Tomorrow's Communications Policies

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Twenty-four months from now, the telecommunications rules, both domestically and internationally, will have undergone some dramatic changes. It is unlikely that absolute exclusion of the Bell companies from major associated lines of business will continue unchanged. It is unlikely that a widening telecommunications trade deficit will not have forced some changes. The next 18 to 24 months will find the National Telecommunications and Information Administration (NTIA) working to bring the economically rational into line with the politically acceptable. It is an important task given the major contribution telecommunications can make toward improving the productivity and global competitiveness of U.S. business, industry, and commerce. It can further the economic efficiency which is so critical to the country's future. As the United States relinquishes certain global advantages, efficiency becomes an especially significant dimension of our national economic strength. Perhaps the single most promising means available to further that efficiency, moreover, is to foster the greater availability of diverse and competitive communications and information industry services.

Economic efficiency arguments, however, do not always, or even often, directly influence how the public votes—much less how the elected officials who depend on those votes will act. Rather, the public usually is influenced—and thus Congress is influenced—by employment prospects; for example, the realistic promise of good jobs with a secure future. And, the public is sometimes influenced by the opportunity to secure new communications choices, or benefit from the likelihood of lower prices.

If the course of public policy is thus determined by the chance concrete benefits will be delivered, it is also sometimes affected by the failure of the policymakers promptly to fulfill those promises. One reason for the current resistance to further deregulation of the telephone business, for example, is the widespread perception that the Government promised benefits from the breakup of the Bell System—and relatively few of those benefits have yet been delivered.

To gain essential public support and acceptance, the policies Government pursues must measure up favorably against "real world" criteria or standards—matters such as jobs, prices, choices, international trade consequences, and effects on competition and innovation. Policies that hinge solely on abstractions cannot, particularly today, expect to command significant minority, much less majority support among the public and thus in Congress. Without a much different political environment than now prevails, it is a fact of life that conditions must be built not only to enact legislation but also to sustain major Government actions.

This is not to call for "finger in the wind" policymaking. It is possible and, indeed, highly desirable to combine commitment to high principles with an understanding of what is necessary to implement those principles and make them work. President Reagan has boldly moved this nation forward, not by appeals to abstract principle, but by demonstrating how the public will benefit. The President, in short, has built and sustained coalitions which advance efficiency goals and also deliver real benefits to the American public.

The AT&T divestiture, and the sometimes painful adjustments which accompanied it, increased public awareness of communications policies. These changes demonstrated that communications policies matter. In general, however, many of today's communications policy controversies constitute the classical "insider issue."

If the general public is not always fully steeped in this lore, that is not to say they lack decided views on fundamental communications policy objectives. They expect, for example, to have good, convenient, and affordable telephone service that is universally available. Indications are they also want a communications system which is basically American. That is, the American public does not wish to see our future in this key "sunset" sector further eclipsed by foreign-based competition.

Today, communications is increasingly in the spotlight. Governors and state legislators understand how pivotal communications can be to stimulating economic development and fostering job creation. At the same time, there are significant problems selling the procompetitive, deregulatory policies the industry needs to capitalize on its potential. Average subscribers obviously do not prefer Government policies which curtail "one-stop shopping." Small businesses, likewise, obviously are concerned when confronted with prices rising by as much as 600 percent for certain communications services. Such developments clearly make the task of advancing good, economically sound communications policy harder.

Serious issues confront our communications industry today, and we should work together to develop sound and timely solutions that are sensitive to public concerns. There is the overwhelming reality of a projected $16 billion trade deficit in the "electronics-based products" sector, for example. There is the problem of persistent foreign barriers to competition by
U.S. communications firms, while our own markets remain wide open. There is also the related problem of excessive regulation and consent decree restrictions constraining seven of our largest firms, the Bell companies, while affording foreign-based enterprises maximum commercial freedom in the United States.

On the domestic regulatory front, insufficient attention too often is paid benefit-cost analysis. We place on our telecommunications companies an enormous mass of regulations, many more complicated and costly than needed. To the extent parts of the telecommunications business are insufficiently competitive, some kind of public regulation is required. But we must constantly search for means which exact the least cost while assuring a floor of protection.

What approaches are desirable to facilitate more rapid emergence of efficient and effective communications services, and thus the national benefits they can provide? Four principal considerations should guide our policy work.

First, more emphasis should be accorded delivery of "people's dividends"—things such as new job opportunities, more choices, and lower prices. In this business, people matter because, among other things, strong and sustained public support is a necessary condition to regulatory change.

At present, too many rules on the books make too little sense from a "people's dividends" standpoint. We prohibit the Bell companies, for example, from selling certain information services to the residential subscriber market. We know, however, that if the residential market is to get those new choices, the most likely and, indeed, perhaps only way in which they will be delivered in the near term is from the local phone companies. Many of these specialized services are not "stand-alone" propositions. Unless they are marketed by a firm, such as the phone company, which already has an established customer relationship, sheer marketing costs alone are likely to prove prohibitive. In many cases of such services, there is no good reason to continue to deny the public the right to buy what they might want. If we wish to enlist and maintain public support for broader deregulatory and procompetitive initiatives, policymakers should do what they can to ensure these new services and others are available.

Second, Federal policy initiatives should endeavor more consistently to take "transitional equities" into account. In the final analysis, the purpose of Government actions is neither to be fair nor unfair to particular industry groups but rather to protect the public's interests. Fairness is a necessary prerequisite, however, to the overall policy process.

Perhaps the Federal Communications Commission should never have adopted rules that required cable television companies to carry the signals of all local television stations. For example, such rules were adopted, however, and investments made in reliance on those rules. Perhaps there should not have been cheap private line rates in the telephone business. Again, however, there were, and substantial investments and business decisions were based on those conditions.

If Government expects people to continue to make investments and business decisions based on its rules, obviously there must be a degree of predictability. At a minimum, those who stand to be adversely affected by rule changes must be given a full and fair opportunity to participate in the decisionmaking process. Practical policies will take over if stakeholders are not treated fairly.

Third, we should seek to reorient our communications policies to ensure all players maximum possible opportunity to make a contribution. A policy of absolute exclusion should only be adopted where there is a high probability of irreparable harms.

At present, we have too many policies of absolute exclusion. They are incorporated in the AT&T consent decree and apply both to the Bell companies and, in the case of "electronic publishing," also to AT&T. The Reagan Administration will be revisiting these restrictions later this fall to determine whether less restrictive alternatives are feasible.

At the same time, as we assess reasonable means of mobilizing the substantial human and financial resources the Bell companies represent, we should not forget smaller communications companies.

One beneficial consequence of the deregulation and technological changes the United States experienced in the telecommunications and computer fields over the past decade is many more people today are "in on the secret." Once upon a time, the only persons with expertise regarding communications worked for the established telephone companies or a small handful of large equipment manufacturers. Now, the nation literally has thousands of small entrepreneurial companies which make a contribution. Good things sometimes, if not always, come in small packages in this technologically dynamic field. The growing "partnership" between major and smaller firms, evident from some telephone industry procurement statistics, is very positive. Inventiveness is often characteristic of small agile businesses.

Finally, we should not get too preoccupied with the process of "deregulation" that we neglect the equally important chore of "simplification," or, as FCC Chairman Fowler has put it, "cutting away the regulatory underbrush."

In Missouri, I headed the state government department which included both the Missouri Public Service Commission and the Office of Public Counsel. Here were two groups in a prey-predator relationship, and I got to be umpire.

I watched the paper game competing parties played when fixing public utility rates. Utilities would advance requests roughly a third or more "too much." After the requisite motions, the Commission would knock it back and then publicly declare victory. Everyone playing the game played it in a way best for them. Politicians were given an opportunity to look good, and it was generally assumed by the industry that advancing unrealistically high rate requests was what they, to cooperate, ought to do. Indeed, as one of the Commission's former chairmen told me recently, "I would have killed any company that came in at the start with a 'reasonable' rate request."

The fundamental problem is that this game exacts large and unproductive costs. We should reexamine the usefulness of this traditional process which is why NTIA recently announced a study to determine sound alternatives to conventional rate-of-return regulation. At both the Federal and state levels, more attention should be paid to devising new ways of ensuring necessary fairness to ratepayers without, at the same time, imposing huge and unproductive regulatory costs—costs that, in the final analysis, are born by taxpayers and consumers.

As the mix of private and public decisions is established, we should not lose sight of the fact regulatory reform and deregulation are basically political processes. Success, therefore, will most often depend on our ability to translate economic concerns into concrete developments the public, and thus the elected officials, can relate to and accept.

We should seek to maximize the possibility those "people's dividends" are delivered—employment opportunities, new choices, lower prices. At the same time, we obviously should try to avoid "flash-cut" changes which needlessly jeopardize the legitimate interests of stakeholders in the status quo. Transitional equities, in short, are an important factor.

We should focus on policies that dwell less on potential harms and more on the contribution all players might make. Particular attention should be paid to assessing opportunities for small, entrepreneurial companies.

Finally, in addition to fostering procompetitive and "propeople" policies, we should not neglect reform of existing
pursue their private interest at the expense of the group (just as Peru has already done). And despite the tradition of cooperation in international communications, there may come a time when other countries are offered a deal that they cannot refuse—for example, the opportunity to serve as the termination point for all of the European traffic of a major U.S. carrier.

The attempt to authorize separate systems has had a rough ride so far, but, in the end, it may produce significant benefits in the market for international communications.

References
[1] See Communications Satellite Act of 1962, Sections 201(a)(i) and 303(a); 47 U.S.C. Sections 721(a)(i) and 733(a).
[8] Sections 102(d) and 201(a).
[9] Article XIV(d) of the INTELSAT Agreement.
[16] 101 F.C.C.2d at 1083.
[18] 101 F.C.C.2d 1046, 1102.

Under Sikes' leadership, NTIA has initiated a comprehensive review of Government programs looking toward improvement of AM broadcasting and cable television viewing choices. In conjunction with the Assistant Attorney General for Antitrust and FCC Chairman Mark Fowler, Sikes has put forward proposals calling for significant changes in the enforcement of the AT&T and GTE consent decrees.

In the area of trade, Sikes has held both formal and informal discussions with key policymakers representing our major telecommunications trading partners. His leadership has guided the market access fact finding missions in a number of countries, most recently France, in the future, Sikes is scheduled to hold formal talks with officials from West Germany, China, and the United Kingdom.

Previously, Sikes was involved in the management and ownership of Sikes and Associates, Inc. of Springfield, MO, a firm engaged in broadcast management and consulting.

Mr. Sikes served in Missouri Governor Bond's cabinet as both Director of the Department of Community Affairs and, commencing in 1974, Director of the Department of Consumer Affairs, Regulation, and Licensing.

He earned his AB degree from Westminster College, Fulton, MO, in 1961 and his LLB in 1964 from the University of Missouri Law School where he was on the Law Review Board of Editors. After a stint at private law practice, Sikes served as Assistant Attorney General in then Missouri Attorney General John Danforth's office.