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Assessing Wireless and Broadband Substitution in Local Telephone Markets

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EXECUTIVE SUMMARY

Wireless and broadband services are increasingly substitutable for and competitive with wireline services in the markets for basic local telephone service. State commissions are often charged with monitoring competitive conditions in their states and adapting policy to changing conditions. Failure to consider the competitive effect of wireless and broadband services in local telephone markets will bias competitive analyses towards concluding that incumbent wireline providers have more market power than they actually do and lead to more intervention than is necessary to achieve public interest outcomes. Conversely, assuming that the availability of wireless and broadband services automatically makes local telephone markets workably competitive will bias competitive analyses towards concluding that incumbent wireline providers have less market power than they actually do and lead to less intervention than is necessary to achieve public interest outcomes.

Assessing competitive conditions in a market and determining whether a firm or group of firms has market power requires defining the market in product and geographic terms, determining which producers and consumers are part of the market, measuring market shares and/or other indicators of the competitiveness of the market, and making a determination as to whether the market is or is not workably competitive.

This report discusses market power and its measurement, discusses convergence and intermodal or platform competition, provides examples of state approaches to including wireless and broadband services in competition and market power analyses, and offers recommendations for more explicitly including wireless and broadband services in competitive analyses.

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