# What They Say . . . Versus the Facts

- They Say . . .
  - ". . . we're looking out for all consumers."

- The Facts are . . .
  - $14 billion in excess profits came from overpriced access charges in 1996
  - A "Hidden Tax" of $6 dollars on every consumer every month
  - Cash flow margins of 40% or more -- the highest of any legal industry in America

# What They Say . . . Versus the Facts

- They Say . . .
  - "Local phone companies give AT&T and MCI $9 billion in access charge discounts [over six years]-- but consumers don't get the savings."
- The Facts are . . .
  - In the last 6 years, long distance price declines have saved consumers over $51 billion
  - According to the FCC, long distance rates fell twice as fast as access charges from 1992-1995*

*FCC, "Telecommunications Industry Revenue," December 1996

# What They Say . . . Versus the Facts

- They Say . . .
  - Long distance rates have risen from 1989 to 1997
- The Facts are . . .
  - Since 1984, long distance rates have fallen more than 70 percent in real terms. They fell 6.2 percent last year alone
  - According to the FCC, long distance rates declined 19 percent between 1992 and 1995*

*FCC, "Telecommunications Industry Revenue," December 1996

# What They Say . . . Versus the Facts

- They Say . . .
  - "There's no real competition among the three major long distance carriers. . ."
- The Facts are . . .
  - Since 1984, AT&T's share of the long distance market fell from over 90% to 53%
  - MCI's share grew from 5 to 18%, Sprint from 3 to 10%, WorldCom from 0 to 5%
  - There are over 700 long distance companies
  - Consumers switched long distance carriers an estimated 50 million times last year

# What They Say . . . Versus the Facts

- They Say . . .
  - "When it comes to investing in the local network, America's local phone companies have been doing our fair share. . ."
- The Facts are . . .
  - ". . . local phone companies [are] taking guaranteed profits of their monopoly base and leveraging that cash flow to build up unregulated businesses."
  - "In the last several years. . . no new net investment in the network"

Consumer Federation of America, "Excess Profits and the Impact of Competition on the Baby Bells," 9/96

# What They Say . . . Versus the Facts

- They Say . . .
  - "MCI is on record downplaying 'the prospects for increased investment in local telephone networks.'"
- The Facts are . . .
  - MCI has invested $1 billion to offer local service
  - We'll invest $700 million by the end of this year, more if the regulatory conditions are right, to provide business and residential customers local service in over 30 markets around the nation

# THE LOCAL PHONE MONOPOLIES HAVE A STRATEGY TO KEEP THEIR MONOPOLIES FOR AS LONG AS THEY CAN.

## HERE IT IS:

### 1 Tighten Your Grip on Monopoly Profits

Local phone monopolies are among the most profitable companies in the world, with cash flow margins of 45%. That's the highest of any legal industry in America and far more than twice that of the long distance industry. They can be so profitable because they collect unjustified subsidies from you — subsidies called access charges — totaling $14 billion in 1996 alone.

### 2 Hide Your Monopoly Profits Behind Mushy Appeal. Say You're on the Side of Ordinary Consumers

But just say it. Don't actually do it. According to the Consumer Federation of America, instead of reinvesting their guaranteed profits back into better local service or an improved local network, they've made "no new net investment" in the local network.

### 3 Say That Long Distance Rates Have Gone Up and Hope that People Don't Remember What Has Happened in the Last 12 Years

Since 1984, average long distance rates have plummeted by 70%. And, according to a recent report by the FCC, long distance rates declined 19% between 1992 and 1995. They even fell another 6.1% in 1996.

### 4 Say That the Long Distance Companies Haven't Passed Along Access Charge Reductions

Hope that the public ignores the FCC, which points out that average long distance rates fell twice as fast as access charges between 1992 and 1995. Also hope that consumers don't find out that competition in long distance has saved customers over $51 billion since 1991.

### 5 Say That There's No Competition in Long Distance and Hope No One Laughs

By any reasonable measure (prices, choices and service quality), the long distance market is marked by dog-eat-dog competition. Today, there are over 700 long distance companies vying to serve you. Last year consumers exercised their right to switch their long distance companies an estimated 90 million times. At the same time, local monopolies still own about 99% of the local market.

### 6 Say That MCI Isn't Interested in Investing in the Local Network

Ignore that MCI has already invested $1 billion to offer local service in 35 markets in 20 states and will invest another $700 million by the end of the year (even more if the regulatory conditions are right), providing service to both business and residential customers in over 30 markets in 23 states. Over the past several years MCI has also invested about 120% of its cash flow (compared with about 67% for the monopolies) in its ongoing business.

### 7 Try To Argue MCI Doesn't Want To Compete in Local Markets

Who do they think invented competition in the telephone industry? MCI had to win every customer it has. And we intend to win residential and business customers for our local service all across the country. Meanwhile, local monopolies stall and delay at every turn, filing in federal and state courts to stop true competition.

### 8 Don't Let Your Customers Take This Simple Test

Whatever you do, don't ever say: Raise your hand if you can change your local telephone company.

**MCI's Strategy, on the Other Hand: Competition. It's Worked Before and It Will Again.**

MCI

http://competition.mci.com

# Access Charges Are Excess Charges.
# But don't take our word for it.
# On January 29th here's what the FCC heard.

"The Commission should order an immediate cut in access rates—a down payment on access charge reform . . ."

Competition Policy Institute

"If the Commission leaves to market forces the imposition of efficient access prices, it is likely that the incumbent [local telephone companies] will continue to earn billions of dollars in excess profits and recover billions of dollars in inefficient investment."

AARP,
Consumers Union,
Consumer Federation of America

"...interstate access charge reductions in excess of 50% should be achievable over the next few years without any transfer of costs to local service."

New York State Department of Public Service

Then there's what we've said: Local telephone monopolies are reaping billions of dollars in unjustified subsidies that they collect under the guise of beginning and ending your long-distance telephone calls. Those subsidies come straight from your pocket. When overcharges for access are eliminated, we'll pass on the savings to you.

Now consumer groups and public utility commissions from states like New York, Texas and Florida have all sent the FCC the same message: Order the reduction of inflated access charges. Starting right now.

MCI

http://competition.mci.com