

TELECOMWEB NEWS DIGEST

PHOENIX CENTER REPORT DERIDES 'INTERMODAL COMPETITION'

6 APRIL 2004

The non-profit Washington, D.C.-based Phoenix Center for Advanced Legal & Economic Policy Studies has just released a report containing findings that fly directly in the face of assertions by FCC Chairman Michael Powell regarding so-called "intermodal competition."

The Center's latest report says that regardless of stories in the popular press about how competition from wireless service is cutting into the market for landline service, fixed-mobile intermodal competition is having very little effect on the ability of incumbent telcos to raise prices on American consumers.

It has long been Chairman Powell's view that because of the number of providers offering a variety of telecommunications modes – all of them aggressively vying for the same customers – a revamp of the rules governing competition may be in order. In fact, in February 2003, when the commissioners voted on the FCC's controversial Triennial Review Order, Powell – who was in the minority – strongly maintained that any threat posed by monopoly telephone companies can be made moot by intermodal competition.

The Phoenix Center study, issued last Thursday (April 1), takes exception to Powell's view. It says there has been far too much reliance on "techno-rhetoric" and not enough serious analysis of the core economic problems facing policymakers. Phoenix contends that "the correct inquiry is not whether two different products can do a similar task for some consumers some of the time, but rather whether the use of one product will restrain adequately the exercise of market power for the other."