

Telecom Crossroads

State Not Competitive; Reform Required

By Craig Ladwig

In Fort Wayne there is a concrete-and-rebar monument to the dangers of choosing political interests over market forces. Coliseum Boulevard was built a generation too late as the city's "bypass." It was immediately overtaken by the congestion it was meant to circumvent. It now is a bumper-to-bumper highway to nowhere – an anachronism that should tell us how even the finest political calculations fail to keep pace with market forces.

Modern telecommunications travel along highways of a different sort, infrastructures made up of coaxial cable, DSL and Voice Over Internet Protocol or VoIP. These help determine Indiana's ability to attract favorable investment and productive jobs.

Sad to say, the blueprint for Indiana's telecom highways is a law almost two decades old, one ignorant not only of market forces but of innovations as important as the cell phone.

The state's regulatory regime of price controls, service mandates and marketing restrictions imposed decades ago stands obsolete beside the abundant, affordable telecom options available today.



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Only Kentucky ranks lower in broadband penetration across the region. Taxes, fees and regulatory mandates are keeping phone bills here artificially high. And, municipalities and government-run institutions are exploiting their tax and regulatory advantages in competing against private telecommunications firms.

Indiana was once a leader in telecommunications. The world's first automatic telephone switch was installed in LaPorte in 1892. Telecom law here has not been revised substantively since 1985 and the Indiana Utility Regulatory Commission appears unwilling to adjust to even such obvious market innovations as cell phones.

To understand what a challenge that represents to the 2005 General Assembly, we must return to the bad example of Fort Wayne.

The town fathers there took so long to approve their bypass because they tried to maintain a perfect market equilibrium, protecting even the most outdated commercial districts.

Similarly, Indiana regulators are asking us to waste time and money subsidizing outdated business models in the communication industry.

If they prevail, we'll end up with a telecom highway to nowhere.

Survey: Change needed

A survey by the Indiana Policy Review Foundation suggests that political pressure is building for telecom reform. Of the 51 candidates responding to the survey, 70% rated as insufficient the level of broadband service in the state.

The level of competition in traditional telephone service likewise lags that of many other states, and the majority of survey respondents support reform in that regard. Moreover, only 17% of survey respondents approve of the current rate regulation, which many economists argue deters real competition in local calling.

Only 16% of our survey respondents support continued regulation of local telephone rates. "The industry is not what it was 20, 10 or even five years ago," said Republican state Rep. Eric Koch, re-elected to a second term in the 65th House district.

Democrat Robert Threlkeld, an unsuccessful candidate in the 20th Senate district, agreed. "Generally, the marketplace provides the best and most efficient regulation," he said. "There is much competition in the telephone industry since both landline and wireless companies provide service."

Compared with other states, Indiana ranks a dismal 47th in the penetration of wireless services and 39th in high-speed Internet access.

Economic impacts

Insufficient penetration of advanced telecom technologies carries significant consequences for the Indiana economy.

Of particular concern is Indiana's ranking relative to neighboring states with which it competes for economic development.

INFORMATION LINK

Author: Craig Ladwig is executive director of the Indiana Policy Review Foundation, which seeks to marshal the best thought on governmental, economic and educational issues at the state and municipal levels. Ladwig can be contacted at (317) 236-7360 or go to www.inpolicy.org

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