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## The Facts About Special Access

***Background:*** *Special access services are high capacity dedicated transmission links used to distribute voice and data traffic. Such services are sold by wireline, cable and fixed wireless companies directly to businesses and other communications services providers that need to transport large volumes of voice and data traffic. As with many other communications services, multiple providers are now competing vigorously to provide high capacity services like special access.*

*Under the leadership of Chairman William Kennard, the Clinton Administration FCC determined that price caps for special access could be lifted in certain competitive areas. The FCC nevertheless has not granted full pricing flexibility in most of the country, which means local exchange carriers cannot increase their rates above the price caps set in those areas. Even where the FCC has granted full pricing flexibility, providers are subject to enforcement action if the FCC finds their rates to be unreasonable.*

***Despite the success of the Clinton Administration initiative, certain companies are now advocating for the adoption of new, lower price caps, claiming that special access prices remain too high. Nothing could be further from the truth.***

- 1) Competitive providers of high capacity services—including some of the same companies complaining that special access prices are too high—have repeatedly refused to provide critical information to policy makers. This fatally undermines the ability of policy makers to fully evaluate special access competition.**
  - The Government Accountability Office (GAO), the FCC and the National Regulatory Research Institute (NRRI) all have acknowledged the absence of information from competing suppliers of special access.
  - For example, fixed wireless and cable companies provide millions of dollars worth of competing services over their own networks, but have not supplied the FCC with information regarding the availability of their services and networks.
  - GAO noted that it “asked competitive firms to supply prices, however, they did not.” The GAO consequently titled its report, “The FCC Needs to Improve Its Ability to Monitor and Determine the Extent of Competition in Dedicated Access Services.”
  
- 2) By contrast, our companies have submitted extensive data demonstrating that competition is strong and that special access prices have been falling for years. This has been confirmed by independent third-party studies.**
  - The GAO concluded that from 2001 to 2006 prices fell.
  - Similarly, the NRRI also concluded that special access prices continued falling from 2006 to 2007.

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- 3) Competition to provide special access services is widespread and growing.**
- Surveys show there are as many as 65 national and regional providers of competitive special access services. These providers include traditional CLECs, cable companies, and wireless broadband providers.
  - For example, cable companies have successfully entered the special access marketplace utilizing fiber-rich networks that extend into commercial centers and office parks, where the majority of special access demand originates, as well as into areas well outside of these commercial centers.
  - In other parts of the world, most demand for high-capacity connections from wireless towers to networks is met using wireless technologies. The practice is less common here in the U.S. because, as Sprint's Chief Technology Officer has acknowledged, "*relatively abundant and inexpensive*" *special access lines have provided an attractive alternative to wireless.* [Stephen Lawson, IDG News Service, July 9, 2008.]
- 4) In areas where there is less competition, the FCC continues to cap prices.**
- The FCC has not granted full pricing flexibility in most of the country, so special access rates in those areas remain under price cap regulation.
  - Even where the FCC has granted full pricing flexibility, providers are subject to enforcement action if the FCC finds their rates to be unreasonable.
- 5) The assertion that special access prices will drive wireless companies out of business is a fiction.**
- Claims by certain wireless companies of price gouging are based on deeply flawed regulatory accounting data. The NRRI agreed, noting such data are "virtually meaningless." As the FCC has repeatedly observed, the data are not appropriate for evaluating returns for specific services, such as special access.
  - The new Sprint/Clearwire venture has told analysts it expects to invest in microwave equipment so it can self-provision facilities to meet "roughly 80 percent of its [wireless] backhaul...from microwave links," and that it expects this investment "will pay for itself in 10 months." [John Hodulik, UBS, December 19, 2008.]
- 6) New artificial price controls will harm job creation and investment.**
- Imposing new artificial price controls on wireline special access will harm investment as competing carriers will have little incentive to build their own networks and invest in new technology. For example, this is likely to discourage new investment needed to support wireless broadband growth.
  - It would also lead to fewer jobs and lower wages in the telecom sector overall as companies scale back their investments.