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Thursday, January 23, 2003

Phone giants keep monopoly but strive to make it regional

By Lawrence J. Spiwak / Special to The Detroit News

Ed Andrieski / Associated Press

Qwest Chief Executive Richard Notebaert took over the telecommunications company's top job last June and has tried returning to its roots as a Baby Bell regional phone provider.

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The Bell telephone monopolies are slicing the nation's local phone market into regional fiefdoms and agreeing to stay out of each other's territories. Implicitly confirmed in a recent statement by Qwest Chief Executive Richard Notebaert, the apparent pact is bad news for consumers in Michigan and across the Midwest who are hoping competition will inspire better service by SBC Ameritech.

"It might be a good way to turn a quick dollar, but that doesn't make it right," Notebaert told the Chicago Tribune when asked if his company, the dominant phone company in 14 Western states, would begin offering residential phone service in the Midwestern states dominated by SBC.

For consumers in Michigan, this collusive arrangement is one more frustration in dealing with SBC, which has been assessed more than $1 billion in fines and pending penalties for a variety of service failures and anti-competitive actions in the past six years. Among the assessments are 23 consecutive monthly fines by federal regulators as well as Federal Communications Chairman Michael Powell's recent slap at SBC for "unlawful, anti-competitive behavior."

As a bit of background, when the landmark Telecommunications Act was enacted in 1996, there were seven Bell telephone companies -- remnants of the old telephone network that was broken up a quarter century ago. Now, through mergers and acquisitions, we are down to four behemoths -- SBC, Verizon, Bell South and Qwest.

Moreover, two of the Bells alone -- SBC and Verizon -- each

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respectively control more than a third of all access lines in America (and combined more than two-thirds of all local access lines in America).

What's worse, the Bells have now publicly admitted what we have all known intuitively for years: They have no intention of competing in each other's markets.

Clearly, the Bells fully understand -- as so many would-be competitors discovered to their peril -- that entry is extremely hard and expensive. It is far easier to protect your own monopoly than it is to fight another monopolist on its home turf.

So since the 1996 Telecommunications Act was signed into law, the Bells have launched a coordinated campaign against the cornerstone of the act -- the fact that they must open their markets to competition by leasing to rivals the phone network elements that competitors need to deliver service to consumers.

Now that state regulators in a number of states, including Michigan, Illinois and Ohio, have set wholesale rates for the leases at appropriate levels, consumers are beginning to see lower prices and more choices. But the Bells continue to resist the process, even though they get a prize, too, by gaining the right to sell long distance phone service for the first time in states where local markets are opened to competition.

Consumers should understand exactly what is going on here: Absent competition, we are simply reconstituting the old AT&T Bell system -- a monopoly for both local and long-distance service -- on a regional rather than on a national level.

And don't think your wireless phone will be a competitive option in this environment. Not only are there technical limitations, but the largest wireless companies -- Verizon Wireless and Cingular -- are owned by three out of the four Bells. As such, the Bells have no intention of having their wireless operations cannibalize their profitable local wire-line monopolies. After all, why sell consumers one product when you can sell them two?

Given the Bells' consistent refusal to enter each other's territories and the public confirmation from Qwest of the arrangement, it is time for the U.S. Department of Justice and state antitrust officials to launch an inquiry about this apparent collusive behavior.

Concurrently, both the FCC and state regulators must continue to ensure that local markets are open to all competitors via a healthy, competitive wholesale market for "last mile" network access so that competing local phone providers can continue to serve their customers.

Despite the Bells' collusion, competition in local phone service is starting to take hold. Regulators must stay the course -- resisting Bell entreaties for higher wholesale phone rates as well as enormous Bell pressure for federal rule changes that would free them from sharing the phone network with rivals.

Otherwise, telephone competition will be effectively dead.

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