

## Phone companies must have sensible regulation

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Consumer Talk

By Martin Cohen

Small business customers of SBC are in for an unpleasant surprise next month when they open their phone bills — a rate increase for local service averaging about 10 percent.

Meanwhile, residential phone customers just saw a small rate reduction on their bills.

How is it that rates for the same services could be heading in opposite directions? It's all about how we regulate — or don't regulate — phone service in Illinois.

A state law approved in 2001 froze small business phone rates for four years and then allowed SBC to set its own prices beginning this summer. And — no surprise — the rates went up immediately.

Unfortunately, business rates aren't the only ones that have jumped after being deemed "competitive." A 411 call to directory assistance, which was 35 cents just a few years ago, just went up to \$1.99 — without any guarantee that you'll actually get the number you seek.

"Local toll" calls, calls from about 15 to 40 miles away, used to cost less than 4 cents per minute before they were deregulated in 1996. Today, SBC charges 14 cents a minute — far more than most long-distance plans charge to call across the country, and even less than many international rates. And the list goes on.

It turns out that what the market will bear is rapidly increasing prices for a whole range of "competitive" services that were deregulated prematurely. And if it were up to SBC, residential phone rates would be headed in the same direction.

This past spring, the company pushed a bill in Springfield that would have ultimately deregulated local residential phone service. The state Senate approved the measure — over Citizens Utility Board objections — but the House of Representatives, led by Speaker Michael Madigan, "put a brick" on it.

The bill never made it to the governor's desk, so, for now, SBC's basic residential rates continue to be set by a regulatory plan that usually

produces small annual rate cuts to reflect increasing efficiency in phone technology.

SBC claims those regulations no longer are necessary — that competition from other carriers and other technologies, such as cell phones and Internet phone service, will keep local prices in check once the company is unleashed.

But true competition for the little guy hasn't gotten off the ground. Start-up and marketing costs are so high that alternative local providers go after only the biggest-spending customers, those who want all the bells and whistles and buy "bundles" of services. SBC remains the only game in town for the vast majority of residential phone users who want just the basics.

That's not to say there aren't exciting new services available to consumers. Cell phones and Internet phones are amazing technologies that some day may replace the plain old home telephone. But we're not there yet. Despite SBC's claim that cell phone service now is its major competitor, only about 4 percent of consumers have dropped their landline phone to go all wireless. Less than 1 percent have opted for Internet telephony.

And a recent FCC study has revealed that, rather than exercising new phone choices, more Illinois households are going without a phone of any kind.

Illinois leads the nation in declining phone penetration rates, and more than 1 million residents now have no phone service at all, neither landline nor cellular. That's twice the number of phoneless households of 20 years ago.

Statistics such as these should make Illinois even more wary of deregulating basic local phone service. Until a real market exists — one where competition leads to lower prices, not higher — we need sensible regulation to protect consumers and to keep the phone companies honest.

Marty Cohen is executive director of the Citizens Utility Board. His column appears the fourth Wednesday of the month. To contact CUB, call the consumer hot line at (800) 669-5556.

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