



For Immediate Release

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Proposed Legislation Threatens Consumers, Competition in Local Telephone and High Speed Internet Markets

(Washington, April 25, 2001)—Proposed legislation being debated today in the House Committee on Energy and Commerce will seriously harm the interests of American consumers and jeopardize competition in both local telephone and advanced internet services markets, according to the Consumer Federation of America (CFA) and Consumers Union (CU).

“The Internet Freedom and Broadband Deployment Act of 2001 would be a boon for the ‘Baby Bells’ but a disaster for consumers,” said Mark Cooper, CFA’s Director of Research. “After five years of fighting tooth and nail to eliminate the pro-competitive provisions of the Telecom Act, the Bells are being rewarded with a bill that will help them to maintain their local phone monopolies in almost every state and, at the same time, establish a new nationwide monopoly – this time in the broadband services market,” Cooper added.

“If Congress is going to reopen the Telecom Act, consumers want a choice of high-speed Internet providers from both their cable and phone company, lower cable rates, lower local phone prices, and more competition for long distance that offers low per-minute rates with no monthly fees,” stated Gene Kimmelman, co-director of Consumers Union’s Washington office.

In a letter to Members of the Energy and Commerce Committee, CFA and CU today urged legislators to oppose the bill for the following reasons:

- The proposed legislation undermines the efficacy of the Telecommunications Act of 1996, and one of its primary objectives—to encourage vibrant local telephone competition.
- The bill, by allowing interLATA (long distance) data traffic, removes one of the best incentives for the “Baby Bells” to open their local markets to competition, thereby enabling the Bells to retain their current control over more than 95% of all local residential and small business lines.
- The bill would retard the development of strong competition in the broadband Internet services market by denying competitors access to the existing local phone network, which they need in order to provide consumers with an alternative to the Bells’ high speed (broadband) Internet service.

Consumers Union, publisher of Consumer Reports, is an independent, nonprofit testing and information organization serving only consumers. CU is comprehensive source for unbiased advice about products and services, personal finance, health and nutrition, and other consumer concerns. Since 1936, CU’s mission has been to test products, inform the public, and protect consumers. CU’s income is derived solely from the sale of Consumer Reports and its other services, and from noncommercial contributions, grants, and fees. CU is online at www.consumersunion.org.

The Consumer Federation of America is the nation’s largest consumer advocacy group, composed of two hundred and eighty state and local affiliates representing consumer, senior, citizen, low-income, labor, farm, public power and cooperative organizations, with more than fifty million individual members. CFA is online at www.consumerfed.org.



April 25, 2001

The Honorable Members of the House Committee on Energy and Commerce
Washington, DC 20515

Dear Congresspersons:

On behalf of the Consumer Federation of America (CFA)¹ and Consumers Union (CU)², we respectfully urge you to oppose the Internet Freedom & Broadband Deployment Act of 2001.

We are concerned that this bill would have the opposite effect of its professed aim. It could limit broadband deployment by giving the Bell monopolies further leverage over consumers and increased power over the very competitive providers that have been responsible for the rapid growth of Internet services. If Congress is interested in giving consumers what they really want in telecommunications—more choice, competition, and lower prices for phone and cable services—Congress should crack down on monopolistic practices that impede the development of meaningful competition.

Although the 1996 Telecommunications Act (Telecom Act) has done virtually nothing to bring consumers competition for local phone service, the proposed legislation would further undermine its ability to do so. The central tenet of the Telecom Act is that local phone competition is desirable and possible. To encourage local competition, the Telecom Act offers the incumbent local exchange carriers (ILECs, also known as the “Baby Bells,”) a carrot: they may provide long distance service (also known as interLATA service) in a state only after their local telephone markets are irreversibly open to competition.

The bill before you turns that key pro-competition and pro-consumer provision of the Telecom Act on its head. It would allow the incumbents to provide *interLATA* data services without first opening up their local telephone markets up to competition. The proposed legislation would thereby remove one of the best incentives for the “Baby Bells” to open their local phone markets up to authentic competition. The “Baby Bells” continue to control more than 95% percent of the local residential and small business phone lines in the country. Enacting this bill will make it far more difficult to persuade the incumbents to relinquish the monopoly that they continue to hold over local telephone service in virtually every state.

¹ The Consumer Federation of America is the nation's largest consumer advocacy group, composed of two hundred and eighty state and local affiliates representing consumer, senior, citizen, low-income, labor, farm, public power and cooperative organizations, with more than fifty million individual members.

² Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance. Consumers Union's income is solely derived from the sale of *Consumer Reports*, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, *Consumer Reports* with approximately 4.5 million paid circulation, regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions that affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

Further, the proposed legislation would retard the development of vigorous competition in the broadband Internet services market. Under the terms of the Telecom Act, the “Baby Bells” are required to grant competitors access to elements of the local phone network so that the latter may provide consumers with advanced high-speed (“broadband”) services such as Digital Subscriber Line (DSL). As facilities-based competition has failed to materialize, network access is now widely regarded as the only real means of allowing competition to take root. Consumers increasingly rely on fast, reliable Internet connections to carry out everyday activities. Consumers are best served when they have a choice of high-speed Internet service providers, as competition works to generate innovative, quality services and better prices.

This bill would repeal this critical provision of the Telecom Act, and allow the incumbent local phone companies to deny competitors the access that they need to the existing phone network, thereby eliminating an essential ingredient of competition. The “Baby Bells” have created nearly insurmountable hurdles for the data CLEC (competitive local exchange carrier) industry by dragging their feet and denying competitors access. This bill rewards them for refusing to obey the law by removing the obligation to provide access to the network.

If Congress reopens the Telecom Act, consumers believe it should be to remove ongoing monopolistic practices that thwart competition and deny consumers greater choice and lower prices for telephone and cable services. Cable rates are up nearly three times the rate of inflation since the Act became law and no sign of meaningful competition to cable is in sight. Federally imposed fees on local phone bills will be up more than 50% by this July and no meaningful local phone competition is on the horizon. Cable monopolizes high-speed video services and local phone companies dominate the non-video high-speed market. Consumers need legislation to break open these markets and not allow either the local phone nor cable monopolies to expand their dominance and continue their refusal to compete head-to-head. Consumers want lower cable rates, a choice of high-speed Internet providers from both their cable and phone company, lower local phone prices, and more competition for long distance that offers low per-minute rates with no monthly fees.

Instead, this legislation benefits a handful of behemoth local phone companies that have spent the last five years doing everything in their power to undermine and eliminate potential competitive aspects of the Telecom Act. They deserve no reward for these efforts, let alone one handed to them on the backs and from the pockets of American consumers.

For these reasons, we respectfully urge you to oppose the Internet Freedom and Broadband Deployment Act of 2001 and instead consider legislation that truly delivers what Congress promised in 1996—more choices and lower prices for all telecommunications and cable services.

Sincerely,



Mark Cooper
Director of Research
Consumer Federation of America



Gene Kimmelman
Co-Director, Washington D.C. Office
Consumers Union