



Competition Benefits Us All, Especially Hispanics

by Arturo Vargas

Prince George's Journal – 30 March 2003

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

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

That's why a new effort that would effectively diminish the role in the so-called new economy - telecommunications and Internet services - is so puzzling. Indeed, there is now a move afoot by the Federal Communications Commission to enact regulations that could push small Hispanic telecom companies out of the market and keep many Hispanic consumers from getting on the 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 "Baby Bells" - open up their phone lines.

The most important law on the books for bridging an ever-widening digital divide 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 for all. Local telephone facilities were, after all, built by ratepayers. The government guaranteed the old "Ma Bell" profits, subsidies, and an exclusive franchise, and gifted the Bells with monopoly facilities 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 benefit 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, they could save more than \$9 billion if real competition were allowed to enter the local phone service market.

Consumers and small businesses are seeing bills cut by a third or a half. That is good news, especially for 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 more than \$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? 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 the law forces them to provide their facilities at below cost-wholesale rates. But every state regulatory agency and "even the U.S. Supreme Court" says that's not true. They are making handsome profits from the wholesaling to competitors - just not monopoly rent.

Even the nonpartisan Phoenix Center reported that the Bells make 42 percent of their earnings in their local markets. But 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 call 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 percent of African-Americans, and 32 percent of Hispanics use the Internet - rates less than half that of the general population.

Recapturing the 1990s tech boom first requires 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 - our beacon of democracy on the information highway.

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