

Trade a merger for broadband?

June 22 2011, By Jeremy Herb

Bruce Kerfoot is tired of being stuck in the Internet slow lane.

Kerfoot, whose family has owned the Gunflint Lodge in Cook County, Minn., for decades, says he's losing business because he can't get a decent [Internet connection](#). His guests demand connectivity, and with only dial-up and spotty satellite connections available, Kerfoot says he can't do basic things like taking reservations online.

"I cannot be competitive with my guests' needs for hooking up or connecting while they're here - even though I'd prefer they didn't," Kerfoot said.

Kerfoot is just the kind of person AT&T Inc. has in mind as the telecom giant pushes expanding rural [broadband](#) as a major benefit of its proposed \$39 billion acquisition of T-Mobile USA. AT&T officials say that the merger will allow the company to expand its broadband network into rural areas, offering new customers access to high-speed mobile Internet for the first time.

AT&T Minnesota President Bob Bass says that 1.2 million additional people in Minnesota will get broadband under AT&T's merger plan as part of a push to cover 97 percent of the population nationally.

But critics of the proposed merger, including cellphone competitor Sprint, say the promise of increased rural broadband is being offered as a mirage to entice regulators into allowing the megamerger to proceed. They say that nothing is stopping AT&T from expanding now if it was

willing to put the effort - and money - into rural broadband.

"There's nothing in this merger that is going to naturally improve broadband build-out in rural America," said Steve K. Berry, president and CEO of the Rural Cellular Association.

Like other telecom services, high-speed Internet and strong cell coverage have been slowest to reach rural communities. The proposed merger between AT&T and T-Mobile owner Deutsche Telekom leaves some rural residents wondering if it could fix their dropped calls and Internet issues, or if they'll still be left out of range as prices rise. The merger has generated a flurry of interest: The Federal Communications Commission has received 10,000 public comments.

Minnesota's two Democratic senators are poised to play a major role examining the merger in Congress before the FCC and Justice Department decide next year whether to sign off.

The Senate's first hearing on the merger last month focused on whether it would drive up consumer costs because of decreased competition, as the merger would leave two companies controlling 80 percent of the wireless market.

Sen. Al Franken said he doesn't think promising more rural broadband should be justification to allow the wireless market to inch closer to the "Ma Bell" telecom era.

"Doesn't it seem a little bit like extortion?" Franken said in an interview. "There's no reason for them not to be building it out now. It should be in their interest to do it, so that sounds like we'd be giving in to blackmail."

AT&T says that it's facing a "spectrum crunch," where the volume of data is threatening to overload the system, and it needs T-Mobile's

spectrum to fully expand its latest generation 4G broadband network.

The telecom giant's competitors counter that AT&T already has more spectrum than any other company, and the "spectrum crunch" only affects highly trafficked urban areas, not rural ones.

"I'm skeptical for a few reasons," said Sen. Amy Klobuchar, who is the only senator on both of the committees investigating the merger: Judiciary and Commerce. "They haven't built it out in the past. Verizon actually has less spectrum, and it's built out more (into rural areas)."

As Washington debates, rural America waits.

Pamela Lehmann, executive director of the Lac Qui Parle County Economic Development Authority in western Minnesota, says that she has tried unsuccessfully to lure national wireless companies into investing in the area. "It's really tough as an economic developer to get anyone from the cellular companies to respond to inquiries," Lehmann said. "A very small rural county has limited coverage for them, so when you're not a major player it's tough to get them to carry on that conversation with you."

Lehmann feels it at home: Her 16-year-old teenage son is unhappy without Internet at the house. She doesn't feel the price for a slow dial-up connection is worth it.

But Heidi Omerza, a City Council member from Ely, Minn., has publicly supported the AT&T/T-Mobile merger because she says any help in expanding rural broadband is a good thing.

"Right now with all the fights going on for the limited dollars out there, it's one more thing that can help rural America." Omerza said. "This is one piece of the puzzle for Ely to continue to survive."

Rural broadband is elusive because of the economics: Building the infrastructure is expensive and gains few customers.

President Obama called for expanding wireless Internet to 98 percent of Americans in five years, and \$7 billion was included in the stimulus for broadband. The FCC also has proposed shifting its Universal Service Fund, designed to bring telecom services to rural areas, toward expanding broadband.

Some money is starting to trickle down to Minnesota's rural counties, though there have also been roadblocks converting dollars into Internet service.

But for Kerfoot, even if AT&T's [merger](#) leads to more rural broadband, he won't reap the benefits. The company's plan still doesn't reach his neck of the woods in the northeasternmost tip of the state.

(c) 2011, Star Tribune (Minneapolis)

Distributed by McClatchy-Tribune Information Services.

Citation: Trade a merger for broadband? (2011, June 22) retrieved 19 April 2024 from <https://phys.org/news/2011-06-merger-broadband.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.