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Who Should Regulate Telecommunications? Markets, Regulators or Antitrust

Mark A. Jamison, Ph.D., PURC Director

The integration of telecommunications and computing has fueled much of this nation’s economic growth during the past 10 to 15 years and now touches every part of our lives. Just imagine how Florida would have fared during recent hurricanes if public safety workers had not been able to network their computers and stay in constant contact.

But this same convergence that has brought us so many social and economic benefits has confounded our traditional regulatory policies; so much so, in fact, that there seems to be an emerging consensus that existing modes of regulation impede the availability of advanced telecommunications.

Legacy policies that subsidize certain types of telephone companies, control how network providers can interconnect their networks, and restrict who can provide video programming now limit customer choice and provide distorted incentives to some incumbent service providers to hold onto the past. If we are to let go of traditions that restrain us, we must develop new ways of thinking about communications policies, business practices,



North Dakota Public Service Commission President Tony Clark, second from left, answers participants’ questions with Braulio Baez, then-Chairman of the Florida PSC, during the 2005 PURC Fall Roundtable in Tallahassee.

and the roles of government, business and consumers.

To advance this important dialogue, PURC convened a communications policy roundtable “Who Should Regulate Telecommunications – Markets, Regulators, or Antitrust?” in October 2005 at the offices of the Florida Public Service Commission. Approximately 100 participants, representing state and local government, business, academia and consumers, listened to speakers present their views on

what is broken and what works in today’s telecommunications industry and regulation. The participants and speakers engaged in extensive breakout discussions to examine alternative visions of the future of telecommunications and what these different views mean for government policy.

From this dialogue, we’ve compiled a report that includes speakers’ remarks, summary points of

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Research

Lifeline Report

PURC's report on the Lifeline Assistance Program (Lifeline) and Link-Up America program (Link-Up) in Florida has been completed and is available online at www.purc.ufl.edu. PURC faculty collaborated with colleagues at UF and the University of North Texas for this study.

These programs, which were created by the Florida Public Service Commission, are part of a nationwide effort to provide price discounts to low-income telephone subscribers. The study examined the accuracy of current participation rates and reasons why eligible customers might not sign up for the programs.

Papers and Presentations

"Public Utility Commission Regulation and Cost Effectiveness of Title IV: Lessons for CAIR" by PURC Director of Energy Studies Paul Sotkiewicz and Policy Analyst Lynne Holt appeared in the October 2005 issue of *The Electricity Journal*. They examined the effects of PUC regulation on compliance choices and costs associated with the emissions trading market for the Title IV SO₂ Trading Program for the year 1996.

"Liquid Pricing for Digital Infrastructure Services" by PURC Research Associates Subhajyoti Bandyopadhyay and Hsing Kenneth Cheng at UF, examines alternative pricing schemes for broadband. The paper has been accepted for publication in an upcoming issue of *The International Journal of Electronic Commerce*.

As part of a seminar series, Research Associate Troy Quast presented his paper, "An Analysis of the Extent and Means of Entry into Local Telecommunications Mar-

kets" at the Federal Communications Commission in Washington, D.C. last November.

The paper, "Trait-based Imitation Among Entrepreneurial Market Entrants," by Research Associate Rich Gentry received the Booz Allen Hamilton/SMS PhD Fellowship at the SMS 25th Annual International Conference last October. The award is granted to the top five Ph.D. student-authored papers presented at the Strategic Management Society meeting. Gentry also hosted a luncheon table at the conference.

Director Mark Jamison presented the paper "Bureaucrats as Entrepreneurs: Do Municipal Telecom Providers Hinder Private Entrepreneurs?" at the Telecommunications Policy Research Conference. The paper addresses how the municipal providers of telecommunications affect competition in U.S. markets.

Articles by Dr. Holt and Research Associates David E. M. Sappington, Chunrong Ai and Chen Lin appeared in the September special issue of *Utilities Policy* edited by PURC faculty. An introduction to the special issue on service quality was written by Director of Water Studies Sanford V. Berg.

The aforementioned papers can be found online at www.purc.ufl.edu.

Dr. Sappington participated last fall in a National Bureau of Economic Research conference on regulation. Papers examining the effectiveness of telecommunications and energy regulation, as well as regulation in other sectors, are available on the conference web site at www.nber.org. ↻

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group discussions and issues for future discussions.

We observed an important consensus on government's need to focus on removing barriers to competition, providing consumer protection services, and rethinking universal service and network interconnection policies.

There was also general agreement on the need to abandon asymmetric regulation, which treats different services, technologies and service providers differently based on their legacies.



PURC Director Mark Jamison, center, speaks with John K. Mayo, (left) Dean of the College of Communication at Florida State University, and Tony Clark, President of the North Dakota Public Service Commission.

We also observed significant challenges to federal and state policymakers because changing policies will have differential impacts and groups that view themselves as faring better in the past than in the future will resist change.

Furthermore, there are significant tensions between our visions for the future and many of the conceptual frameworks and ideals that directed our policies in the past.

Lastly, there is often significant confusion in distinguishing between adaptive challenges, such as

Activities



At right, Heather Gold, Senior VP of Government Relations at XO Communications speaks with participants during a morning breakout group.



Above, Susan Clark, Shareholder, Radey, Thomas, Yon, Clark, Attorneys & Counselors at Law (standing) leads discussion in a breakout group during the roundtable.



Dr. Sanford Berg, PURC Director of Water Studies (center) speaks with roundtable participants during a morning break.

letting go of certain traditions, and the technical challenges of developing new economic, political and legal instruments of regulation. Read more in the 2005 PURC Fall Roundtable Report available online at purc.ufl.edu. ☞

33rd Annual PURC Conference February 23-24, 2006

Federal Energy Regulatory Commission Commissioner Nora Mead Brownell and Senior Vice President of Programs at the Universal Service Administrative Company (USAC) Irene Flannery are among the featured speakers at the 33rd Annual PURC Conference at the Hilton University of Florida Conference Center, February 23 and 24, 2006 in Gainesville.

The strong lineup of speakers includes Donald F. Santa, Jr., President of the Interstate Natural Gas Assoc. of America (INGAA), J. Alan Beamon, Director of the Coal & Electric Power Division in the Office of Integrated Analysis & Forecasting at the Energy Information Administration, John W. Mayo, Professor of Economics, Business and Public Policy at Georgetown University and Sean Carton, Dean of the School of Design + Media at Philadelphia University.

**Register online at
www.purc.ufl.edu**

Following remarks by University of Florida President Bernie Machen, Gulf Power Company President and CEO Susan Story will address attendees during the conference luncheon on Friday.

Sessions will center around important current policy issues, what we have learned from disruptive events in the past and how public policy can respond to provide the stable, efficient utility services that our economy and society need in the context of 100 years of regulation by utility commissions in the United States. Register online at www.purc.ufl.edu. ☞

Leadership Initiative

PURC continues to expand its role in leadership development for utility commissioners with its third leadership workshop, "Leadership in Utilities Policy: Adaptive Work for New Realities," February 11, 2006 before the start of the NARUC Winter Meeting in Washington, D.C.

The workshop, sponsored by PURC and Cambridge Leadership Associates is designed to help regulators by engaging in a dialogue about the knowledge and skills that

are necessary for exercising leadership in regulation.

PURC launched this initiative in July at a workshop before the NARUC Summer Meeting in Austin, Texas and in November, delivered a similar workshop in the Bahamas with 27 regulators participating from throughout the Caribbean. ☞



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Calendar of Events

February 11, 2006
PURC/CLA Executive
Education Workshop for
Utility Commissioners:
Leadership in Utilities Policy
Hyatt Regency
Washington, D.C.

For more information, call
352/392-8677.

February 23-24, 2006
33rd Annual PURC
Conference
Hilton University of Florida
Conference Center
Gainesville, FL

For more information, call
352/392-8677.

June 19-30, 2006
20th PURC/World Bank
International Training
Program on Utility
Regulation and Strategy
Hilton University of Florida
Conference Center
Gainesville, FL

For more information, call
352/392-6148.

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