



The Fox watching the henhouse
Don't let huge telecoms and FCC scare off smaller, cheaper competitors
By Tom Bliley

Henry Ford once quipped that customers could order a car in any color they liked -- as long as it was black. Consumers and businesses soon could be left with a similar "choice" in telecommunications. Under pressure from the giant Bell monopolies, the Federal Communications Commission is considering an end to rules that ensure competition and choice in the marketplace.

Incredibly, this scenario is playing out under the supervision -- and even help -- of the FCC, the regulatory agency charged with protecting consumers from the abuses of incumbent phone giants.

Under an obscure provision of current telecommunications law, the incumbent monopolies can apply to the FCC for "forbearance," that is, forgiveness, from regulations.

There's nothing wrong with regulatory forbearance, in principle. I was one of the lawmakers who agreed to put this provision into the 1996 Telecommunications Act as a safety valve to override outdated or needless rules once markets become fully competitive. But the Bells are flooding the FCC with forbearance petitions well before competition has been firmly established.

Research shows that the Bells control 99 percent of the local telecom marketplace.

To serve the remaining slice of the market, competitors rely on the availability of "last-mile" lines, which -- by law -- the old monopolies must provide, in order to help kick-start a free and open marketplace. But in a move worthy of a modern King Midas, the Bells are using forbearance to recapture that last 1 percent.

It's almost too easy. A quirk in the statute allows the FCC to look the other way and just allow requests for no rules to become the rule. If the commission says neither "yea" nor "nay" after 15 months, petitions are "deemed granted."

Bell forbearance petitions are sailing through the FCC despite evidence showing the disastrous consequences. When the FCC approved Qwest's recent petition for forbearance in Omaha, Neb., the former Bell immediately raised rates for lines used by competitors to offer service, boosting some rates as much as 360 percent.

Forced to buy overpriced circuits to serve their customers, competitors in Omaha are being forced to exit. Other competitors have abandoned plans to enter Omaha. The

people most hurt are customers who have grown to count on the excellent service and attractive prices offered by competitors.

As Nebraska went, so could go the nation. If the FCC approves -- or lets slip by -- current forbearance petitions by Verizon and Qwest, it will be the beginning of the end for competitive telecom in America. The Bells already are revealing what we can expect.

According to a new FCC report, average monthly costs for telephone service last year rose 2.5 percent in residential markets and 3.5 percent for businesses, a significant one-year hike. While prices went up that year, service went down. In Virginia, Verizon received record fines of \$17.5 million for slow outage repairs and lengthy installation delays.

Verizon is choosy about which customers benefit from innovation. Their fiber-based FiOS service has taken hold in the gated communities of Maryland and Virginia, but Verizon has failed to install a single FiOS circuit in the District of Columbia. In contrast, a more economical offering by Cavalier Telephone & TV delivers voice, Internet and 150-channel TV to the inner-city neighborhoods, suburbs and exurbs of Virginia Beach -- a market in which Verizon wants to end competition via a forbearance petition.

Expect more of the same as Verizon, Qwest, and AT&T use forbearance to empty the playing field of competitors: higher prices, rapidly declining service levels, sporadic innovation and a choke-hold on competitors.

Henry Ford was only kidding. Under competitive pressure from multiple automakers, he always made cars with a variety of colors and options, at prices customers could afford. But the choiceless future that awaits us under the telecom remonopolization is no joke. For federal regulators, ensuring telecom competition and consumers' rights should be a black-and-white decision.