



CIRF

Converging Industries Research Foundation

Practical Solutions for Communications Policy

Breaking the Mold: Changing Policies to Meet Customer Needs

Executive Summary

July 26, 1993

*Presentation at the July 1993 NARUC Meeting,
San Francisco, CA*

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Background on the Telecommunications Industries Analysis Project

Informed Policy Debates:

The goal of the Telecommunications Industries Analysis Project is to provide information to support the development of alternative telecommunications policies to meet the needs of stakeholders in an environment that includes competitive and non-competitive markets, federal and state regulatory jurisdictions, and a proliferation of new services made possible by technological advances. The purpose of the project is to produce research and analysis which will assist policy makers in making informed decisions.

Broad Representation on Project:

The project is a neutral forum of communications industry stakeholders exploring multiple viewpoints of selected issues. The current forum includes local exchange carriers (LECs), interexchange carriers (IXCs), equipment manufacturers, and federal and state regulators. In the next phase, this forum would be expanded to include other communications industry representatives, such as competitive access providers, cable television companies, computer companies, or publishers.

Development of Alternative Policies:

The forum has developed a database and computer software models to analyze issues. The existence of a database and computer software models may not resolve differences of what the data or the results of the modeling process mean. It does, however, allow one to concentrate on underlying issues rather than on data sources by providing a common language. All data, analysis methods, and results are public.

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Competitiveness and Meeting Customer Needs

Government oversight of communications industries might be changed to meet customer needs which include:

- Customer Interface
- Network Capabilities
- Ease of Interconnection
- Availability
- Control and Intelligence

Market Structure

New technologies are evolving and blurring traditional boundaries among industries that resulted from distinct technologies – offset press (publishing), telephone (long distance and local exchange), broadcast (radio, television, cable television), and computer (computer hardware and software). Furthermore, service definitions are blurring as various companies form hybrids across traditional boundaries. New technologies are giving individual customers greater choice.

Figure 1 shows benefits from different market structures. Control and economies of scale dominate the lower left-hand corner of the chart – the traditional monopoly structure. Moving toward the right-hand side of the chart increases innovation and efficiency. Moving to the top of the chart on the right-hand side, increases customer choice: if there are many competitors in each market, customer focus may also be present. Competition in each market appears to be key.

Regulated Pricing in a Dynamic Market

In a dynamic market, traditional regulatory practices may not produce the desired public policy goals. For example, regulatory allocation systems may shift costs and change prices in a manner that's not based on customer demand. This creates a wide array of effects ranging from captive customers underwriting additional costs to inviting potentially inefficient competition.

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What Will be the Regulatory Process?

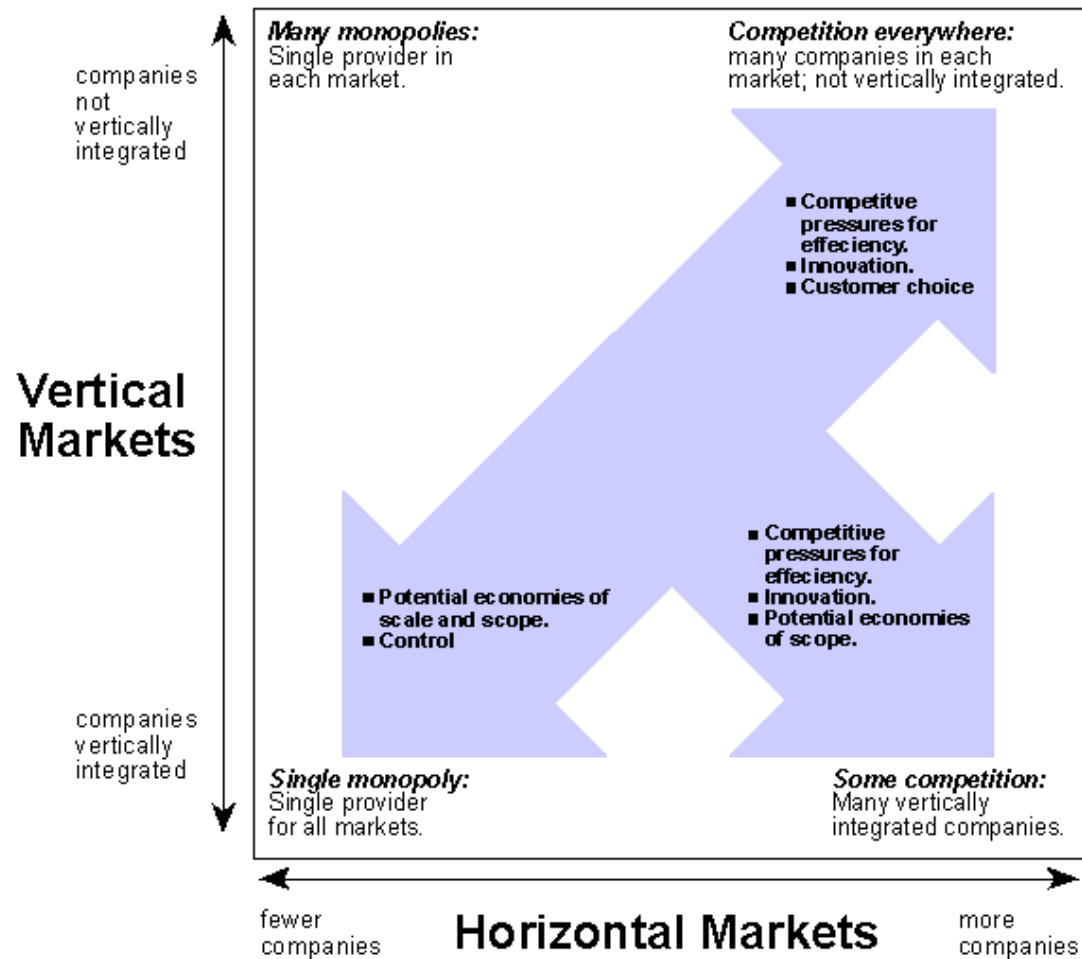
Government policies that apply to the various communications industries no longer match the realities of technology and industry structures. Figure 2 shows who decides what in communications policy. As a result of this tangle, customer needs and government objectives may not be met. Government policies need a new paradigm.

Some Guiding Principles for Resolving Communications Policy Issues

If the customer is to be the focus of communications policy, the following are some of the guiding principles:

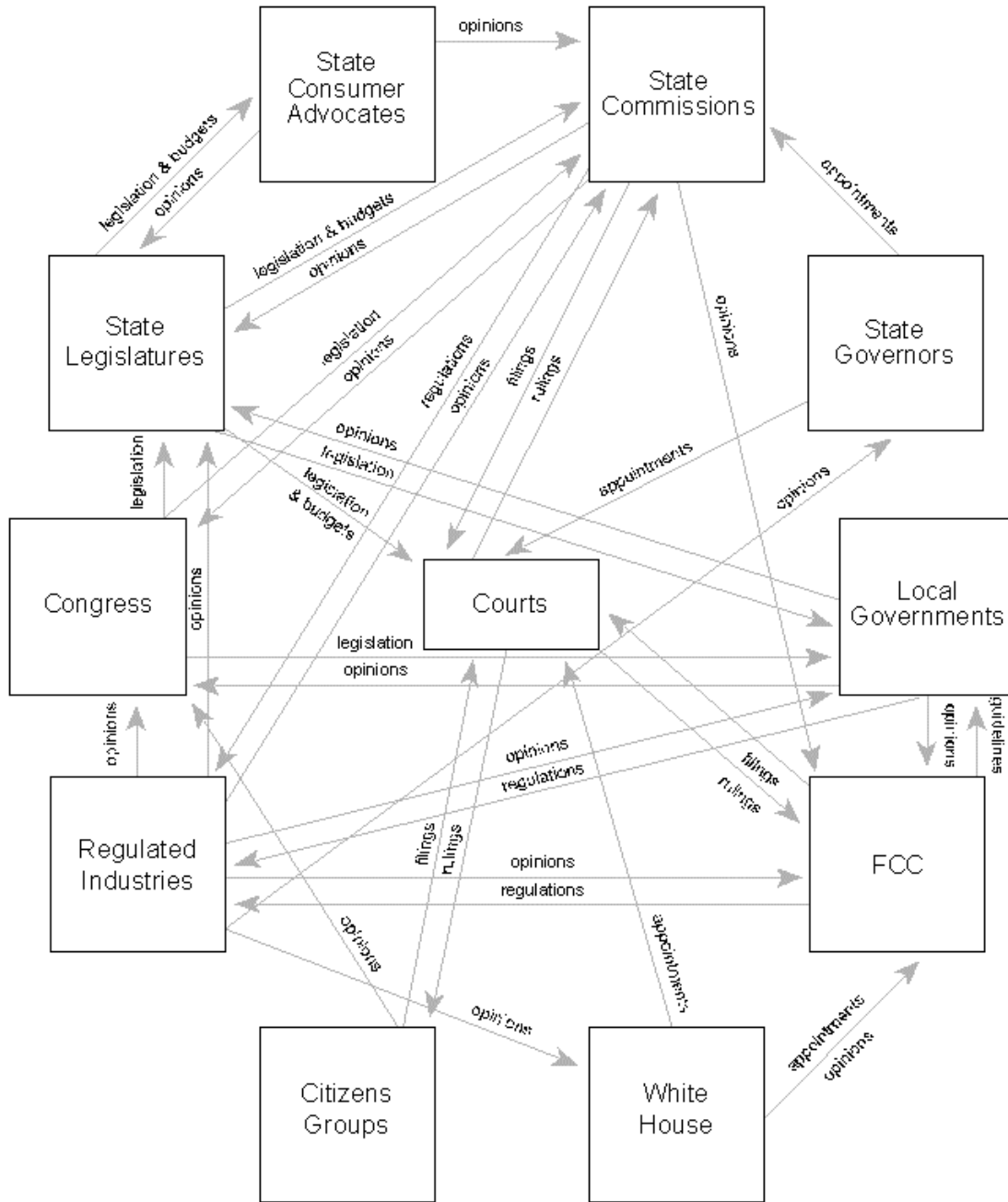
- Customer Focus
- Universal Service
- Technology
- Interconnection
- Changes to Traditional Boundaries
- Changes in Regulation of Prices
- Efficient Government Processes

Figure 1
Market Structure



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Figure 2
Who Decides What in Communications Policy?



Source: Adapted from Mark Nadel, "U.S. Communication Policymaking: Who and Where," *Hastings Communications and Entertainment Law Journal*, Volume 13, Winter 1991, page 290.

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