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Tuesday, January 14, 2003

## Local phone giant may offer long-distance

State approves SBC plan; federal approval expected

By Gary Heinlein, and Charles E. Ramirez / *The Detroit News*

**LANSING** -- The state Public Service Commission on Monday gave local phone service giant SBC permission to offer long-distance calling in Michigan, touching off a debate over whether that move will benefit consumers or give the company more power to control rates and service.

The commission's endorsement moves SBC a vital step closer to entry in the state's long-distance market, where AT&T and MCI are major players but dozens of other firms also compete.

The Federal Communications Commission has the final say in granting long-distance service, but it respects states' views on applications like SBC's.

SBC Communications Inc., based in San Antonio, Texas, already is Michigan's largest telephone service carrier, with more than 4.4 million lines.

Its competitors have about 1.1 million access lines in Michigan -- or about 20 percent of the state's total, according to a 2002 state report.

AT&T, MCI and other carriers now compete with SBC for its local customers. They use SBC's lines for the local telephone service.

SBC could begin offering long-distance service here this spring, said Gail Torreano, Michigan president of SBC. The FCC has 90 days to act on SBC's application, which the company plans to file soon.

"We've heard for years that Michiganians want to go to one provider and get all their services," Torreano said. "We have the experience, the network and the employees to bring these benefits."

But competitors aren't convinced. They maintain that SBC hasn't done enough to encourage competition for local service.

To get FCC approval for long-distance business, phone companies like SBC have to show they've opened their networks to competitors who want to offer local phone service.

"The true test will be a year from now," said David Waymire, spokesman for the Michigan

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Alliance for Competitive Telecommunications, a longtime critic of SBC.  
 "Do you think there'll be any more increase in competition? They'll strangle the competition and customers won't get any (rate) reductions, either."

Waymire said SBC paid about \$5.8 million in penalties through October 2002 for interfering with competition.

He said the company has met only about 60 percent of the state's tests intended to show compliance with orders to allow competitors to use its lines.

### Higher rates cited

The Michigan CLEC (Competitive Local Exchange Carriers) Association said SBC has boosted rates in other states after getting permission to provide long-distance service.

SBC won approval for long-distance service in Texas in 2000. It also competes for long-distance customers in six other states: Arkansas, California, Connecticut, Kansas, Missouri and Oklahoma.

"Our remaining hopes will be in the hands of Gov. Jennifer Granholm and Attorney General Mike Cox," said Jerry Finefrock, the organization's chairman. "The FCC will want to hear from them."

SBC and other local phone companies have an advantage, said Richard Gershon, professor of telecommunications at Western Michigan University.

"It's easier for a local phone company to break into the long-distance market than it is for a long-distance company to break into the local service market," Gershon said.

"Local phone companies control the last mile of phone line. Long-distance companies depend on their networks to get them into consumers homes."

### Action applauded

Patrick Anderson, principal of the Anderson Economic Group, a economic and public policy consulting firm based in Lansing, applauded the state commission's action.

"Consumers in other states where the long-distance service market opened up have seen enormous savings," Anderson said.

"It's obvious why. When there's only two or three companies, it's hard for consumers to find a good price on long-distance rates. And companies can't bundle their services or offer consumers a single bill."

Anderson said Michigianians pay 7-10 cents per minute for long-distance service. The actual cost is about a penny per minute.

"We could see that price fall to that one-cent level in the next few years," he predicted. "It's the really competitive markets where you see lower prices."

### Move a good sign

Laura Chappelle, chairwoman of the Michigan Public Service Commission, said the commission's endorsement is a signal to the FCC that it wants the added long-distance service competition in Michigan.

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She said Michigan already is one of the best phone services marketplaces in the country, giving consumers some of the best rates.

"It's high time everyone can compete," Chappelle added. "Let the carriers duke it out . . . rather than (the commission) micromanaging rates."

Chappelle said the commission and its staff spent three years and thousands of hours considering, in one way or another, whether Michigan's largest local phone services provider also should compete for long-distance customers.

The company has been under commission orders to open its lines to local-service competitors.

Commission members said it's significant that SBC has lost 20 percent of its market share to other firms, indicating competition finally is working.

They said they will continue to closely watch SBC to make sure its progress toward opening up competition continues and there is no back-sliding.

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