

Do we still need to regulate telephone services?

Appendix 2

American deregulation of VoIP

The Federal Communications Commission (FCC)(1), which is the American equivalent of the CRTC, distinguishes “information services” which are left unregulated, from the traditional “telecommunications services” that it regulates. The Internet has been aptly considered an information service, and has thus escaped regulation. Recently, the Commission has indicated that it does not intend to regulate Internet telephony, or VoIP.

For several months, FCC’s president Michael T. Powell has been suggesting that VoIP should follow the Internet model of minimal government intervention. The Commission has been moving in this direction and, in February 2004, issued a “Notice of Proposed Rule-making” that invites comments on this approach.

Recently Mr. Powell warned American phone companies that intense new competition will hit them from a large number of VoIP suppliers. “Mr Powell,” explains the *Financial Times*, “has been an avid supporter of the technology because it promises to introduce broader competition into the telecoms industry.”(2)

The FCC’s hands-off approach to VoIP probably signals the start of a new deregulation period in the U.S. For if VoIP, which is supplying consumers the same type of voice telecom services, is not regulated, there is no justification for imposing artificial handicaps on conventional phone providers, whether land based or wireless. With VoIP bringing a high level of competition in the telecommunications market, there is no more reason to continue with the older approach of regulating the number of firms in order to increase competition.

1. The FCC’s website provides much information on VoIP and its regulatory approach, at <http://www.fcc.gov/voip>.

2. Paul Taylor and Peter Thal Larsen, “FCC Chief in VoIP Warning Telecoms,” *Financial Times*, May 5, 2004, p. 28.