



MICHIGAN REPORT

SCHOLARS DIFFER ON PHONE ACCESS

The key to rewriting the Michigan Telecommunications Act will be determining what constitutes access to homes and competition in the industry, said two scholars with the Mackinac Center for Public Policy in a debate on the issue Thursday.

While both Diane Katz, director of Science, Environment, and Technology Policy for the conservative think tank, and Gary Wolfram, one of its founding scholars and an economics professor at Hillsdale College, agreed that the ultimate goal of the MTA should be competition in telecommunications, they disagreed whether there is competition now and how that competition is defined.

In a debate moderated by House Energy and Technology Committee Chair Rep. Mike Nofs (R-Battle Creek), Mr. Wolfram said the current MTA is doing what it was designed to do: providing competitors with access to the incumbents' networks until those competitors have sufficient customer bases to invest in their own networks.

Ms. Katz said the law is providing unnecessary price advantages to the wireline competitors that, when combined with competition from wireless companies, is hurting the incumbent providers.

In the next rewrite of the act, the state should step out of the way and allow the incumbent providers and competitors to work out

wholesale prices and terms of service, Ms. Katz said. She said the competition from wireless providers and new technologies like voice over Internet protocol would push incumbents like SBC to offer reasonable wholesale rates to be sure they are still bringing in some revenue from their infrastructure investment.

"The telecommunications market has been transformed not by regulation but by technology," Ms. Katz said. "These guys (incumbent providers) are bleeding market share."

Mr. Wolfram argued SBC and the other incumbents had no incentive to provide wholesale access to their networks without regulatory coercion.

"The value lies in being able to combine the billing," Mr. Wolfram said. "Who is the only provider that can do that? The local."

The incumbent local service providers would continue purchasing long-distance and wireless companies and combining with each other because customers are looking for the provider that can offer all of the services they want on a single bill, Mr. Wolfram said. The only way to prevent a return to monopoly control of telecommunications is to ensure there are other providers that can offer that same service.

And because it is not cost effective to try to reproduce the current system of loops to people's homes, he

said that would require forcing the incumbent providers to offer access to those loops, and to other parts of the network to smaller competitors, at the cost of operating those systems.

"The only way I can get customers is access to their house," he said.

And he said state law needs to ensure that access is there. "What the Legislature needs to do is place certainty into the market," he said. "Then the (competitive local exchange carriers) will have a viable business plan."

Mr. Wolfram said the incumbent providers are losing market share in the state only because they are required to provide access to competitors. He said competition from wireless is only partially accurate because the number of landlines has not decreased by the number of wireless lines added.

"Because of the way the technology works, I don't think they're as competitive with each other as they are complementary," he said.

Ms. Katz said that discounted access is not needed because people are moving not toward a single bill for multiple telecommunications services, but to a single service that does not necessarily require a traditional phone line. "The longer we focus almost obsessively on opening access to wireline, the less time we spend on working around it," she said.