

# EXECUTIVE SUMMARY

## **FCC And The Unregulation Of The Internet**

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The Internet is becoming the most important communications medium in history with the potential to transform personal, social, economic and political behavior. The typical American family gains an incredible amount of value from its \$20 per month Internet account, including such services as investing, travel planning, homework research, email communications, and shopping, among others.

The Internet Economy generated over \$300 billion in revenue in the U.S. last year and is rapidly changing the way America does business. Nearly one third of the nation's households are regular Internet users.

The success of the Internet has not been an accidental development. Market forces have driven the Internet's growth, and the FCC has had an important role to play in creating a deregulatory environment in which the Internet could flourish. This paper examines the history of the FCC's data policies and the ways in which those policies have benefited the Internet. Key FCC policy decisions have included:

- Fostering the development of an interconnected telecommunications network that ensured near universal availability of a reliable and affordable telephone system over which data services could be offered.
- Determining through the Computer Inquiry proceedings that computer applications offered over that network were not subject to regulation, giving rise to the unregulated growth of the Internet.
- Exempting enhanced service providers from the access charges paid by interexchange carriers, helping drive the availability of inexpensive dial-up Internet access.
- Deregulating the telecommunications equipment market while requiring carriers to allow users to connect their own terminal equipment, helping to foster the widespread deployment of the modem and other data equipment tools that can be easily attached to the public switched network.
- Implementing flexible spectrum licensing policies that permit innovative uses of wireless data services, leading to the development of wireless Internet applications.

As the Commission moves into the next century, it must continue to take the necessary steps, as it has in the past, to ensure that communications networks and Internet services that rely on those networks will continue their dynamic and vibrant growth. Fundamental lessons learned from the Commission's thirty year deregulatory approach towards data networks include:

- Do not automatically impose legacy regulations on new technologies,
- When Internet-based services replace traditional legacy services, begin to deregulate the old instead of regulate the new; and
- Maintain a watchful eye to ensure that anticompetitive behavior does not develop, do not regulate based on the perception of potential future bottlenecks, and be careful that any regulatory responses are the minimum necessary and outweigh the costs of regulation.