

# Time to Get Out of the Way

Broadband's detractors on the right and on the left need to understand how FTTH changes the game.

By Steven S. Ross / *Broadband Communities*

**I**n January, FCC Chairman Julius Genachowski challenged broadband providers and local governments to build at least one gigabit Internet community in every state by 2015 – a challenge that will soon be forgotten. It is important to understand how so many supposedly smart people from all points on the political compass are helping to ensure this dismal result.

Few private carriers are building citywide gigabit networks. Google, currently deploying fiber in Kansas City, is the best known. Thus, to meet the gigabit challenge, communities will need to build their own networks. A number have already done so, but 19 states have erected legal barriers to keep munis from building their own systems. The latest banning effort, in the form of the same job-killing model bill that passed the North Carolina legislature last year, was just defeated in Georgia. (It came from the right-wing American Legislative Exchange Council.)

These bans, championed by incumbents that have no intention of providing adequate broadband in most communities, are bizarre on their face. One would think (as FTTH is easy to monitor and maintain) that capital-short incumbents would welcome public investment in networks that can be shared by all. But state lawmakers are cheap to purchase.

This problem is not limited to rural areas – Boston is still waiting for fiber, for instance. Nor is the myopia limited to conservatives; many liberals believe Americans are being overcharged by profiteering cable and telephone companies at the same time Wall Street is punishing the same companies for not being profitable enough.

## WHO'S OVERCHARGING?

Big companies do profiteer when they have the chance – in providing rural interconnects, for example. Stimulus-funded middle-mile builds championed by NTIA have helped bring prices down in many places, but the stimulus was simply too small to help everyone.

However, some accusations of overcharging don't make much sense – for example, those made by Yeshiva University communications law professor Susan Crawford. Crawford scores points with me when she decries absurd restrictions on

municipal broadband in her recent book, “Captive Audience: The Telecom Industry and Monopoly Power in the New Gilded Age,” but her recent Public Affairs Television interview with Bill Moyers is rife with errors. For instance, she says Manhattan (where she works!) suffers from a Time Warner Cable monopoly, although Verizon is bringing FiOS to every household in New York City and cable overbuilder RCN also serves parts of the borough.

One reason for high cable prices is high payments to video content providers. There is almost no carrier profit in video, but carriers usually have to provide it anyway. The content providers bundle their services. You want ESPN 1 and 2? Sorry, but, as Crawford notes, you must carry the other ESPN channels as well! Some claim these excess payments to content providers are used to hide cable and telco profits, but only one of the seven major content providers (NBC) is owned by a network provider (Comcast). HBO and Time Warner Cable have not been corporate siblings since 2009.

Still, *someone* has to pay for building the network, and that someone in this country is the consumer of pure Internet broadband. Crawford asks why we can't be more like Europe, where prices are lower but which actually lags behind the United States in FTTH deployment.

Between higher content costs, much lower population density and pricing oddities (Europeans typically pay low mobile phone bills, for instance, but pay \$500-plus up front for phones), most so-called overcharges are caused not by carriers but by lack of federal spending on broadband infrastructure, compared with our international competitors in Europe and especially in Asia.

What's the solution? According to the financial models I have developed (downloadable free at [www.FTTHAnalyzer.com](http://www.FTTHAnalyzer.com)), if a network provider can make a gross profit before overhead of \$50 per customer per month, it can get by with as few as eight customers a mile, even with 10 percent financing. FTTH can support the new high-margin health, security and educational services that make it possible. ❖

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