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OUTSIDE VIEW: IT ISN'T ABOUT WORLDCOM

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A UPI Outside view Commentary

From the [Washington Politics & Policy Desk](#)

WASHINGTON, Aug. 31 (UPI) – Over the past several weeks, the Baby Bell telephone companies have attempted to use the recent spate of competitive telecom companies' bankruptcies – and in particular the WorldCom scandal – as populist evidence that only they can be trusted to provide reliable phone service and broadband deployment.

Of course, the only catch – which the Bells skillfully gloss over – to achieving their broadband utopia is that Congress and the Federal Communications Commission need to remove the Bells from any regulatory oversight that prevents their ability to exercise market power.

Although the Bells may have a valid criticism of WorldCom Inc.'s senior managements' alleged misdeeds, and they may even have a valid point when they argue that Wall Street blindly threw too much "funny money" at people who had no prior telecom background, they cannot use the transgressions of a few miscreants as an excuse to lump the entire competitive telecom industry into some sort of a "vast CLEC conspiracy" that acts with total homogeneity.

More importantly, regardless of the whys and wherefores of WorldCom's or others' bankruptcies, the industry's financial turmoil is still no excuse for policies that perpetuate the Bells' monopoly over local telecoms markets.

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To illustrate this point, look at the recent downfall of Metromedia Fiber – incidentally, a company in which Verizon, one of the largest Bells, invested over \$1.8 billion.

In a recent report that appeared in the August 1 London Financial Times, the FT found that “Metromedia’s ignominious end, though overshadowed by the demise of bigger telecoms companies such as WorldCom and Global Crossing, remains one of the most spectacular” due to apparent rampant corporate malfeasance.

The FT further explained, however, that Metromedia’s business plan to provide metro fiber rings was sabotaged at the outset because “while Metromedia’s city rings got close to many of the office buildings where its hoped-for customers resided, *the company did not own the crucial last link to customers ...*”

Like it or not, when you remove the “miracle of technology and broadband” smokescreen the Bells have been emitting around Washington for the last several years, it does not take a MBA from Harvard to realize that the Bells remain a textbook example of a monopolist for “last mile” access.

As the Supreme Court recently recognized, so long as the Bells continue to enjoy their monopoly for the “last mile,” the Bells can and will restrict output and raise prices and, absent competitive pressure, they have absolutely no incentive or intention of innovating and spurring additional broadband deployment as they claim.

Accordingly, it strains credulity to think that we can actually promote competition and broadband deployment by adopting such Bell-desired policies as releasing them from the pro-competitive marketing opening provisions of the 1996 Telecommunications Act, allowing them into long distance without fully opening their markets, and permitting them to continue on their path of constant re-consolidation.

Notwithstanding, the Bells’ populist hyperbole is finding powerful ears in Washington.

In a recent Wall Street Journal interview, FCC Chairman Michael Powell’s said that “ the industry’s battered, debt ridden condition” now leaves him little choice but to consider a merger between a Bell – a local

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monopolist – and WorldCom – a long distance provider – “in order to prevent the disruption of phone and data services.” Powell said the FCC “may have erred in the past by implicitly encouraging the formation of hundreds of Bell competitors without realizing how few of them would ultimately be able to survive.”

Please.

Telecom policy cannot be approached on the intellectual “cheap.” Until the FCC begins to approach the issues with the analytical rigor they deserve, the hemorrhaging of the U.S. telecom sector will continue.

If Powell really wants to help get the telecom sector out of its current morass, then the FCC needs to reject the Bells’ populist nonsense and stick to its core missions – preventing monopolists under its jurisdiction from exercising market power; and reducing, and not raising, entry costs for new competitors as mandated by the 1996 Telecommunications Act.

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