

GOODBYE open internet;

Verizon Backs Legal War
with Political Cash

A
Common
Cause
Study

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Verizon Communications, one of the world's most powerful communications companies is waging a high-stakes, multi-million dollar campaign in Congress and at the Federal Communications Commission for control of the Internet's future.

The company, [which provides wireless services to nearly 100 million Americans](#), wants authority to censor websites that conflict with its business interests and to impose special fees on customers who use particular web applications or whose web surfing takes them to popular sites like YouTube, Amazon, and Facebook.

With a court in Washington set to hear arguments this fall in a Verizon-filed case that could uphold or cripple the Open Internet, Verizon is preparing for every contingency. While pursuing the lawsuit, the company is spending millions to build its political influence with Congress, the Obama Administration and the Federal Communications Commission (FCC). Verizon's plan? Tilt the playing field to secure corporate control over the Internet whatever the court ultimately decides.

THE FIGHT TO CONTROL THE INTERNET

The conflict began in 2002. The Federal Communications Commission (FCC), created by Congress to oversee everything from telephone companies to radio stations, began to examine the scope of its control over the Internet, and specifically over broadband, a rapidly emerging method of high-speed Internet access with enormous potential for consumers and Internet Service Providers (ISP) alike. Though the service was small at the time, [broadband now connects 7 of every 10 U.S. households to the Internet](#) and is a critical part of the digital revolution that has transformed how Americans communicate, innovate, shop and advocate.

The commission adopted a restrained approach, classifying broadband as an "information service," rather than a "telecommunications service," a designation that would have given the FCC more regulatory control. Then, in 2005, the commission [also asserted its authority to guarantee "Net Neutrality,"](#) providing consumers with equal access to all lawful websites and applications.

Broadband providers were restrained too, following a business model that accepted the commission's policy.

But in 2008, Comcast broke the truce. Unhappy with the success of BitTorrent, a popular peer-to-peer file-sharing service, Comcast throttled broadband access to that service, making it more difficult for customers to share content. The FCC responded by sanctioning Comcast for overstepping its authority and infringing on customer access to the Internet. The company appealed, and in 2010 the U.S. Court of Appeals for the DC



Circuit [agreed with the corporation](#), allowing Comcast to censor Internet content and triggering a new round of negotiations between the FCC and major broadband providers — including Comcast and Verizon — to come up with a new regulatory scheme. The discussions occurred [amid warnings from independent analysts](#) that the court had given the companies license to take arbitrary and extreme actions like blocking YouTube or Hulu from their networks.

Its authority cut off at the knees, the commission and Chairman Julius Genachowski [opened negotiations with the companies and consumer advocates](#) like the Digital Media Association — along with small businesses, and companies as large as Amazon and Netflix — that attempted to balance the concerns of supporters and opponents of the Open Internet. Genachowski took pains to accommodate the broadband providers, who demanded concession after concession. The outcome, in May 2010, was the [“Third Way,”](#) a regulatory framework that purported to serve the needs of broadband providers while still championing a free and Open Internet.

As part of the deal, the companies agreed to accept limited FCC oversight, including some consumer protection over wired broadband and much milder rules governing wireless Internet access, but avoided the heavier regulations reserved for phone companies. [It was a necessary compromise](#), said Genachowski, because the conflict between corporate and consumer interests was beginning to heat up, threatening to “change the Internet’s fundamental architecture of openness” if left unchecked. The principles of the Third Way formed the basis of the Open Internet rules the [commission adopted in December 2010](#).

Then, just as the FCC began to implement its Open Internet rules, Verizon challenged the framework [by filing an appeal](#) against the FCC’s rules with the U.S. Court of Appeals in Washington, D.C. Despite the Commission’s years-long effort to tread lightly on broadband regulation, and Verizon’s active role in creating the new framework, [the company publicly bemoaned](#) the FCC’s “potentially sweeping and unneeded regulations on broadband networks and services and on the Internet itself.”

The resulting case, *Verizon v. FCC*, due for a hearing this fall, hit the FCC and consumer protection advocates while they were down. Combined with *Comcast v. FCC*, it’s a devastating one-two legal punch — *Comcast* killed the fairly stable standards in place since 2005, and *Verizon* seeks to critically weaken the protections the commission proposed in their place.

BUYING ALLIES

Verizon’s growing political influence

Whatever the outcome of its lawsuit, Verizon has positioned itself to exert a dominant influence over elected officials and the Internet. For last two years, Verizon has been lobbying every corner of Washington for the authority to dictate customers’ Internet experience.

Verizon’s effort includes an investment of more than \$47 million in lobbying since 2010

and more than \$6.5 million in federal campaigns during the 2010 and 2012 election cycles. That includes donations to party organizations like the Republican National Committee and the Democratic National Committee, and “independent” Super PACs and nonprofit groups, which spent it to aid candidates or passed it along directly to their campaigns. The corporate giant has focused much of its spending spree on key congressional committee, congressional leadership, the White House and the FCC itself.

President Barack Obama’s reelection campaign and groups tied to it [have been the largest recipients of the company’s aid during that period](#), taking in nearly \$224,000. Obama has spoken repeatedly of his support for Net Neutrality, but the issue received little attention during his successful reelection drive last year and he’s had little to say about it during his second term. Tom Wheeler, Obama’s nominee to head the FCC, also [has given few hints of how he’ll manage the issue](#).

This report focuses on Verizon’s influence on three fronts:

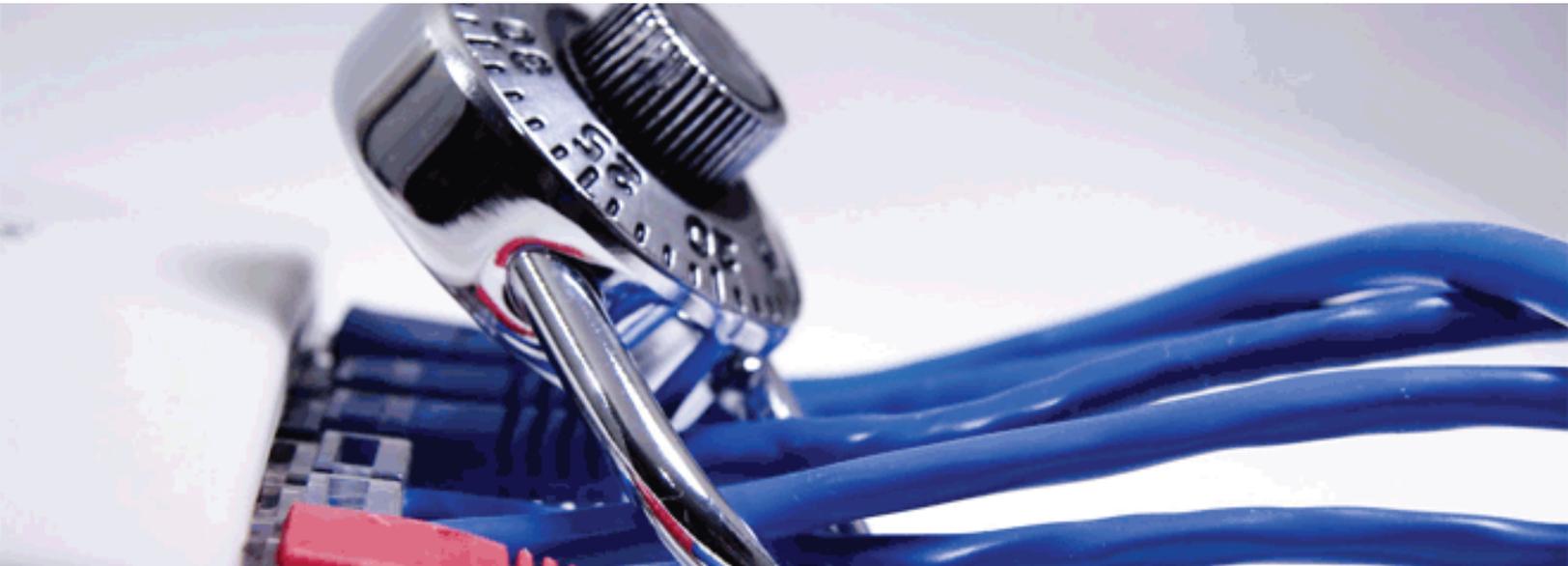
CONGRESSIONAL COMMITTEES

Congress does most of its serious work in committees, where members and staff delve into the details of policy to write and refine legislation. And committees are where lobbyists traditionally focus their attention and their money, using both to shape bills in ways that will further their clients’ interests.

Four committees are central to congressional action on Net Neutrality and Internet affairs: the Senate Judiciary and Commerce Committees and their counterparts in the House of Representatives. Verizon’s influence with these groups — and the subcommittees within them that deal specifically with the Internet — is extensive, reaching Democrats and Republicans alike.

Members of these four committees raked in more than \$1.2 million from Verizon in the two most recent election cycles, according to [opensecrets.org](#).

The money came in donations from company executives and employees and company-sponsored political action groups. Twenty-eight of those committee members received Verizon-linked donations of at least \$10,000, for a total of more than \$527,000.



Verizon invests in lawmakers who regulate its business

Donations of \$10,000+ to members of key committees, 2010-2012 elections

Member	Party-State	House/Senate	Committee	Total
Eliot Engel	D-NY	House	Energy and Commerce	40,300
Leonard Lance	R-NJ	House	Energy and Commerce	37,000
Greg Walden	R-OR	House	Energy and Commerce	25,500
John Dingell	D-MI	House	Energy and Commerce	24,000
Kelly Ayotte	R-NH	Senate	Commerce, Science & Transportation	23,858
Roy Blunt	R-MO	Senate	Commerce, Science & Transportation	21,868
John Barrow	D-GA	House	Energy and Commerce	21,750
Marsha Blackburn	R-TN	House	Energy and Commerce	21,650
Fred Upton	R-MI	House	Energy and Commerce	21,250
Howard L. Berman	D-CA	House	Judiciary	20,500
Olympia Snowe	R-ME	Senate	Commerce, Science & Transportation	20,250
Charles Schumer	D-NY	Senate	Judiciary	20,250
Joe Barton	R-TX	House	Energy and Commerce	19,500
Bobby L. Rush	D-IL	House	Energy and Commerce	17,500
Frank Pallone Jr.	D-NJ	House	Energy and Commerce	17,250
Gene Green	D-TX	House	Energy and Commerce	17,000
Mike Rogers	R-MI	House	Energy and Commerce	17,000
Charles Bass	R-NH	House	Energy and Commerce	16,750
Mary Bono Mack	R-CA	House	Energy and Commerce	16,750
G.K. Butterfield	NC	House	Energy and Commerce	16,000
Steve Scalise	R-LA	House	Energy and Commerce	15,250
Lamar Smith	R-TX	House	Judiciary	15,000
Chuck Grassley	R-IA	Senate	Judiciary	11,250
Bill Nelson	D-FL	Senate	Commerce, Science & Transportation	10,150
Charles Gonzalez	D-TX	House	Energy and Commerce	10,000
John L. Shimkus	R-IL	House	Energy and Commerce	10,000
Lee Terry	R-NE	House	Energy and Commerce	10,000
Dean Heller	R-NV	Senate	Commerce, Science & Transportation	10,000

Source: Center for Responsive Politics, www.opensecrets.org

Verizon's financial support for committee members does more than help the company cultivate friends in Congress; it has a ripple effect on Verizon's relations with the FCC. While the commission has day-to-day authority to regulate telecommunications, its authority is subject to oversight and action by Congress, particularly from the committees where Verizon has focused its attention. And because most committee work is done in small meetings, ignored by reporters and without roll call votes, Verizon's congressional allies have many opportunities to look out



for the company's interests, with little fear of publicity. As Verizon pursues its court case, its links to the committees serve as the legislative equivalent of an ace-in-the-hole. If the court upholds the FCC's ability to protect Net Neutrality, Verizon can call on friends in Congress to pass legislation countering the ruling. Alternatively, Verizon's friends in these committees could bolster a pro-Verizon court decision by killing off legislation that might overturn the ruling.

CONGRESSIONAL LEADERSHIP

Outside the key committees, Verizon has invested in increasing its influence at the highest levels of authority in Congress.

Four of Congress' most powerful members – Senate Republican Leader Mitch McConnell, House Speaker John Boehner, House Republican Leader Eric Cantor and House Democratic Whip Steny Hoyer, were among the top 20 recipients of Verizon's support in the 2012 election cycle. Verizon-linked individuals and groups also have been important financial supporters of other congressional leaders.

Verizon contributions to key Congressional leaders, 2010-12

Name & Party	2010	2012	Notes
Rep. Steny Hoyer (D)	26,300	24,500	Democratic Whip
Rep. John Boehner (R)	10,000	23,000	House Speaker
Rep. Jim Clyburn (D)	22,500	10,000	Deputy Dem. Whip
Rep. Roy Blunt (R)	21,608	Majority	Leader 2010, now in Senate
Rep. Eric Cantor (R)	10,000	10,000	Whip in 2010, now Majority Leader
Rep. Greg Walden (R)	11,500		NRCC chair
Sen. Mitch McConnell (R)	1,000	10,000	Republican leader
Sen. Harry Reid (D)	11,000		Democratic leader
Rep. Pete Sessions (R)	10,000		NRCC chair
Rep. Steve Israel (D)	6,250		DCCC chair
Rep. Nancy Pelosi (D)	5,000		Democratic leader
Rep. Chris Van Hollen (D)	3,500		DCCC chair
Sen. Richard Durbin (D)	500		Democratic whip

Source: Center for Responsive Politics, www.opensecrets.org

Congressional leaders typically raise money for their own campaigns and on behalf of their party allies. Their seniority and leadership positions, particularly when their party is in the majority, give them extra influence over which bills come up for debate and which simply disappear, as well as who gets to sit on key committees.

THE FEDERAL COMMUNICATIONS COMMISSION

Even while fighting the FCC in court, Verizon is using its clout to put political pressure on the FCC and working to change FCC policy from the inside out. Since the Open Internet rules, the company has spent a staggering \$47 million on a brigade of experienced and persistent lobbyists that promote its interests to the FCC and other federal agencies.

FCC commissioners are appointed regulators rather than elected officials, but that doesn't insulate them from Verizon's influence. A 2010 attempt by the FCC to toughen Open Internet rules, for instance, prompted 73 House Democrats [to send the commission an outraged and misinformation-stuffed letter seeking](#) to head the action off at the pass.

Verizon also benefits from [the notorious revolving door at the FCC](#), where commissioners and staffers often jump from their government posts into lucrative private sector jobs influencing their former associates and giving companies an inside track on agency relationships and access.

Former FCC Chief-of-Staff Kathryn Brown, for instance, has worked as [a Senior VP for Verizon](#) since 2002, while Commissioner Meredith Atwell Baker ended her tenure in 2011 and [took a high-ranking post](#) at Comcast subsidiary NBC Universal just months after approving the Comcast-NBC Universal mega-merger. The prospect of lucrative industry employment after public service fosters conflicts of interest within the FCC, as in many regulatory agencies, and creates financial incentives to be lax in supporting pro-consumer policies like Net Neutrality.



WHAT'S AT STAKE

The Potential Impact of Verizon v. FCC

An Internet without Net Neutrality would be dramatically different from the one that exists now. With providers able to slow or block access to websites and applications at their discretion, companies like Comcast and Verizon could demand exorbitant fees for visits to websites that are available at no extra charge today. Verizon could place sites like Facebook and Twitter into a higher-price tier, putting them beyond the reach of lower-income consumers. Consumers would find themselves rapidly using up their

monthly minutes or paying for expensive international calls if Verizon banned Skype on mobile phones. And losing the Open Internet would mean that Hulu and Verizon could partner to slow down competitors like Netflix. And with the FCC hamstrung by political decisions that Verizon helped to orchestrate, consumers would have no recourse.

The FCC's Open Internet rules gave consumers some cover, but it's clear that the moment Open Internet protections falter, many corporations are ready and willing to take advantage, at consumers' expense.

With Verizon so well positioned in Washington, consumers will have little hope of relief from Congress should the court case end badly. Sadly, their prospects are only slightly more encouraging at the FCC, which will be risking Verizon's ire and that of the company's friends in Congress if its members can muster the nerve to reclassify broadband as fully under the commission's purview.

Note: Research assistance for this report was provided by Ben Resnik, Common Cause intern, Summer 2013

(Endnotes)

□ Unless otherwise noted, all data in this section from <http://www.opensecrets.org/orgs/summary.php?id=D000000079> and subsidiary pages.

