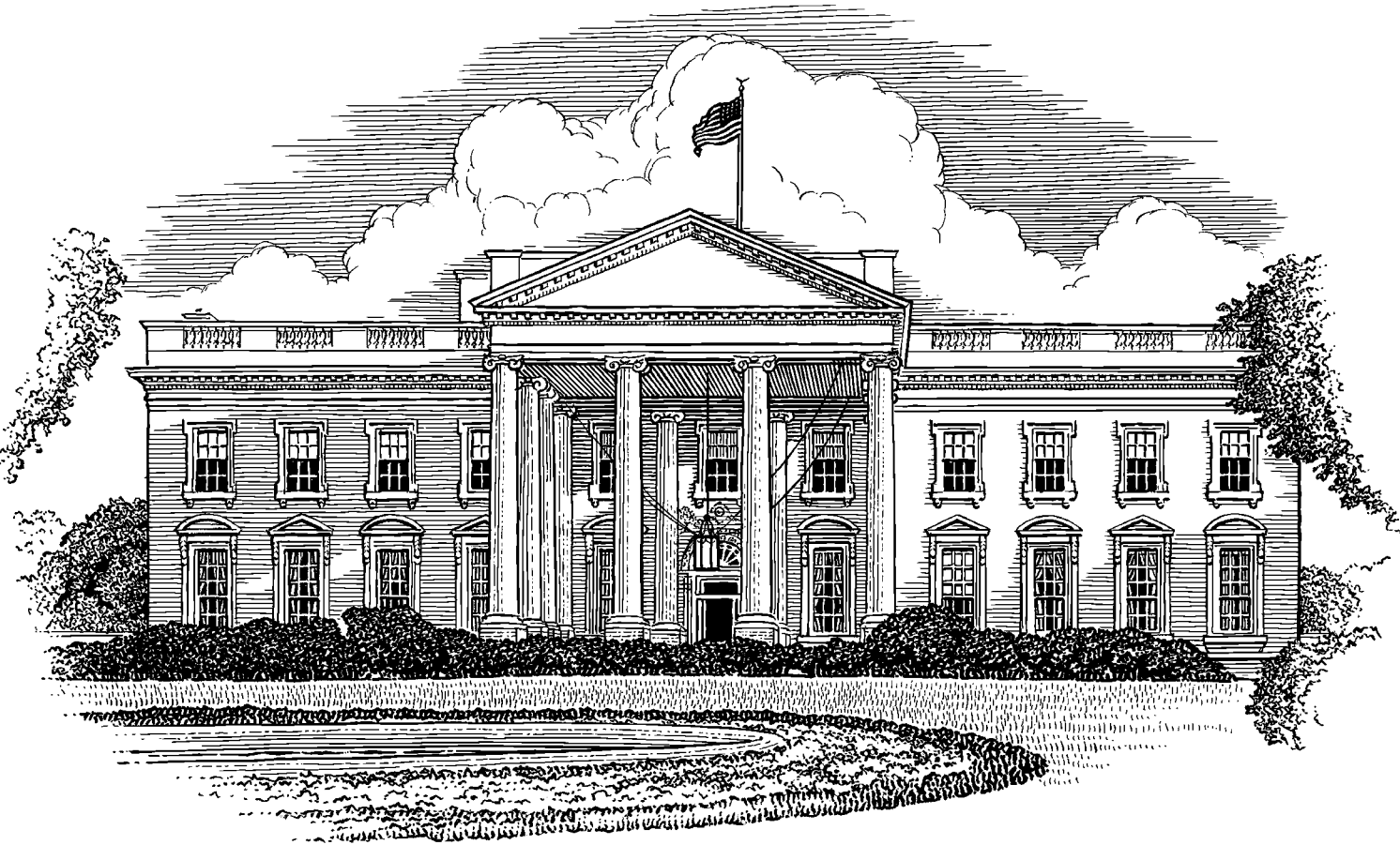


Tech Policy

In The Second Bush Administration

New Faces in the House and Senate Will Help Change the Post-Election Landscape

By David P. McClure ■ *US Internet Association*



With the campaign dust settling, attention of Internet executives is turning back to the critical business of pushing for continued recovery and growth in the tech sector. What remains to be seen is how much influence the election results – presidential and Congressional – will have on that business.

In most ways, the stated policy of the Bush Administration hasn't changed since 2000. It is a policy marked by

what might best be called “benign neglect” – President Bush largely ignored the tech sector from a policy standpoint, even in such critical areas as protecting the nation's technology infrastructure in the wake of 9/11.

Bush's first administration was marked by intense nothingness when it came to Internet policy. He did make reference to technology, but never appointed a technology czar as a senior member of his staff. He overlooked the appointment of a Chief Information Officer for the federal government. E-

Government initiatives received only lukewarm support. And the post established within the Department of Homeland Security to oversee cyber-security has been so obscure and frustrating that the first three appointees to the job have resigned in disgust.

Don't look for that to change in the second administration. It isn't that George W. Bush doesn't care about technology – he acknowledges that it is the engine behind the US economy. It just isn't broken badly enough to require his attention to fix.

As a result, Bush can be expected to follow the traditional Republican strategy of allowing private enterprises to take the lead. The Administration will help in a few areas – supporting a ban on taxation of Internet access and e-commerce; eliminating regulation that stifles innovation; and making permanent the Research and Development Tax Credit. The heavy government subsidies that might have marked a Kerry administration will not be part of the budget. Programs to bridge the Digital Divide are not likely to grow.

The President has vowed to bring broadband to all of the nation by 2007, but that is a target that will be difficult if not impossible to achieve.

The president's slight attention doesn't mean that the next four years will in any way be quiet, however. Though the Republicans easily expanded their working majority in the House and a slim majority in the Senate, changes in committee appointments could mean heavy action on Internet policies.

In the Senate, John McCain will yield his position as chairman of the Commerce Committee to Sen. Ted Stevens of Alaska. That is not good news, because Stevens – backed by the ranking Democrat on the Committee, Hawaii's Daniel Inouye – will be looking to expand the Universal Service Fund.

The USF is a holdover social welfare program that was designed to ensure that every American has access to a telephone. Today, it is mostly used to subsidize the phone bills of people who choose to live in remote places like Alaska and Hawaii, at the expense of everyone else.

The problem is that the USF is in financial trouble, and its traditional source of funding – an 8.9 percent tax on long distance calls – can't help as long distance charges fall from about 5 cents a minute to free.

Stevens will be looking to find more money at the same time that general taxes are being eyed for cuts. If you

work in the broadband or VoIP areas, you may want to keep your hand on your wallet. If he follows his actions in previous years, Stevens will stonewall or kill any other tech or communications bills until he gets his way.

A small ray of sunshine: Notorious tech-hater Sen. Ernest "Fritz" Hol-

ings of South Carolina has retired and will no longer be an obstacle to sound tech policies.

Over in the Judiciary Committee, there is some relief as Hollywood's favorite Senator, Orrin Hatch of Utah, steps down. Hatch has pushed for copyright legislation that would punish consum-



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ers, ISPs and tech companies in order to advance the interests of film and music companies. His likely replacement, though, Senator Arlen Specter of Pennsylvania (who was re-elected by a good margin this year), is only slightly better on copyright issues. The industry can expect an uphill battle over copyright

issues over the next two years.

On the bright side: The courts are growing weary of efforts by Congress to kill technology just to protect the profits of Hollywood. And the filmmakers in particular have drawn the ire of the Senate's Republican leadership by appointing a Democrat to lead the

Motion Picture Association of America, Hollywood's lobbying group.

In the House, the retirement of Rep. Billy Tauzin of Louisiana means that the industry has lost a staunch champion of free enterprise in the House Committee on Energy and Commerce. Replacing him as the chairman, though, is Texas Republican Joe Barton, who has generally had a good record on Internet issues including deregulation and stiffer penalties for spam.

There's no word on a replacement for Rep. James Sensenbrenner as chair of the House Judiciary Committee. Sensenbrenner has been only slightly less an advocate of Hollywood against consumers than Orrin Hatch has been in the Senate, so a change would be welcome there.

In other agencies, it is considered likely that Michael Powell will remain at the helm of the Federal Communications Commission, working to effect deregulation in that agency. The Federal Trade Commission already has a new chair in the person of Deborah Platt Majoras, appointed in August of this year. In terms of Internet policy, the only major shakeups will be the expected departures of Tom Ridge from Homeland Security and John Ashcroft as Attorney General.

The overall projection for 2005 and beyond is more of what we have seen in the past four years. The players may change, but the game will not. Deregulation will bring more head-to-head battles between cable and telephone companies, with the Broadband over Power Line (BPL) and the wireless guys stuck in the middle.

Expect the first of the major cable/telco mergers to begin by 2006. Voice over IP will be more heavily regulated regardless of efforts to the contrary, if for no other reason than to pay into the Universal Service Fund. ♦

About The Author

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