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Competition Benefits Us All (OpEd)

by Arturo Vargas

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This past fall's election represented a coming of age for Hispanic Americans. Both parties clamored to recruit Hispanic candidates. Unprecedented dollars were spent on getting out the Latino vote. Hispanics took a greater share of the nation's power levers than ever, including the governorship of New Mexico, and the leadership of the U.S. House Democratic Caucus.

Political observers are speculating that the Hispanic vote could now determine which party holds power in Washington and many states. The courtship is on.

That is what makes so puzzling a new effort that would effectively diminish the role of Hispanics in the so-called new economy - telecommunications and Internet services. Indeed, there is now a move afoot by the Federal Communications Commission (FCC) to enact regulations that could push small Hispanic telecom companies out of the market, and make prices so high as to prohibit many Hispanic consumers getting onto an on-ramp to the information superhighway.

The 1996 Telecommunications Act - heralded by many civil rights leaders as the most critical reform in that industry - required that the legacy telephone monopolies, known as the Bells, open up their legacy monopolies lines. It is the most important law on the books for bridging an ever-widening digital divide which is keeping Hispanic entrepreneurs out of the telecom markets, and would-be Hispanic telecom consumers in the dark.

The 1996 Act was a good deal all the way around. The local telephone facilities were, after all, built by ratepayers. The government guaranteed its owners, the old Ma Bell, profits, subsidies, and an exclusive franchise. These monopoly facilities were then gifted to the Bells by the government in 1984. The 1996 Act only requires that they allow competitors to lease the facilities at wholesale rates on which the Bells profit. The Bells supported it because they, in turn, got into long distance as a result.

But the real icing on the cake was the benefits to consumers and to the economy. Consumers are saving hundreds of millions of dollars and now have more choices in telecom providers. According to a recent study, consumers could save more than \$9 billion if real competition were allowed to enter the local phone service market. In California alone, consumers will save over \$200 million. In Michigan, Ohio and Illinois, they will save over \$20 million. Elsewhere, consumers and small businesses are seeing bills cut by a third or a half. That is real good news for consumers - especially consumers who do not use Internet services, like broadband, because it simply costs too much in a non-competitive world.

For Hispanic and other traditionally disenfranchised telecom entrepreneurs, the 1996 Act was critical. It opened the way to an entire new generation of competitors who invested over \$150 billion in new networks, and who bring more diverse telecom products - like Latino based web products - to the marketplace.

So why would the Bells be so bent now on taking a wrecking ball to the telecom democracy that is known as the 1996 Telecom Act? Perhaps it is because they prefer a market where they can extract monopoly rent without competing with upstart rivals who bring better, more agile services.

But the dilemma for the Bells is how to sell such an exclusionary, pro-monopoly bill of goods to the public.

They claim that the law forces them to provide their facilities at wholesale rates that are below their cost. But every state regulatory agency and even the U.S. Supreme Court has said that their claim is untrue, and that they are making handsome profits from the wholesaling to competitors - just not monopoly rent. Even the non-partisan Phoenix Center reported that the Bells make 42 percent earnings in their local markets.

Amid these profits, the Bells are threatening to lay off as many as 20,000 workers - disproportionately Hispanic and African American - unless politicians and regulators bow to their competition-ending demands. Civil rights leaders are calling this a tawdry game of political blackmail.

In the same way that the technology boom of the 1990s fueled our economic boom, the implosion of the technology sector has created a drag on economic recovery. In our quest to revitalize this essential sector, we must realize one of its past shortcomings: too few people participated in the information revolution. Indeed, only 30% of African Americans, and 32 percent of Hispanics use the Internet - rates less than half that of the general population.

Recapturing the technology boon of the 1990s requires first public policies that will bring more Americans into the information age as full participants. That is why the FCC should strengthen, not weaken, the 1996 Telecom Act, and regard it as our beacon of democracy on the information highway.

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