

Matters of choice

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Qwest should be allowed into long-distance market, but local companies shouldn't be given a monopoly

By Hugh Carter Donahue

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Amid Qwest's ongoing struggles, the beleaguered phone giant's bid for regulatory approval to offer long-distance service is good public policy that will maximize consumers' choices in phone and Internet services.

If granted prematurely, however, the company's entry into long-distance may doom any hope of competition in local phone service by perpetuating its chokehold on the phone lines in Colorado.

It's here that the rubber hits the road. Coloradans deserve genuine choices in both local and long-distance.

A growing number of states are expanding consumers' choices. In Michigan, legislation that eliminates red tape on rights of way makes it easier for competitors to install fiber and will produce better services at lower prices. California and New Jersey cut rates for network access - and new competitors are racing to offer services to residents in those states. Illinois, Indiana and New York also are stoking competition with rules tailored to local realities.

The results are lower prices and better service. For example, SBC, a local Bell company, cut some of its rates by as much as one-third in Michigan after AT&T began competing for local service. According to SBC, similar reductions in Illinois are expected to save consumers a total of \$24 million a year.

But the Bell operating companies, including SBC, are pressing regulators at the Federal Communications Commission and members of Congress for new rules to take that authority away from state utility commissions and to get a free hand to set the prices and to choose what parts of their network are available to their rivals.

The Bells are lobbying lawmakers and regulators to lift obligations to share telephone networks at regulated rates that they willingly took on in order to sell long-distance services. If they succeed, new rules would effectively re-entrench their monopolies.

The proposed new rules are especially maddening because the Bells are the ones most responsible for limiting customer choice for local phone service. Qwest alone has incurred millions in fines over the last six years for failing to meet service or performance standards that would make it easier for customers to have a choice, among other failings.

Qwest must make peace with the Justice Department and Securities and Exchange Commission over possible insider trading and financial problems in connection with fiber optic capacity sales, too.

Such new rules would be especially burdensome in the broadband market. Frisky upstarts, which use Bell phone lines to offer a range of price plans and data transfer speeds and also provide technical support for business and home-based networks, would be forced from the market.

In their absence, consumers who want high-speed Internet would be left to choose between two often unresponsive providers - a local phone monopoly or a local cable monopoly.

The key issue is the rate Qwest and the three other Bells can charge for access to the loops, wires and switches necessary to deliver phone service to homes and businesses. Set the rates low enough for competitors to make a profit and consumers can comparison shop for phone service just as they do for any other product. Set rates too high, so that competitors can't profit, and consumers have virtually no choices.

Right now, state utility commissions are doing a great job setting rates. A new study by the Phoenix Center, a public policy study group, reports the competitive wholesale rates are

good for the public and good for the Bells, which make an average of 40 cents on the dollar on regulated wholesale prices.

The Bush White House seems to be distancing itself from the Bells' gambit. "New applications and services that consumers want and businesses need will provide the tipping point for broadband demand and usage," the Commerce Department reports.

More long-distance choices at lower rates are good news for consumers, but Colorado consumers deserve real choices for their local, long-distance and high-speed phone and Internet services. Right now, the FCC is considering a move backward with rules that would trade off one for the other. That's a lousy exchange for Centennial State consumers.