



Local Competition and ISPs: The US Experience

OECD

Berlin

June 2001

Barbara Dooley

Commercial Internet eXchange



“I don’t make jokes. I just watch the government and report the facts.”

Will Rogers



What is the Commercial Internet eXchange (CIX)?

CIX is a worldwide trade association of Internet Service Providers and industry stakeholders which facilitates the profitability and utility of the ISP industry.



**CIX members provide Internet connectivity
that covers the globe.**



Overview

- Regulatory Environment and E commerce
- Local Internet Traffic: History
- The Impact of Broadband
- Changes in the ISP Sector
- Present and Future Considerations

The Twenty-Five Building Blocks of Growth in the "New Economy"

Business Law Codified? "Cultural" Issues Addressed?	Operational
Protocol Process Open?	Technical
Security Policy Favorable? Content Policy Favorable? Privacy Policy Favorable? Taxation Policy Favorable?	Regulatory

*Electronic
Commerce*

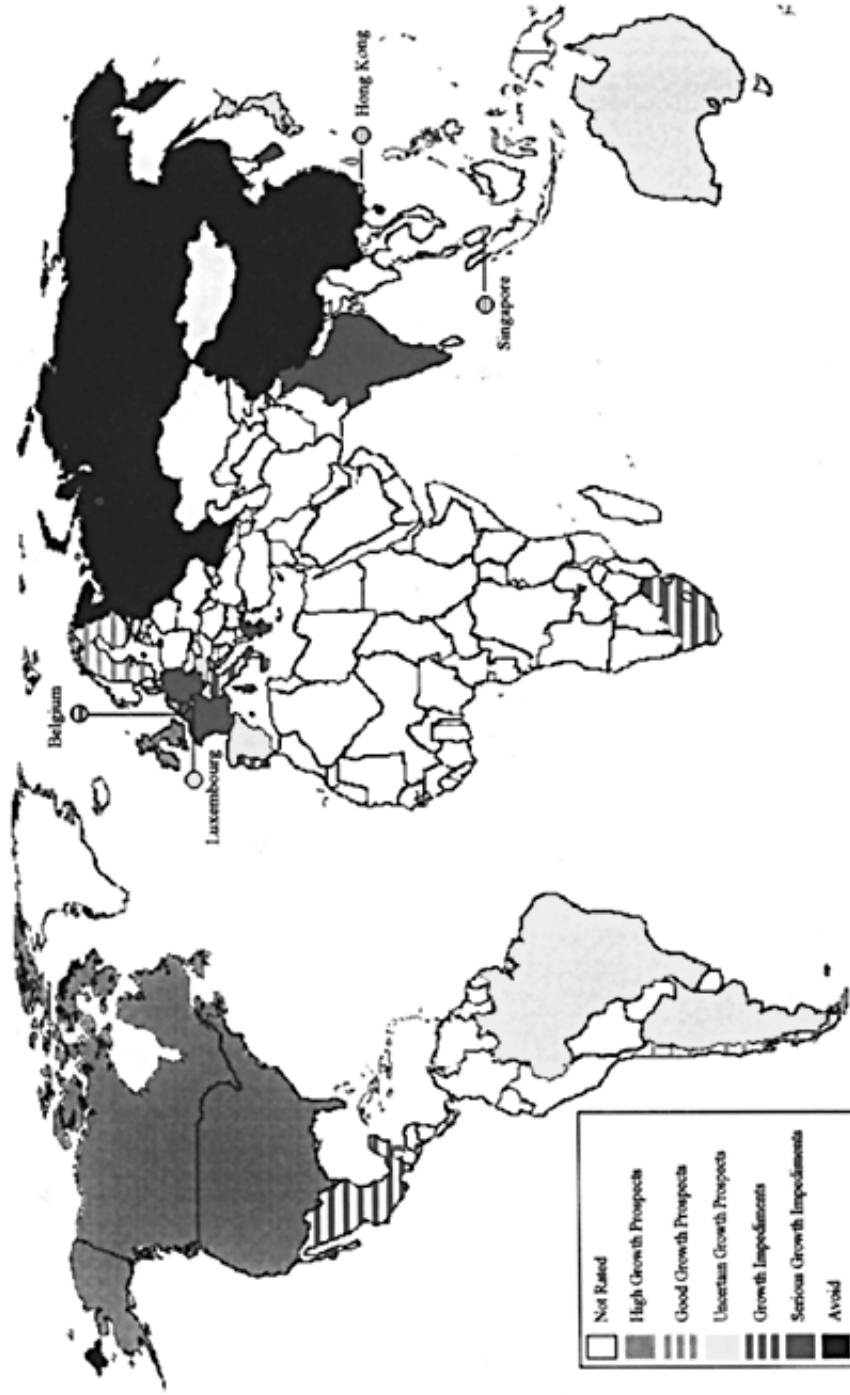
IT Labor Pool Present? Computer Literacy High? Equipment Deployment High?	Operational
Protocol Development Supportive? Bandwidth Sufficient? Network Model Open?	Technical
Cost of Access Low? Internet Provision Defined? Regulatory Role Defined?	Regulatory

Internet

Operational Issues Addressed?	Operational
Standards Open? Network Architecture Open? Spectrum Management Efficient?	Technical
Local Competition Facilitated? Accounting Systems Balanced? Interconnection Regime in Place? Licensing System Fair? Regulatory Authority Independent?	Regulatory

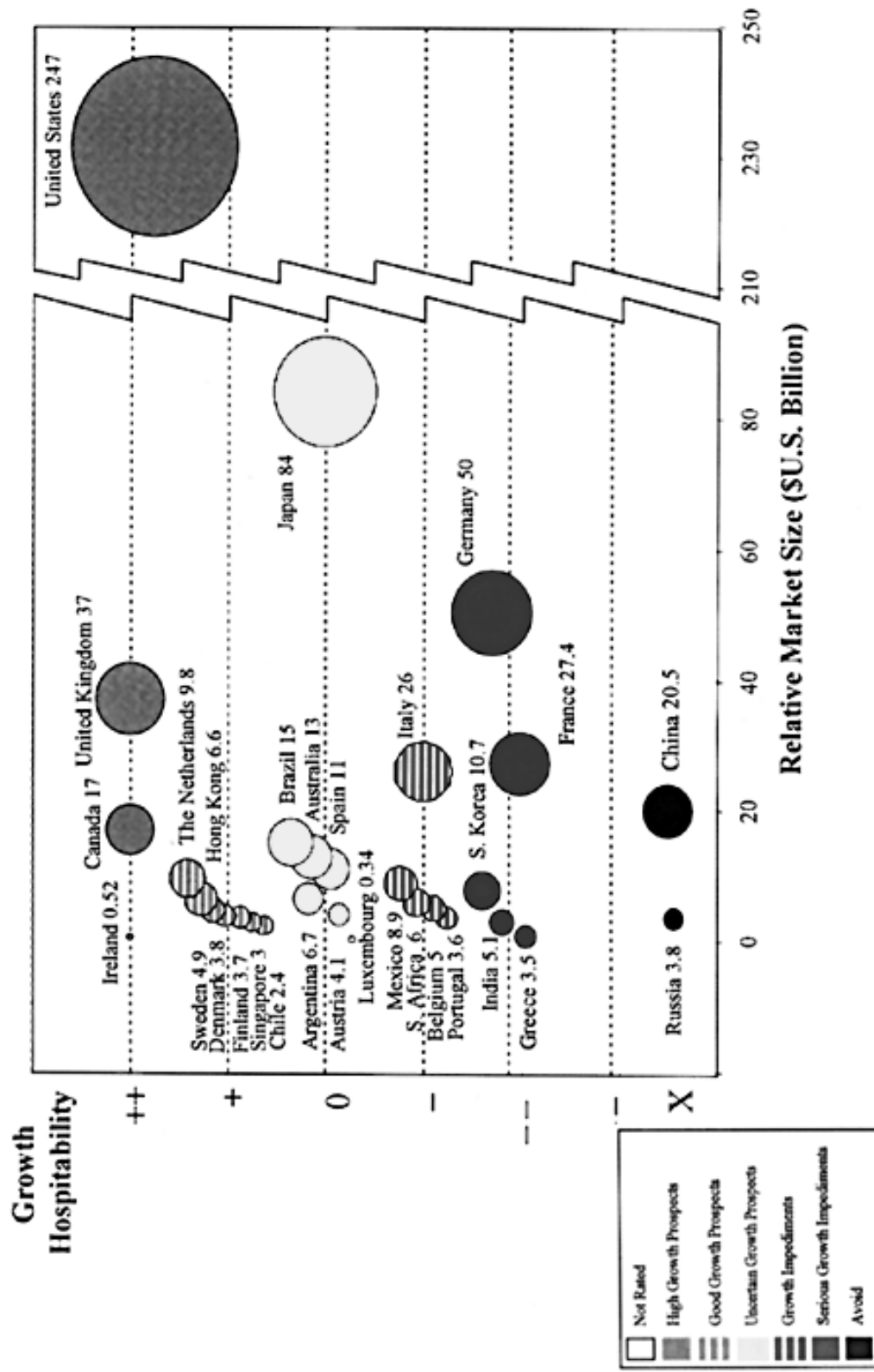
Telecom

Communications Investment Hospitality



Source: Legg Mason Precursor Group[®]

Growth Hospitality and Relative Market Size



Source: FCC, ITU, and Legg Mason Precursor Group®



The Myth of the Unregulated Internet

- Computer II
- Computer III
- Access charges and settlements
- Universal service



What's an ISP?

- Consumer Access Providers
 - Portals
 - Resellers/bundlers of access
 - Very small access providers with infrastructure
- Commercial Access Providers
- “Integrated Communications Providers”
- Long-haul Fiber
- DSL Providers
- Web Host Providers



The CLEC Situation

- 271 Orders:- Verizon-NY 271-Verizon-MA 271-SBC-TX 271-SBC-KS 271-SBC-OK 271
- SBC Project Pronto Order
- CLEC Access Charge Order
- BTI vs. AT&T (complaint re retroactive CLEC access charges)
- Reciprocal Compensation Order
- RBOC Pricing Flexibility Orders
- CALLS Order

And the courts...



The Regulators & the ISPs

- State PUC vs. FCC created regulatory quicksand on advanced services
- Structural vs. non-structural safeguards
- Bundling

***THE REALLY SAD FACT:
NON-EXISTENT ENFORCEMENT***



Service Overview

RBOC DSL Term & Volume Pricing—An Example

Term	Monthly	1 Yr			3 Yr		
Volume		1 - 499	500 - 1500	> 1500	1 - 499	500 - 1500	> 1500
Bronze 256x64	\$40.00	\$35.00	\$34.00	\$33.00	\$32.00	\$31.00	\$30.00

Term	Monthly	1 Yr		3 Yr			
Volume		1 - 1500	> 1500	1 - 2499	A	B	C
Bronze Plus 786x128 RDSL	\$40.00	\$32.50	\$32.25	n/a	\$32.00	\$31.75	\$31.50
Silver 384x384	\$60.00	\$53.00	\$51.00	\$47.00	\$45.00	\$44.50	\$44.00
Gold 786x786	\$80.00	\$68.00	\$65.00	\$61.00	\$59.00	\$58.50	\$57.75
Platinum 1.5Mx786	\$120.00	\$95.00	\$90.00	\$80.00	\$75.00	\$74.00	\$73.25
Platinum Plus (Multi-user)	\$250.00	\$215.00	\$205.00	\$194.00	\$186.00	\$184.00	\$182.75

Non-recurring Charges		3 Yr Volume Schedule			
		Volume Level	Year 1	Year 2	Year 3
Network Installation	\$60	A	1,000	2,000	2,500
Modem Purchase	\$200	B	3,000	6,000	7,500
Modem Rental (1)	\$12/mo.	C	4,500	9,000	12,500
Inside Wiring Install	\$80				
Change Content Provider	\$35				
Service Level Downgrade (2)	\$35				
PVC Re-mapping (3)	\$6 per PVC				

(1) Modem rental requires deregulated installation by RBOC and a 1 or 3 year service term contract.

(2) Service Level Downgrade NRC applies for a service level (bandwidth) downgrade, i.e., Silver to Bronze. There is no charge for service level upgrades except for a change from the Bronze to the Bronze Plus package in which case the \$35 charge will apply.

(3) PVC Re-mapping NRC applies for re-mapping of Frame Relay or ATM PVCs associated with, for example, a change by a Content Provider from DS-1 to DS-3 or Frame Relay to ATM connectivity to the ADSL backbone.



Unintended (?) Consequences

- Data LECs no longer alternative for ISPs
 - In Chapter 11 or being acquired
- No reasonable access to RBOC DSL loops
 - Cannot provide consumer services
 - Limited ability to provide small/medium-sized business services
 - Alternative technologies (cable/wireless) not widely available

FACT: As CLEC threat diminishes, RBOCs are reducing spending on broadband.



References

- Ecommerce Precursors

Legg Mason Precursors Group, 2000

- ISP Report

ISP Media Business Corp.

- FCC Filings, 1996-2001

Commercial Internet eXchange Association



Contact

Barbara Dooley

President

Commercial Internet eXchange Association

Bdooley@cix.org

<http://www.cix.org>