Is Bulk Billing Really Bad?

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Executive Summary

- The Federal Communications Commission (FCC) recently announced a Notice of Proposed Rulemaking that would prevent broadband providers and multiple tenant environments such as apartments and condominiums from entering into “bulk billing” agreements, which essentially require tenants to purchase broadband from a specific provider.
- Separately, the FCC has also raised concerns about the lack of direct correspondence between residents whose broadband is provided through bulk billing, which makes these residents ineligible under FCC rules to receive low-income support through programs such as the Affordable Connectivity Program.
- While the FCC intends to increase competition and choice for consumers, bulk billing agreements can provide significant benefits to residents, as these agreements can incentivize deployment and result in lower costs for consumers.

Introduction

Federal Communications Commission (FCC) Chairwoman Jessica Rosenworcel recently announced a Notice of Proposed Rulemaking that, if adopted, would prevent broadband providers and multiple tenant environments (MTE) such as apartments, condominiums, and public housing from entering into “bulk billing” agreements. These agreements generally stipulate that a broadband provider will provide service to the building, and the building will uniformly charge tenants a fee for that service.

By allowing customers to opt out of these agreements, the FCC seeks to lower prices for consumers by increasing competition. As Rosenworcel argues, “[I]t is not right when your building or apartment complex chooses [broadband] service for you, saddling you with unwanted costs, and preventing you from signing up for the plan and provider you really want.”

The FCC’s proposal could end up having the opposite of its intended effect. Bulk billing agreements often benefit all parties because they allow MTEs to negotiate with broadband providers for deployment to the community, and as a result, reduce the rate residents pay on net. Though the FCC raises some legitimate concerns regarding the ability of residents subject to bulk billing agreements to participate in low-income support programs such as the Affordable Connectivity Program (ACP) because they may lack a direct relationship with the broadband provider, these concerns should be addressed in the rules of the program rather than banning the practice writ large.

Background: What Are Bulk Billing Agreements?

Bulk billing agreements are agreements between MTEs and broadband providers to charge a fee to every tenant for the provision of broadband service. For the broadband provider, bulk billing ensures that if the provider deploys network infrastructure to the building, it will receive a greater return on its investment, as all residents would then purchase broadband from that provider. For MTEs, bulk billing provides negotiating power, and
MTEs can work with broadband providers to obtain the best service at the lowest cost. Perhaps most important, for consumers, the negotiations result in a lower cost per resident, as multiple organizations estimate that rates for MTEs with bulk billing agreements are about 50-60 percent lower than community retail rates.

Chairwoman Rosenworcel argues that bulk billing agreements harm competition because they disincentivize competing providers from attempting to provide service to the building. As a result, the residents in that building have no alternatives and must abide by the terms of the agreement between the MTE and the broadband provider. If that agreement harms the residents, they may have no alternative other than to move to another building. Further, for bulk billing agreements in which the resident has no direct relationship with the broadband provider, residents could be excluded from participation in low-income support programs such as ACP because the resident wouldn’t be actually purchasing broadband and thus can’t apply the benefit.

**Benefits of Bulk Billing Agreements**

While the FCC can and should use its authority on a case-by-case basis to address harmful or otherwise anticompetitive agreements, a blanket ban could jeopardize the significant benefits of bulk billing agreements.

**Cost to Consumers**

Already the FCC’s record is rife with evidence highlighting that bulk billing agreements result in lower costs to consumers. According to Hotwire Communications (a fiber internet provider), WISPA (a trade group representing wireless internet service providers), and Education Super Highway (a non-profit focusing on broadband adoption), broadband service subject to bulk billing agreements tends to cost around 50-60 percent less than retail rates within that community.

While the general savings to consumers can be significant, the impact is even more pronounced on low-income communities. For example, even assuming low-income households would choose the lowest-cost option (normally around $30 a month), households would still pay on average $15 more per month for broadband without bulk billing agreements. Considering that almost 9 million low-income households live in MTEs, the proposed rule could cost low-income Americans upwards of $135 million a year. If the policy goal is to lower broadband prices and increase broadband adoption among low-income communities, eliminating bulk billing agreements would be counterproductive.

**Broadband Access**

In addition to the cost savings they provide to consumers, bulk billing agreements incentivize broadband deployment, especially to buildings with low-income consumers. When deploying broadband, providers must always look at the potential return on investment. In many low-income housing buildings, the potential return may not justify deployment if not all the residents subscribe to the service. As a result, a broadband provider may choose to forgo coverage to that building or otherwise limit improvements to the service.

By eliminating bulk billing agreements, the FCC could further expand the gap between those who have access to high-speed broadband and those who do not. This would run directly counter to the policy goals of the Biden Administration, particularly its aims to end digital discrimination and unequal access to broadband among different communities.

It is not just low-income communities that could lose out. MTEs compete to attract residents, and low-priced,
high-speed broadband can give these MTEs a competitive edge. As these buildings attempt to attract customers, it may be in their interest to enter into an agreement for network improvements with a broadband provider, something that could be lost under the new proposal. If the agreements fail to provide benefits to consumers, the MTE can also enter into new deals upon expiration of a deal with a broadband provider.

**Concerns Regarding Low-income Support Programs**

The FCC has also expressed concerns about the impact bulk billing agreements have on low-income support programs. FCC rules for ACP, for example, do not allow residents without a direct relationship with the broadband service provider to participate in the program out of concern for potential fraud. To solve this problem, the FCC could develop an approach that allows for both bulk billing and participation in low-income support programs, rather than simply banning the practice of bulk billing. For example, under such an approach, consumers could register for a subsidy program and, upon evidence to the landlord of enrollment, receive concession equal to the subsidy amount.

ACP is set to expire this summer, meaning consumers will no longer receive a subsidy through the program. If bulk billing is likewise eliminated, many low-income consumers will be forced to pay higher broadband prices without any support. If the FCC wishes to ensure these communities can benefit from subsidy programs, it should look to reform these programs rather than eliminating bulk billing writ large.

**Conclusion**

The FCC’s proposed rule could cause significant harms to consumers without producing meaningful benefits. Bulk billing allows for residents of MTEs to receive higher-quality broadband service at lower prices, and outstanding concerns about subsidy participation do not justify elimination of the practice.