

SBC/Ameritech's attempt to limit competition

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SBC/Ameritech recently announced it was slashing hundreds of jobs from the Hoosier state and 11,000 nationwide. The company, whose chairman, Ed Whitacre, earned more than \$21 million last year, says the only antidote for the job loss pain, is -- you'd better sit down for this one -- raising local telephone and DSL prices on Indiana consumers.

In his search for a scapegoat for the job cuts, Whitacre is holding up the 1996 Telecommunications Act, which requires that the Bell monopolies lease their transmission lines to competitors at "cost plus a reasonable profit." SBC/Ameritech's argument is that the Federal Communications Commission has perverted these regulations and forced it to lease the transmission lines below cost, which in turn is leading the behemoth to scale back investments and jobs.

Whitacre's quest to repeal the competition laws rests on an utterly discredited canard. Indeed, last May, SBC and its sister Bells took this "below-cost" argument to the U.S. Supreme Court, which called it "patently absurd." The Indiana Utility Regulatory Commission has also found these arguments phony.

And the widely respected Phoenix Center in Washington has found that the Bell monopolies earn 40 percent rates of return in local markets. SBC/ Ameritech pocketed an \$11 billion payout last year, and it's bragging to Wall Street now about the sunny days that lie ahead in local markets.

The Bells are awash in monopoly profits squeezed out of consumers. SBC/Ameritech controls well over 90 percent of the Indiana market.

The IURC has been trying to protect consumers and give them some of the benefits of competition being seen elsewhere around the country. In August, SBC/Ameritech's Indiana president, George Fleetwood, announced the company would cut rates 20 percent because of a newly emerging marketplace that he termed "more competitive than ever."

In Michigan, where competition really has a beachhead, consumers will save \$26 million this year. In Maryland, the figure is about \$70 million. Credit Suisse First Boston said last week the "price reductions in the local residential market are unprecedented" and that "this may be the beginning of a trend."

The truth is that these market-opening provisions in the 1996 act have brought hundreds of small businesses and tens of thousands of new jobs into the local telecom markets. These firms have invested \$65 billion in new networks, delivered services that consumers find more satisfactory and cut prices as much as 50 percent.

That's what really bothers SBC/Ameritech: a free market not choked by stodgy monopolies and in which the laws of supply and demand will cut consumer costs, spark innovation and improve services. The discredited arguments about unfairness of competition are a ruse so that SBC/Ameritech does not have to admit to organized labor that it will be replacing many of 11,000 workers with automation and that it made bad investments in other non-telecom related ventures.

Now that a U.S. Senate, concerned about corporate malfeasance, is unlikely to accede to this special-interest plea to repeal competition, SBC/Ameritech is trying to achieve the same objective through stealth. Last week, at its behest, Rep. Steve Buyer and five of his Indiana House colleagues wrote the FCC asking to increase the leasing rates that SBC/Ameritech charges competitors -- so high as to literally price those competitors out of the market. That would enable SBC/Ameritech to reclaim its monopoly and rescind the 20 percent consumers savings announced in August.

Hoosiers have a choice: create a forward-looking economic environment to which new businesses will flock, or be held hostage by modern-day robber barons who seek to protect the old monopolies by holding illusionary swords of Damocles above our heads.