

Roundtable Discussion: Competition and Innovation in Florida

**PURC Fall Roundtable
September 29, 2004**

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INTRODUCTION

- Competition is increasing in the markets for voice, video and data services in Florida and the nation.
- The deregulatory approach taken by Florida, both at the legislature and the FPSC, is stimulating the Florida economy by paving the way for companies to invest in new technologies and improved infrastructure in Florida, and is sending a clear message to companies across the country to invest and compete in the Florida market.
- Hopefully, the FCC will follow Florida's lead in pursuing a course of measured elimination of unnecessary regulation and either light regulation or no regulation at all of new and emerging technologies, such as VoIP.

COMPETITION IN THE VIDEO MARKET

- There is currently a vigorous rivalry among multiple multi-channel video program distributors (MVPDs) offering closely substitutable services.
- Cable's national share of MVPDs, according to the FCC's most recent data, is approximately 73%.
- The national share of direct broadcast satellite (DBS) has grown to more than 23%.
- Overbuilders are competing head-on with incumbent cable companies.
- ILECs are partnering with DBS providers to offer competing video service.
- ILECs are deploying fiber to the premises (FTTP) and seeking cable franchises to offer video services in competition with incumbent cable companies.

COMPETITION IN THE MARKET FOR HIGH-SPEED DATA SERVICES

- By the end of this year, cable modem service will be available to nearly 100 million subscribers.
 - This represents 91% of all the homes passed by cable systems.
 - Cable systems passed 95% of the nation's occupied homes.
- From its initial commitment to a policy of "vigilant restraint" to its determination that cable modem service is an interstate information service outside the constraining frameworks of Title II or Title VI of the Communications Act, the FCC has recognized the need to avoid intrusive regulation of new and evolving technologies and services.
- By letting competitive market-place forces drive the deployment and development of cable modem service, the FCC has made such development and deployment one of the greatest success stories of the Telecommunications Act of 1996.
- According to data released by the FCC on June 8, 2004, high-speed connections in service over asymmetric digital subscriber line (ADSL) technologies increased by 24% during the second half of 2003, from 7.7 million to 9.5 million lines. *High-speed lines* are defined as those that provide services at speeds exceeding 200 kilobits per second (kbps) in at least one direction.

- High-speed coaxial cable connections (cable modem service) increased by 20% during the last six months of 2003, from 13.7 million to 16.4 million lines.
- Among advanced services lines, ADSL lines increased by 20% during the last six months of 2003, compared to a 28% increase for cable modem service. *Advanced services lines* are those that provide services at speeds exceeding 200 kbps in both directions.
- According to the FCC's most recent data, broadband growth in Florida has matched or even exceeded that of the nation. While Florida is the fourth most populous state, it ranks third in total number of high-speed lines.

COMPETITION IN THE VOICE SERVICES MARKET

- The Florida Legislature in 2003 passed the Tele-Competition, Innovation, and Infrastructure Act of 2003 designed to stimulate the Florida economy by incenting companies to invest in new technologies and improved infrastructure in Florida.
- The Act also placed Florida in a unique leadership position to take advantage of new broadband and information service technologies such as VoIP.
- The FPSC Annual Report on Competition in the Telecommunications Markets in Florida, as of June 30, 2003, found:
 - CLECs have obtained an overall market share of 16%, compared to 13% in 2002.
 - Competitors have increased their share of the business market to 29%, up from 26% in 2002.
 - CLEC residential market share has increased to 9%, up from 7% in 2002.

- Bright House Networks has launched VoIP service throughout Pinellas and Hillsborough Counties and has plans to add VoIP service in Pasco County by the end of September 2004, and Hernando and Citrus Counties by the end of December 2004.
- Revenues from local, residential VoIP service in the United States will grow more than one hundred-fold in the 2004-2008 period, according to a report issued by the Yankee Group on August 30, 2004. Yankee Group forecasted that VoIP service would be used in 17.5 million households by year-end 2008, up from just 131,000 at the end of last year.

GOVERNMENT OWNED NETWORKS

- For the vast majority of citizens, telecommunications, advanced services, and cable services are provided by private entities. In certain instances, local governments have sought to provide such services in competition with private providers.
- When a local government considers providing or does provide such services, there should be safeguards to ensure that: (1) citizens are given the opportunity to provide input regarding whether they would like their local government to engage in such activity, (2) the local government operate on a level playing field with private providers, to assure that the local government does not enjoy any undue advantage simply due to its status as a local government, (3) the local government hold public hearings and seek public approval before committing taxpayer dollars to build an expensive communications system, and (4) the local government must disclose its sources of funding for development of the communications system.

CONCLUSION

- Competition in the communications market for broadband is vibrant and ubiquitous in an environment that is notably characterized by the absence of constraining regulation.
- The market for video programming is now characterized by vigorous rivalry among multiple distributors.
- Florida's deregulatory policy toward VoIP is promoting true facilities-based competition in the voice services market.
- Florida should continue its deregulatory policy toward VoIP, and other broadband and information services, and it is hoped that the FCC will follow Florida's lead.