

Dear Members of Congress,

The undersigned consumer and public interest organizations write to express our support of the Federal Communications Commission's (FCC) timely efforts to reform the critical business data services (BDS) market. FCC Chairman Tom Wheeler has stated his goal of completing this long pending issue in 2016. The FCC's comment cycle recently concluded and the time is now for the agency to bring forward final rules to ensure a more competitive market that will benefit the overall economy and consumers in particular.

After over a decade of data collection, the record in the FCC's BDS proceeding is exceedingly robust and documents what observers have long known — that the BDS market is broken and controlled by monopoly telecom providers. As a result, FCC oversight is necessary to protect consumers, businesses, and taxpayers. Business data services are the critical foundation for the broadband economy, connecting everything from small businesses, startups, retailers, and grocery stores to schools, libraries, and state and local government offices. These services are essential to almost everyone, but customers overwhelmingly have only one choice of provider (or occasionally, two). The data clearly show that 73% of locations nationwide are served by a monopoly provider, while 97% of locations have two or fewer providers.

Unfortunately, incumbent providers continue to ignore these facts and insist that “monopolies are rare in the BDS marketplace.” They claim that markets with two providers should be deemed “competitive”, which goes against well-established principles of economics, Commission precedent, experience, and common sense.

Incumbent providers have long exploited their market power by charging exorbitant rates and imposing anticompetitive terms and conditions on purchasers of BDS. As a result, businesses, non-profits and community anchor institutions, government agencies, and mobile wireless carriers are forced to overpay for these critical services. The excessive costs imposed on businesses, organizations, and governments ultimately fall on the shoulders of American consumers and taxpayers.

Exorbitant and monopoly BDS pricing also harms consumers by crippling economic growth, costing jobs, limiting investment, and burdening local government budgets. In fact, the Consumer Federation of America recently found that abuse of market power by incumbent BDS providers has resulted in over \$150 billion in economic losses over the past five years alone.¹ Absent action from the FCC, these economic and social losses will only increase as new devices and applications continue to increase the need for connectivity for even larger segments of the economy.

The FCC's proposed BDS reform will promote a more effective marketplace response to the exploding consumer demand for mobile broadband services and the advent of 5G, which will continue to increase

¹ Dr. Mark Cooper, Consumer Federation of America, [The Special Problem of Special Access: Consumer Overcharges and Telephone Company Excess Profits](#) (2016).

demand for backhaul. With appropriate incentives and oversight, mobile wireless carriers' growing need for this critical input will spur investment by BDS providers, enable mobile wireless carriers to deliver innovative services, and boost consumer demand for those services. More competitive BDS prices will encourage additional consumption and a virtuous cycle of consumer demand spurring investment, competition, and innovation by network providers. Although some incumbents have argued BDS reform would decrease their network investment, the facts suggest just the opposite. Evidence presented in the BDS proceeding shows that "high backhaul costs are diverting resources away from network deployment" and harm the "ability of competitive carriers to meet consumer demand, resulting in service degradation, customer loss, and potentially more industry consolidation."²

After over a decade of collecting the most comprehensive data set the agency has ever compiled, the FCC is finally ready to proceed with reforms to the business data services market that will promote competition and protect consumers who ultimately bear the heavy burden of these costs. Further delay cannot be justified, and we encourage you to support this effort in order to help all communities connect and compete in the 21st century economy.

Sincerely,



Consumer Federation of America



² Dr. Raul Katz, [Assessment of the Impact of the Business Data Services Market Dynamics on Innovation and Competition in the U.S. Wireless Market](#), Exhibit 1 (2016).

³ The Benton Foundation is a nonprofit organization dedicated to promoting communication in the public interest. These comments reflect the institutional view of the Foundation and, unless obvious from the text, are not intended to reflect the views of individual Foundation officers, directors, or advisors.

⁴ National Consumer Law Center, on behalf of its low-income clients