NETCompetition.org
An e-Forum Promoting Competitive Internet Choices for Consumers

Part Two in a Series

Debunking "The Broadband Market Failure" Myth

Net Neutrality proponents justify their call for new regulation by claiming insufficient broadband competition. Broadband is a young, fast-growing, and dynamic eight-year-old market replacing monopoly dial-up service. The facts prove a competitive market: choice is expanding, real prices are falling & supply is increasing.

Choice of broadband providers is expanding rapidly: According to the most recent FCC data*:

- 81% of U.S. zip codes offer **3 or more broadband choices**, up from 61% in 2003, and 32% in 2000.
- 53% of U.S. zip codes offer **5 or more broadband choices**, up from 35% in 2003, and 15% in 2000.
- Zip codes with **10 or more broadband choices** have exploded nine-fold since 2000 from 2% to 21%.
  - * http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/hspd0705.pdf

Real Prices for broadband are falling!

- **Real DSL prices have fallen ~50%** as speeds have roughly doubled over the last 2 years; introductory DSL prices have fallen ~70% in ~3 years; **average monthly DSL prices fell ~15% from 2004-2005**.
- **Real cable modem prices have fallen ~70%** as speeds have increased from 1.5Mbs to 5+Mbs over the last two years with no price increase. Cable modem prices as part of a bundle have also fallen.
- The real price of broadband satellite service has fallen substantially through rebates/promotions.

Supply of new broadband competitors continues to increase.

- Wireless broadband is the fastest growing broadband option:
  - Verizon, Sprint and AT&T now offer wireless broadband service in most of the country.
  - T-Mobile broadband service offers 8,000 WiFi hotspots with coverage in all fifty states.
  - McCaw's Clearwire-Intel WiMax offering is in 30 cities with plans to go more national.
- Several hundred U.S municipalities are in the process of installing city-wide WiFi networks.
- Broadband over Powerlines (BPL) is now a feasible third wire to the home; ~99% of cost of BPL is already paid for to supply electricity. Google-backed Current Technology is rolling out BPL in Dallas.

Net Neutrality is a smokescreen hiding an anti-competition policy bias.

- The proof that net neutrality proponents pessimistically do not believe in competition policy, is none of the pro-net neutrality bills include any sunset provisions for when sufficient competition develops.
  - Snowe-Dorgan S.2917, Markey Bill HR.5273, Sensenbrenner bill, HR.5417 are all permanent.
- A reason they offer no sunset language is that any objective measure of competition would show that sufficient broadband competition already exists for most all Americans, and is increasing every day.
- Snowe-Dorgan would impose new and highly-intrusive regulation on cable, satellite, wireless, WiFi, WiMax, and BPL -- all broadband technologies, which have never had net neutrality regulation before.

Broadband duopoly allegation is a gross misrepresentation of this dynamic marketplace.

- Those who allege a telco-cable duopoly *egregiously omit the factual context* that they both *used to be* monopolies and that bipartisan competition policy has successfully de-monopolized these markets.
  - As the data in the first section prove, competition has been increasing steadily for several years.
- Broadband is a young eight-year-old market characterized by falling prices, increasing supply of competitors, faster speeds, heavy investment/new deployments, differentiated offerings, and innovation.
- Fact: Satellite broadband is most widely available broadband technology, not DSL/cable per FCC data*.
- Fact: 35% of the latest new broadband adds were wireless, not DSL or cable modem, per FCC data*.

NETCompetition.org is an e-forum to debate the merits of net neutrality. It is funded by broadband telecom, cable and wireless companies who believe in free and open Internet competition, not Net regulation. ***See*** **www.netcompetition.org.**