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The Internet's biggest foe

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By Lawrence Spiwak

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Despite his self-professed claim of being a "techno-geek," FCC Chairman Michael Powell has done everything in his power to restrict American citizens' choice of information and entertainment.

While Powell has launched a vigorous censorship campaign against Howard Stern, the ABC show "Desperate Housewives," and Janet Jackson's "wardrobe malfunction," he has allowed the near total reconcentration of the broadcast industry into a very few hands. Not only do we have fewer voices, but small businesses are now at the mercy of broadcast giants when buying radio or television advertising time.

What people may not realize, however, is that Powell has also done everything possible to make sure consumers have no competitive access to the Internet.

After the passage of the landmark Telecommunications Act of 1996, new competition was saving consumers and small businesses more than \$10 billion a year. What's more, investment by telecommunications companies rose as competitors upgraded networks and services in the battle to win customers.

The FCC's new rules will let the Bells dictate whatever terms they want and kill their competition in the bargain.

Yet Powell has steadfastly ignored both this record and the Supreme Court decision upholding the 1996 act, and has instead pursued a steadfast campaign to gut the act's market-opening provisions. Already, companies as large as AT&T and as small as Hoosier Telecom have quit selling to consumers. Several Wall Street analysts predict that in another 12 months, the Bells will recapture 80 percent of the 20 million customers that had chosen to take their business to phone companies that better met their needs.

Now Powell is moving taking aim at the competitive telephone

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industry: The FCC, which is expected to vote on a new set of rules Wednesday, is going to wipe out the act's market-opening provisions--in many cases within six months. It's long been understood that Powell's policies would kill competition in the consumer marketplace. But it appears that his proposals are also going to curtail competition and raise prices in the business market as well.

Powell has promised again and again to nurture small businesses. But his draft rules for the high-capacity lines used by business customers will shut the doors of many of the companies that compete to serve small businesses.

What's more, thousands will lose their jobs, and investors who bet their money on competition will be forced to strand billions of dollars they had put into competitive carriers.

Powell, as expected, tut-tuts any notion that the phone-service market is on its way back to being a monopoly. (Remember when your phone came in any color--as long as it was black?)

Throughout his tenure, Powell has paid lip service to the benefits of the Internet and new technology. But his policies conflict with his rhetoric.

On the one hand, he says so-called inter-modal competition from wireless and **Net phone providers** will give consumers plenty of choice. But guess what? The so-called alternative competitive platforms all need access to Bells' network lines for the last mile to America's homes and businesses. Instead, the

FCC's new rules will let the Bells dictate whatever terms they want and kill their competition in the bargain.

Let's also not forget that in the case of wireless, not only do the Bells serve over 70 percent of all U.S. consumers who take service from a national wireless carrier, but wireless is no substitute for the big high-capacity lines businesses require for their voice and data needs. Indeed, how else do you explain **SBC's recent attempt** to charge Net phone, or VoIP, providers a whopping 4 cents a minute to terminate a VoIP call on their network? Heck, even current retail long-distance charges are not that high.

On the other hand, Powell claims that the deregulation will somehow lead the industry giants to become more efficient and to invest, innovate and **deploy fiber** to every consumer home and small business in America.

Please.

First, the Bells admit they are only rolling out fiber to high-income (and presumably high-volume) areas. While there is nothing wrong with this in concept (particularly in a competitive market), it is irresponsible public policy for Powell to pretend that the Bells' fiber rollout will extend to rural America or urban inner cities and, on that basis, to pursue blanket deregulation.

Though Powell insists on focusing upon ephemeral possibilities rather than on the financial probabilities of Bell fiber deployment to justify premature deregulation, there is a real possibility that the vast majority of Americans will have no fiber at all. More likely they will be faced with an unshackled Bell monopoly over the legacy copper network. Indeed, given the huge costs of fiber deployment, many

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Wall Street analysts are highly skeptical of the Bells' ability to make good on their fiber claims.

Throughout his tenure, Powell has paid lip service to the benefits of the Internet and new technology. But his policies conflict with his rhetoric. In truth, he has been captured by the four Bell companies and done their bidding.

Because Powell's record proves conclusively that he is hostile to President Bush's stated goals of promoting entrepreneurship, technology deployment and, most important, individual freedom and liberty, Powell clearly does not deserve to serve in the second Bush administration.

biography

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