

New Networks

The Issue: The Dismantling of the Public Telecom Utilities and the Closing Down of Telecommunications Regulation in America.

Summary: The Immediate Threat

AT&T, Verizon and CenturyLink, working with American legislative Exchange Council, ALEC, and the cable companies have been able to pass “model” deregulation bills in 23 states and they will be continuing to push these corporate-sponsored bills in the remaining states. Their goal is to remove all regulations on the companies, including removing obligations like carrier of last resort – meaning the companies no longer have to supply service to customers. Customers will have no recourse as these laws also remove regulatory oversight.

Using [a verbal jujitsu, these bills claim that VOIP](#), (Voice Over the Internet Protocol), should not be regulated as it is classified as an “information service” – and thus they claim it is “Internet freedom”. The plan is to reclassify all telecommunications services, (commonly known as “Title II”) as an information service (Title I). While couched as a technology issue, this is really freedom from regulation for the telcos.

Meanwhile, this same campaign has been slowly brewing on the federal level at the FCC and has now been brought to a boil. In 2009, AT&T filed comments as part of the National Broadband Plan, claiming that the Public Switched Telephone Networks, (PSTN) should be ‘transitioned’, meaning closed, based on the same principles that are laid out in the ALEC bills. AT&T was able to get the FCC to have the Technical Advisory Council (TAC) create a specific group to work on ‘sunsetting’ the PSTN. In December, 2012 this group delivered their recommendations, and a new ‘task force’ was formed to close down the PSTN.

NOTE: [The PSTN are all wires](#) within the state, regardless of the technology or whether the networks have been upgraded. It is not “POTs”, plain old telephone service, nor is it a specific technology.

However, there is a more inclusive term “PSNIT”, Public Switched Network Infrastructure and Technology” which is all of the utility property, network switches, wires and even software and includes switched and ‘non’-switched data lines, such as alarm circuits.

In August 2012, [AT&T laid out this ALEC plan in a letter](#), and in November, 2012, AT&T filed a petition to start the ‘transition’ as a test – i.e.; a foot in the door – and the comment period ends Feb 25th, 2012.

- [To read the petition and those who have filed](#)
- To read [our comments](#):

In 2013, Congressional bills will be proposed by AT&T and Verizon-funded Congressmen and Senators. Moreover, there are now discussions to ‘rewrite’ the Communications Act of 1934 (and updated in the Telecommunications Act of 1996), which really means a strip-mining of all public interest safeguards and obligations.

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All of these issues are tied to the manipulation of basic data and a massive, very heavily funded PR and lobbying campaign that is now being done on both the state and federal level.

This attack on the public interest is only one of several that are being executed. For example, 19 states have voted to block municipalities from offering broadband and competitive services, even though the companies failed to properly upgrade the state-based utilities. And while the outcomes in each state may be different, they are all tied to ALEC.

And to top this off, Verizon is currently suing the FCC to remove their Net Neutrality rules, and the scuttlebutt is that Verizon will prevail as many believe the FCC overstepped their jurisdiction.

Here are some of the details about ALEC and this campaign.

The Problem: Meet ALEC

See: [Reverse ALEC Legal Hackathon Event](#), Susan Lerner, Common Cause and Brendan Fischer, Center for Media and Democracy.

ALEC has been active in multiple industries, as highlighted by the Bill Moyer's documentary, [The United States of ALEC](#). However, communications bills have not gotten a lot of attention, though their impacts have. The ALEC-member phone and cable companies create legislation that has been able to close down regulations on the companies, block municipality broadband or force video franchising laws without serious commitments, among other activities.

- <http://www.alec.org/task-forces/telecommunications-and-information-technology/municipal-broadband/>
- <http://www.alec.org/task-forces/telecommunications-and-information-technology/cable-video-franchising/>

The Center for Media & Democracy obtained numerous proposed ALEC Communications bills and rational for 2011. These model bills are then distributed to ALEC state-based politicians, who are also funded by the phone and cable companies in multiple ways.

Some examples:

- [Idaho HB 320 – Video Services Act – March 29, 2011](#)
- [Kansas SB 72 – Telecommunications Regulatory Relief and Competition – March 30, 2011](#)
- [North Carolina HB 129 – Level Playing Field in Provision of Broadband Service – April 5, 2011](#)
- [South Carolina SB 3508 – Level Playing Field in Provision of Broadband Service – 4/13/11](#)
- [Arizona HB 2341 – Internet Sales & Use Taxes – April 19, 2011](#)

Summary of Telecom Issues: The New Communications “Trust”

At the state level, this fight has been going on for years. In 2008, [we investigated how ALEC-telecommunications bills](#) were being presented by well placed politicians who were [ALEC members in Wisconsin](#), where AT&T (then SBC) not only helped to fund the politicians' campaigns but also used the AT&T Foundation to give grants in their districts, making them look like they were 'working for the people'.

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These new deregulatory bills are based on ‘model legislation’ designed by ALEC, with the help of the phone and cable companies.

And the documentation is unsettling:

- In 2012, the [NRRI published a report](#) outlining the state-based telecom deregulation bills.
- By November, 2012, according to the telco-cable funded Heartland Institute: “23 states have exempted VoIP from PUC authority. Over the past couple of years at least six states, including Colorado, Connecticut, Idaho, and New York, have proposed legislation to deregulate VoIP.”
- <http://heartland.org/policy-documents/research-commentary-voice-over-internet-protocol-deregulation>
- The [ALEC version of the Telecom Bill](#). What appears in the end product of the ALEC bills is a horse-trade with the state legislature and the ability of ALEC and AT&T, Verizon, Centurylink and the cable companies to ram specific deregulation through.
- [Baller & Herbst published a list of 15 states](#) that had created ALEC-based bills to block municipalities from offering communications services, even when the incumbent has not upgraded the networks.

At last count 19 states had passed laws to outlaw some, if not all municipality competitive broadband networks to supply services, even where the companies failed to properly upgrade their territories.

What is the Issue? Redefining Telecommunications Service as an “Information Service”

As we mentioned, there will be an attack in Congress over the next few months by AT&T-Verizon-Centurylink to eliminate all "telecommunications" ("Title II") regulation and reclassify all services as 'information services' ("Title I"). While some call this a rewrite of the Communications Act of 1934 and Telecommunications Act of 1996, the plan is to gut these laws to remove regulations on the phone and cable companies.

Draped in the mantle of [“Internet freedom” – the Internet should not be regulated](#), and that VOIP, an information service, should replace POTs service, the true intent is not about a technology change but about closing down all remnants of regulation of the companies’ business practices as well as removing all consumer safeguards, which include common carriage, carrier of last resort and any network interconnection requirements with competitors.

The basics:

- Eliminate all regulatory oversight and any requirement to file information about the companies’ business practices.
- Remove “common carriage” --- which does not allow companies to examine the traffic carried over the wire or to prioritize or give advantages to their own services.
- Eliminate “carrier of last resort” --- where the companies no longer have to provide service.
- Destroy any remaining wired competition --- Information services have no requirement to give access to competitors to the networks.

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This campaign has been so insidious that it has been able to convince the public that PSTN is the old copper networks for “POTs”, “Plain Old Telephone Service”. However, the FCC’s own previous definition claims the PSTN is all services and applications, regardless of technologies used.

“The PSTN is not a single-use network. Modern network infrastructure can provide access not only to voice services, but also to data, graphics, video, and other services.” (Footnote from the Connect America Fund Order, 2011)

However, the term “[PSNIT](#)”, “[Public Switched Network Infrastructure and Technology](#)” -- should have been used as this term from the Telecom Act and state laws, represents the entire utility wires, network switches, etc. It also covers ‘non-switched’ services which are the data services that have been riding over these wires since the break up of AT&T.

The plan, then, has been to reclassify all of the networks as ‘information services’, removing all of the obligations that have been in place for decades.

- http://www.huffingtonpost.com/bruce-kushnick/internet-freedom-att_b_1869358.html

ALEC Moves to the FCC

AT&T started its campaign to close down the PSTN in 2009 where it declared that there were two networks – a shiny, broadband network and the old copper network. The irony, of course, is that AT&T’s U-Verse service uses the old copper PSTN wiring to connect to customers’ homes or businesses.

- [AT&T Comments from 2009](#)

AT&T and Verizon were then able to create a ‘sun-setting-the-PSTN’ group within the FCC’s Technical Advisory Council, (TAC). This group is run by Tom Wheeler, who was the former head of the NCTA, the cable association and the CTIA, the wireless association. Meanwhile, the majority of members have a direct financial relationship with AT&T or Verizon.

See our chart outlining the relationships.

- <http://www.newnetworks.com/TACADVISORYCOUNCIL.htm>
- About the TAC: <http://www.fcc.gov/encyclopedia/technological-advisory-council>

In August, 2012, AT&T has submitted a letter to the FCC that outlines this ALEC plan, as it is being implemented at both state and federal levels.

- http://www.huffingtonpost.com/bruce-kushnick/Internet-freedom-att_b_1869358.html

In November, 2012, [AT&T submitted a petition to start the transition](#) and in December 2012, the Technical Advisory Council made its recommendations to close down the PSTN. This has been

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followed by the creation of a task force to implement the transition. This idea for this task force was first introduced by FCC Commissioner Ajit Pai, former Verizon counsel who has worked at a law firm that handles the Telco.

We expect a new series of ALEC-inspired bills to hit Congress in 2013. [Greg Walden](#), on the House Energy & Commerce Committee, congratulated Pai on the FCC task force. Walden's major contributors are the phone and cable companies. While some are calling it a 'rewrite' of the Telecommunications Act of 1996, it is really a strip-mining of telecom regulations.

But it gets worse as this is all playing out against a backdrop of a take-over by AT&T et al to remove regulations, close down competition and not properly upgrade America's critical infrastructure.

- Over the last decade, the phone companies were able to get changes in the laws so that the networks are closed to direct competition, even though the Telecom Act of 1996's primary purpose was to open the networks to Internet, broadband, phone and cable competitors.
- Verizon has announced that it is no longer expanding its FiOS-TV deployment and customers using non-FiOS networks will be 'abandoned' as well as copper-based services like DSL.
- AT&T and Verizon combined only about 9 million households using their upgraded TV service – only 7% of the U.S.
- There is a push to move everything to wireless. However, because of bandwidth caps (and the fact that wireless can't support basic cable programming or even compete with wired-based broadband), this is a pale and expensive option.
- http://www.huffingtonpost.com/bruce-kushnick/broadband-wars-verizon-nj_b_1628385.html
- The wireless companies are in collusion with their wireline counterparts as wireless is still a wired product as the cell towers and Wi-Fi hot spots must connect to the incumbents' wires to handle the wireless traffic.
- Verizon recently bought the cable companies' wireless spectrum and has a deal with some of the companies to sell their cable service - instead of upgrading their own plant.
- The cable companies are also 'closed networks' and the phone and cable companies now lobby together on most issues. Thus, both wires are now 'closed' while the companies collude instead of compete.
- Forced migration to FiOS – and more money. Verizon customers were sent letters to leave the copper wire when they have problems. Recently, because of Sandi, Verizon stated the storm was good for revenues as they can now 'upsell' and charge more for services, as well as stop offering DSL, which uses the copper wiring and is cheaper than FiOS broadband.
- AT&T has announced that it, too, is no longer extending its upgraded TV-broadband service, U-Verse and claims it is closing down the PSTN – AT&T controls 22 states However, as of November 2012, [AT&T claimed it would spend \\$14 billion dollars](#) over the next three years to upgrade their wireline and wireless services, but this was announced to move their agenda – the closing of the PSTN and the removal of telecom regulations. At best, they spending only 8% more than as these expenditures are just a restatement of their previous stated plans.

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Harms to America and Customers.

The outcome -- no serious cable competition, no competition on the wires, higher prices, harms to economic growth of municipalities throughout the US, which will further decay America's standing in the world's broadband nations, which means that technology advances and development will happen elsewhere. America is 15th, or 29th or 33rd depending on which organization you quote. In fact, the average wired speed in America is only 6.6 Mbps and that is only for downloads.

It also means that low income families are priced out of broadband; rural areas will not benefit from the broadband upgrades, especially when their own legislatures outlawed municipality by-pass.

And at the bottom of all of this is that there is a proactive campaign to create “digital dead zones” where customers lose whatever services they had with little regard of basic connectivity or customer rights.

But there are also deeper concerns. AT&T, Verizon and the cable companies have been able to vertically integrate all of their services over the wire – and exclude actual competition for broadband, Internet, phone and cable over that wire. Regulators do not require them to interconnect their local facilities with other service providers on most services. This means that the Internet provider, combined with the broadband service now also controls the pipe completely.

SOPA-SIPA, Net Neutrality and Privacy. With all services tied, creating bottleneck control over the wires, the companies can monitor the users' services, restrict their broadband usage or create issues over net neutrality, which are current protections that a company can't simply block degrade or inspect your internet usage, i.e.; common carriage for the internet.

This bottleneck control of one company controlling the wire also brings up policing and privacy concerns, such as tracking customers for copyright issues, or the issues raised by the SOPA and PIPA proposed legislation.

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