

Book Review

Marcellus S. Snow, ed., *Telecommunications Regulation and Deregulation in Industrialized Democracies*. Amsterdam: North-Holland / Elsevier Science Publishers, 1986 (published and distributed in the USA and Canada by Longman inc., New York). xvi + 304 p. Dfl. 250. Hardbound. ISBN 0 444 87926 9.

Here we have the viewpoints of eleven well qualified members of the 'Telecommunications Establishment'—professors, economists, consultants, etc.—about this important topic. Weighty as this group may be, if trades unionists, businessmen, and consumers, heavily affected by the current changes, had also contributed, the emphasis might well have been rather different. "The age of chivalry is gone; that of sophisters, economists, and calculators has succeeded", said Edmund Burke. That unkind put-down may be a bit strong, but some pithy biased comments from the non-experts (bias can easily be assessed and discounted) in the second group would have added some interest.

In spite of my irreverent comments about economists I commend the contents of this book, if not the price. The first three chapters are collectively entitled "An introduction and analytical tools from economics and political science". However when the protagonists from different countries have their say, we find, not unexpectedly, that science gives way to opinions.

For example, Eli Noam (American) considers that the European PTTs are shocked at the US "voluntary dismemberment" of the US monopoly. Their "perception has resulted in strong defensive actions, including an interpretation of American developments as rooted in political-ideological values rather than in engineering and technology, and thus as outside scientific rationality".

Indeed, Jean-Paul Voge (French) takes precisely this viewpoint. Having discussed late-19th-century "unbridled competition" in the US and measures taken to curtail it such as the Sherman Antitrust Act, he continues: "It is therefore rather astonishing to see these antitrust measures now weakened in the name of a deregulatory policy that pretends to be an attack on monopolies but that in practice eliminates the obstacles to dividing up the world market between cartels or the constitution of international trading companies of the Japanese variety." Having reviewed French policy, Voge uncompromisingly concludes: "In view of the preceding, French Telecom has little doubt of its ability in the coming years to continue reconciling the concept of a public service with economic dynamism and progress, without the need to modify the laws governing telecommunications in France."

Incidentally, it's never clear to me why the Anglo-Saxons regard the French as being more chauvinistic than themselves. Georges Anderla, Frenchman, and one-time Director of the CEC department dealing with scientific and technical information, is scathing about current French telecoms policy. Writing in the January 1987 issue of "Information World Review", he criticises Jacques Stern of Bull who states that competition in telecoms "would be a catastrophe for everyone". Anderla suggests that comments made about Transpac—"infinitely superior, and by far, to its American competitors"—should be taken with a grain of salt "... when remembering that a recent study (by EUSIDIC) showed that 49 out of 100 data calls did not arrive at their destination". Transpac is the French packet-switched network. With regard to Bull's "spectacular turnaround", Anderla points out that "the company, having accumulated losses of 3 billion francs... received a capital grant of 4.7 billion and a research grant of 1.5 billion. In addition, the government reserved major orders for Bull; ... without exception its mainframes are either Honeywell or NEC and two thirds of its other models are either imported or made under licence.... In all of that where is France's real interest?" Where indeed? What goes on in France sounds remarkably like what goes on in the UK.

Charles Jonscher, who contributes the chapter about UK liberalisation, is one of the few people who has no unkind words for the British Post Office. When they ran telecoms in the UK I always found the PO people to be very helpful, but the equipment demanded from UK manufacturers was over-engineered and antiquated (hence the decay of the UK telecoms export business), and the curious legal framework under which the Post Office laboured was stultifying. According to a well known authority, Ithiel de Sola Pool, the then Government policy for the Post Office "protects inefficiency, removes incentives for self-improvement, penalises consumers, and lowers the gross national product". It is unreasonable to expect comments of this kind from Jonscher whose curriculum vitae includes the fascinating combination of erstwhile executive engineer with the British Post Office and, currently, Assistant Director of the research programme on communications policy at MIT. In his view the "policy of the Thatcher government toward the telecommunication industry ... is a response to the conviction that the reform of the nationalised industries is central to economic recovery ... and having two undesirable features—monopoly and public ownership". It is open to question whether, as Jonscher implies, this was the *sole* motivation. The performance of the previous telecoms regime commanded little support—unlike the performance of AT&T prior to deregulation which was very well regarded in many quarters.

The different policies adopted in different countries are of very great interest in this highly controversial matter of regulation. The importance of an efficient telecommunications system can hardly be over-estimated. I would dispute that the much-discussed economic aspects are more important than the social aspects, although in a highly competitive world telecoms are very important. An efficient, comprehensive, inexpensive telecoms system makes a very big difference to the prosecution of business. Efficient cheap telecoms constitute a relatively low

overhead providing an edge in the cut-throat international export business.

Unhappily, the telecoms incumbent faced with the realities of competition may find that he has an unjustifiably large staff. The realisation of greater efficiency probably means a yet smaller staff. For example, the maintenance staff needed for the new reliable computer-controlled exchanges is much smaller than the staff required for the unreliable electro-mechanical ones. No government seems to have been able to solve the problem of creating work for those displaced—this facet of new technology in telecoms is but one example of a widespread trend.

To round off this review of a most interesting book I can do no better than to repeat some of the comments made by Eli Noam in the penultimate chapter about policy divergence and outlook. Following remarks about cooperation between PTTs and their national telecom industries he says: “A variety of barriers are set to protect this cooperation; these include an unwillingness to procure foreign equipment, coordinated development of new technology, and PTT-organised setting of equipment standards. One consequence of this protective system is that European prices are said to be 60% to 100% higher for switching equipment and 40% higher for transmission equipment than prices in North America.” Further: “The labor unions are in a similar position because PTTs are among the largest national employers, and because employees benefit from salary levels and job security that may not be sustainable under a competitive regime. Furthermore for unions as well as for the political left, the existing PTT system merits support not only for material but also for ideological reasons as a nationalised key industry. The frequently more pronounced political and class divisions in Europe lead to a strong feeling that a critical part of their superstructure, particularly one with such future importance in the information society, cannot be entrusted to private interests dedicated to the profit motive.” And finally: “Other members of the post-industrial coalition are the poor, the elderly, the farmers, and the small towns, all of whom support the PTT system because they fear that a liberalised regime would threaten the supply of their service.”

These remarks summarise the issues very well—at least one economist is prepared to take account of a wider scenario. You can see now why trades unionists, businessmen, and general consumers should add their weight to this discussion.

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