

Telecom's future tangled enough without outdated regulations

By Phil Kerpen

Verizon's announcement that it plans to deploy television service in Keller, Texas, followed by a staged rollout throughout the country, means telecommunications convergence has arrived for some of us and is rapidly approaching for all of us.

Cable and phone companies offering video, voice, data and next-generation services, competing on price, quality and convenience, is no longer the stuff of science fiction. Consumers may soon enjoy high-quality video conferencing, telemedicine and advanced interactive programming. A world with true telecommunications convergence is tantalizingly close; to reach it, the maze of regulatory red tape at the local, state and national levels must be cleared away.

The immediate impediment to Verizon's rollout of television service is local franchising, a slow and expensive process that is an artifact of an earlier time when cable companies negotiated exclusive town-by-town deals. In exchange for exclusivity and the ability to charge high monopoly prices, cable companies agreed to onerous build-out rules to houses on the outskirts of town as well as expensive institutional networks in hospitals and schools. It's a 25-year-old regulatory model that makes no sense in the hypercompetitive environment that exists today, where there is no possibility of charging monopoly prices.

The broader regulatory problem for telecommunications convergence is the patchwork of state and federal taxes and regulations, based on arbitrary categories of service that no longer have much meaning. The Telecommunications Act of 1996 devised distinctions between information services, telecommunication services, cable services and others that created a complex, slanted playing field for players who are now direct competitors.

With the emergence of Voice Over Internet Protocol (VoIP) as a commercial-grade service, the situation has been destabilized even further. VoIP technology uses the Internet to offer telephone service seamlessly integrated with ordinary telephones and the old phone network. VoIP means cable companies can now easily offer phone service packaged with their Internet and video services. And most cable companies have deployed infrastructure to make these packages work well.

Telecommunications reform must remove the artificial restraints preventing the phone companies from competing with these cable offerings. Vigorous competition across the board would be a tremendous boon to consumers, giving all consumers an opportunity to make their own telecommunications choices. Verizon's recent announcement of television service is a case in point – prices have already dropped sharply in Keller, where the company is planning to offer television. Keller's cable company, Charter Communications, has slashed its video and data package price in half, from \$100 to \$50, to compete against Verizon's new service.

Congress needs to act so that every American can benefit from this kind of competition, not just Texans. Phone companies should not have to go from town to town, negotiating franchise agreements, which are redundant with their existing rights of way and predicated on a monopoly model that no longer exists, or be subject to onerous taxes and regulations that their cable competitors are free of.

There is a growing momentum in Congress for a complete overhaul of the Telecommunications Act, starting from the premise that all telecom companies should be regulated in the same way. Rather than trying to preemptively structure markets that are evolving too quickly for Washington bureaucrats to keep up with.

Congress should move to ensure any regulation be minimal and geared toward reacting to market abuses only.

Sen. John Ensign, R-Nev., has introduced legislation that fixes the regulatory mess hampering the sector. It repeals the 1996 act and starts from scratch with a new, clean regulatory framework treating all players equally and fairly. It encourages infrastructure investment by ensuring companies receive predictable returns on their investment that are not subject to bureaucratic whims. It eliminates the franchising problem. And, providers they want, not the one government picks.

The technology is ready. The future is now. Convergence is a reality. Congress must get the government out of the way and let it happen.