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Economical Phone Plans Are In Peril, Report Says

By **JASON GERTZEN**

Published on 1/27/2004

Consumers are saving \$10 billion a year on phone service, thanks to the all-you-can-call, flat-rate billing packages that emerged with robust competition in the telephone industry, a Washington think tank says in a new report.

Individual consumers who sign up for the flat-rate plans are saving, on average, \$429 a year, according to a Phoenix Center report to be released today.

"People really are getting the benefits," said Lawrence J. Spiwak, president of the Phoenix Center, which specializes in telecommunications policy matters.

These benefits came from the competitive market created by the 1984 breakup of AT&T's monopoly and a later measure that allowed competing telephone companies to serve their own retail customers by piggybacking on regional Bell company networks at wholesale rates, the report states.

Annual phone bills could rise by several hundred dollars per household should the current system be dismantled through rate increases or new restrictions on the portions of the network that Baby Bells must make available to competitors, according to the report.

"A lot of things could tip the apple cart over," Spiwak said.

Baby Bells like SBC Communications Inc. agree

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that competition is here, but challenge the Phoenix Center's assessment of the key factors that brought it.

"Consumers are greatly benefiting from a very, very competitive telecommunications marketplace," said Paul La Schiazza, president of SBC Wisconsin.

The system allowing competing phone companies to lease portions of SBC's networks is much less of a competitive catalyst today than the skyrocketing usage of other communication technologies, such as wireless phones, high-speed Internet and wireless Internet services, La Schiazza said.

These other sources of competition have gained so much traction that the former Bell companies no longer should be required to provide competitors access to their networks in a system known as "unbundling," La Schiazza said.

"Early on, unbundling helped to jump-start competition, but the time has come and gone where that really is necessary to continue to ensure competition," La Schiazza said.

SBC contends that the wholesale rates imposed on it by state regulators in the Midwest are "ridiculously low" and do not cover the company's own network costs, La Schiazza said.

In addition to the rates, SBC objects to regulators taking years to review requested changes. Proposals are being considered by the Wisconsin Legislature that would require a final ruling in such cases within 180 days

This deadline would allow the state Public Service Commission to produce "very reasoned and informed decisions" in an amount of time that would allow SBC more flexibility in responding to a rapidly changing industry, La Schiazza said.

Competing phone companies counter that six months is not enough time to weigh such complex matters. Such a constraint could erode telephone industry competition in Wisconsin, said Curt Pawlisch, a Madison attorney and lobbyist for Wisconsin CALLS, a coalition that includes phone companies like AT&T.

Rate cases must allow SBC and competing phone companies sufficient opportunity to submit information, which can then be reviewed and thoroughly analyzed by state regulators, Pawlisch said.

These rate cases are incredibly complex matters that involve lengthy and sophisticated economic analysis of what can be volumes and volumes of detailed information, said Dan Ebert, executive assistant to the chairwoman of the Public Service Commission. The commission is open to discussing improvements.

"Injecting some more discipline in the process is something we would look at," Ebert said. ■

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