

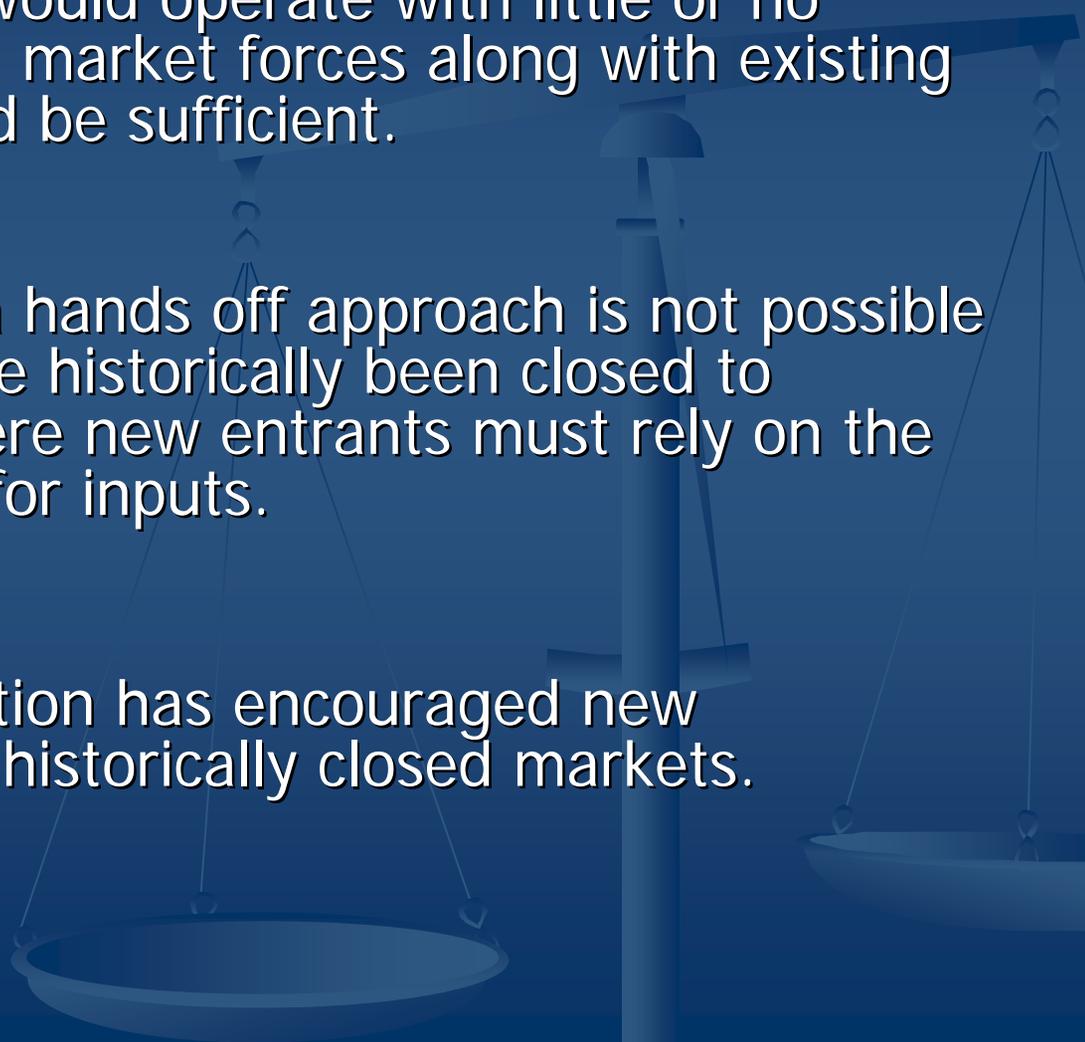
Asymmetrical Regulation

“Does it have a Future”

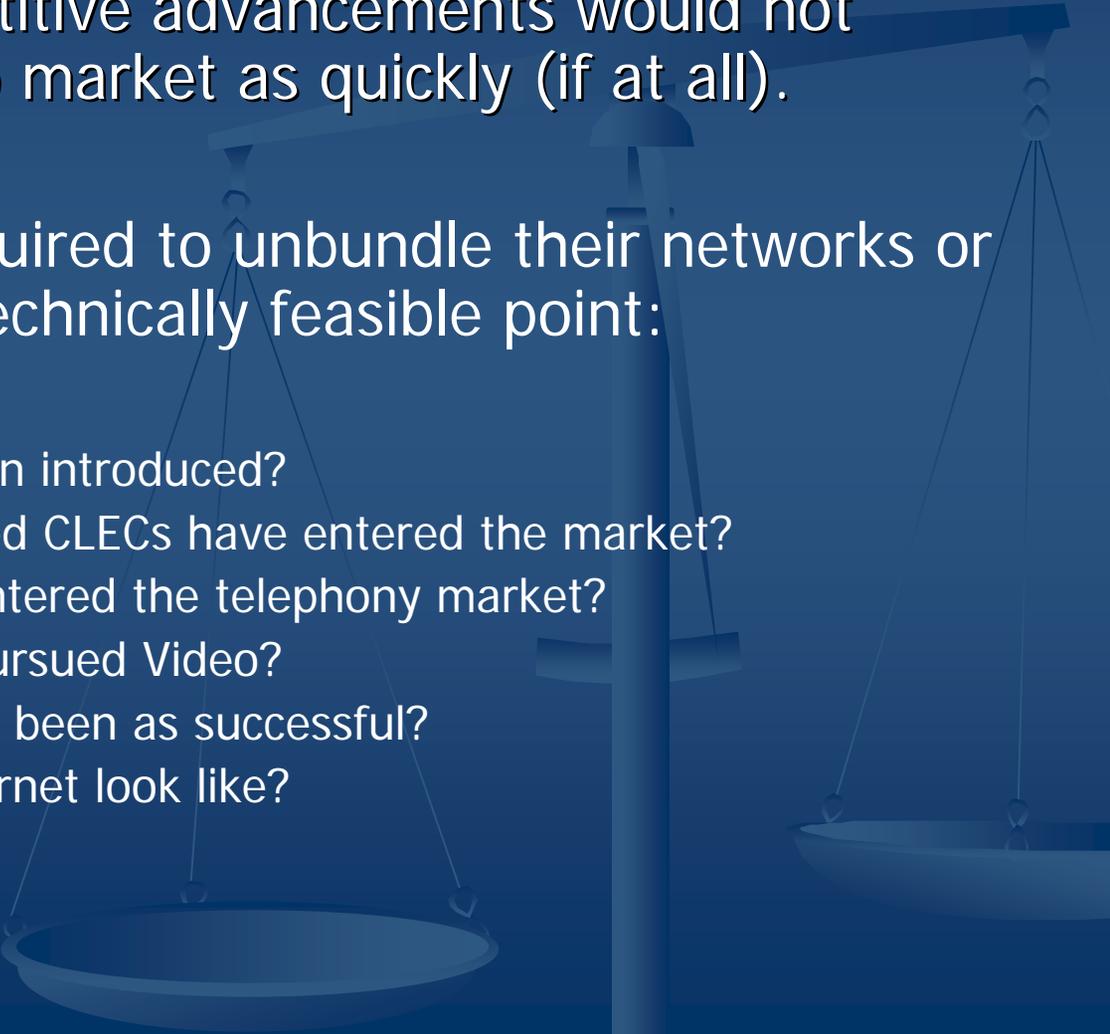


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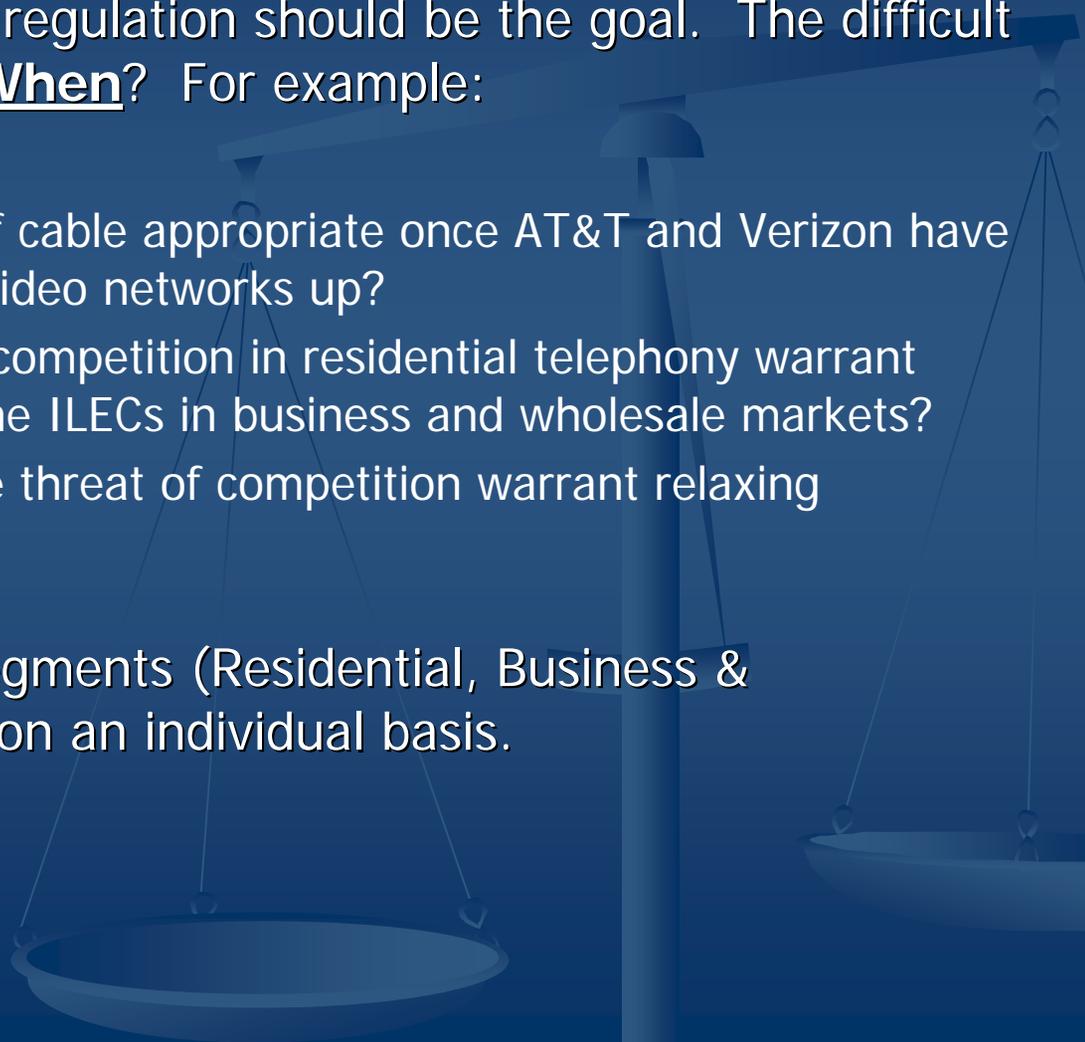
Different Firms - Same Industry - Different Regulation?

- Ideally, all markets would operate with little or no regulatory oversight, market forces along with existing anti-trust rules would be sufficient.
 - Unfortunately such a hands off approach is not possible for markets that have historically been closed to competition and where new entrants must rely on the incumbent provider for inputs.
 - Asymmetrical regulation has encouraged new entrants to invest in historically closed markets.
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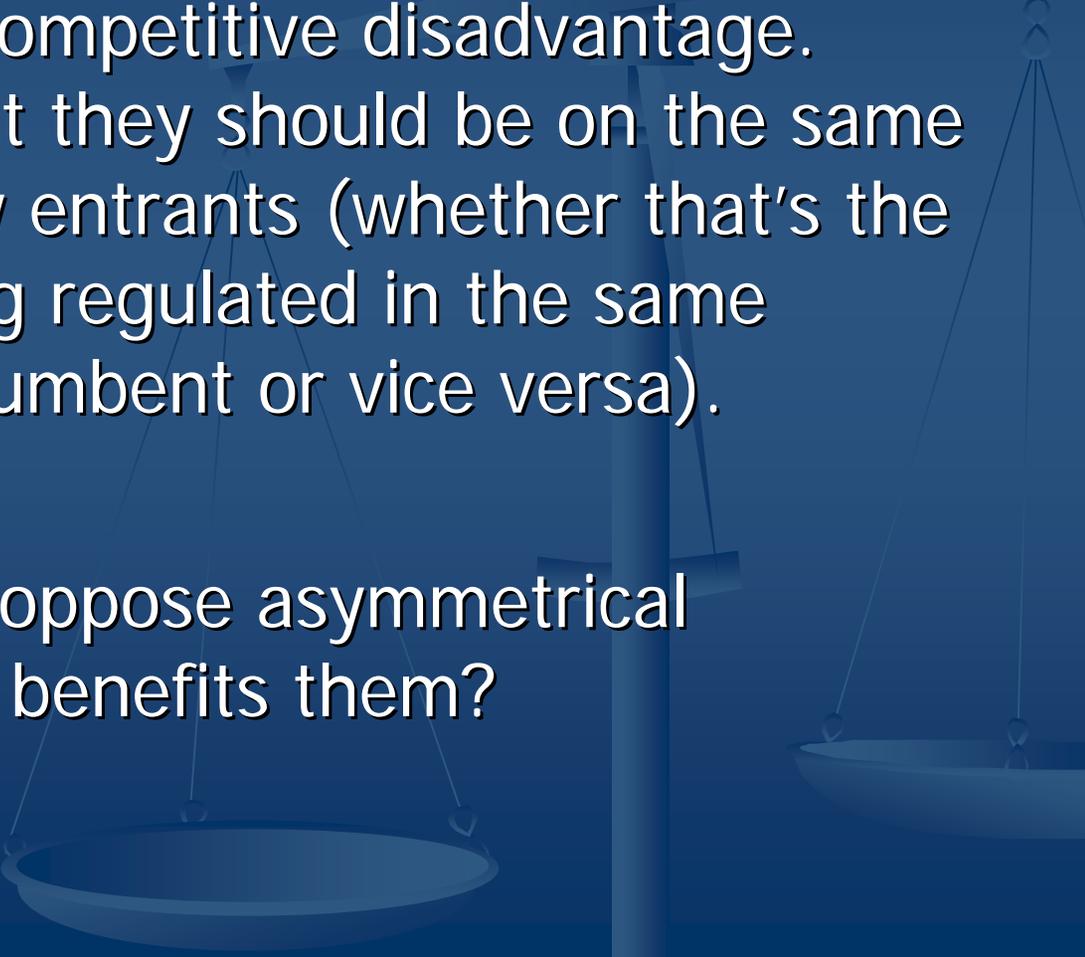
Without Asymmetrical Regulation Where Would We Be Today?

- Technological/Competitive advancements would not have been brought to market as quickly (if at all).
 - If ILECs were not required to unbundle their networks or interconnect at any technically feasible point:
 - Would DSL have been introduced?
 - Would Facilities-based CLECs have entered the market?
 - Would Cable have entered the telephony market?
 - Would ILECs have pursued Video?
 - Would Wireless have been as successful?
 - What would the Internet look like?
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Should Asymmetrical Regulation Continue?

- Eliminating asymmetrical regulation should be the goal. The difficult and most critical part is When? For example:
 - Is deregulation of cable appropriate once AT&T and Verizon have their competing video networks up?
 - Does intermodal competition in residential telephony warrant deregulation of the ILECs in business and wholesale markets?
 - Should simply the threat of competition warrant relaxing regulation?
 - It's critical that market segments (Residential, Business & Wholesale) be evaluated on an individual basis.
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Who opposes Asymmetrical Regulation?

- Incumbents believe that asymmetrical regulation places them at a competitive disadvantage. They advocate that they should be on the same footing as the new entrants (whether that's the new entrants being regulated in the same manner as the incumbent or vice versa).
 - However, do they oppose asymmetrical regulation when it benefits them?
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Does Asymmetrical Regulation Have a Future?

- Telecommunications is a highly integrated market that continues to have dominant providers that control the key inputs of its competitors. Therefore, regulation is still very necessary now and will be into the foreseeable future.
- Only as individual market segments are sufficiently self regulated by market forces should asymmetrical regulation be eliminated.
- Some regulation of all providers will be necessary well into the foreseeable future to address issues such as interconnection, wholesale obligations, USF, 911, CALEA, Bad Acts, etc. Such regulation is required to ensure not only that there is a functioning market but to address unique social goals.

Does Asymmetrical Regulation Have a Future? (cont.)

- Deregulation will never happen quickly enough for the incumbent carriers and it will occur too quickly for many new entrants.
- The “Wild Card” - Legislation.

