Consumers gained when Ma Bell died, but benefits are at risk

BY LAWRENCE J. SPIEWAK

This month, U.S. consumers will celebrate the 20th anniversary of the breakup of the old AT&T "Ma Bell" monopoly. While consumers have significantly benefited from divestiture, we should also understand that these benefits are fragile and, despite technological innovations, not guaranteed to last.

Indeed, we have come a very long way from the time I could only call my Grandma after 11 p.m. on Sundays before 5 p.m. Instead, consumers now have a range of options thanks to the competition of the past Ma Bell era. Now, the cost of service has been driven down substantially.

The competition did not come overnight: In order to get long distance competition to work, regulators worked very hard to ensure:

- Lower barriers to entry for new competitors like MCI and Sprint.
- Create a healthy wholesale market for long distance capacity by compelling AT&T to sell network access to these competitors.
- And prevent any carrier from controlling "bottleneck" facilities of the "last mile." As a result, the long distance market was transformed from one monopoly to three players, and now to at least seven national networks used by an estimated 600 carriers providing consumers with competitive choices.

It was during this period of competition that the Baby Bells emerged. By the late 1980s, the BABY BELLs were the largest local service provider in the nation, and the third-largest long distance provider as well.

Yet, because of the different economic characteristics of the "last mile" and the long distance sectors of the network, it is far easier for a long distance carrier to have a regional footprint and go from local into long distance than it is to go from long distance into local. Thus, the Baby Bells continue to hold a double-edged sword over the lines that enter consumers' homes and have rapidly captured the "all distance" market, while steadily doing what they can to deter competition (both in the political arena and in the field) from gaining access to their networks.

To wit, Republican FCC Commissioner Kevin J. Martin recently warned that: "While 13 million local access lines are now being served by competitive service providers using unbundled elements, nearly 30 million consumers have chosen to take bundled local and long distance service packages from the incumbent Bell companies (essentially a 3-to-1 ratio)."

Similarly, The Washington Post recently reported that "Verizon Communications Inc., the largest local service provider in the nation, and the second-largest long distance provider, has announced it will offer more than 50 percent of its local residential customers in some states for long-distance service. The degree of market penetration is staggering, considering that Verizon is the only, or even the second largest, long distance provider in the nation."

As policymakers look toward the next 20 years, they must serve as a careful line. They must allow Bell and non-Bell providers alike the chance to compete fairly in every market niche, without re-creating the Ma Bell monopoly for "one stop shopping" on a regional, rather than on a national, basis.

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