



# Bold New World: Charting a Different Course through the Telecom Frontier

Harris N. Miller, President,  
ITAA

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# Today's Agenda

- A Few Thoughts about Telecom Recovery
  - The ICT Economy
  - What Constitutes Recovery?
- It's All About the Users
- FCC Takes a Called Strike One
- Broadband, Telecom Recovery and the Digital Future



# About ITAA

- Established in 1961
- Over 400 Corporate Members
  - Plus global affiliate, WITSA
  - Offices in Arlington, VA and Silicon Valley
- Leader in Public Policy Advocacy
- Internet, E-Commerce, Broadband Specialty
- Internet Division



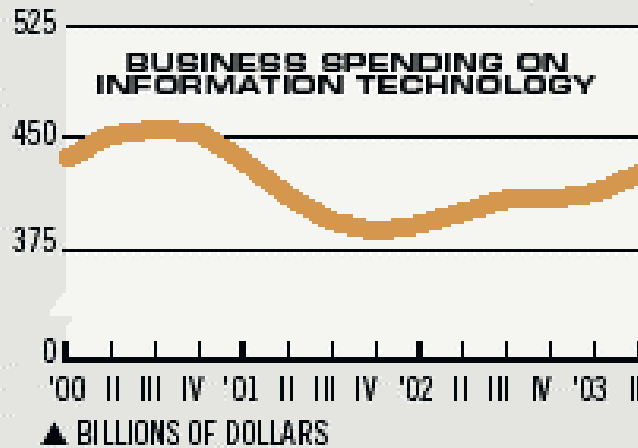
# ICT Economic Environment

- Here Comes the Sun?
  - Real GDP increased 3.1% in 2Q 2003
  - Previous quarter was 1.4%
  - Strong increases expected to continue due to defense spending through 2003
  - Equipment and software expenditures up 8.2% in Q2 2003—largest such increase since 2000
  - Wells Fargo chief economic officer predicts economic growth at close to 5% annual rate in 2H '03 (Source: *Washington Post*)

# ICT Economic Environment

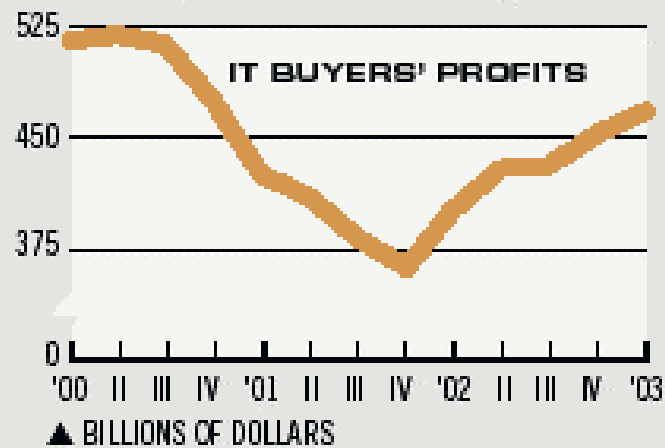
## WHY TECH WILL RISE AGAIN

### TECH'S LONG SLIDE IS SLOWLY ENDING...



Data: Commerce Dept. Bureau of Economic Analysis

### ...SPURRED BY RECOVERING PROFITS



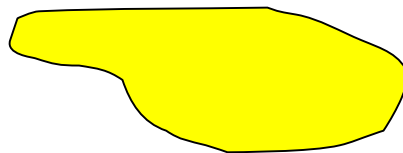
Note: Seasonally adjusted at annual rates

Data: Commerce Dept. Bureau of Economic Analysis, Precursor Group



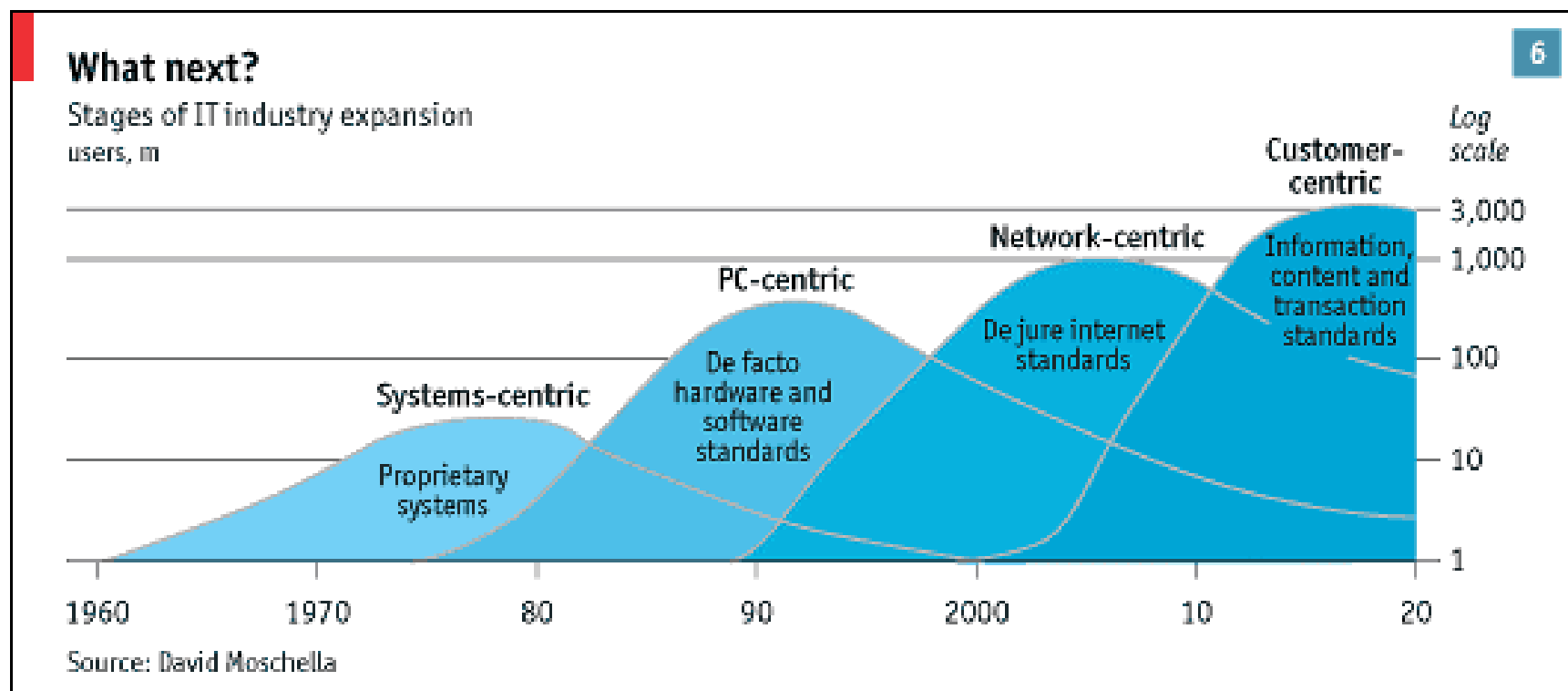
# What Constitutes Telecom Sector Recovery?

- “Telecom Recovery” Not Synonymous with “RBOC Recovery”
- Legacy Voice is Just One of a Broad Array of Telecom Services
- Monopolies, Duopolies Delay Recovery
  - Higher Prices
  - Fewer Choices
  - Less Innovation
  - Less Market Momentum and Investment
  - Less Demand



# What Constitutes Telecom Sector Recovery?

## Recovery Requires Unprecedented Convergence of IT and Telecom





# It's All about the Users

- Broadband is more than infrastructure investment
- Limiting to “platform to platform” competition, not just intra-modal competition, is essential
- Consumers – individuals or businesses – need new choices on broadband applications content and services
- No one wants empty pipes



# FCC Takes a Called Strike One

- Wireline Broadband Decisions
  - Reduced Competition among Internet Service Providers
  - Eliminate Consumer Choices on Broadband
  - Set the Stage for Protracted Litigation
  - Fail to Impose Metrics for Measuring Fiber to the Home Progress
    - Need transparency
    - Reporting requirements are a reasonable start



# Connectivity Choice for Broadband

- FCC is choosing between applying the “Cable” business model and the “Internet” business model for broadband
- High tech industry about protecting *Connectivity Choice*
- One approach: New Non-discrimination, Net Neutrality Rules
- ITAA’s supports a more market –oriented strategy to *Connectivity Choice – Use competitive broadband ISP market*
- This strategy requires the existence of non-affiliated ISPs with nondiscriminatory access to wireline broadband networks



# FCC Takes a Called Strike One

- One Missed Pitch doesn't Mean the Broadband Ballgame is Over
- But Government Must Get It Right on:
  - VOIP
  - Spectrum
  - Security
  - Privacy and Consumer Protection
  - SPAM
  - IP Protection and More



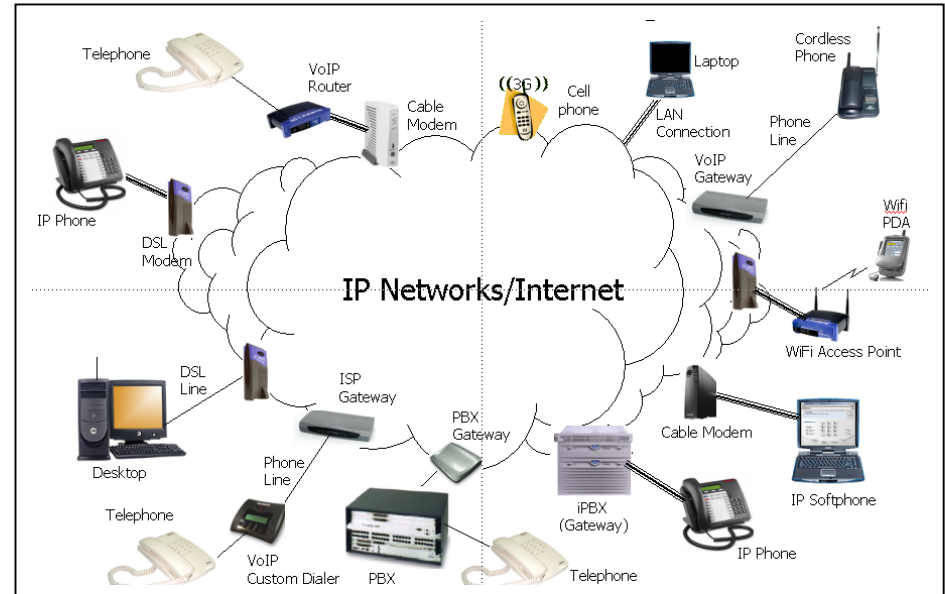
# Spectrum and Recovery

- Wireless Local Area Networks

- Platform for Integration of Multiple Intelligent Devices from Edge of Network
- W-LAN Equipment Sales Up 150% since 2000 to over \$2 Billion
- Enterprise, Home and Public Access Markets
- Gartner Research Projects 5.4 Million Users Worldwide this Year

# VOIP and Recovery

- Voice Traffic over IP (data) Networks
  - \$1 Billion Global Revenues Application Growing to \$7 Billion Plus in Three Years
  - Provides Phone Number Portability and Many Other Network Efficiencies
  - Poses Options for Integrating Voice with Other Applications (e.g., Voice E-Mail)





# Grids and Recovery

- IT Resources + High Speed IP Connectivity = Global Information Utility
  - On the Fly Supercomputing
  - Data Rich Applications in Science, Technology, Mathematics, Engineering, Business and More
  - Creates Virtual Organizations and Collaborations
  - Utility Delivers everything from Advanced Simulations to every day Videoconferencing and Webcasting
  - Pumping IP Traffic to 550 Exabytes by 2008\*
    - **One Exabyte = 1,152,921,504,606,846,976 bytes**



# Applications and Recovery

- Other Promising Applications for Immediate Impact:
  - E-Work
  - E-Health
  - E-Education
  - E-Government
  - E-Entertainment



# How to Jumpstart Broadband

- Technology neutrality
- Government should not pick winners/losers
- Subsidy models are not sustainable
- Competitive communications infrastructure policies
- Consumers deserve choice in technology, supplier, device and application



# Conclusions

- Get Excited
  - Economic indicators are positive
  - Commercial IT spending predictions are cautiously optimistic
- Get Engaged
  - Policy actions will dictate some outcomes across range of technologies and social issues
- Get Real
  - Link Telecom Recovery to Broadband Future



# Telecom Frontier: Bold New World

Harris N. Miller

President

ITAA

703-284-5340

[Hmiller@itaa.org](mailto:Hmiller@itaa.org)

[www.itaa.org](http://www.itaa.org)

