

# **FOUR APPROACHES TO TELECOMMUNICATIONS DEREGULATION AND COMPETITION: THE U.S., U.K., AUSTRALIA AND NEW ZEALAND**

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## **Abstract**

This study reviews the regulatory setting in four countries, all of which are in the process of introducing increasing amounts of competition into their telecommunications sectors. Although there is considerable variation in the degree of progress, in every country there is a philosophical trend toward the retreat of regulation. The one significant political obstacle to complete deregulation is universal service. Very probably light-handed approaches toward regulation will bring greater benefits to the consumer, both short- and long-term, and the U.S. approach will provide little worth emulating.



# **FOUR APPROACHES TO TELECOMMUNICATIONS DEREGULATION AND COMPETITION: THE US, UK, AUSTRALIA AND NEW ZEALAND**

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We recently surveyed competitive developments in the telecommunications industries of the US, the UK, Australia, and New Zealand. As in many countries, regulation is used to achieve any number of fundamental public policy objectives such as the maintenance of reasonable prices, universal service, service quality and the availability of an advanced infrastructure. However, each of the countries surveyed has endeavored to establish an enterprise system organized by competitive forces rather than by regulatory mandates. Competition is embraced because it spurs innovation, drives prices down to levels just sufficient to draw forth the investment needed to meet customer needs, keeps costs at contained levels, and allocates society's scarce resources more efficiently and effectively.

The move away from government ownership and/or regulation towards competition as the modus operandi for the telecommunications industry is a relatively recent phenomenon. Telecommunications services are unfortunately still delivered via a monopoly which is sometimes a government owned provider in many countries.

However, over the past two decades, several countries have achieved greater reliance on

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private enterprise and competition with remarkable results. Our overview of the US, the UK, Australia and New Zealand telecommunications oversight regimes clearly does not include all of the countries where competition has been introduced and, indeed, more comparative analyses need to be conducted to gain further insights into the similarities and differences in approaches and experiences with these and other countries. Nevertheless, these four countries do provide significant differences in policies and significantly different results to provide interesting comparisons.

Although there was some level of competition in the early days of telecommunications in the US, the purposeful introduction of competition through public policy has only begun in the last couple of decades. Significant progress in comprehensive *deregulation* of the telecommunications industry, at least in the US, the UK and Australia has truly, if at all, begun in an even shorter time frame. “Pro-competitive” reforms in these countries have in every case led to rapid deployment of new technology and lower prices, and now many of the world’s industrial nations are beginning to implement similar reforms. The recent World Trade Organization agreement among 69 countries to open their respective telecommunications markets to competition may well be the apogee of this global revolution.

Our survey synthesizes the regulatory and competitive developments in the US, the UK, Australia and New Zealand, and the impacts of those developments on actual competition in different markets and the speed at which competition has developed. Each of the major/traditional “market” segments in the industry – long distance services, local services, and wireless services – was examined. The analysis is by no means systematic in

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New Zealand, of course, privatized and comprehensively deregulated in 1989.

the sense that economic data could be quantified to support the observations. Indeed, much more fruitful research needs to be undertaken as experience with competition grows, and as more hard data are collected.

A. *Long Distance*

*One of the themes that runs throughout the story of competition in telecommunications is that regulation, since it frequently involves defining particular services so that they can be regulated, often creates artificial competitive opportunities at the expense of certain services or service providers. This is certainly true in long distance. On a technical level, long distance service is nothing more than a layer in the “network”, technically integrated with, and dependent on, the rest of the network for the origination and termination of calls. Defining this service –carriage of calls over a certain distance or geographic boundary – and then costing and pricing the service for regulatory purposes is necessarily somewhat of a speculative and cumbersome process, especially when undertaken by a regulator. As discussed below, asymmetric regulation, constraining some providers (usually incumbents) and thereby creating incentives for others, initially created the competitive opportunity in long distance. Subsequent regulations to “level the playing field” such as interconnection, equal access and resale also have greatly advanced activity by competitors in this market segment.*

*Long distance competition was introduced in the US in the 1970s and resulted in part from asymmetric price regulation. Historically, AT&T was mandated to subsidize local service with its long distance revenue and subsidies from other services. The costs of the local network were artificially “separated” between intrastate and interstate use, and, before divestiture, AT&T assisted the local companies with profits it collected from the interstate portion. Over time, the FCC and a willing AT&T shifted a greater percentage of the local networks’ costs to the interstate jurisdiction, creating an explicit cross-subsidy from long distance to local service. In addition to bearing a disproportional share of the local network’s costs, AT&T’s long distance rates were geographically averaged (meaning that they did not reflect the traffic density on a particular route nor the distance of a call) and were set so that AT&T might achieve a regulated rate of return.*

*These pricing regulations and policies quickly became “asymmetric” when MCI, using low cost microwave technology, won authority to offer dedicated long distance transmission between Chicago and St. Louis, without any obligation to provide local service. AT&T’s*

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This subsidy owed its origin to the difficulty of defining and pricing a “layer” in the network. In 1930, the Supreme Court in ruling on a case which effectively required AT&T to increase its long distance service rates wrote: “[w]hile the difficulty in making an exact apportionment of the property [local network] is apparent...it is quite another matter to ignore altogether the actual uses to which the property is put. It is obvious that, unless an apportionment is made, (local service) will bear an undue burden.” As quoted in Richard H.K. Vietor, “AT&T and the Public Good: Regulation and Competition in Telecommunications, 1910-1987” in Stephen P. Bradley and Jerry A. Hausman, Eds., *Future Competition in Telecommunications*, Boston: Harvard Business School Press, 1989, p. 44

In 1981, interstate traffic accounted for less than 9% of local loop usage, and yet 28% of the costs of the loop were allocated to the interstate jurisdiction. Federal Communications Commission Common Carrier Bureau, “Preparation for Addressing Universal Service Issues: A Review of Current Interstate Support Mechanisms,”

*tariffed rates created a broad price umbrella under which MCI could flexibly and profitably price its services, so long as it could cream skim. Even after the FCC introduced access charges in 1984 in an endeavor to equitably distribute the burden of subsidizing the cost of the local network, AT&T was still treated as a “dominant” provider and subject to price regulation, including price caps (which replaced rate of return regulation) and limitations on its ability to create contracts “off-tariff” for large users. This asymmetric price regulation continued to create an enormous opportunity for new entrants on low-cost, high revenue routes. Access for local networks also was favorably priced for new entrants, with large discounts off the rates paid by AT&T, based on the “inferior” connections that new entrants had to local carriers. It was not competition on the merits, but it did lead to new entry, and once established the new entrants began to work the regulatory apparatus to their benefit.*

*Asymmetry in pricing long distance in the other countries, although less apparent, is equally salient. Government agencies have strictly controlled the price for basic service while allowing for greater flexibility in pricing “other” services such as toll. The incumbent monopoly providers, in turn, have used this flexibility to generate higher margins in toll service to expand the local network, creating a cross-subsidy flow similar to the “separations and settlements” process in the*

*US. High margin toll service, then, became the most attractive competitive opportunity when these countries introduced competition. In addition, as in the US, the incumbent monopolist remained under greater price control (i.e., price caps and tariff requirements in the UK and Australia) once competition was introduced. In New Zealand, Telecom has had complete pricing flexibility in toll service, yet until recently had no direct mechanism to recover the net deficit caused by the so-called Kiwi Share, which prevents it from raising or deaveraging local rates. Its toll rates, as shown by their dramatic decline since the introduction of competition, were clearly above cost, and Telecom lost 20% market share in the first three years of long distance competition.*

*While price-cost margins make long distance a logical beginning for competition in telecommunications, the actual emergence of competition only requires interconnection, which allows the competitor to utilize the local access network for the origination and termination of long distance calls. With interconnection, the parties must face the problem of how to define and price various network services for competing carriers. Additionally, where the dominant long distance provider is also the provider who controls the local networks, interconnection is often assisted by some kind of regulation in order that technical specifications are met and be offered in a non-discriminatory manner.*

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Now Telecom recovers 1 cent/minute interconnection charges for Kiwi Share contribution.

*The UK, Australia and New Zealand all have vertically integrated providers of long distance and local (or “access”) services, making interconnection important to the development of competition. In the UK and Australia, interconnection was mandated as part of the creation of their respective duopoly regimes, BT and Mercury in the UK and Telstra and Optus in Australia. Since the allowance of more than two firms in the market, arrangements carefully worked out between the regulators and the initial duopolists have provided a model for new entrants. In some jurisdictions, the pricing of interconnection has also moved from being based on historic inputs to being based on forward-looking costs. Prices based on a forward-looking cost methodology naturally advantages new competitors, since they generally are lower than the actual incurred costs faced by the incumbent. Finally, there is a distinct trend toward encouraging the negotiation of interconnection agreements. Those countries regulating interconnection initially had to determine interconnection charges, the most contentious aspect of interconnection; however, since providing initial guidance, these countries have treated interconnection agreements as private business agreements, although in the US the interconnecting parties have recourse to arbitration in the event that agreements can not be reached privately.*

*In New Zealand, Clear did not have a legislated right to interconnection. However, the New Zealand government made the*

*privatization of Telecom contingent on interconnection with Clear, and Telecom made a formal undertaking to this effect. The government has repeatedly used the threat of regulation to “encourage” interconnection; however, its steadfast reliance on negotiated, rather than regulated, arrangements remains unique among the countries studied. Since there has been no formal requirement for interconnection, significant litigation between Telecom and Clear (and other operators) has been used to assure its provision. Yet while most competitors and some observers have criticized Telecom’s high interconnection rates, Clear has made significant inroads in this market, and the litigation costs and delays have been miniscule compared to those incurred in the US.*

*In the US, due to the structural separation following the breakup of AT&T, local companies had every incentive to negotiate agreements with the long distance companies. However, the imposition by regulators of access charges on interconnecting traffic -containing subsidies for local service from long distance providers in a competitively neutral way -created entirely new competitive opportunities to circumvent the access charges (traffic not terminating or originating on the incumbents’ access network could escape local providers’ access charges) and go directly to the customer. As a result of this regulatory asymmetry, Competitive Access Providers (CAPs) sprang up in many of the major urban areas to perform an end run by providing dedicated access to long distance services for large businesses, causing the*

*customers using the public access network to shoulder a larger percentage of the costs of the network. The CAPs, such as MFS (now WorldCom) and TCG, subsequently used the regulatory foothold provided by the long distance interconnection regime to enter other service areas (including both long distance and local) for large businesses.*

*Closely related to interconnection is equal access. Equal access allows end users to select a long distance service provider without having to dial extra digits. In essence, equal access is a first class form of interconnection, because it puts the new competitors on equal footing with incumbents.*

*Equal access has served to jump-start competition in Australia and the US. Optus gained market share (in the neighborhood of 10% to 20%) through equal access balloting which was held 6 months after a local exchange had been equipped for “dial 1” calling. US regulators have also used “balloting” for selection of long distance carriers in conjunction with equal access, and this facilitated the penetration of MCI and Sprint into the residential market.*

*New Zealand and the UK are less committed to using equal access as a sparkplug for long distance competition. In the initial interconnection agreement between Telecom and Clear, Telecom agreed to provide equal access to Clear after Clear had obtained a 9% market share. Adherence to this agreement had to be enforced by the court*

*system, but customers no longer have to dial the 050 prefix to use Clear's services. The UK, in stark contrast to the other three countries, does not require equal access. OFTEL concluded that "its [equal access] introduction could discourage operators from developing alternative access networks if they risked the benefits of their investments to competing operators."*

*A fourth and final assist to the development of competition in long distance services is a requirement that carriers provide wholesale rates to resellers. Resale is essentially an arbitraging of a network operator's prices that might serve to lower end user prices. Often, resellers are niche players who specialize in serving a specific class of users or particular routes. All countries permit resale, but its attractiveness as a competitive opportunity depends on the discounts that resellers can obtain. In the US, new competitors to AT&T were eager to serve resellers, and they sold considerable wholesale capacity. Resellers could also buy from AT&T's contract tariffs, which enabled them to receive the discounts received by AT&T's largest volume customers. Consequently, there are literally thousands of long distance resellers in the US. Whether they fundamentally assist competition is another matter, since many are simply artifacts of regulated prices. Resale has not expanded to the same degree in other countries, although all allow its practice.*

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OFTEL Statement, Policy on Indirect Access, Equal Access and Direct Connection to the Access Network,

**B. Local Service**

*The greatest divergence in the approach of the studied countries to the regulation of telecommunications is in their opening local service markets to competition. This divergence centers around the degree to which regulations promote investment in alternative local access facilities to those of the incumbent provider. There are two fundamentally different views of what a competitive end state should (or will) look like.*

*US policy makers envision a network of networks where providers compete in the retail distribution of network services. The local network is to be “unbundled” at every technically feasible point so that providers of retail services can use these elements of the network in a piecemeal fashion. Competitors can combine the purchase of incumbent firms’ facilities with their own facilities, may rebundle them with other purchased network elements or they may simply resell retail services.*

*Policy makers in the other countries and the UK in particular envision the construction of alternative networks that will compete for subscribers. In this vision, customers would have a choice of networks and not just of retailers. Of course, these two competing visions are not mutually exclusive, and many regulations attempt to strike a balance between them. However, as the two competing “philosophies,” they*

*account for the significant differences in the regulation of local service telecommunications, particularly with regard to unbundling, interconnection, resale and pricing regulation.*

*Before turning to where and how policy makers would like to direct the development of local competition, it is important to acknowledge the history of local service regulation in affecting these visions. In the US, local service historically has been treated in a special way because of the presumed relationship between local service prices and the achievement of universal service. State commissions historically have set local rates on a residual basis. Through this process, the state commission determines how much revenue the utility needs to attain in order to earn a “fair” return, then subtracts out all the revenue from “other” services (i.e., vertical or toll services) and the remainder or residual is recovered through local rates. State commissions have frequently allowed other services to collect revenue substantially in excess of their costs, and those excess revenues have been used to cover a significant portion of the costs of the local network (i.e., high intraLATA toll rates and other high margin pricing). Thus, residual pricing has had the effect of keeping residential local service below cost in many areas. The pricing of local service, especially residential service, below its costs obviously has not been appealing to new entrants at the local level. Competition at the local level in the US then has been fostered by policies that make local service more*

*attractive. In this vein, resale has been required at discounts off retail prices, regardless of whether they retail prices are already below cost. The unbundling requirements have also been designed to lower the cost and facilitate local service entry by competitors. Their TELRIC based pricing and availability make it easier and cheaper for competitors to enter the local service marketplace. It is questionable whether competition achieved in this way ought to be thought of as competition at all. It is certainly not competition on the merits.*

*Local service has been given some special status from a social perspective in the other countries as well. In the UK, Australia and New Zealand, the incumbent operator was once part of the government post office. Whereas the US essentially stayed with its residual pricing policies after the breakup of AT&T, the other countries in this study moved to isolate, privatize, and strengthen their national telecommunications provider. To be sure, the governments ensured certain favored aspects of local service in this process. Each obliges the incumbent carrier to make available local service at a uniform price that in the case of Australia and New Zealand imposes a deficit on the service, but these companies were given free reign to enter other lines of telecommunications or other (i.e., cable or satellite) business. In these countries, local service is just one service in a package of many offerings by the national, dominant provider. In addition, each of these countries also began the transition to competition by granting authority*

*to compete to a single vertically integrator competitor with the aim of cultivating a competitor with comparable resources.*

*Under the approach of allowing competition among vertically integrated providers, or providers who voluntarily negotiate for access to unbundled network elements, the goal has been to foster the development of facilities based competition. Facilities based competition will allow competitors to succeed when their networks and operations are more efficient than that of the existing firm. These types of policies discourage inefficient competition but allow competitors to enter who can offer differentiated services and/or be of equal or greater efficiency. It is clearly superior to the US model, and experience outside the US suggests that TA96 and/or subsequent FCC rulings erred in pushing the unbundling model (and associated pricing) too far*

*The differences in the regulatory approach to local competition is perhaps best illustrated by unbundling rules and regulations in the US, where the FCC has mandated that the network is to be unbundled at all technically feasible points. This is really the cornerstone of local competition regulation in the US since it forces the incumbent to establish a wholesale business for disaggregated elements of the network, including the local loop and switching. With relatively minimal investment, then, competitors can build a network (the size of which corresponds directly to the number and location of customers) by*

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In New Zealand, this was not a deliberate policy, but seemingly resulted from private negotiations among would

*self-supplying certain elements and leasing others from the utility provider. In the UK and Australia, there is some unbundling of elements, but not to the same extent. In the UK there is highly disaggregated access to network service, but no right to lease network elements, i.e., services are broken down, but not facilities, for purchase by competitors. In Australia, the local loop element was “deemed” as a wholesale service to be provided by all eligible carriers in a recent Australian Competition and Consumer Commission (ACCC) determination; however, there has been no “access undertaking” to set its price, and the other deemed services are clearly designed for access service for other services such as toll and wireless that rely on alternative networks. New Zealand has no unbundling requirements whatsoever.*

*Like unbundling, interconnection regulation also determines the extent to which competitors can utilize the incumbent’s existing network. The UK, consistent with its promotion of alternative facilities, does not require British Telecom (BT) to interconnect with all service providers (only those designated as a Relevant Connectable System or RCS), to provide physical collocation, or to make available rights-of-way, poles, conduit and other structures. Australia does not have local interconnection and has not yet finalized its access code which will lay out the terms and conditions of access/interconnection agreements.*

*Australia's new telecommunications legislation requires carriers to "permit interconnection of facilities for the purposes of enabling a service provider to be supplied with the declared service and at technical and operational quality equivalent to that which it provides interconnection to itself."*

*US regulation of interconnection is far more stringent and involved than either the UK or Australia at this point, and more apt for a retail model of "competition". The incumbent local operators are required to provide physical collocation for competitors' facilities, interconnection at the line-side level, and make available rights-of-way, poles, conduit and other structures. They are also required to interconnect at any technically feasible point and with any certified service provider. These regulations are all in line with the idea of disaggregating the wholesale components of telecommunications to increase retail competition.*

*Resale is the third important area of local service regulation. In the US, the success of resale in long distance set a precedent for resale in the local arena. The FCC, for example, remarked that "[s]ome [local operators] may enter by relying at first entirely on resale of the incumbent's services and then gradually deploying their own facilities" and that "[t]his strategy was employed successfully by MCI and Sprint*

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"Australia's Open Telecommunications Market: The New Framework," Department of Communications and the Arts, 1997, p. 44.

*in the interexchange market during the 1970's and 1980's.” While resale may help potential facilities based entrants build a customer base, the FCC’s further requirement that the incumbent operators offer resale of all local retail services at prices using an avoided cost methodology or alternatively at a Commission determined wholesale discount (interim range of 17% to 25%) clearly promotes retail over wholesale competition. This is because some local rates are below cost and all are averaged (below cost in some areas and above cost in others) and competitors will be able to purchase services below the cost of providing them and/or to “cherry pick” profitable customers. None of the other countries in this survey requires resale of local services at a wholesale discount.*

*Finally, there is the matter of pricing regulation for the above mentioned “local network services:” unbundling, interconnection and resale. The US, UK and Australia all have adopted methodologies which attempt to estimate the total long run incremental cost of providing services/elements, although with numerous subtle differences. Clearly, to the extent that these methodologies allow for the recovery of embedded costs they promote competition at the network level because the cost estimates ordinarily will be higher than if they were solely based on “forward-looking” costs. If prices were set at forward-looking costs*

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First Report and Order, *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, FCC CC Docket No. 96-98, Released: August 8, 1996, ¶ 12. Economic history suggests that it is wholesale competition which is the more fundamental and the more powerful, particularly in the long run.

*as calculated with the FCC's version of Total Element Long Run Incremental Cost (TELRIC), the price of these network services would be equal to what would occur if the latest technology were employed, giving operators reduced incentives to build this latest technology. This may offer static gains but clearly encourages dynamic losses.*

*Pricing of the incumbent's local retail services is also an important determinant of competition in local services. As mentioned in the discussion of resale, averaged pricing which subsidizes high cost service and low profit customers with the revenues from low cost service and high profit customers creates a business opportunity to serve the high margin customers and low cost areas, especially given the availability and prices of network services in the US. New Zealand's Kiwi Share places similar averaging obligations on Telecom, and Telstra's local service is under price control. BT in the UK probably has the most pricing flexibility since it faces a single fall back price cap for retail services which is based on the calling patterns of low volume customers. However, the calculation of the productivity offset, the so-called X factor, in these controls has tints of rate of return regulation in that "a key consideration in arriving at the value of X is the fact that the best protection for customers and the best spur to higher efficiency will be competition." The extent to which the incumbent monopolies in*

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OFTEL Statement, Pricing of Telecommunications Services from 1997, June 1996, ¶ 6.54.

*each of these countries will be allowed to rebalance rates will certainly help shape where and how local competition develops.*

*Competition has not yet sufficiently developed at the local level in any country to draw firm conclusions with regard to the success of these different regulatory policies. However, these policies are having predictable effects on investment in alternative access facilities. The UK, Australia and New Zealand do not impose rigorous interconnection, unbundling and resale requirements on its incumbent operators, and have witnessed relatively more facilities investment than in the US. Each country has or will shortly have competition from alternative broadband networks. The US has seen some facilities investment in its major business centers, which grew out of past regulations permitting the bypass of incumbent local companies for long distance access services, but by and large there has been more maneuvering within the local market than actual investment in alternative access facilities. In a few states that have vigorously implemented unbundling and resale requirements of TA96, retail competition of this variety has been very significant.*

**C. Wireless**

*Wireless is perhaps the most interesting of the market segments to study with respect to the development of competition. This is because, as a new technology, competition in cellular services began on a relatively-speaking “blank slate.” The industry initially was largely seen*

*as a specialized market and discretionary in nature. The main regulation employed in each of these countries has been to control the number of license holders. Today, however, the industry has developed into a basic service without significant regulation. The recent wave of new spectrum auctions in the US and elsewhere, and the introduction of new digital technologies, is further advancing competition. The only area where competitive concerns need to be addressed seems to be where the local network operator is vertically integrated into wireless services. This is true in each of the countries. To address this concern, regulators have set interconnection terms and conditions for those who require interconnection to the landline networks. In New Zealand, where no such regulator has this responsibility, there was conflict between BellSouth and Telecom, although this was resolved without litigation. Competition has developed rapidly in all countries and prices have fallen.*

**D. Conclusion**

*Our study has reviewed the regulatory setting in four countries, all of which are in the process of introducing increasing amounts of competition into their telecommunications sectors. Although each is pursuing the same ends, the starting place for each and the approach each has chosen to use to reach that goal have marked differences. As a result, it is virtually certain that each will have different intermediate outcomes along the way to competition. Indeed, because the approaches*

*are so different, the end state may not be the same (e.g., in terms of facilities based versus resale or partial facilities based provision of local service) and the timing of arrival at the end state likely will differ.*

*Each country studied can be characterized by the degree to which it has attempted to regulate the development of competition within telecommunications in general. The actual approaches to regulating the course toward competition ranges from New Zealand which has taken a very “light-handed” anti-trust approach regulated only by competition policy, to the US, which has a whole battery of regulations, jurisdictions and restrictions. The US approach is remarkable for its complexity, its political compromises, and its reluctance to trust market forces.*

*Although there is considerable variation in the degree of progress, in every country there is a philosophical trend toward the retreat of regulation. Both TA96 in the US and the AU Act 97 in Australia are frontal attempts to move their telecommunications markets toward a competitive environment where regulation could be much reduced, if not eliminated at some point. In addition, the UK has implemented a new framework for infusing competition into the market currently dominated by BT, and a new piece of competition legislation is being contemplated. However, in the US, the UK and Australia, there is still a fair amount of “undoing” to be done by the regulators before the industry can function with the antitrust/competition laws, rather than*

*regulators as the backstop. Regulators must be prepared to release their regulatory grip sooner rather than later. Otherwise the benefits available from new technology will continue to reach consensus decades late.*

*The one significant political obstacle to complete deregulation is universal service. Universal service goals, unless they can be assured by an unregulated marketplace, will continue to require something in the way of special programs targeted to specific segments (e.g., low income or high cost) of the market.*

*Generally, in order to assure that at least one firm will serve any and all customers, a provider of local service is deemed the carrier of last resort. By necessity, this creates a form of asymmetric regulation for which special compensation is required for serving customers that are not otherwise profitable to serve. The device of a universal service fund serves this purpose.*

*In New Zealand, Telecom is the only firm with a universal service obligation and must recover the resulting deficit through its interconnection rates and rates for other services, thus encouraging investment in alternative networks by competitors. The UK, likewise, has no means of assuring universal service in a competitively neutral manner, although OFTEL concluded that BT had no net deficit from providing universal service. Both Australia and the US have recently created explicit universal service funds.*

*Our survey of the regulation in these four countries leaves a vast amount of detail untouched. As competition continues to emerge in all of these countries, the evidence will continue to grow as to the effects of following different regulatory approaches.*

*To the extent that regulation in these countries, at least in a very general sense, maintains its current structural differences, the results will be worth noting for all. We are placing our bets that light-handed approaches will bring greater benefits to the consumer, in both the short and the long runs. We predict that there will be little in the US approach worth emulating, and much to avoid.*