadband over power lines takes hotel into the online future."

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FCC Moves to Strengthen Negotiations for Interconnection Agreements

An order adopted by the Federal Communications Commission (FCC) will streamline and strengthen interconnection negotiations by eliminating the pick-and-choose option now available. The change was welcome by the telecommunications industry.

“The FCC’s decision is a helpful step in facilitating more robust negotiations for interconnection agreements,” said Suzanne Guyer, senior vice president – Federal Regulatory Affairs for Verizon. “While few companies actually took advantage of the ability to pick-and-choose attractive elements from other interconnection agreements, having that option available constrained and complicated the process of reaching mutually beneficial agreements.” The FCC order replaces the pick-and-choose option with an all-or-nothing one. In the order, the FCC stated that the burdens of the current pick-and-choose rule outweigh its benefits.

“Specifically, based on this record, we find that the existing pick-and-choose rule fails to promote the meaningful, give-and-take negotiations envisioned by the law,” the order stated. “Because we find that the current pick-and-choose rule is not compelled...an all-or-nothing approach better achieves statutory goals, we eliminate the pick-and-choose rule and replace it with an all-or-nothing rule.”

Under the all-or-nothing rule, a requesting carrier may only adopt an effective interconnection agreement in its entirety, taking all rates, terms, and conditions of the adopted agreement

VOIP Comment Period Ends (Feds/States Developing Policy)

The Federal Communications Commission (FCC) is entering the final stages in developing a regulatory scheme for voice over the Internet protocol, or VOIP. The public comment period ended Wednesday, July 14.

Indications from FCC Chairman Michael Powell are that the Commission will tread very lightly in adopting rules for VOIP. Many state regulatory bodies, including the Pennsylvania Public Utility Commission, have also indicated they will use a light hand in regulating VOIP. But rules adopted at the federal and state levels are unlikely to end the controversy surrounding the rapidly emerging technology.

Disagreements over VOIP in Pennsylvania were partly responsible for the break-down in talks over renewal of the ten year-old law, Chapter 30, that began the deregulation of the telecommunications industry. The competitive carriers wanted to add language in the renewal legislation that would prohibit access charges for VOIP calls that passed over local networks. They offered, rather, to pay termination fees -- much lower rates.

The proposed language, the incumbent carriers (ILECs), say is contrary to FCC policy on VOIP, and, if made law, would result in dramatic increases in local phone rates.

“For some ILECs, the access charges make up 50 percent of their revenues,” said an official with one of the incumbent phone carriers. “Take that away and you can expect to see local rates go up by at least \$15 dollars a month. It’s bad policy.”

Currently, most VOIP calls still travel over the local phone networks. Industry experts predict that will change dramatically in the next five years. Direct cable-to-cable and wireless VOIP calls are on the rise, and bypass the local networks entirely.

WISPs get Boost from Feds

Regulatory changes made on the federal level will add yet another boost to the wireless broadband industry, which that is making steady advances in the market, particularly in rural areas. The recent changes by the Federal Communications Commission (FCC) will make unlicensed spectrum more available for wireless use, among other things.

“Essentially the FCC used to say ‘this is what you can do and you can’t do anything else,’” said Robert Hoskins, Editor/Publisher Broadband Wireless Exchange, Inc. “Now they are saying ‘this is what you can’t do, and can do everything else.’ It gives the industry a lot more leeway in getting wireless broadband into under-served areas.”

The recent order makes it easier for wireless Internet service providers (WISPs) companies to lease spectrum from a licensee.

“In a lot of areas, people have purchased licenses and don’t use them,” Hoskins said. “The change streamlines the paper work needed for a wireless company to actually go in and lease part of the license, so they can set up quickly and with less expense.”

The federal changes are also intended to foster introduction of smart antenna technology that can operate at higher power levels without causing increased interference. Smart antennas will allow service to be offered over larger areas with reduced infrastructure costs. Smart antennas also permit a greater number of users to be served within the same spectrum by reusing frequencies in several directions simultaneously.

Finally, the new rule will facilitate deployment of next-generation Bluetooth devices, which operate at data rates up to three times faster than current devices. The new devices will be backward compatible with existing devices and will not present an interference risk to these devices.

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