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Information Industry Association

555 New Jersey Avenue, N.W., Suite 800
Washington, D.C. 20001
202/639-8262
Fax: 202/638-4403
Cable: INFORMASSN WASHINGTON

May 19, 1993

Lionel S. Johns
Associate Director, Technology & Space
Office of Science & Technology Policy
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. Johns:

On behalf of the Information Industry Association (IIA), I am pleased to provide you with a copy of IIA's **Telecommunications Infrastructure Policy Objectives and Implementation Principles**. Approved by the IIA Board of Directors last month, these wide-ranging goals set the stage for a responsive and expansive telecommunications infrastructure as the U.S. marches into the Information Age.

IIA is a trade association representing more than 500 companies involved in the creation, distribution and use of information. IIA's membership includes entities of all sizes providing enhanced services, telecommunications and associated equipment, print media and electronic publishing services, as well as some of the largest providers of common carrier services. IIA's members are in the forefront of the development and implementation of new information products and technologies.

Over the course of the last several years, IIA has recognized that modernizing the U.S. telecommunications infrastructure must be high on the national agenda. From that realization, IIA's diverse membership — including telephone companies, information providers, computer manufacturers, software developers and other leading companies — united to support the telecommunications infrastructure goals presented today.

The Association encourages all of government — from the White House and the independent agencies, to Congress and state and local governing entities — to move forward in a new commitment to the future of quality telecommunications services for all Americans. IIA believes these objectives and principles form the bedrock for resolving difficult policy and business questions in a competitive environment responsive to market forces.

I hope that IIA's views on these critical issues are useful to you. Your comments and reactions on the **Telecommunications Infrastructure Policy Objectives and Implementation Principles** are welcomed. I would be happy to discuss these views with you or your staff at any time.

Sincerely yours,

Kenneth B. Allen
President

Information Industry Association

TELECOMMUNICATIONS INFRASTRUCTURE OBJECTIVES AND IMPLEMENTATION PRINCIPLES

April 1993

INTRODUCTION

Technological advancements, desires for improved economic development, demands of the "Information Age," and increasing foreign competition have heightened concerns about future development in the United States' telecommunications infrastructure. The result: a national debate on improving and modernizing the telecommunications infrastructure.

International, national and state level deliberations about telecommunications infrastructure are important to IIA members. IIA has refined and expanded its positions regarding telecommunications infrastructure development and now is prepared to be an active participant in telecommunications infrastructure discussions wherever they occur.

This paper identifies IIA positions on the telecommunications infrastructure necessary to deliver electronic information and services. It is designed, in part, to provide input to government policy-makers and other entities involved in development of policies affecting that infrastructure. (*)

The recommended policy objectives and implementation principles are listed on the next page. The remainder of this paper is intended to support the meaning of each position.

(*)This position paper does not address policies on privacy, security, protection of copyright and access to government data.

POLICY OBJECTIVES

- **Market forces are the preferred means** of determining telecommunications applications and services, and thus, the development of telecommunications infrastructure.
- **As telecommunications markets continue to evolve** from a regulated monopoly to a competitive regime, the role of governments should be to promote competition while protecting the public interest where competitive market forces are not yet fully operative.

IMPLEMENTATION PRINCIPLES

- **Telecommunications infrastructure evolution**, driven primarily by competitive market forces, is the ultimate goal. Where there is competition, market forces should determine the services offered. However, IIA recognizes that for the foreseeable future, noncompetitive, i.e., regulated, environments may continue to exist.
- **Governments' role in the development of the telecommunications infrastructure** should promote competition within the private sector as the best means of achieving rapid and broad-based evolution of a national telecommunications network.
- **In assuring the public interest, governments should monitor** regulated telecommunications infrastructure development including factors related to service availability; performance reliability and quality; maintenance of reasonable rates; and the extent and appropriateness of regulation.
- **Rates for necessary services that are not subject to competition** should be cost-based, with appropriate incentives to control costs and encourage improvements in basic services as part of telecommunications infrastructure development.
- **Subsidies undermine competitive markets**, therefore their use should be minimized. To the extent governments determine subsidies are necessary, they should be targeted clearly to end-users to achieve specific goals and their purpose and administration must be reassessed continually.
- **Worldwide public policies should be pursued** which 1) promote open standards and interfaces; 2) promote high quality and availability of the telecommunications infrastructure; and 3) assure equal availability of access for all users to the underlying network capabilities and support systems.

BACKGROUND

The National Telecommunications and Information Administration (NTIA) has defined the information infrastructure as "all the facilities and instrumentalities engaged in delivering and disseminating information throughout the nation." This paper focuses solely on the telecommunications components of the information infrastructure associated with the delivery of electronic information services.

Today's U.S. telecommunications infrastructure largely has been achieved through a national policy as set forth in the Communications Act of 1934. The purpose of the Act was "... to make available, so far as possible, to all people of the United States a rapid, efficient, nationwide and worldwide wire and radio communication service with adequate facilities at reasonable charges." Through the years, these objectives have centered on the concept of "universal service" which largely has remained unaltered in law, and as a commitment of policymakers. Indeed, it is generally accepted that the U.S. has achieved its original universal service objectives to provide every home with access to a telephone at reasonable rates.(*)

The objectives of universal service were attained over a 50-year period and in a monopolistic environment involving substantial regulation and subsidy arrangements. IIA believes that the emerging competitive environment in the telecommunications industry can strengthen the goal of universal service. IIA further recognizes that decision makers must reassess the policies and procedures used to implement that goal in the context of new technologies and market structures.

Today, competition has yielded a wide array of new products and services which were unimaginable only a few years ago. As technology and competition progress, consumers will choose freely the products and services they want, and from which providers they want to purchase. Increased competition — already evident in many markets integral to telecommunications infrastructure development — is arguably the most dramatic new paradigm for policymakers to consider.

Competition is a highly desirable aspect of new telecommunications infrastructure development. New national and state policy objectives must be considered in the light of evolving marketplace realities. Policies must be reshaped to address the challenges and promises of today's national and international competitive environments. IIA believes governments will continue to have important roles and responsibilities in telecommunications infrastructure development as a means of ensuring fair competition and protecting the public interest.

(*) FCC Monitoring Report (over 95 percent of U.S. households have access to a telephone).

POLICY OBJECTIVES

- **Market forces are the preferred means of determining telecommunications applications and services, and thus, the development of telecommunications infrastructure.**

IIA supports policies which encourage competition and market driven solutions for future telecommunication needs. This means that public policies should encourage participants to fill market needs based on competition and market forces. This direction will afford greater opportunities to American businesses and consumers.

The U.S. telecommunications industry currently is in the midst of a transition to an open market where buyers and sellers decide which products are offered and at what prices. In this mode, the U.S. already has achieved the most open telecommunications market in the world — with rapidly expanding choices in new technologies and services. For this transition to be fully beneficial, competition must continue to be given every opportunity to succeed.

- **As telecommunications markets continue to evolve from a regulated monopoly to a competitive regime, the role of governments should be to promote competition while protecting the public interest where competitive market forces are not yet fully operative.**

The public's needs have changed since the 1934 Communications Act and subsequent adoption of universal service objectives. Electronic communications have evolved dramatically during the latter part of this century. The telecommunications infrastructure has become one of the fundamental elements of commerce by providing transmission facilities increasingly used to distribute products and services. The expanding and changing nature of the telecommunications infrastructure presents policymakers with new and different public interest issues to consider and accommodate in the context of changing technologies and market structures.

Governments must review and evaluate imbedded policies and procedures to determine if they are in harmony with these new public interest issues. Newly developed policies should protect full, fair and open competition where it exists. Further, these policies should promote and encourage competition where it has not yet developed.

IMPLEMENTATION PRINCIPLES

- **Telecommunications infrastructure evolution, driven primarily by competitive market forces, is the ultimate goal. Where there is competition, market forces should determine the services offered. However, IIA recognizes that for the foreseeable future, noncompetitive, i.e., regulated, environments may continue to exist.**

Competition thrives when policies and rules do not favor particular entities, groups or interests, and when access to telecommunications infrastructure is equally available to all participants. Competitors must study carefully markets to identify product innovations and efficiencies which help achieve competitive advantages, fostering a robust marketplace.

Competition produces an atmosphere where customers are able to choose a variety of services from multiple suppliers and at fair prices. Governments should ensure that rules, policies and procedures encourage and support evolution to fully competitive environments.

- **Governments' role in the development of the telecommunications infrastructure should serve to promote competition within the private sector as the best means of achieving rapid and broad-based evolution of a national telecommunications network.**

IIA believes governments should seek to establish policies and rules which promote and maintain fair and open competition. In promoting these public policy goals, government, as the "agent of the people," may play an important role in participating in research and development by setting challenging objectives and encouraging related, pre-competitive experimentation in critical, new technologies. IIA recognizes that governments may support research when private competitive entities are unable to fully justify financial risks inherent in research of unknown value. However, IIA does not support government development or operation of telecommunications infrastructure or other resources used for commercial applications which could be supplied through competitive telecommunications infrastructure solutions. Simply put, governments should not perform functions or provide services that can be achieved through the competitive private sector.

- **In assuring the public interest, governments should monitor regulated telecommunications infrastructure development including factors related to service availability; performance reliability and quality; maintenance of reasonable rates; and the extent and appropriateness of regulation.**

Governments' primary concern must be the protection of the public interest, which is best served when open competition flourishes. They must encourage competitive services by maintaining balance and fairness. Governments must allow competitive market forces, where they exist, to determine which services will be successful. Open markets should be allowed first to demonstrate which services have value, and only when it is clear that competition absolutely cannot meet the public's needs adequately should regulation be considered.

Where competition has not been adequately developed, IIA recognizes the need for government assistance and/or regulation. Government action should be focused on boosting market development through availability of essential services and setting standards for minimum service availability and reliability among providers. If monopoly franchises continue to be necessary, IIA recommends strong government oversight and control to ensure equal access to basic network capabilities, service quality and reasonable rates.

- **Rates for necessary services that are not subject to competition should be cost-based, with appropriate incentives to control costs and encourage improvements in basic services as part of telecommunications infrastructure development.**

In areas where essential and basic telecommunications services are provided to users, but are offered without competition, it is appropriate for regulators to monitor and control basic service rates to ensure that they are reasonable. In regulated markets, incentives for providers to control their costs, as well as to invest in new technologies also are appropriate, with the goal of reducing overall costs and providing expanded telecommunications infrastructure capabilities similar to those found in competitive markets.

- **Subsidies undermine competitive markets: therefore their use should be minimized. To the extent governments determine subsidies are necessary, they should be targeted clearly to end-users to achieve specific goals and their purpose and administration must be reassessed continually.**

Subsidies create artificial demand, discourage competitors from offering new solutions to subsidized services, and create pricing anomalies between technically similar or identical services.

In the event subsidies are found to be necessary to support important public policy goals, they must be administered by capable, neutral party(ies), i.e., not solely by service providers. Further, effective administration of subsidies should achieve the following:

- a) The purpose of any subsidy should be defined specifically with respect to its intended use in supporting public policy, and should be transparent in its administration to the intended recipient(s) and payer(s);
 - b) Subsidy programs should have mechanisms which limit their financial impact and duration; and
 - c) The burdens and benefits of any subsidy program must be equitably and fairly distributed among all participants. No affected providers should be unreasonably advantaged or disadvantaged by the subsidy program.
- **Worldwide public policies should be pursued which 1) promote open standards and interfaces; 2) promote high quality and availability of the telecommunications infrastructure; and 3) assure equal availability of access for all users to the underlying network capabilities and support systems.**

Access to open, standard interfaces for network and other system functions will have greater importance and create more value as information products and services are designed and offered to meet the needs of "untapped" consumer markets. Currently, such needs include requirements for narrowband services, broadband/multimedia services, Personal Communications Services (PCS), cable television (CATV), video dialtone, etc. Each of these services has specific, and often unique, technical requirements — such as bandwidth, delay and performance — which may require unique, but open, interfaces.

Public policy should promote competition which fosters standards that ensure service quality and availability of the telecommunications infrastructure to meet the public interest. Recommendation or facilitation of basic standards parameters should be developed in an open forum consisting of all interested parties, including governments, carriers, users, etc. The use of standard and effective open interfaces should minimize the burden on entrepreneurs and other users of the telecommunications infrastructure when expanding information services and products.

CONCLUSION

IIA supports policymakers who address issues surrounding the development of the telecommunications infrastructure. We commend leaders who demonstrate a willingness to help the information industry introduce domestic and international policies consistent with the positions stated above.

Information is the content of communication. As such, electronic information services have a tremendous dependence upon and interest in telecommunications infrastructure development. That development will help the United States to increase its global competitive capabilities. IIA strongly recommends continuing debate on, and early adoption of, the objectives and principles described above as a means to accelerate the development of the telecommunications information infrastructure.

Telecommunications infrastructure development will not be an easy task. It accompanies the evolution, in certain sectors, from highly regulated processes where governments set objectives for service availability and quality to an environment where competitive market forces determine services and features offered. In 1934, the United States had a national mandate to achieve universal service. Today, the transition to policies that rely on competition and open standards for network and service interoperability is highly desirable and supported by IIA.

The Information Industry Association, celebrating its 25th anniversary, represents some 500 companies involved in the generation, distribution and use of information products and services.

Information Industry Association
555 New Jersey Avenue, NW Suite 800
Washington, DC 20001
Ph: (202) 639-8262 • Fx: (202) 638-4403