

FORUMS**NEWS**

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Let SBC Offer Long-Distance Calls

By The Detroit News

Federal regulators should approve the request of SBC, Michigan's local phone company, to offer long-distance phone service. SBC has opened its local phone lines to competitors -- and allowing it to sell long-distance service could result in savings to Michigan consumers.

SBC and its sister local phone companies in other states have been barred by law from providing long distance service until they can prove that they have given up their longstanding monopoly status. The state agency that regulates phone companies, the Michigan Public Service Commission, is persuaded that SBC has done so. It has given its approval to SBC's bid for long-distance service.

SBC for nearly half a decade has been leasing its lines to competitors at wholesale prices -- which, until recently, were set below cost by the commission. It also has to service these lines free of cost. This has allowed SBC's competitors to cut their own prices and siphon away some of SBC's best customers without having to make any investment in their own infrastructure.

In fact, 20 percent of SBC's total phones lines are now leased to competitors -- a better record than its counterparts in 23 other states that have been allowed to enter the long-distance market.


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The Issue

Should SBC be allowed to provide long-distance phone service in Michigan?

Local phone competition

Compared with other states, Michigan has a high number share of companies, in addition to SBC, that provide local phone service as of September 2002.

State	Local market share (percent)
Michigan	20
Georgia	19
Virginia	18
New Hampshire	16
Rhode Island	16
Pennsylvania	14
Kansas	13
North Carolina	13
Massachusetts	11
New York	9
Texas	8
New Jersey	8

Sources: Federal Communications Commission, SBC

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This has hurt SBC's bottom line. But the bigger problem for SBC is that while its competitors -- many of whom, such as AT&T and MCI, are long distance giants -- can compete in its local market, it cannot compete in their long-distance market.

It's time for that to change.

The existing situation prevents SBC's customers from consolidating their telephone bills by choosing one carrier for all their needs. This can be a colossal headache, especially for big companies that have to keep track of separate bills for local, long distance and Internet services.

Beyond that, according to an analysis by the Anderson Economic Group, a Lansing-based economic consulting firm, diminished competition in long-distance service cost Michigan consumers \$297 million in 2001. But given that the per minute cost of providing long distance has dropped even further since then, this number will rise to an estimated \$853 million this year if SBC's petition is rejected.

The company's competitors will try to persuade the Federal Communications Commission, which now has 90 days to approve SBC's request, that allowing it to offer long-distance calls would lead to a return of SBC's control of the entire telephone market.

But the growth of wireless phones and the Internet have made it impossible for one company to dominate the communications market. And other states that have opened long distance service to local phone companies have experienced an increase -- not a decrease -- in competition. In New York, competition on local phone lines jumped to 25 percent from 9 percent after Verizon was allowed to offer long distance service.

Pressure should continue on SBC to make way for competitors offering local phone service, of course. But state consumers' interests would be best served if every phone company were allowed to compete in every market.

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