

Phone cos. lose broadband subscribers for 1st time

August 14 2012, by PETER SVENSSON

(AP) — Phone companies in the U.S. are losing the high-speed Internet game. In the second quarter, the landline phone industry lost broadband subscribers for the first time, as cable companies continued to pile on new household and small business customers, thanks to the higher speeds they offer in most areas.

The flow of subscribers from phone companies to cable providers could lead to a de facto monopoly on [broadband](#) in many areas of the U.S., say industry watchers. That could mean a lack of choice and higher prices.

Phone lines, designed to carry conversations, and often decades old, are poorly suited to carry Internet signals compared to the heavily shielded cables that carry TV signals. That means [cable companies](#) find it much easier and cheaper to provide fast Internet service compared to the digital subscriber lines, or DSL, that phone companies provide in most areas.

Cable providers now offer download speeds of 100 megabits per second in many areas, about 20 times faster than DSL.

The country's largest Internet service provider is cable company Comcast Corp., with 18.7 million, followed by AT&T, with 16.4 million

Verizon Communications Inc., the country's second-largest phone company, has replaced its phone lines with optical fiber in some areas, letting it compete on speed with cable. But expanding service is

expensive, so Verizon has stopped adding new areas to its FiOS build-out.

AT&T Inc., the largest phone company in the U.S., has taken a more conservative approach to optical fiber, building it out to neighborhoods but not all the way to homes. The Internet signal is still carried the last stretch, into the home, on a phone line. This build-out is less costly than Verizon's, but doesn't let AT&T compete with the fastest cable connections.

The AP's tally of reports from the eight largest phone companies in the U.S. shows they collectively lost 70,000 broadband subscribers in the April to June period. Meanwhile, the top four public cable companies reported a gain of 290,000 subscribers.

AT&T accounted for the bulk of the loss — 96,000 subscribers — while other companies on average added a few thousand subscribers.

The second quarter is a traditionally weak one for all broadband providers, since college students cancel their subscriptions before heading home for the summer. The picture for phone companies is less dire when considering the last 12 months, a period during which they added nearly 600,000 subscribers. However, cable companies added more than three times as many.

Phone companies were early in hooking up people to the Internet, and grabbed a lead in the broadband build-out of the early 2000s. The tide turned in 2008, and cable companies have been adding subscribers at the expense of phone companies since then.

Now, phone companies account for 43 percent of U.S. homes connected to broadband, according to Leichtman Research Group, with cable connecting the rest.

Analyst Craig Moffett at Sanford Bernstein called the decline in broadband a "body blow" to [phone companies](#), which have been using broadband to offset a long-running loss of subscribers to regular phone service. Now, both are declining, he noted.

Susan Crawford, a professor at Cardozo Law School in New York and a former assistant to President Obama on telecommunications, has argued that a looming cable monopoly in three-quarters of the country is "the central crisis of our communications era." She suggests that the U.S. follow the example of countries that have forced cable providers to allow other companies provide Internet service over their cables. The service-providers would compete with each other and provide some choice to the consumer, she says.

The industry has resisted this type of arrangement in the past, insisting that freedom from regulation provides them with an incentive to invest in their systems and upgrade speeds.

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