

## Telecom law is strangling state's economy

### GUEST OPINION



**Diane Katz**

The Michigan statute governing telecommunications expires this year — and none too soon. As recent events demonstrate, state regulators have interpreted the law to maximize their power with remarkable impunity. As lawmakers revamp the statute in coming months, priority must be given to enacting strict restraints on this regulatory abuse. Otherwise, investors will continue to take their business beyond Michigan's borders.

As currently written, the Michigan Telecommunications Act authorizes the state Public Service Commission (PSC) to micromanage many aspects of telecom services, including rates, marketing and network access. As if emboldened by this considerable authority, the commission repeatedly has overstepped the limits of the law.

Regulatory abuse carries costly consequences for Michigan consumers and the state's economy. Telecom firms are understandably reluctant to invest in markets where regulators wield power arbitrarily.

The most recent example of such excess occurred Jan. 6, when Commissioners J. Peter Lark, Robert Nelson and Laura Chappelle declined to deregulate local telephone rates as prescribed by state law. Rather than employ the test for deregulation detailed in the Telecommunications Act, the commission instead based its refusal on little more than hearsay and conjecture.

SBC Michigan petitioned the Public Service Commission in October 2004 to declare portions of Wayne, Oakland, Ingham and Kent counties as competitive markets in which basic rate regulation should be eased. Despite all evidence that the markets are, indeed, competitive, the commission ignored its statutory obligation to declare them so.

In its ruling, the commission only agreed to ease price controls on business lines in portions of Wayne and Oakland counties, and only for a one-year "trial" period. Telecom providers will be required to submit quarterly reports on market share and other proprietary data to monitor the effects of market pricing.

This is one example of how evasive regulation has grossly distorted Michigan's telecom market and thus ill-serves consumers. Most regulated rates bear little relation to the actual costs of providing services. Service providers thus are forced to offset below-cost rates by increasing the prices of unregulated products and services.

Moreover, price controls actually impede competition by limiting the opportunities for new market entrants and the flexibility of existing firms. For example, SBC has waited more than two-and-a-half years for the commission to finalize a rate change. By keeping rates below cost, regulators leave little room for rivals to compete on price.

Gov. Jennifer Granholm repeatedly has stressed the need to attract investment to Michigan. Trailing in job creation and economic growth, the state cannot afford its reputation for regulatory overkill. In revising Michigan's telecom statute, lawmakers have a responsibility to rein in the commission to protect the state's economic health.

*Diane S. Katz is director of science, environment and technology policy with the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland.*