

**THEY SAY IF YOU WANT TO** make God laugh, show Him (or Her) a plan. These are apt words for anyone preparing to celebrate the 10th anniversary of the Telecommunications Act.

Today, competition — the goal of the Act — is alive and healthier than ever. But most of how it came about has been a total surprise. A snapshot of the industry shows a revolution-in-motion that would have astounded legislators of the 1990s, except maybe Al Gore, father of the Internet:

- *I want my TelcoTV.* Incumbent operators are beginning to roll out triple-play services to go head-to-head with cable companies, which are equally aggressive in offering voice and Internet service.

- *Can Quintuple-Play (whatever that is) be Far Behind?* Mobile operators are aligning with cable companies to take triple-play one step higher — offering quadruple-play bundled voice/Internet/video and wireless services.

- *Telcos of the world, throw off your wires!* RBOCs are shedding copper infrastructure to invest in more fiber, while beefing up their investments in wireless.

- *Alex Mandl — Call Home.* Smart CLECs are providing the infrastructure to support VoIP retailers like Vonage Holdings Corp., and are branching off into new and improved forms of fixed wireless (such as LMDS) that will bypass the wireline network altogether with high-speed broadband wireless connectivity.

Is this revolution an inevitable result of the Act? Far from it. Like all revolutions, this one's unpredictable and has shown it quickly can outstrip policymakers' efforts to keep up. Competition happened — but not in any way Congress foresaw.

Flashback to Feb. 8, 1996. President Clinton inks the Telecom Act. Common wisdom holds that the new law will unleash immediate head-to-head competition between phone and cable companies. AT&T, MCI and CLECs will join the fray, further opening the local market.

Well ... the less said about these predictions of 1996, the better.

The real driver, and the common thread joining the many positive changes in our industry, has been, and always will be, technology. It wasn't the Act, but rather the technological refinement of VoIP as a reliable voice alternative; of wireless as a ubiquitous, content-rich medium; and of broadband to deliver massive amounts of any type of service to any type of device that has made the United States the most advanced, competitive marketplace in the world.

The heroes of this revolution? They are thousands of innovators who developed transformative technologies, and the handful of savvy industry leaders who put innovation to work in the marketplace.

Now Congress is contemplating a rewrite of the Telecom Act (see article on Page 38). Our advice to legislators: Look both ways — technology could run you over once again.

To put the respective impacts of policy and technology in perspective, we've pulled together, on the following two pages, an annotated timeline — with editorial comments duly noted in italics — to highlight the past decade. +

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# And Congress Said, 'Let There Be Competition'

An At-a-Glance Retrospective on the Telecom Act of '96



## February 1996

President Clinton signs the Telecommunications Act of 1996, using the same pen President Eisenhower used to sign the 1957 Interstate Highway Act.  
Ma Bell CEO Bob Allen announces it will offer local dial tone and TV service along with traditional long-distance in every state in the near future.  
Bell Atlantic president says the company will offer out-of-region long-distance immediately and in-region long-distance within one year. Hints at Bell Atlantic/NYNEX "partnership."



## June 1996

TCG, the self-proclaimed "crumb-catcher," goes public and raises gross proceeds of \$1.3 billion.



## June 1996

**And They Said It Couldn't Be Done:** FCC orders Local Number Portability (to be put in place by 1998).

## August 1996

MFS buys Internet backbone-provider UUNET for \$2 billion.

## EOY 1996

MFS is the first CLEC to pass \$1 billion revenue figure.

## 1998

SBC acquires SNET.  
SBC acquires Ameritech.  
Bell Atlantic acquires NYNEX.



## January 1998

AT&T acquires Teleport for \$11 billion in AT&T stock.

## July 1998

Bell Atlantic and GTE agree to merge (forming what would become Verizon in 2000).



## EOY 1998

Facilities-based CLECs (106) produce total revenue in excess of \$10 billion — 75 percent of which is in non-bypass services.

## 2000

VC firms invest \$106 billion in high-tech and telecom firms.

## March 2000

U.S. Court of Appeals overturns FCC colocation rules. This ushers in the five-year tradition of revolving door rulemaking over 1996 Act implementation.



## March 2000

**KABOOM! Tech Bubble Bursts** Capital markets begin to shut down for tech and competitive telecom companies. CLEC valuations hit high-water mark in March, lose 15 percent by June. *Nuclear winter sets in.*



## March 2000

FCC issues sweeping rules for unbundling and UNE access — permits UNE switching and UNE-P rebundling. UNE-P attracts 1.5 million customers within six months. Bell companies loose 6.5 million lines to UNE-P in 2000.

## May 2000

**OH! OH!** GST becomes the first CLEC to file for bankruptcy. Time Warner Telecom buys assets for 30 cents on the dollar.

1996

1997

1998

1999

2000

## 1997

Royce Holland works his magic. Allegiance Telecom forms with largest equity capital fund infusion for a CLEC — \$100 million.



## June 1997

SBC acquires Pacific Telesis.

## 1999

**The Year of the DSL Carrier.** Covad, Rhythms, Northpoint, Net Connections — roll out DSL services, rake in investment cash, give huge boost to centrality of the Internet as a telecom driver.



## March 1999

FCC issues colocation rules.

## January 1997

**Do Over!** Ma Bell spins off NCR for \$3.4 billion, recording a tidy loss of ... oh, about \$6 billion - \$7 billion. *What else are stockholders for?*



## June 1997

SBC/AT&T acknowledge merger discussions. FCC Chair Reed Hundt slaps them silly.



## May 1999

Ma Bell buys MediaOne for \$54 billion, announcing plans to enter the cable market and fostering hopes that it can use cable lines to provide telecom services. *Move refines its "Money is No Issue" policy.*



## January 1997

WorldCom (formerly LDDS) gobbles up MFS for \$14 billion in paper.

## May 1997

**Another CLEC First.** McLeodUSA is the first CLEC to buy an ILEC, Consolidated Communications Inc. (formerly Illinois Consolidated Telephone Company Inc.) for \$360 million; this heralds the rise of the super-regional carrier.

## November 1997

British Telecom (BT) seeks MCI for \$21 billion.  
WorldCom outbids BT, paying \$37 billion. (WorldCom, of course, paid with stock.  
GTE also bids, unfortunately offering under-valued U.S. greenbacks.)

## August 1999

Global Crossing bids for ILEC Frontier and RBOC US West, Qwest outbids Global Crossing for US West (\$55 billion); Global Crossing gets Frontier.

## November 1999

Bernie Ebbers tries to merge WorldCom with Sprint; proposed merger is slapped down by FCC.



## December 1999

FCC approves Bell Atlantic- NYNEX Section 271 petition to provide in-region long-distance service in NY.

# Competition happened — but not in any way Congress foresaw.



## May 2002

U.S. Supreme Court upholds FCC pricing methodology (TELRIC). U.S. District Court rejects FCC UNE unbundling regime.



## June 2002

**Oops! Did We Do That?** WorldCom announces its inaccurate posting of \$3.85 billion in earnings. CFO/controller charged with fraud. *CEO Ebbers becomes poster child for CEO greed.*

## June 2002

**Here Comes The Judge!** Justice Department announces probe of Global Crossing, Qwest and WorldCom for inaccurate earnings reports.

## December 2002

**From Super-Regional to ... Not.** Former Consolidated Communications Inc. executives buy the company back from McLeodUSA for \$271 million; pocketing a profit of \$90 million on the flip, while also getting their money maker back.

## February 2004



XO buys Allegiance assets, forming largest independent CLEC.

## March 2004

U.S. District Court overturns FCC Triennial Review rules that gave states authority to impose TELRIC, UNE rules.

## April 2004

AT&T announces consumer VoIP retail rollout, affirming ascendancy of VoIP technology for startups and cable companies.

## June 2004

Solicitor General declines to appeal judicial rejection of UNE rules, effectively killing mass UNE-P deployment. AT&T and MCI, with 15 million UNE-P lines (half of all local lines), announce halt to further deployment.



## December 2004

FCC rules VoIP service under its jurisdiction, thus pre-empting state oversight over broadband voice services.

2001

2002

2003

2004

2005

## January 2001

Vonage Holdings Corp. founded to provide VoIP service to the consuming public, and services 1 million-plus customers within five years.



## February 2003

FCC issues Triennial Review Order; enshrines UNE-P rules allowing recombination obligations at TELRIC prices.

## March 2005

**TO THE RESCUE:** SBC announces acquisition of AT&T for \$16 billion.

## May 2005

MCI accepts Verizon takeover bid (\$8.5 billion), rejects Qwest's bid of \$9.75 billion. *Out-of-Region Competition: Will the big boys duke it out?*

## June 2005

Cable Companies report 500,000 VoIP customers.

## April 2001

FCC orders phase-out of reciprocal compensation, distressing a large swath of CLECs.

## August 2003

Skype Technologies S.A. offers free VoIP service (PC-to-PC).

## July 2005

U.S. Supreme Court upholds FCC designation of broadband as an "information service," thus freeing telcos and cablecos from nonaffiliate open access rules.

## Summer 2001

High-fliers Teligent, Winstar, ICG, e.spire file for bankruptcy.

## December 2003

Cable MSO Cox Communications announces its market share of telephony market is 20 percent in its markets. Threshold share signals real potential for "inter-modal" competition between technologies.

## August 2005

**Let's Google:** Google Unveils Google Talk — an Internet telephony service over its IM network.



## December 2001

Comcast acquires AT&T Broadband (the former Media One assets) for \$52 billion in stock.



## December 2005

Microsoft and Yahoo each announce plans to offer voice services through the Internet and their respective IM services, representing 275 million customers worldwide.