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A Case For Raising Our Phone Rates

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By Mitchell Moss

The telecommunications infrastructure of New York State - the system of wires, ducts, computers - and telephone lines that process and move information is critical to the economic future of the state.

Every aspect of the state economy, from manufacturing to mass media, from health care to hotels, from retailing to air travel, makes extensive use of telecommunications technology to serve customers, manage inventory, and expand into new markets. New York's preeminence as an information state is underscored by the fact that nine of the 10 largest private employers either are major users or developers of advanced communications systems. Almost two-thirds of the state's total private employment is in information-intensive industries, and those jobs are around the state, from Buffalo to Brooklyn.

Advanced telecommunications systems are especially important in an era of global economic competition. The telephone has replaced the port as the state's link to the rest of the world. As a study by the New York City Partnership showed, more than 35 percent of all international calls originate in the city. Furthermore, new telecommunications systems make it possible to locate offices and manufacturing plants in geographically remote areas of the state that desperately need jobs and economic investment.

Unlike the system of roads and highways - the transportation infrastructure

- which is built by government, the design and financing of the communications infrastructure is the responsibility of the private sector. The state Public Service Commission determines the rates New York Telephone can charge its customers, and those rates provide the revenues for new investment in the state's telecommunications infrastructure.

The PSC recently approved a \$250 million rate increase for New York Telephone, the first increase in five years. However, that is just a first step if our telecommunications infrastructure is to remain competitive.

During the past few months, the highly-publicized problems with NYNEX and New York Telephone were used to justify a policy that will hurt the state's position as a magnet for telecommunications-intensive firms. While it is essential to correct wrongdoing and prevent future occurrences, the PSC must distinguish between the need for internal management reforms to prevent future abuses and the vital role telecommunications play in the economic life of the state.

For businesses across the state, telecommunications no longer is just an expense of doing business, it is an essential ingredient in a firm's operations, strategy and growth potential. In an age of government cutbacks, telecommunications systems will become even more important as a way to provide health care in rural areas, share specialized teachers through televised courses, and substitute teleconferencing for travel.

New York has ample evidence of what occurs when we fail to maintain and modernize our public infrastructure. Bridges collapse, water mains break, highways rot. We cannot afford to allow a similar process of disinvestment to occur in our telephone infrastructure. Yet, this is precisely what will happen unless the PSC approves additional telephone rates for business and residential customers. Without further rate increases, the telecommunications network gradually will lose its capacity to provide the sophisticated services required in today's information economy. As a result, small firms will become less competitive, large firms will move elsewhere, and small towns and outlying communities will not be able to attract jobs and industry.

Raising telephone rates is not a fashionable cause, but it is a necessary and appropriate step to assure the economic well-being of the state. No one should diminish or excuse the unethical behavior of NYNEX employees, yet we cannot

treat telephone rates as a political football. The PSC must recognize that investment in telecommunications is crucial to economic development, and an inadequate telephone system brought about by insufficient rates would be a sure path to economic decline.

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