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Consumers gained when Ma Bell died, but benefits are at risk

BY LAWRENCE J. SPIWAK

Guest Commentary

This month, U.S. consumers will mark the 20th anniversary of the break-up of the old AT&T "Ma Bell" monopoly. While consumers have significantly benefited from divestiture, we should also understand that these benefits are fragile and, despite technological innovations, a return to a regional Ma Bell system is not out of the question.

Indeed, we have come a very long way from the time I could only call my Grandma after 11 p.m. or on Sundays before 5 p.m. Instead, consumers now have a range of options of competing service packages, pricing options and technologies. And, for the most basic services, the competition of the post-Ma Bell era has driven the cost of service substantially lower.

This competition did not come overnight: In order to get long distance competition to work, regulators worked very hard to:

- Lower barriers to entry for new competitors like MCI and Sprint.
- Create a healthy wholesale market for long distance capacity by compelling AT&T to sell network access to these competitors.
- And prevent any carrier from controlling "bottleneck" facilities of the "last mile." As a result, the long distance market was transformed from one player to three players, and now to at least seven national networks used by an estimated 600 carriers providing consumers with competitive choices.

While competition was starting to flourish in the long distance segment, due to the very different (i.e., far more expensive) economics of entering the local segment, local competition was slow to emerge. In response, Congress passed the landmark Telecommunications Act of 1996, where, in its simplest terms, Congress would allow the Baby Bells to begin selling long distance service, providing they opened their local markets to competition to potential competitors. Today, almost 20 years to the day of the breakup, the Federal Communications Commission has finally given the green light to Bell company long-distance service in every one of the 50 states.

Yet, because of the different economics of the "last mile" and the long distance sectors of the network, it is far easier to go from local into long distance than it is to go from long distance into local. Thus, the Baby Bells continue to hold a death grip over the lines that enter consumers' homes and have rapidly captured the "all distance" market, while steadfastly doing what they can to deter competitors (both in the political arena and in the field) from gaining access to their networks. To wit, Republican FCC Commissioner Kevin J. Martin recently warned that: "While 13 million local access lines are now being served by competitive service providers using unbundled elements, nearly 29 million consumers have chosen to take bundled local and long distance service packages from the incumbent" Bell companies (essentially a 3-to-1 ratio). Similarly, The Washington Post recently reported that Verizon Communications Inc., the largest local service provider in the nation and the third-largest long distance provider in the nation, has now signed up more than 50 percent of its local residential customers in some states for long-distance service. The degree of market penetration is staggering, considering that MCI and Sprint (before the 1996 Act the number two and three long distance providers respectively) combined never reached a 50 percent market share in the 20 years since the original AT&T divestiture.

As policymakers look toward the next 20 years, they must walk a careful line. They must allow Bell and non-Bell providers alike the chance to compete fairly in every market niche, while also making sure that the market-opening provisions of the 1996 Act remain intact. If not, then there is a very good chance that we might wake up to the re-creation of the old Ma Bell monopoly for "one stop shopping" on a regional rather than on a national basis.

Lawrence J. Spiwak is president of the Phoenix Center for Advanced Legal and Economic Public Policy Studies (www.phoenix center.org), an international nonprofit think tank based in Washington, D.C. The views expressed in this article do not represent the views of the Phoenix Center, its adjunct fellows, or any of its individual editorial advisory board members.