WASHINGTON (Reuters) - U.S. communications regulators on Friday lifted regulations on high-speed Internet services offered by local telephone companies like Verizon Communications, in an effort to boost fast Web access.

The Federal Communications Commission unanimously agreed to treat the service, known as digital subscriber line (DSL) broadband, as an "information service," which insulates it from many traditional telephone rules like requirements to lease network access to competitors at regulated rates.

The designation would allow the big local telephone companies like Verizon, called the Baby Bells, to cut off or potentially negotiate new terms for Internet service providers such as EarthLink Inc. to use their networks for broadband.

The United States has fallen to 16th in world rankings of broadband deployment per capita, leading Republican FCC Chairman Kevin Martin to make rolling out high-speed Internet service to consumers a top priority.

"Broadband deployment is vitally important to our nation as new, advanced services hold the promise of unprecedented business, educational and health care opportunities for all Americans," he said.

The FCC's decision followed days of intense negotiations and marks a political victory for Martin, who had to sway at least one of the agency's two Democrats since there is a vacant seat on the five-member panel.

The decision follows a Supreme Court ruling that backed the FCC's 2002 ruling that cable broadband is an information service.

Cable and telephone carriers are competing to offer a suite of services, like fast Internet, video and voice service, and currently serve about 37.5 million customers. DSL
is seen as attractive because it is cheaper, but it offers slower data download speeds
than cable service.

HAPPINESS AND DISAPPOINTMENT

The decision won praise from telephone companies but drew some disappointment from
the FCC Democrats as well as ire from consumer advocates, who worried about rising
prices and fewer choices for consumers.

"The order is far from ideal," said FCC Commissioner Michael Copps. "We take the
dramatic step of reclassifying DSL in order to spur broadband deployment and to help
consumers. I want to test that proposition a year from now."

The FCC decided to require DSL providers to continue for nine months to pay into the
universal service fund (USF), which subsidizes communications services in certain
cases, unless a new funding mechanism were developed sooner.

The ruling also provides a one-year transition period for independent Internet service
providers and the Bells to negotiate access agreements for existing customers.

"We are confident that we will extend our existing commercial agreements with the Bells
so that we can continue to deliver DSL services," EarthLink's vice president for law and
public policy Dave Baker said. Company shares fell as much as 2.6 percent before
recovering.

Facilities-based broadband providers and Internet telephone service providers that
connect calls to the public telephone network will have to accommodate requests for
wiretaps by law enforcement agencies, the FCC decided, agreeing to a request from the
Justice Department.

The commissioners also issued a policy to encourage broadband providers to allow
consumers to surf anywhere on the Internet and run any applications or software, but
acknowledged that enforcement powers were limited. There have been concerns that
broadband providers might block competitors' sites.

Verizon and SBC Communications Inc., the two biggest local telephone carriers, have
complained they were at a disadvantage in competing against the cable operators
because their service has been subject to stricter rules.

"The benefits of this ruling will ripple across our communities by encouraging greater
investment in and a wider roll-out of broadband networks," said James Smith, SBC's
vice president for FCC matters.

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