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**For more information, contact John Kennedy at**

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

*In this issue ... Lawmakers tackle Chapter 30 legislation in the Senate with consideration of a sweeping amendment offered by Sen. Jake Corman and approved in a key Committee vote. Negotiations among all sides and Gov. Rendell's office are continuing. Corman's compromise plan is winning praise across the board but more work needs to be done to ensure final passage and Rendell's support. In DC, the FCC issues its long-awaited decision on VoIP which effectively ends the attempt by certain states to bring the emerging service under their regulatory schemes. Around the nation, Illinois voters kill a plan for a municipal broadband network. On the industry front, Time Warner eyes wireless and some analysts are betting that President Bush's victory will mean good news for the telecommunications sector. SBC announces plans to eliminate 10,000 jobs and Verizon beefs up its wireless capacity. In the rest of Pennsylvania, Verizon continues its investment in a broadband network and is now offering high-speed Internet access in Bellefonte and in Northampton County while Vonage begins offering VoIP service in Wilkes-Barre and Scranton. Finally, Commonwealth Telephone Enterprises announces a deal to offer satellite television service in a bundle with voice and DSL broadband Internet service.*

## **From the Papers**

A total of \$3.2 million in expansions and upgrades by Verizon is allowing it to offer high-speed Internet in the Bellefonte area.

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Verizon opens additional Internet express lanes in Northampton County.

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In Illinois towns, voters make it clear they don't want their representatives to pursue a municipal broadband network.

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Time Warner Cable mulling wireless.

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Bush victory good for telecom, biotech business.

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Vonage launches service in Wilkes-Barre and Scranton.

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Verizon beefs up wireless capacity.

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Commonwealth Telephone Enterprises, the local telephone company for northern Dauphin County and the Lewisberry area, has reached an agreement with EchoStar Communications to offer satellite television service in a bundle with voice and DSL broadband Internet service.

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## **Chapter 30 Renewal Begins Road to the Governor**

A year after the House approved Chapter 30 renewal legislation, the Senate Consumer Protection and Professional Licensure Committee on Tuesday, November 9 sent the amended telecommunications bill on its way to the Senate floor via the Appropriations Committee. Supporters of the statewide broadband deployment measure hope for consideration in committee on Monday, November 15 and a floor vote the following day. Before floor consideration, however, more amendments are expected to be drawn up as negotiations within the General Assembly and with Governor Rendell's office continue. Still, supporters remain confident of passage.

“Among other things, the Governor wants more in the way of economic development provisions in the legislation,” said a company official with one telecommunications carrier. “We’re confident we can work that out to where his office is satisfied.”

The bill would renew the 1993 Chapter 30 changes to the Public Utility Code that established a schedule for local carriers to deploy broadband statewide, and at the same time it gave local incumbent carriers, (ILECs), some flexibility in raising and lowering rates. Renewal of Chapter 30, however, has become a focal point in the ongoing regulatory and legal battles between the incumbent carriers and many of the competitive carriers, or CLECs, entering the local phone marketplace. That fight played out over the past year in Senator Jake Corman's (R-Centre) office, who led a series of public hearings, and arbitrated hours of negotiations that led to an omnibus amendment attached to the legislation in committee on Tuesday. Among other things, the amended language contains a number of economic development provisions, which the Governor has his eye on.

The measure includes over \$90 million in contributions to the community, with over \$40 million going directly to schools for accelerating broadband deployment. Corman's language also includes creates a \$42 million grant program, paid for by telephone companies, within the Department of Education to provide funding to schools for broadband connections, service, equipment, distance learning programs and training. "This is a direct consumer benefit that I negotiated that will place broadband technologies inside of classrooms throughout the state and help those schools that still lack access to throughout the state," Corman said.

Finally, Corman's amendment targets accelerated broadband deployment to areas within Pennsylvania for economic development and community aggregation. It allows for business and industrial parks to receive broadband connections quickly to spur economic growth in Pennsylvania.

"Broadband deployment is essential to economic development in our rural areas," Corman said. "By creating this Business Attraction and Retention Program, we ensure that any business park that needs broadband access will have it."

## **VoIP Falls under FCC Jurisdiction, Commission Says (Telecommunications v. Information Service Not Addressed)**

The Federal Communications Commission (FCC) took a bold move on Tuesday, November 9 when it ruled that Voice over the Internet Protocol (VoIP) should be regulated on the federal level only, ending the attempt by certain states to bring the emerging service under their regulatory schemes.

"It's really a home run for us," said Chris Murray, VP of Government Relations for the New Jersey-based Vonage Holdings Corp., the largest VoIP provider in the nation. "It's what we were looking for."

The Commission, though, stayed away from the more politically explosive topic of issuing any formal designation of VoIP as "information" or a "telecommunications" service. A "telecommunications" designation would almost certainly mean the imposition of taxes and fees on VoIP providers that other telecommunications companies now pay. For now, Vonage and other VoIP providers will continue operating as an information service Murray said. "We're going from court decisions and other FCC rulings that have treated us like an information service even though no formal designation has been made," he said.

Many telecommunications companies have long contended that allowing VoIP providers to operate under an “information” designation gives them an unfair advantage in the marketplace. Nonetheless, the FCC stayed away from what one expert termed a “political hot potato.”

The FCC acted on a petition from Vonage seeking federal preemption of an order by the Minnesota Public Utilities Commission. Specifically, the FCC found that the company’s DigitalVoice service cannot practically be separated into intrastate and interstate components, precluding dual state and federal regulatory regimes. DigitalVoice customers can use their phones from a broadband connection anywhere in the world, making it difficult to determine whether a call is local, interstate or international in nature.

The Commission also found that regulations that would have been imposed by the Minnesota Commission were inconsistent with the FCC’s deregulatory policies, and that preemption was consistent with federal law and policies intended to promote the continued development of the Internet, broadband and interactive services. Divergent state rules, regulations and licensing requirements could impede the rollout of such services that benefit consumers by providing them with more choice, competition and innovation.

The Minnesota Commission in August of 2003 concluded that Vonage’s DigitalVoice was a telephone service for which Vonage was required to obtain a certificate of authority and meet other rules and regulations governing telephone companies in the state. One requirement was that Vonage provide emergency 911 service comparable to that provided by the incumbent phone companies. Although the Commission found that the Minnesota requirements must yield to the extent they bar entry, the Commission does not signal that Vonage may cease its efforts to develop workable solutions.

## **Verizon Opens Additional Internet Express Lanes in Northampton and Mifflin Counties**

More consumers and businesses in Northampton and Mifflin Counties can enjoy the benefits of high-speed Internet access now that Verizon Online has expanded its availability in both places. Verizon has invested \$8.5 billion in its network across the commonwealth over the last 10 years. Currently, Verizon Online is offering its basic consumer DSL service for \$29.95 per month in an annual service plan or when purchased in combination with Verizon Freedom or another Verizon local or long-distance bundle. This service offers a maximum connection speed of 1.5 Mbps (megabits per second) downstream and 384 Kbps (kilobits per second) upstream.

Verizon Online has also enhanced its DSL service by introducing a super-fast maximum Internet connection speed of 3 Mbps (megabits per second) downstream and 768 Kbps (kilobits per second) upstream for as low as \$39.95 per month in an annual service plan when purchased as part of a package of calling services. In addition, the company has lowered the cost of its entry-level business service.

Consumer DSL customers who sign up for DSL service for one year currently receive a free DSL home gateway router, which is a combination DSL modem and wireless or wireline router.

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

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-30-