

A Macro and Micro Economic Policy Void

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RICHARD THAYER, PH.D.
President & CEO

7018 Beechwood Drive
Chevy Chase, MD 20815

T: 301.913.2883
F: 301.913.2884

Email: info.tti@verizon.net
<http://www.ttinetwork.com>

The economic turmoil of the past three years has done far worse than decimate telecommunications - it has shaken the very foundations of the industry - and we will not begin to see a real recovery in telecommunications until the present uncertainty overhanging the U.S. economy is dispelled and until the bewildering confusion in federal communications law and regulatory policy is addressed. The continued weakness in telecommunications will continue to weigh heavily on the overall economy as well.

A number of industry observers and even senior Administration policy makers, including some who were present at the 20th Annual Institute on Telecommunications Policy and Regulation in Washington, DC, last week, contend that, beyond present efforts, there is little the federal government can do to alleviate market concerns: the industry and its customers will have to work things out.

Would anyone accept such an apparently detached view on safeguarding the nation's security or on countering the threat of terrorism? Hardly. How can our national government not devote some substantial effort to better defining and supporting policies needed to restore a measure of confidence among investors, customers and the public in the health of all major industries, including the one that is so vital to others - telecommunications?

The President has appointed a new Treasury secretary, a new National Economic Council chair, and a new Securities and Exchange Commission head. What we need to hear now from these

highly respected individuals are statements of policy that will encourage investors and new competitors to move forward, inspire customers to update their equipment and explore new applications, and, simply, bolster our shaky economy in the near term. Investors need to know that corporate scandals and criminal behavior will be dealt with effectively, and competitors need to know that bankruptcy will not afford a convenient way for irresponsible management to cut losses and then return to the foray stronger than before. These are not idle thoughts, as the heated controversy on current telecom bankruptcies -- WorldCom in particular -- makes clear.

Long term tax cuts, whatever their value may or may not be years from now, will do nothing to instill the confidence needed now, yet tax-cut proposals remain almost the only well-established element of an Administration economic policy. Fortunately, if belatedly, after the Administration just last month stood silently by and let the last Congress deny thousands of unemployed workers an extension of their benefits, the President now calls for the new Congress to correct that situation as one of its first priorities. Given the Congressional and Administration inaction on expiring benefits, a half-million telecommunications workers who have lost their jobs in the current decline may be excused if they feel less than excited about the federal government's attention to the nation's economy and the plight of the telecommunications industry. Both the industry and the economy deserve better.

Congressional committees, the Department of Commerce and the FCC, among others, should bring leading

telecommunications firms and their competitors together to address constructively the legislative and regulatory issues that divide the industry today. Let's not forget that untested and unworkable federal regulatory policies encouraged excess investment and competition in telecommunications in the last half of the nineties, factors that helped bring on the collapse of the industry in the ensuing years.

Today there are sharp disagreements on facilities access and pricing, competitive markets, spectrum allocation, emerging wireless technologies, and more. Progress in resolving these issues has been slow, stymieing investment in R&D, new technologies, and advanced services and applications, and discouraging competition that could help spark the industry's revival and bring promised benefits to customers and consumers.

Congress has been reluctant to reenter the telecom debate since passage of the '96 Act. The House of Representatives overwhelmingly approved HR 1542, the "Internet Freedom and Broadband

Deployment Act," in February, 2002, but the legislation, uneven as it was, got no attention in the Senate. A number of other broadband deployment measures were introduced in the 107th Congress, but found little action. In a keynote address at the Institute last week, Senator George Allen, Republican of Virginia and a member of the Communications Subcommittee of the Committee on Commerce, Science and Transportation, spoke of legislation he is preparing to facilitate high-speed Internet access through wireless hot points or "WiFi," as the technology is known, but the senator declined an opportunity to elaborate on any other telecom issues.

Two FCC commissioners, Kevin J. Martin, a Republican, and Michael J. Copps, a Democrat, addressed a number of key telecom matters in considerable depth, offering a basis for some optimism that the Commission, which should be at full strength in 2003 for the first time in nearly two years, may be able to provide needed leadership on these matters. And the Commission is already scheduled to reach critical decisions on spectrum, access and

pricing, and other issues.

A clear statement of the Administration's macro economic policy, accompanied by an expeditious plan of action in Congress, at the Commerce and State Departments, and at the FCC could provide a significant boost to a floundering industry.

Richard Thayer is President & CEO of Telecommunications & Technologies, International, Inc. www.ttinetwork.com, a telecom and IT consulting firm located in Chevy Chase, MD. Contact by email: rthayer.tti@verizon.net, or phone: 877.913.2883.

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