



# MICHIGAN REPORT

## ARMEY: FIX MICHIGAN TELECOMMUNICATIONS LAWS SOON

Michigan is lagging behind the rest of the country because of a refusal to do away with regulations concerning the telecommunications industry, former U.S. representative Dick Armey said Tuesday. The former U.S. House Majority Leader said the state's laws fail to encourage future-growth industries and declared Michigan cannot base its economy on the automobile.

Mr. Armey, an economist who spoke at a Tuesday luncheon sponsored by the Mackinac Center for Public Policy also said the state needs to embrace the "electronic revolution."

"The future of Michigan's economy cannot be the automobile," he said. "The future is in telecommunications, electronics, the Internet. Yet in Michigan, regulatory laws are so antiquated."

Businesses have relocated to other countries or states because of Michigan's single business tax and the regulation of telecommunications, Mr. Armey said. This means Michigan's unemployment rate will continue to be among the highest in the nation because the state has a difficult time attracting new businesses.

"Regulations say to providers

'Stand back...you can't recover your investment here,'" he said. "But why should you have the highest unemployment rate? You have the opportunity to bring the legal structure up to the promise of the electronic revolution in the 21<sup>st</sup> century."

Michigan's Telecommunications Act is slated to end on December 31 of this year, which could give lawmakers a chance to abolish regulations. The surge of regulation came about during the AT&T monopoly before it was broken apart in 1984, and Michigan's began in 1913 when the legislature directed the Michigan Public Service Commission to oversee the upcoming industry.

The current act prescribes access requirements, price controls and service restrictions that some say contradicts the stated purpose of encouraging competition. The Mackinac Center has said ending forced access, deregulating rates, reforming universal service and reducing taxes on wireless service will all help improve telecommunications policy.

A self-described free-market small-government economist, Mr. Armey said governments tend to look backward to what has worked instead of forward to emerging trends. He called government "fundamentally dumb" and said

it is difficult for lawmakers to anticipate people's needs.

"When was the last time you bought your spouse the right present?" he asked rhetorically. "Why would you expect people at the state House to know what you want?"

Diane Katz, director of science, environment and technology policy at the Center, said Mr. Armey's speech clearly laid out what Michigan needs to do.

"Telecommunications are so integral to our future," she said. "Companies have left Michigan because of reduced employment. Why would you invest where it cost you more to operate?"

Yet Ms. Katz did not suggest leaving customers out of any policy decisions. "Never before have customers had as much choice as they do now," she said. "But we're not getting the full benefit of that."

The telecommunications industry has been silent during the state hearings on Governor Jennifer Granholm's small business tax proposal, which would cut the SBT rate from 1.9 percent to 1.2 percent, among other things.