



# Monopolies have to go: FCC

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**A**s anyone who has made an international telephone call can tell you, international calls are too expensive. The reason for this is simple: international telecommunications is still largely a monopoly service. The solution to this problem is, therefore, also simple - open international telecommunications to more competition.

Achieving this simple solution to a simple problem however, will be anything but simple. The good news is it can be done within the next few months if the major trading nations of the world have the courage and the vision to commit themselves to opening international telecommunications to fair competition. The forum for these commitments is the World Trade Organisations' Negotiating Group on Basic Telecommunications (NGBT) and its deadline is April 30, 1996.

One of the many responsibilities of the Federal Communications Commission (FCC) is to ensure that rates for interstate and international telephone services are just and reasonable. Traditionally, this has meant requiring monopoly service providers to charge rates for their service that recover their costs, plus a reasonable return on investment.

Increasingly, however, the FCC has relied on competition to ensure that rates for telephone service are just and reasonable. In the domestic long distance market, for example, competition has worked wonders. There are essentially no legal barriers to entry and the market share of AT&T, the largest long distance carrier, has fallen from more than 90 per cent to less than 60 per cent in the past dec-

ade. At the same time, AT&T has reduced its rates dramatically, but both its revenues and its profits have increased due to much greater demand for its services. The experience of the other US long distance carriers has been similar. Because competition is doing such a good job of regulating rates, the FCC recently decided that AT&T is no longer a dominant

carrier in the US. In many other countries, the monopoly is owned by the state. This is one part of the problem.

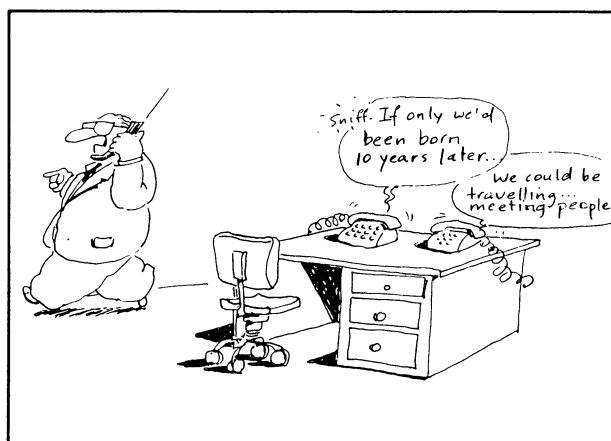
The other part of the problem is international accounting rates. Carriers that 'jointly' provide international services (say, for example, AT&T and Telstra) negotiate a rate that is supposed to reflect the end-to-end costs of service. But even the lowest ac-

counting rates currently maintained between a US carrier and one of its foreign correspondents has been estimated to be as much as two times actual cost. And the accounting rates system creates a cartel among the telephone carriers that has no incentive to reduce rates.

But there is hope that international telecommunications can be made truly competitive - not only in the few countries that have already liberalised this sector, but in the many more

countries that have not. In the NGBT, the US has offered to let companies from all over the world enter the US market to provide international service using their own facilities or by reselling the service of another carrier. In exchange, we have requested that the other major trading nations of the world do likewise. The introduction of multiple carriers on both ends of an international call will provide consumers the same benefits of competition that we have seen in the domestic market - lower prices, greater technical innovation, and better service.

The US Government, along with the Australian Government and others, is working to ensure that this negotiation reaches a successful conclusion by April 30, 1996. How will you know if we've succeeded? Check your phone bill late next year. □



carrier for domestic long distance service.

The domestic long distance market in the United States therefore, now functions much like the markets for goods and other services - an unlimited number of service providers may compete to serve domestic long distance customers in the US just as an unlimited number of auto mechanics and shoe manufacturers may do.

Further, as in the case of auto mechanics and shoe manufacturers, the US Government has put its faith in marketplace forces to regulate rates.

International telephone service is also open to competition in the US, as it is in a number of other countries, including Australia. In the vast majority of countries, however, international telephone service is still a monopoly. And, in virtually all of these