



The Texas Model: Free Markets Benefit Telecom Consumers

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“The U.S. government has been creeping further away from the original intent of antitrust laws with each court decision. Today’s move to block the merger of AT&T and T-Mobile signals they’ve forgotten ... that antitrust law doesn’t exist to protect companies from their competition.” -Marc Oestreich, the Heartland Institute, August 31, 2011.

The U.S. Department of Justice recently filed an antitrust lawsuit seeking to block the proposed acquisition of T-Mobile by AT&T. The Department of Justice claims that the merger would significantly reduce competition in the wireless industry and harm consumers.

However, it is not the merger, but government intervention like the DOJ lawsuit that will harm consumers and reduce competition. As Marc Oestreich explains, “the merger would have represented a huge net gain for consumers, many of whom would now have the benefit of faster wireless Internet service and the potential for quicker infrastructure improvements.” Texas lawmakers have already figured this out.

Texas has been one step ahead of the rest of the country in passing major telecom reform legislation. In 1995 and again in 2005, Texas moved telecom regulation into the modern age. These measures led to deregulation of local telephone service for more than 15 million Texans and allowed unfettered competition in the video market. These bills took major steps forward toward reducing costs and bringing new technologies and services to millions of Texans. Companies are able to offer lower rates, in part because they can move quickly in an ever-changing market.

Texas’ success from the Statewide Video Franchise provision of 2005 is particularly notable. Texas was the first large state to adopt such a law. Texas companies are no longer required to endure the slow, expensive, and anti-competitive process of receiving franchises from local governments. This has led to billions of dollars of investment in infrastructure both in Texas and through the nation, since Texas’ video franchise model has spread to other states.

The Texas model can also apply to national telecommunications policy. Net Neutrality is a perfect example. The Federal Communications Commission claimed net neutrality regulation is necessary to give consumers Internet access. If the FCC had looked to Texas, they would realize that new regulations are not the solution. Since 2001, the number of broadband subscribers in Texas has grown more than 1015 percent. That is a growth of more than 5.6 million customers in the last nine years. As Thomas Hazlett, former chief economist for the FCC explains, in each stage of reduced regulation, growth in DSL subscriptions accelerated. Increasing government authority into the market place only hinders competition and increases costs to consumers. ★

Broadband Subscribers by State

State	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	June 2007	% Change 2001-2007
California	1,639,921	2,527,275	3,378,373	4,608,822	5,954,876	9,395,265	14,466,700	782%
Texas	614,704	1,015,245	1,571,250	2,203,490	2,943,487	4,357,437	6,855,680	1015%
New York	811,386	1,364,556	1,891,457	2,349,956	3,067,983	4,854,803	6,797,126	738%
Florida	634,703	1,103,236	1,634,552	2,236,963	2,958,350	4,408,427	6,349,084	900%
Illinois	325,085	525,817	840,632	1,270,907	1,817,481	2,666,304	4,305,351	1224%
New Jersey	394,198	654,235	924,835	1,194,557	1,605,301	2,654,674	4,150,053	953%
Pennsylvania	249,119	501,950	755,947	1,123,876	1,578,981	2,646,898	4,120,573	1554%
National	9,241,996	15,787,647	22,995,444	31,950,574	42,517,810	65,270,912	100,921,647	992%