Telecom reacts to FCC net neutrality rules

BY LEIF SKODNICK

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In the wake of the Federal Communications Commission's newly issued rules enforcing net neutrality, the response from the telecommunications industry has been anything but neutral.

The new FCC rules, announced on Feb. 25, are aimed at maintaining an "open internet," meaning that all legal Web traffic and content must be treated equally by Internet service providers.

Among the activities the new rules prohibit are the blocking of access to legal content, applications, services or nonharmful devices; "throttling," where providers impair or degrade lawful Internet traffic; and "paid prioritization," where providers favor some lawful Internet traffic over other lawful traffic in exchange for payment. The rules also ban ISPs from prioritizing content and services of their affiliates.

Kathleen Quinn Abernathy, Frontier Communications executive vice president of external affairs, told the Business Journal in an email, "We have not yet reviewed the full text of the FCC decision, however we do not believe the FCC adopted the correct regulatory policy approach by reclassifying broadband internet access service as a Title II service."

Frontier Communications, headquartered in Stamford, Conn., provides broadband service to more than 2.3 million customers in the U.S., according to the company's most recent earnings filing with the Securities and Exchange Commission.

Passed by a 3-to-2 vote of the FCC's commissioners, the new rules reclassify broadband Internet service to fall under Title II of the Federal Communications Act, which enables the FCC to regulate the industry similarly to the way it regulates other common carriers.

"Today, the commission – once and for all – enacts strong, sustainable rules, grounded in multiple sources of legal authority, to ensure that Americans reap the economic, social and civic benefits of an Open Internet today and into the future," the FCC said in a press release announcing the rules. "These new rules are guided by three principles: America's broadband networks must be fast, fair and open – principles shared by the overwhelming majority of the nearly 4 million commenters who participated in the FCC's Open Internet proceeding."

Frontier Communications, however, sees the new rules as the revival of an antiquated regulatory regime that does not belong in the modern marketplace.

"We have consistently stated the FCC should not overlay on the Internet a regulatory framework developed for a monopoly telephone world from the 1930s," Abernathy said. "This is particularly true when all of the ISPs, such as Frontier, already embrace the core issues of concern to the FCC, such as transparency, full disclosure, no fast lanes, non discrimination obligations and no-blocking of lawful content."

The regulatory framework Abernathy referred to was put forth after the passage of the Communications Act of 1934 and was used to regulate AT&T's near-total monopoly on the telephone industry.

Morgan Stanley to pay $2.6B settlement

MORGAN STANLEY, THE GLOBAL FINANCIAL services firm with a major office complex in Purchase, will pay $2.6 billion to the Department of Justice in a settlement of charges related to the 2008 financial crisis.

A Securities and Exchange Commission filing Feb. 25 revealed that Morgan Stanley had reached an agreement in principle to pay $2.6 billion to resolve claims the Justice Department's civil division intended to bring against the firm for its dealings in mortgage-backed securities. The agreement forced Morgan Stanley to significantly revise its earnings for 2014.

In the SEC filing, the company stated it increased legal reserves for settlements related to mortgage-backed securities by $2.8 billion, thus decreasing the company's 2014 income by $2.7 billion and cutting earnings per share for 2014 to $1.35. The company reported earnings per share of $2.75 for 2014 last month. The filing noted that the settlement is not finalized.

– Leif Skodnick