



Consumer Federation of America

November 21, 2013

Contact: Mark Cooper
(301) 384-2204

**Statement of Mark Cooper,
Director of Research, Consumer Federation of America**

CFA Study Finds Consumer-Friendly Services From Competitors Far Outpace Those From Duopoly

Washington, DC, November 21, 2013 – Addressing one of the most pressing issues facing the Federal Communications Commission, the Consumer Federation of America (CFA) today released a study that concludes that unaffiliated wireless broadband service providers who compete against the “Baby Bells” offer products that are much more innovative and consumer-friendly. The analysis, titled [Comparing Apples to Apples: How Competitive Provider Services Outpace the Baby Bell Duopoly](#) utilized recently released data from the New America Foundation’s Open Technology Institute.

These findings reinforce our earlier analysis that placing limits on the amount of spectrum AT&T and Verizon can acquire in the upcoming auction of low frequency spectrum would strengthen competition and promote the public interest. The wireless broadband services offered by Sprint and T-Mobile match the “Baby Bells” in their limited offerings, but their ‘unlimited’ services deliver lower cost and allow consumers to escape from the overage fees and contract locks that the Bells impose.

Our analysis used the New America Foundation (NAF) survey of rates to specify the factors that define the consumer experience with broadband service. CFA worked with NAF to build a database that allows the analysis to control for key factors that affect broadband availability.

“Comparing Apples to Apples: How Competitive Provider Services Outpace the Baby Bell Duopoly” reports statistically significant difference on the following attributes of broadband service:

- monthly bill
- cost per megabit
- download speed
- upload speed
- presence of a data cap
- type of data cap (a three point scale were no cap=1, throttling =2 and overage fees=3, as well as individual dummy variables for each).

In all analyses we control for a basic set of factors:

- service type (e.g. broadband only, triple play, wireless),
- population density of the municipality,
- number of competitors, and
- nature of competitors (municipals, Baby Bells, other).

For cross-national comparisons, in addition to the above variables, we also control for

- national income per capita,
- level of wireline or wireless broadband penetration, and
- national population densities. .

Comparing the wireless services offered by the Baby Bells (AT&T and Verizon) to the other wireless service providers (Sprint and T-Mobile) we find that:

- Non-Baby Bell U.S. wireless broadband service providers offer much more attractive service than services offered by Baby Bell wireless broadband providers.
- Non-U.S. wireless broadband service providers offer much more attractive service than Baby Bell U.S. wireless service providers.

The New America argument fares quite well when careful comparisons are made about wireline broadband:

- Municipal wireline broadband service providers offer much more attractive triple play services than other wireline broadband service providers in the U.S.
- Non-U.S. wireline broadband service providers offer much more attractive triple play and broadband-only services than U.S. service providers.

Consistent with well-established economic thinking, the more competition that exists in a market, the better. However, three providers is certainly not enough to deliver the consumer benefits we typically associate with vigorous competition. In fact, the type of competitors is at least as important as the number of competitors.

The finding that the dominant incumbents charge more and deliver less attractive services reinforce our earlier conclusions that they are abusing their market power and magnify the importance of adopting rules for the upcoming auction of low frequency (TV) spectrum that prevent the dominant incumbent providers from using their ill-gotten gains to freeze out the competition. Since the Baby Bells already control a disproportionate share of the low frequency spectrum, rules that ensure a better balance in those spectrum holdings will be to the benefit of the consumer and the economy by strengthening competition in the wireless sector.

#

The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education