

The Weekly Telecom Report is provided by www.pabroadbandnews.com. For more information, contact John Kennedy at johnk@pabroadbandnews.com.

In this issue ... an upstart telecom based in Massachusetts is offering consumers all the phone calls they want - for the rest of their lives. BellSouth prepares network upgrade for video and some VoIP providers are looking to profit from AT&T's troubles. In DC, the U.S. Supreme Court will determine if cable modem providers will have to share their fiber optic lines with other Internet service providers (ISPs) and FCC Chairman Powell goes to bat for the E-rate program. Closer to home, some analysts are wondering whether a city-owned phone company will actually work in Philadelphia and Verizon opens more high speed access lines in the Poconos and Dauphin County. Finally, officials with Verizon and other incumbent phone carriers say the companies have already begun to implement the "Lifeline" provision of the expansive Chapter 30 renewal law signed by Governor Rendell on November 30.

From the Papers

An upstart Dedham company is raising the stakes, offering consumers all the phone calls they want for the rest of their lives.

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On Philly's Wi-Fi plans: "Philadelphia may be the city of brotherly love, but it's no example of municipal munificence."

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Supreme Court will determine if cable modem providers will have to share their fiber optic lines with other Internet service providers (ISPs).

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BellSouth prepares network upgrade for video.

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Internet phone firms look to profit on AT&T failure.

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Verizon Opens Additional Internet Access Lanes in Poconos Area.

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Reuters: The top U.S. telecommunications regulator on Monday pressed lawmakers to pass a provision needed to free up hundreds of millions of dollars worth of subsidies for school Internet connections and other programs.

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Lifeline Portion of Chapter 30 Law Already Being Implemented

Officials with Verizon and other incumbent phone carriers say the companies have already begun to implement the “Lifeline” provision of the expansive Chapter 30 renewal law signed by Governor Rendell on November 30. “Lifeline” helps low-income families to pay for phone installation. It also helps them pay their monthly bills.

“One of the key changes made in the program with the legislation is that low-income customers can get as many vertical services [caller ID, voice mail, call waiting, call forwarding] as they need,” a Verizon official noted. “Under the old law, low-income families were blocked from purchasing vertical services. Right now we’re in the process of telling customers that they can get as many of those services as they want.”

“Lifeline” provides low-income households with a \$100 subsidy to cover the cost of installing a telephone and \$8 per month to help pay their monthly bill.

Another key provision in the new law already moving forward will accelerate broadband deployment to the state’s schools. The Pennsylvania Department of Education has begun establishing the administrative changes needed to begin receiving broadband connections at markedly discounted prices.

The new law requires the incumbent carriers to provide broadband at a rate that is the lower of 30% off its usual and customary rate or the actual incremental cost of getting the service from the street to the school building, at a savings to the schools estimated to be between \$25 and \$40 million a year. In addition, the law provides that Verizon will contribute at least \$7 million a year and the other local phone companies will contribute 10% of any inflationary increase in their charges to a special Education Technology Fund (E-Fund). Moreover, Verizon will make additional contributions in fiscal years 2006-2007 through 2010-2011 of up to \$3 million to ensure that at a minimum \$10 million a year will be made available to support our goal of ensuring that every school has access to broadband service.

This E-Fund will support deploying broadband services to individual schools, including the technology required to allow the schools to make connections, as well as fostering interschool networks, other technology, distance learning and content that would enable schools to take advantage of broadband and the Internet.

Finally, Verizon has also agreed to offer discounts to Pennsylvania schools for equipment that they may need in order to bring broadband into their classrooms. This commitment will provide necessary equipment at a price not to exceed cost plus 5%. Verizon will further provide eligible schools that purchase managed network services with a 20% discount from list prices. All told, over the next ten years, a minimum of \$350 million and perhaps as much as \$550 million will be made available to schools through agreements under the new law.

The commitment by Verizon and other incumbent carriers goes beyond any commitment made by local telephone companies to any other state. By way of contrast, New Jersey received \$230 million in assistance, mostly in the form of free equipment, from the incumbent carriers in that state.

“Information” or “Telecommunications” Classification before Supreme Court (VoIP and other Emerging Technologies in the Balance)

By announcing on December 3 that it would hear a case whose outcome could turn the telecommunications and broadband industry on its head, the U.S. Supreme Court has raised an ongoing fight between independent Internet service providers (ISPs) and cable modem service providers to its highest legal level. The case, which will likely be argued before the High Court in the spring, is an appeal of a 9th Circuit Court of Appeals ruling that delighted the ISPs. The court ruled that cable modem service goes beyond the “information service” classification granted by the Federal Communications Commission. The service constitutes a “telecommunications service” as well, and is therefore subject to the regulatory requirements that cover other telecommunication carriers. To wit, cable modem service providers would have to share their lines with other Internet providers.

If the Supreme Court agrees with the lower court, it would have a profound impact on the industry. Currently, the cable modem industry works under “information” classification given to it by the FCC in March of 2002. Any change in that would not only open their lines up to other Internet providers, but affect emerging technologies as well, particularly Voice over the Internet Protocol (VoIP), a service carried principally over cable modem and currently subject to minimal regulation. On the other hand, a Supreme Court ruling that reverses the lower court and sides with the FCC that cable modem should be classified as an “information” service will likely prompt other carriers to take action to have their services classified as “information” as well.

“If the Supreme Court says that cable modem is an ‘information’ service it would open the door for those providing DSL for Internet service to argue that they offer an information service and shouldn’t have to share their lines,” said one official with a national telecommunications association.

For its part, Verizon, which offers high-speed DSL services nationwide, welcomes the Supreme Court review of the case. A Verizon spokesman said that the company supports market competition that will benefit consumers as opposed to old regulations that governs one group of players different than other groups.

Verizon High-Speed DSL Service Is Now Available to More Consumers and Businesses

More consumers and businesses in Dauphin County can enjoy the benefits of high-speed Internet access now that Verizon Online has expanded its availability in this area. As the result of the company's most recent expansion and upgrade of its local telecommunications network, Verizon Online DSL is now available on more than 1,600 additional lines in the Halifax area. Verizon has invested \$8.5 billion in its network over the last 10 years and will continue to invest aggressively under recently enacted state telecom legislation. The new law requires companies such as Verizon to deploy broadband service across their service areas - the most comprehensive broadband deployment requirement in the nation. Under this legislation, Verizon also must make broadband available to all students throughout the commonwealth.

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 or 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.

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