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OPINION

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Commentary

Texas takes lead in reforming telecom market

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For the past eight months Texas has been the major battleground in the telecommunications wars with the traditional phone companies and the cable industry going head-to-head over deregulation and access to millions of Texas consumers.

Industry watchers have kept their eyes on the Lone Star State. Since it is a major market and the home of SBC, whatever happened here was likely to have significant repercussions across the country.

What happened is the Texas Legislature passed a bill deregulating significant portions of the telecom market and making Texas the only state allowing telephone companies to receive a statewide franchise in order to provide new video services that competes with cable.

The cable industry opposed the legislation, pointing out that over the last three decades its companies have gone city-by-city to secure franchises, an expensive and time-consuming process.

They have a valid point. Local governments used their monopoly status to extract whatever they wanted from the cable companies, who had no choice but to pay the cities' asking price if they wanted to do business.

The solution to this problem, though, was not to subject new entrants to the same onerous regulations, but to create new laws which facilitate entry and lower regulatory costs for all competitors. And that is exactly what happened in Texas.

Still, it is not surprising that the cable industry objected to the change. Over the past 10 years, SBC had also been known to make similar arguments as it was being shepherded out of its monopoly status by competitive-minded legislators and regulators.

Those reforms of the last decade have greatly benefited consumers and the economy as telecom companies have been forced to innovate to survive in the newly competitive voice marketplace. The new Texas law has the potential of bringing similar benefits by opening up the video market.

SBC had already announced plans to invest \$4 billion to build a fiber-optic network that will provide voice, video and high-speed Internet to 18 million households in its 13-state territory. But now that the Legislature has acted, SBC is prepared to be even more aggressive in building out its network in Texas.

Verizon has spent \$1 billion to reach a million homes with fiber in its multistate service region, which includes Texas. But the rollout of new services had been slowed because it was taking Verizon six to

18 months to obtain a single local franchise.

The statewide franchise will accelerate Verizon's ability to offer broadband and video to consumers. The company estimates it will now reach 3 million homes by the end of this year, and that the deployment effort will create 3,000 to 5,000 new jobs with the company.

And while the cable industry might not have liked the new legislation, it wasted no time in responding to it.


Time Warner Cable has announced new services allowing people to track their eBay bids via their cable TV and display Caller ID on the television screen. New technology will allow cable companies to increase their bandwidth and offer more channels to subscribers.

All this means that prices for video are likely to drop, just as they have in the past with voice and broadband. Additionally, the high-tech economy will expand as the competition attracts new capital, spurs product innovation and creates new jobs.

While Texans may experience some of these benefits sooner than citizens of other states, the effects of the Texas reform will be felt nationwide.

The timing and extent will depend on when Congress and other states follow the lead of Texas.

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