

SBC/Ameritech's below-cost dog just doesn't hunt

by Andy Weeks -- Marion Chronicle Tribune 12/02/2002

It's one thing to bring someone bad news, but it's quite another to try to kick them in the teeth before they're even recovered from it.

But that now seems to be the tactic on the part of SBC/Ameritech, which brought us the news that it was slashing hundreds of jobs from the Hoosier state, and 11,000 nationwide.

SBC/Ameritech, whose chairman, Ed Whitacre, was compensated over an estimated \$155 million last year, says that the only antidote for job loss pain, is raising local telephone and DSL prices on Indiana consumers.

In his search for a scapegoat for the job cuts, he is holding up the 1996 Telecommunications Act, which requires that the Bell monopolies lease their transmission line to competitors at cost plus a reasonable profit.

SBC/Ameritech's argument is that the FCC has prevented these regulations and forced them to lease the transmission lines below cost, which is, in turn, leading the behemoth to scale back investments and jobs.

Whitacre's quest to repeal the competition laws rests on an utterly discredited canard. Indeed, SBC and its sister Bells took this below cost argument to the U.S. Supreme Court last May, and the pro-business high court called this woe-is-me claim 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 these local markets. SBC pocked an \$11 billion payout last year, and it's bragging to Wall Street now about the sunny days that lie in its future in these local markets.

So that below-cost just doesn't hunt. The Bells are awash in monopoly profits squeezed out of consumers. SBC/Ameritech controls well over 90 percent of the markets here in Indiana

For its part, the Indiana Utility Regulatory Commission has been trying to do its job to protect consumers and give them some of the benefits competition being seen elsewhere around the country.

In August of this year, SBC's Indiana president, George Fleetwood, announced that SBC would cut its 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, this figure is more like \$70 million.

Credit Suisse First Boston said last week, "Price reductions in the local, residential market are unprecedented," and "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 chocked by stodgy monopolies, and where laws of supply and demand will cut consumer costs, incentives innovation and improve services.

And the discredited arguments about unfairness of competition are a mere cloak - a ruse so that SBC does not have to admit to organized labor that they will be replacing many 11,000 workers with automation and that it made bad investments in other non-telecom related ventures.

And 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.

A few days ago, at SBC's behest, Congressman Steve Buyer and five of his Indiana House colleagues wrote the FCC asking not for lower telecom prices for us, their constituents, but

for increases in those prices.

In a largely unpublicized letter, these members asked the FCC to increase the leasing rates that SBC/Ameritech charges its competitors, so high as to literally price telecom those competitors out of the market.

That would enable SBC/Ameritech to reclaim its monopoly and rescind the 20 percent consumer savings announced in August. And, to my amazement, virtually no one reported this attempted backroom deal.

Hoosiers have a choice. They can create a forward looking economic environment to which new businesses will flock, attracted to the many wonders of the free market, or they can be held hostage by modern-day robber barons who seek to enshrine the old, crotchety, monopolies of the last century by holding these illusionary swords of Damocles above our heads.

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