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Holding the line on phone rates

By Bill Newton Guest Columnist

With new jobs thin on the ground and the economic recovery shaky, this holiday season is going to be difficult for many families across Florida.

The last thing Floridians can afford is an increase in the base price of necessities such as telephone service. However, that's what will happen if Florida's largest local phone companies get their way.

BellSouth, Verizon and Sprint have proposed that the Florida Public Service Commission, known as the PSC, approve major increases to retail rates for residential phone service. A decision could come Monday.

Depending on where you live, your local phone bill could rise as much as \$7 a month this year, and increase by up to 20 percent each year after that.

That results in a lot of money flowing from Floridians' budgets into phone companies' pockets.

The rate increases resulted from legislation passed in Tallahassee earlier this year. In return for being allowed to raise local retail rates, local telephone companies have promised to lower access fees charged to long distance phone companies.

Supporters say the savings will be passed on to long distance phone customers and that the legislation will help boost competition statewide.

Whether or not supporters' claims are valid, there's a better way to save consumers money and increase competition.

The PSC should lower the "wholesale" rates paid by competitors to use parts of the phone network, known as Unbundled Network Elements, or UNEs, which they need to provide alternative local service.

The lower these rates, the more companies will want to compete in Florida, and, more competition will drive prices down for consumers.

Thanks largely to the PSC's decision to lower wholesale rates in September 2002, phone competition has started to take off in most parts of Florida. According to a study released

by the Consumer Federation of America, Floridians are now saving as much as \$450 million every year thanks to UNE-based competition.

However, these savings will disappear unless wholesale rates continue promoting vibrant competition and competitors can access the parts of the phone network necessary to provide service.

Federal rules regarding local phone competition were recently revised, and state regulators must decide which pieces of the network competitors should have access to, and how much they should be charged for that access.

The PSC is expected to launch proceedings to examine these questions soon. Their findings will decide the future of competition in Florida's phone markets.

The PSC should maintain wholesale rates at current levels, or lower them slightly, to ensure that Floridians will benefit from an increasingly competitive telecom market and keep more money in their pockets.

Moreover, a competitive marketplace is the best way to protect consumers from abuse. If a company holds a monopoly and knows its customers have nowhere else to go, it has no incentive to provide the best possible service at the lowest possible price.

The PSC must do everything it can to protect and promote competition during its upcoming proceedings. Florida's consumers deserve nothing less.

Newton is executive director of the nonprofit Florida Consumer Action Network, which is based in Tampa and has 40,000 members statewide.