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Cox Communications gears up for next round of deregulation

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Janice Francis-Smith

The management at Cox knows the battle is not over. So they're gearing up for another round with the Oklahoma Legislature next session, when legislation designed to deregulate Oklahoma's telephone market is expected to resurface.

Unlike a number of other competitive telephone companies in the state, Cox does not lease any portion of SBC Inc.'s network in order to provide phone service. Therefore, Cox was less affected when the Federal Communications Commission ruled earlier this year that the rates at which resellers were leasing incumbent phone companies' networks were too low.

However, Cox has worries of its own regarding how a deregulated environment in the state would impact the company's business.

It depends on what's in the bill, said Dave Bialis, general manager of Cox's operation in Oklahoma. Last year, some attorneys who looked at the proposed legislation contended that it would have allowed SBC to charge new fees on Internet access, though SBC denied that was the case.

What we think is wrong is to eliminate the rules surrounding how we go from a monopoly to a competitive landscape, said Bialis. There is simply not that today, not in this market. There's two, that's it. And one is just starting - three or four years is really not that much.

What Cox fears is that without government regulation over pricing, SBC would drastically lower their prices in the portions of the state where the utility competes with Cox, make up the difference by charging more in areas where there is no competition, and then just wait until Cox runs out of money.

A \$5 billion company versus a \$40 billion company - who gets to last the longest? said Mark Trierweiler, vice president of government relations and public affairs for Cox. If we don't have the staying power to withstand that kind of pricing strategy, then nobody does. And if Cox goes away, who provides the pricing discipline to keep the prices moving down?

SBC officials have repeatedly denied that the company would engage in any predatory pricing practices should the telephone utility's ability to set prices be removed from the oversight of the Oklahoma Corporation Commission.

The sheer fact that they could should be a concern, countered Bialis. It's not that they would, but they could, and they may. Why would you allow that possibility in a newly competitive market? Is that paranoia? I don't think so. Not when we're dealing with the size company we're dealing with and the history.

Though supporters of deregulation point to the Broadband Parity bill as the reason why the price for DSL Internet service has dropped significantly over the last few years, Bialis noted that SBC offers DSL service for the same price in several states that still regulate broadband.

Bialis also denied that Cox is free to operate however the company wishes in Oklahoma. Before changing rates, Cox has to file justify the rate change with cost studies submitted to the commission. According to a study Cox conducted, the turnaround time on tariff approvals over the last two years has been 107 days for Cox and 73 days for SBC, he said.

If there are problems with rules, problems with Bell being able to react to a competitor, then that should be looked at, said Bialis. But no rules doesn't get you there - not when you have 90 percent of the state with one provider with an 80-year head-start that's invested hundreds of millions of dollars - If the issue is make (the rules) the same, make them the same. Fine. But that's not what the bill says. The bill says no rules.

Lack of regulation in the telephone service arena might deter other companies - or even Cox's corporate office in Atlanta - from further investing in Oklahoma, added Kym Koch Thompson, Cox spokesman.

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