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TELECOMMUNICATIONS

Telecom Giants Oppose Cities On Web Access

By JESSE DRUCKER Staff Reporter of THE WALL STREET JOURNAL November 23, 2004; Page B1

Dozens of cities and towns across the country are rushing to provide low- or no-cost wireless Internet access to their residents, but the large phone and cable companies, fearful of losing a lucrative market, are fighting back by pushing states to pass legislation that could make it illegal for municipalities to offer the service.

Over the past few months, several big cities -- including Philadelphia and San Francisco -- have announced plans to cover every square block with wireless Internet access via the popular technology known as Wi-Fi, short for wireless fidelity. Cities say these plans will spur economic development and help bridge the digital divide, making Web access nearly ubiquitous.

But that's bad news for the large Bell telephone companies and cable operators, who are looking to their digital-subscriber-line (DSL) and cable-modem businesses for growth. Wi-Fi, technically known as 802.11, takes existing high-speed Internet connections and wirelessly extends them by several hundred feet, allowing dozens or even hundreds of people to share one subscription.

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Should cities offer wireless Internet access to their residents, or leave it to companies? Participate in the Question of the Day.



Philadelphia announced during the summer that it would hook up the entire city with Wi-Fi. Its current Wi-Fi service is free, but it

hasn't decided whether that would continue with wider deployment; it may charge a small fee. "There are some very specific goals that the city has that are not met by the private sector: affordable, universal access and the digital divide," says Dianah Neff, the city's chief information officer. She says that less than 60% of the city's neighborhoods have broadband access.

However, last week, after intensive lobbying by Verizon Communications Inc., the Pennsylvania General Assembly passed a bill with a deeply buried provision that would make it illegal for any "political subdivision" to provide to the public

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"for any compensation any telecommunications services, including advanced and broadband services within the service territory of a local exchange telecommunications company operating under a network-modernization plan." Verizon is the local exchange telecommunications company for most of Pennsylvania, and it is planning to modernize the region using high-speed fiber-optic cable. The bill has 10 days for the governor to sign it or veto it.

The Pennsylvania bill follows similar legislative efforts earlier this year by telephone companies in Utah, Louisiana and Florida to prevent municipalities from offering telecommunications services, which could include fiber and Wi-Fi.

Critics denounce this legislative tactic, arguing that the U.S. lags behind other countries in broadband Internet access because the phone and cable companies have been slow to roll out the service in some areas.

"We should be encouraging our municipalities to take a major role in broadband, the way other countries are doing," says James Baller, an attorney in Washington, D.C., who represents local governments on telecommunications issues.

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Some areas with advanced plans to deploy, or that have already deployed, large-scale WIFI hot zones.

- Los Angeles
- Philadelphia
- Milwaukee
- Cleveland
- St. Louis
- Spokane, Wash.
- Charleston, S.C.
- Montpelier, Vt.
- Marion, Ind.
- Granbury, Texas

Source: Muniwireless.com

advantages that government has -- not paying taxes, access to capital at good rates ... that severely limits the opportunity and limits our interest in taking the risk," says Eric Rabe, a spokesman for Verizon. Pennsylvania Gov. Edward G. Rendell has until November 30 to act on the bill, and hasn't said yet which route he will choose.

Telephone companies have long used local legislative muscle to stave off competition. After Congress passed the landmark Telecom Act in 1996, which required local telephone providers to open their networks to allow competition, several municipalities, including some municipal power companies, sought to offer telephone service. After extensive lobbying by the Bell telephone companies, roughly a dozen states passed laws prohibiting municipalities from offering

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telecommunications services. Currently, 621 municipal power utilities around the country provide some kind of advanced communication service, including telephone, high-speed Internet access and cable television, according to the American Public Power Association; a minority of these utilities sell those services to the general public.

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The U.S. Supreme Court earlier this year found that such legislation was legal, so cities and towns are particularly anxious to quash such legislation before it gets passed.

The tactic is being revived by the increasing interest in using Wi-Fi to spread broadband access, as well as interest in fiber. Wi-Fi equipment maker Tropos Networks Inc. says it has supplied gear for public networks in roughly 50 towns and cities, including Philadelphia, Los Angeles, and Corpus Christi, Texas. Scottsburg, Ind., last year built a network using a different type of wireless technology that covers nearly all of the surrounding county's residents, using equipment from Alvarion Ltd.

Earlier this year, the attempts by local telephone companies [BellSouth Corp.](#) and [Qwest Communications International Inc.](#) to push for severe restrictions on municipal broadband service in Louisiana and Utah ended in compromise, in some cases with existing plans being allowed to continue but new plans limited.

The legislative provision in Pennsylvania -- a small portion of a much larger telecommunications bill that gives telephone companies incentives to modernize their networks -- was originally prompted by the fiber deployment of a small town called Kutztown. But people involved in the legislative process say the provision took on added importance for legislators and the state's big phone companies after Philadelphia announced its Wi-Fi plans.

Cities have been able to deploy Wi-Fi relatively cheaply: Philadelphia says it set up its initial wireless zone for \$85,000, paid out of the city's budget. The city-wide offering is expected to cost \$10 million, and could be paid for by a combination of borrowing, private donations or selling rights to the poles on which the Wi-Fi equipment will be deployed.

The annual cost of operating the system is expected to be roughly \$1.5 million. Since the city has said the plan would be "cost neutral," a prohibition on levying any fee for the service could make it tough to deploy. "That's been made more difficult by current legislation," says Ms. Neff. However, she adds: "It's not stopping us. It may have eliminated some options."

The city deploys its current system much like a larger version of a wireless setup in a Starbucks coffee shop: A high-speed line connects to a wireless antenna mounted on a light pole that essentially sprays out the connection for several hundred feet.

Unlike high-speed connections into people's homes -- a service dominated in Philadelphia by Verizon -- the city could choose a variety of high-speed access providers for its Wi-Fi offerings, including [MCI](#), [Sprint Corp.](#) and [Level 3 Communications Inc.](#)

The Pennsylvania bill, first introduced in 2003, was passed by the state Senate late Thursday night and then passed for a second time by the state House of Representatives late Friday night by wide margins. Senate supporters agreed with Verizon's view of the legislation. Don Houser, a spokesman for Senator Jake Corman, the Senate sponsor of the bill, said "the thinking was the telephone companies didn't want to have local municipalities using tax dollars to compete with private dollars."

Verizon spokesman Mr. Rabe says the legislation is not a giveaway -- it also contains incentives for the phone company to deploy broadband service throughout the state, which he says will cost hundreds of millions of dollars. The bill also has a grandfather clause, giving an opening to providers who have some types of service in place before Jan. 1, 2006, but it is unclear how that would affect Philadelphia's plans.

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