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FINANCIAL POST

CRTC: Let VoIP market alone

Mark Goldberg
Financial Post

Thursday, February 17, 2005

Major change in Canada's communications industry is at hand, much as the arrival of cellular service two decades ago ushered in a new era in voice communications. In 2005, new phone services based on Internet protocol technology will move into the mainstream, offering more service capabilities, lower prices and increased packaging choices for consumers.

We hope. There are potential roadblocks. And perhaps the biggest is the possibility of unnecessary regulatory intervention.

In today's world of rapid technological developments, entrepreneurs regularly compete against larger companies. Winners and losers are ultimately decided by the marketplace. And while big players may often be slow to respond to competitive threats, they are nevertheless free to do so. Not so in telecommunications -- at least, not here in Canada.

In Canada, as in most countries around the world, we have a regulator that oversees the market for telecom. But what sets the Canada's CRTC apart from regulators in nations that are also some of our most important trading partners is the CRTC's presumption that new technologies and services should be regulated. It isn't surprising. Regulators regulate. It is just what they do.


For over a year now, Canadian consumers have been able to choose from a growing number of Voice over Internet Protocol, or VoIP, service providers. Indeed, VoIP is enabling a new era of competition for residential dial tone that the economics of conventional telephone technologies simply did not allow.

VoIP is a software application that people can choose to purchase and

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use for some or all of their phone conversations. It doesn't have to be tied to the underlying physical infrastructure like conventional phone lines. All that's required is an inexpensive adapter to connect a standard telephone set to any high-speed Internet connection, whether provided by phone companies, cable companies or other Internet service providers. The provider of VoIP does not need to be, and often is not, the provider of the high-speed Internet connection.

And yet the CRTC issued a preliminary determination in March of last year suggesting that VoIP is just another technology upgrade to deliver conventional local phone service. VoIP, said the CRTC, should be regulated in the same way as regular phone service is today -- that is, full regulation for the incumbent phone companies, light regulation for new competitors.

It's hard to understand how consumers could benefit from such an approach. While companies like Bell Canada and Telus Corp. may be incumbent providers of traditional phone service, they currently have no market presence in the consumer VoIP market. Where there are competitive alternatives, tying the hands of certain players would only restrict the range of choices available to consumers.

The CRTC has recently announced that it will take a little longer than originally expected for its final decision. In our view, the CRTC should take the time to examine a page from its own book when ruling on the issue of VoIP regulation.

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FINANCIAL POST

CRTC: Let VoIP market alone

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Like VoIP, mobile wireless services share many of the characteristics of conventional voice services. Yet when wireless services were first introduced, the CRTC found that Canadians would obtain the greatest benefits if wireless services were governed, as much as possible, by market forces rather than regulation. Such thinking has, without doubt, contributed to the success of competition and innovation in Canada's wireless industry.

We understand why the CRTC would want to ensure that basic consumer safeguards -- including access to emergency safeguards, general protections related to privacy and service level disclosure -- are guaranteed. We also recognize that this will likely entail a degree of regulation that, by necessity, should apply equally to all companies offering communications services.

But to go beyond that -- to deny certain companies the freedom to offer innovative new services, new capabilities and lower prices without first receiving approval from the CRTC -- goes too far.

Both VoIP and cellular are emerging as substitutes for conventional phone service, but both services also offer many more distinguishing characteristics, and innovations are continuing to broaden the gap. This is why wireless services and VoIP are the leading trends in telecommunications around the world.

The CRTC had it right when it found that "the benefits which users may derive from this innovative service are likely to be greater if the terms of its provision are governed, as much as possible, by market forces rather than by regulation."

The CRTC used those words more than 20 years ago when establishing a regulatory framework for wireless services. The commission should reach the same conclusions today with respect to VoIP.

Mark Goldberg is President of Mark H. Goldberg & Associates Inc., a consulting firm with clients in the telecom field.

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