



Special Access

Executive Summary

- **Accelerating investments in IP-Based infrastructure means increased economic investment, more jobs and advanced broadband technology to more Americans.**
- Policies that promote discounted access to antiquated copper-based technologies reduce the pace of infrastructure investment in next-generation IP-based wireline/wireless networks and services.
- Special access regulations allow new entrants to cherry-pick the market—only serving the most profitable markets—because they can use incumbent telephone company facilities, which are cheaper than building out and investing in their own network.
- Price regulated access to antiquated copper-based business services is no longer necessary given the state of intense competition and the numerous and growing alternatives in the marketplace.
- The FCC should base its new special access rulemaking on current market data and real-time information, which unmistakably point to a competitive environment disserved by extension of legacy regulation to new infrastructure.

Background

What is “special access?”

- It is a business service offered by incumbent telephone companies.
- This service consists of telecom links (e.g., DS-1s, DS-3s) typically purchased by different types of business customers:
 - Competitive Local Exchange Carriers (CLECs) (e.g., links that connect their retail business customers to their own network)
 - Wireless Service Providers (links that “backhaul” traffic from cell sites to their network)
 - Enterprise Customers (links that connect data networks)
- Special access DS-1/DS-3 links are TDM-based copper phone lines, and not IP fiber-based facilities.
- 95% of special access services (DS-1s) provide only 1.54 megabits per second (Mbps) of bandwidth.
- Special access services are so slow – in fact, they would fail to qualify as high-speed broadband service under the new federal Universal Service program designed to promote broadband deployment to unserved areas in rural America.

Why are business customers switching away from special access?

- IP-based fiber networks that run high-speed broadband services, such as Ethernet and Gigabit service, provide American business customers with greater bandwidth and faster speeds than antiquated copper-based networks.
- The market for high-capacity business lines is **extremely competitive**. Alternative fiber-based service providers, such as the Cable industry, offer business customers abundant choice for high-capacity IP-based circuits.
- Today, more bandwidth is provided to business customers through IP-based Ethernet/Gigabit services than by copper-based special access circuits.
- Competitive wireless companies, such as Sprint and T-Mobile, have recently announced that they will soon **stop using copper-based special access lines** to connect to their cell sites for backhauling cell traffic.

Why are policies regarding Special Access critical to investment, innovation, and global competitiveness?

- In order for the U.S. to remain globally competitive, our nation's communications infrastructure must transition quickly to faster, more cost-effective, Internet Protocol (IP) based networks and services.
- Under existing regulations, incumbent telephone companies must operate, maintain, and lease—at regulated rates—slow copper business lines to CLECs, wireless providers and enterprise customers.
- Many of these policies were put in place in the 1990's, when incumbent telephone company DS-1/DS-3 copper lines were the only available option. Today, alternative fiber-based competitors offer business customers a multitude of faster IP-based services over their own networks and facilities in local markets across America.
- Policies that promote discounted access to antiquated copper-based technologies create the wrong incentives for infrastructure investment in next-generation IP-based wireline/wireless networks and services.

The fundamental economics of the industry and the competitive state of the market currently show:

- Copper service profitability has dropped dramatically due to competition and subscriber losses.
- Competition and market share loss substantially increases network costs per subscriber on the legacy network—diverting investment away from the build-out of higher speed IP-based networks.
- Special access regulations allow new entrants to cherry-pick the market—only serving the most profitable markets—because they can use incumbent telephone company facilities, which are cheaper than building out and investing in their own network.
- Price regulated access to antiquated copper-based business services is no longer necessary given the state of competition and the numerous alternatives in the marketplace.

Clinging to the technology of the past means we're not investing in America's future:

- With the right policies, the U.S. could have significant investment in every area on the path to an all-IP world.
- This wide-scale infrastructure investment creates jobs and keeps the economy moving.

- IP investment helps achieve a goal of the Obama Administration, which called for high-speed wireless broadband to 98% of Americans.
- Policies that provide incentives to certain companies to cling to yesterday's technology only hold our nation back economically.

On the horizon:

- In June 2012, the FCC granted special access pricing flexibility for AT&T and Windstream in certain local markets. The FCC is now actively considering a rulemaking proceeding that will address the future of special access regulation.
- If the Commission needs to move forward with this proceeding, it should mandate all facilities-based competitive providers to provide competitive data before drawing any conclusions on the true state of competition in these markets.
- These data will prove the existence of alternative providers and a competitive market for high-speed, IP-based business services—and the need to for policies to hasten the nation's transition toward IP-based infrastructure.

Investing in IP-Based Infrastructure Means Increased Economic Investment, More Jobs and Advanced Broadband Technology to More Americans.