

Speeding the Arrival of the Broadband Era: The Regulator's Role

Jack Deasy

U.S. Federal Communications Commission

III Forum of CITEI/PCC.I

Isla Margarita, Venezuela

June 26-27, 2000

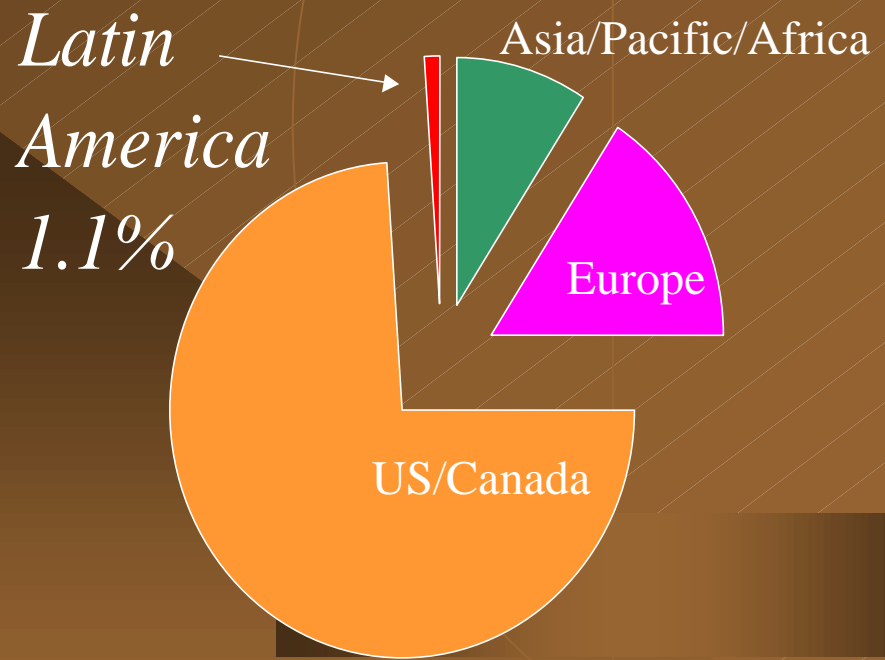
Visions of an Internet Nirvana

- ◆ Distance learning
- ◆ Remote multimedia access
- ◆ Telemedicine
- ◆ E-commerce
- ◆ End of distance in a global village

Hemispheric Reality

- ◆ Teledensity remains challenging problem
- ◆ Minor player in Global Internet usage
- ◆ Traditional disparities reflected in new “digital divide”

Host Distribution by Region



The Challenge

- ◆ Everyone wants a thriving Internet.
- ◆ *How to get there from here?*

"A Thriving Internet:" Widespread, Affordable Broadband Access

- ◆ **Affordable:** not just wealthy "techies"
- ◆ **Broadband:** high speed backbone won't matter without high-speed connectivity to the "last mile"
- ◆ **Widespread:** Governments and companies have shared interests
 - ◆ As a network, the Internet's potential cannot be realized until people from all walks of life and all corners of the globe are able to use it.

Steps to a Thriving Internet

- ◆ Reaching critical mass
- ◆ Making it pervasive

Reaching Critical Mass in the United States

- ◆ Infrastructure build-out can now support substantial Internet use
 - ◆ 200% increase in Internet users since 1996
 - ◆ Internet traffic doubles every 100 days
 - ◆ 40% of households have Internet access.
- ◆ Direct result of government -- especially regulatory -- decisions

Early Pro-competitive Decisions

- ◆ During the 1970's, the FCC decided:
 - ◆ To distinguish between:
 - ◆ data processing for basic telephony (uncompetitive/regulated)
 - ◆ data processing for “enhanced services” (competitive/unregulated)
 - ◆ Not to regulate computer data processing or technical standards
 - ◆ Over 50% of population now have a computer at home
 - ◆ To limit restrictions on equipment allowed to connect to network (modems!)

AT&T Divestiture

- ◆ Bringing competition to long distance markets
 - ◆ U.S. now has some 600 long distance companies
 - ◆ Rates have dropped 56%
- ◆ Unanticipated result: new competitive long distance networks formed basis for Internet backbone

1996 Telecom Act

- ◆ Bringing competition to local markets
 - ◆ Key to “last mile” broadband build-out
- ◆ Pro-competitive regulatory structure for:
 - ◆ local loop unbundling
 - ◆ co-location
 - ◆ cost-based interconnection
- ◆ Promise of local competition finally being realized (New York)

Recipe for achieving critical mass

- ◆ Focus on competition
 - ◆ Investment to create broadband infrastructure requires competitive environment
 - ◆ Regulate where needed to promote competition
 - ◆ Refrain from regulating where competition is thriving

Differing Realities; Same Regulatory Principles

- ◆ Infrastructure development will take different paths in different countries
 - ◆ to succeed, policies must address local realities
- ◆ Pro-competitive policies and reliance on market can serve as organizing principle for all regulators
 - ◆ Burden is on alternatives to show results as good as those from the proven pro-competitive approach

From Common to Pervasive: the U.S. Moves into Step Two

- ◆ U.S. has much still to accomplish
 - ◆ Rural/urban disparities in broadband deployment
 - ◆ “Advanced Telecommunications in Rural America: the Challenge of Bringing Broadband Service to All Americans” at www.commerce.gov
 - ◆ Less than one million people use broadband to connect to the Internet (less than 3% of U.S. Internet users)
 - ◆ E-rate; mergers; competitive policy; focus on education

Competition and “Vigilant Restraint”

- ◆ High-speed broadband increasingly seen as necessity, not luxury
- ◆ Cable modem deployment spurring deployment of alternative technologies (DSL)
- ◆ Market forces likely to compel cable companies to negotiate access with ISPs
- ◆ Threat of regulation could slow broadband deployment
- ◆ Regulation may be needed if market fails

Access, Broadband, Competition

- ◆ **Access:** E-Rate provides connectivity for 80,000 schools; one million public school children
- ◆ **Broadband:** avoid legacy rules; rely on market; regulate specific issues where needed (I.e., Line sharing Order of Nov. 1999 to accelerate availability of advanced telecom services)
- ◆ **Competition:**
 - ◆ Local exchange market opening (NY)
 - ◆ With new spectrum available, over 75% Americans have choice of 5 wireless providers

Vital Role of the Independent Regulator

- ◆ Best role for regulator on many issues uncertain: content, privacy, universal access
- ◆ No question about the essential role for regulators in promoting and protecting competition required for infrastructure development
 - ◆ Incumbents will seek to protect monopoly rents
 - ◆ Regulators have broader responsibility to society
 - ◆ WTO Reference Paper

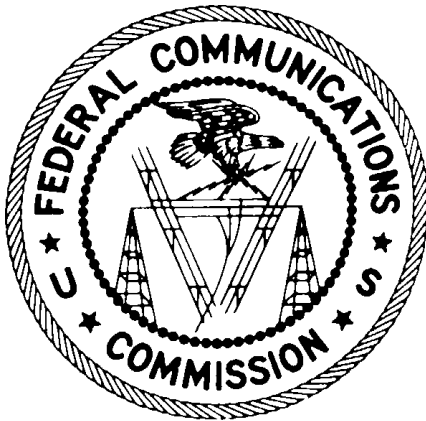
Vital Role of CITEL/PCC.I

- ◆ No agency has enough resources to deal with all the issues raised by the Internet
 - ◆ Need to identify critical tasks and get them done
- ◆ PCC.I: a unique forum for problem solving via sharing experiences/expertise
 - ◆ Assist regulators to analyze specific issues as they emerge: such as unbundling; universal access; infrastructure requirements for different kinds of distance learning and telemedicine projects
 - ◆ Work with PCC.III to evaluate emerging wireless Internet

Jack Deasy

Telecommunications Specialist

Latin America and the Caribbean



445 12th Street, SW
Washington, DC 20554
Tel. +1 202 418-1468
Fax +1 202 418-2824
E-mail: jdeasy@fcc.gov