The Man Pushing Faster Internet Access in U.S.

By MATT RICHTEL

SANTA CLARA, Calif., June 3 — The United States, where the Internet was invented, now falls behind Japan, Korea and Canada in deploying high-speed Internet access in homes and businesses. But advocates for quicker transfer of e-mail, Web site content and music files, take note: Peter K. Pitsch is on the case.

Mr. Pitsch is a self-described staunch free-market Republican who once served as chief of staff for the chairman of the Federal Communications Commission. Today, he is the top lobbyist for the Intel Corporation and a coalition of the technology companies in their efforts to press the government for a national policy as crucial to general economic growth — one that would accelerate the spread of broadband, or high-speed, Internet access.

Of course, the technology industry has a particular interest in this issue, aside from wanting to see increased American productivity.

It sees much of its future growth connected to the deployment of high-speed access, and the entertainment, music and software that will be able to reach consumers on upgraded networks.

The topic of a national broadband policy will be central to discussions held at the annual conference and trade show of the National Cable and Telecommunications Association in Chicago, which ends June 11, with participants including executives like Bill Gates of Microsoft, Richard D. Parsons of AOL Time Warner and Mel Karmazin of Viacom.

The industry coalition had a recent success in persuading the F.C.C. to modify its rules so that telecommunications companies will not be forced to lease their high-speed access lines to competitors. But it continues to face a difficult battle to get Congress to grant tax credits to companies building next-generation Internet access networks.

For telecommunications companies, making the investment in broadband access is not without risk. The costs for building high-speed networks are enormous, whether through wires on the ground or through wireless networks. Moreover, the companies must market the concept to consumers who are already paying monthly fees for home telephone, cellphone and cable television service and may not want to pay yet more for high-speed access. To mitigate the risk, the industry has turned to the government for help, and Mr. Pitsch has led the charge.

"He is the godfather of telecom policy among technology companies in Washington," said Bruce P. Mehlman, the assistant secretary for technology policy in the Commerce Department, and a former lobbyist for Cisco Systems Inc.

People who know Mr. Pitsch say he is point man in the lobbying push because of his Washington background, personality and energy. But his ability to lead can also be credited to Intel's neutral role in this competitive field. Whereas cable, telephone and wireless companies are competing against one another to deploy high-speed access, Intel has no stake in which particular technologies will thrive. Thus it appears to have more credibility with federal regulators.
But that does not mean broadband growth is less important to Intel's future. For Intel, more high-speed access means more consumer demand for fast computers and that means greater demand for the microprocessors that Intel makes.

"One of the fundamental drivers for faster and faster microprocessors will be high-quality, affordable broadband," Mr. Pitsch said during a recent interview at Intel's headquarters in Santa Clara.

The bottom line, he said, is that Intel thinks high-speed Internet users will make up its future customer base. "The effect on us is indirect. But its huge," he said.

Today, about one-third of American households with Internet access have high-speed service — an increase of 50 percent over a year ago, according to a report issued last month by the Pew Internet and American Life Project, a nonprofit research group. But the report also found that the rate of adoption of broadband was unlikely to remain as high as it has been because many people are content with the slower telephone dial-up connections to the Internet.

Whether the current rate of adoption is fast enough depends on whom you ask.

The F.C.C., which is charged by Congress with reporting periodically on the status of technology adoption, concluded in its most recent report, in February 2002, that high-speed Internet adoption was on pace. "Over all, we find that advanced telecommunications is being deployed to all Americans in a reasonable and timely manner," the report said, adding that subscriber levels had increased "significantly."

As of the end of 2002, the cable industry had invested some $70 billion in upgrading its networks to provide advanced digital service, including high-speed Internet access. And it is expected to invest an additional $10 billion this year, said Robert Sachs, the chief executive of the National Cable and Telecommunications Association, an industry trade group.

The technology industry is not alone in pushing for faster broadband adoption. Charles H. Ferguson, a Brookings Institution scholar, is working on a book about what he calls the United States broadband problem. He said that he thought American industry's slowness in deploying broadband access would hamper productivity and even national security.

"The broadband story is a general disaster," Mr. Ferguson said. Broadband access to homes is still too limited, he added, "but the business broadband picture is just as important, and even more disastrous."

Mr. Pitsch hopes to correct that situation. As chief of staff from 1987 to 1989 to Dennis R. Patrick, the chairman of the F.C.C., he provided counsel on a host of regulatory issues and was frequently a target of lobbyists himself.

Though he is now Intel's director of communications policy, Mr. Pitsch, 51, is still very much a Washington denizen. He lives in Great Falls in Northern Virginia with his wife, and in sartorial matters and demeanor, he is all inside the Beltway, down to his polished loafers and leather suspenders. Even on a recent trip to Intel headquarters, he did not give in to Silicon Valley's casual style. "My compromise was that I took off the tie," he joked.

When Mr. Pitsch started working for Intel in 1998, the company already had deemed high-speed Internet access to be pivotal to its growth.
In February 2002, Intel helped form the High Tech Broadband Coalition, an alliance of six technology and telecommunications industry trade groups whose dozens of members were already lobbying on their own. Grant Seiffert, vice president for external affairs and global policy at the Telecommunications Industry Association, a trade group that includes Intel and is part of the High Tech Broadband Coalition, said Mr. Pitsch and Intel pushed for the coalition and played a leadership role.

"He's high energy and he doesn't waste a lot of time," Mr. Seiffert said. He added that Mr. Pitsch's drive may at times be off-putting. "Sometimes he's a little aggressive for some people, but you have to respect what he does."

The coalition scored what is widely considered a major victory in February when the F.C.C. decided that telecommunications companies that build high-speed access lines are not obliged to lease those lines to competitors. The broadband coalition had argued for such a position, asserting it would spur investment.

Indeed, when the F.C.C. announced its decision, Commissioner Kevin J. Martin of the F.C.C. stated, "We endorse and adopt in total the High Tech Broadband Coalition's for the deregulation of fiber to the home and any fiber used with the new packet technology."

F.C.C. officials say Mr. Pitsch's lobbying is effective because he knows the technical issues very well, and because Intel's position is neutral as to which telecommunications companies or technologies win out. The coalition is also pushing the F.C.C. on issues like freeing up more radio frequencies for use in wireless Internet access.

But the coalition has been less successful in gaining passage of legislation in Congress. Bills have been introduced in the House and Senate that would provide tax relief for companies creating the broadband infrastructure. The House measure, for example, would create a 10 percent tax credit for building high-speed access in low-income and rural areas.

Other versions of the legislation would offer 20 percent tax relief to companies that build advanced networks that are even faster than the current broadband networks.

Even by Mr. Pitsch's assessment, the bills have a tough road ahead since many industries are seeking tax relief, and President Bush has already earmarked much of his tax cuts for other interests.

While Mr. Pitsch lobbies lawmakers, some have questioned whether his free-market philosophy is consistent with giving tax relief to huge companies.

He says tax relief will spur investment and lead to higher productivity and job growth. But even his friends on Capitol Hill say it is a tricky line to walk.

"A rural tax credit would not be consistent with a true free-market ideology unless you determine there has been a market failure in those areas," said Mr. Mehlman, from the Commerce Department.

But Mr. Mehlman said it was too soon to say whether there was a market failure.

In any case, broadband is rolling out as fast, or faster, than any technology has ever been rolled out, he said. And Peter Pitsch plans to keep it rolling along.