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Stop Bell monopolies from carving up telecom market

By Lawrence Spiwak

COLUMN

While most Americans are thinking of carving the Thanksgiving turkey, 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 CEO Richard Notebaert, the apparent pact is bad news for consumers in Ohio 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 Ameritech.

For consumers in Ohio, this collusive arrangement is one more frustration in dealing with SBC Ameritech, 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 slap at SBC last month for "unlawful, anti-competitive behavior."

As a bit of background, when the landmark Telecommunications Act was enacted in 1996, there were seven Bells. 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 control more than one-third of all access lines in America (and combined, more than two-thirds of all local access lines).

And, if this massive reconcentration of the local markets is not bad enough for consumers, the Bells have now publicly admitted what we have all known intuitively for years: They have absolutely no intention of competing in each other's markets either.

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

That is to say, ever 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 Ohio, Illinois and Michigan, 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 an environment that is conducive to competition, we are simply reconstituting the old AT&T Bell system -- i.e., a monopoly for both local and long-distance service -- on a regional, rather than on a national, level.

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.

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 as dead as the turkey on consumers' Thanksgiving table.

Lawrence 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.