



Insight

Taking Chairman Wheeler's Broadband Competition Challenge Seriously

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In the last two decades, an exceedingly short time, consumers and infrastructure providers have helped to create the dynamic broadband ecosystem, which now delivers news, email, and video at lightning fast speeds. Ensuring everyone has the best service has become among the most important policy issues facing the Federal Communications Commission, which Chairman Wheeler addressed before the startup incubator 1776 yesterday. In the speech, he laid down a challenge to industry and government “to do everything in our power to ensure that the United States has the world’s most dynamic and competitive broadband ecosystem.” Broadband providers have been taking this challenge very seriously for some time, as countless reports and data suggest.

Like the rest of the world, average connection speed for the US continues its meteoric rise, having [increased by 31 percent](#) in the past year. Pushed by private investments in infrastructure, the US ranks as the [12th fastest](#) in average download speed for the world. Given that the US is among the least dense developed countries, one would expect variability. Yet, the top US states are all squarely within the top 10 peak download speeds, nuzzled just below South Korea and Japan, but above top performers like Taiwan and the Netherlands.

A snapshot of this kind of dynamic market at any one point is thus bound to create confusion and worry, which was reflected in Wheeler’s lament that “while competition has driven broadband deployment, it has not yet done so in a way that necessarily provides competitive choices for most Americans...three-quarters of American homes have no competitive choice for the essential infrastructure for 21st century economics and democracy.”

This stat likely comes from the FCC’s “Internet Access Services” [data set](#) released in December of last year. As far too often occurs with these reports, the data was collected in 2012. Even then, the FCC noted that 67 percent of households have a choice of either 2 or 3 wireline providers for 10 Mbps service. It is important to note that Japan, Hong Kong, and Switzerland, which rank at the top of international speeds charts, all have average connection speeds around 13 Mbps. And much has changed since 2012. Even though the number of competitors by speed is not counted, widely accepted private reports have charted a near doubling of 10 Mbps connections in the US since the FCC data was collected; from 19.5 percent to nearly 38.4 percent in the first quarter of 2014.

Is it really the case that consumers don’t have choice?

Clearly consumers are benefiting with faster speeds, but they are also switching services. In the most recent quarter, AT&T saw [nearly twice as many](#) additional subscribers to its DSL based U-Verse service than Comcast, largely due to their \$14 billion network investment. DSL is not out for the count, it is being upgraded by the traditional phone companies with the latest technology that will continue to make it competitive with cable for the foreseeable future. As AT&T continues to roll out their upgraded network, huge swaths of the country will have access to speeds of 75 Mbps, far faster than current cable services and above the 25 Mbps mark that Wheeler brought attention to in his speech.

But an important and “radical change,” according to [one report](#), is underway and it was spurred by a fresh face: Google Fiber. Numerous providers, including some of the biggest incumbents, have begun in the last twelve months to lay down networks providing 1 gig service, which is nearly a hundred times faster than broadband current speeds. In addition to the [Google Fiber networks](#) that are underway in 39 cities, Cox Communications [has announced plans](#) for gig service. Similar networks are being pursued by [C-Spire in Mississippi](#) and [SuddenLink](#) in Arkansas, Louisiana, North Carolina, Oklahoma, Texas, West Virginia. AT&T is also getting into the game, with gig service being rolled out to nearly [two dozen communities](#). Of course, this does not include the first mover in this space, Verizon’s FiOS service, which has footprints in [20 cities](#). As these broadband options come online, consumers will migrate and place further competition on rivals to upgrade.

Is there more that can be done to ensure competition? At the local level, [the resounding answer](#) is yes. But municipalities are making it easy to deploy because they see what the right policies can do in Kansas City and Austin with Google Fiber. They are getting their own house in order because they don’t want to be left behind. This is the kind of local competition we should applaud and the Chairman should take up in earnest. Nevertheless, the choices and competitive marketplace in broadband look exceptionally robust. The Chairman’s challenge is already being met head on.