

The Alternatives?

Ameritech's service problems boost local telephone options.

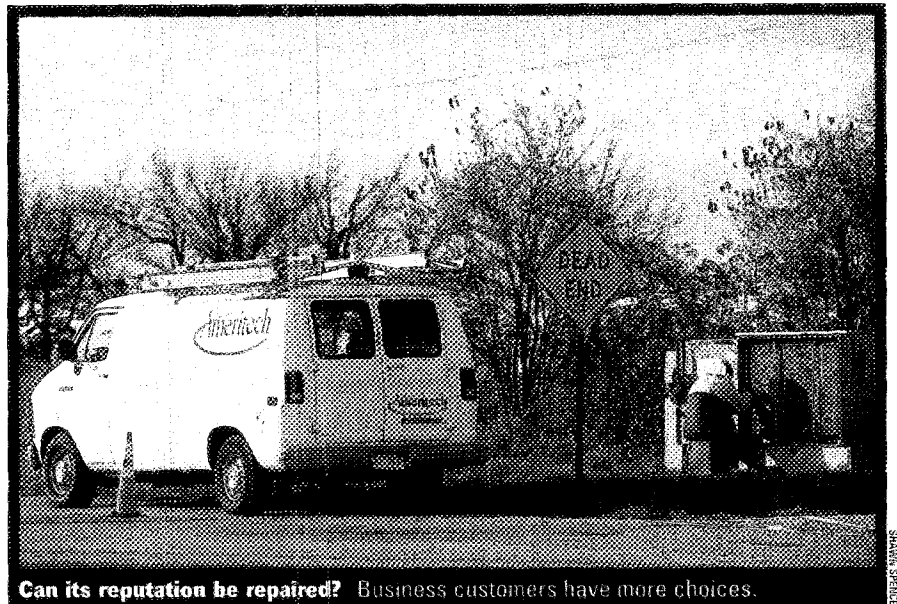
BY BILL BECK

Race fans heading home after the first U.S. Grand Prix at the Indianapolis Motor Speedway in September may have been startled to see long lines of telephone trucks driving toward the capital city. The trucks contained the first wave of hundreds of Southwestern Bell Communications/Ameritech technicians dispatched to Indianapolis and surrounding areas to repair the company's crumbling infrastructure and its reputation in Indiana.

SBC/Ameritech, a 1999 merger of the two Baby Bells serving telephone customers from Ohio to Texas, faced a public relations nightmare in the Midwest this fall when customers in Indiana, Illinois, Wisconsin, Michigan and Ohio had to wait weeks for telephone repairs or to have service connected.

Utility regulatory commission chairmen from five states gathered in Chicago in late September to blast Ameritech for its service record. William McCarty, chairman of the Indiana Utility Regulatory Commission, threatened to take action against the successor to Indiana Bell if it didn't make improvements.

If events of this past fall are any indication, service problems are the Achilles heel of utility deregulation. So given that reality, where can Indiana businesses go to get



Can its reputation be repaired? Business customers have more choices.

alternative telecommunications services?

ILECs AND CLECs

"The truth is," says David Dawson, executive director of the Indiana Alliance for Telephone Choice, "right now, business people have more alternatives than residential customers do."

The alliance is a coalition of telecommunications providers founded in 1998 to protest the merger of SBC Communications and Ameritech. "We felt that the merger was not going to be in the best interests of Indiana consumers," Dawson says. "We believe the merger made

competition a more remote possibility in Indiana."

Dawson explains that under telecommunications deregulation, SBC/Ameritech is what is known as an ILEC, an Incumbent Local Exchange Company. New entries into the local telephone markets—including Midwest Telecom, Teligent, Adelphia and others—are called CLECs, or Competitive Local Exchange Companies.

Long-distance service has been open to competition since the late 1980s. But local service, which is dominated by SBC/Ameritech in Indiana and the Midwest, is governed by the 1996 Telecommunications Act



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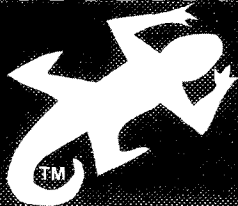
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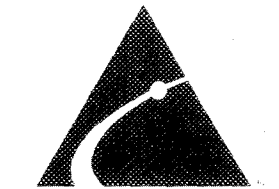
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and is only now being opened to competition.

Large businesses do have alternatives to SBC/Ameritech for local telephone service because they have the size to make it worthwhile for a CLEC to serve them. Similarly, businesses that are located in office parks or downtown office buildings typically have alternatives.

But Dawson notes that home-based businesses and residences are pretty much stuck with SBC/Ameritech. "It's not easy for home-based businesses to switch," says Dawson. "You have no options. You almost have to be in an office where lots of lines are coming in. For a home-based business, you're out of luck."

There are more than 300 CLECs nationwide, and at least 100 currently certified in Indiana. According to James Smutniak, general manager of Midwest Telecom in Merrillville, "all CLECs must interconnect with ILECs." The way a CLEC provides service, however, can differ greatly.

"You can locate equipment inside a SBC/Ameritech central office," Smutniak says. "And then you contract to provide copper service between that central office and the customers."

The second way a CLEC provides service, Smutniak explains, is to contract with SBC/Ameritech through an IURC-mandated resale agreement. Resellers like Midwest Telecom buy SBC/Ameritech local exchange service on a wholesale basis and then resell that service to customers at retail.

Midwest Telecom started in 1992 in Crown Point and later moved to Merrillville. The company serves local telephone customers statewide, but is best known in northern Indiana. "We were started by a group of industry executives," Smutniak says. "It was started as an adventure, and nine years later, here we are."

Smutniak says he thinks that SBC/Ameritech is engaged in a pretty massive effort to tie many of its customers to three- to five-year contracts. "I talk to customer after customer who have unknowingly signed long-term contracts," he says. "That shows me that SBC/Ameritech

does not want to open the market to competition.”

If resellers such as Midwest Telecom are having difficulty cracking SBC/Ameritech's local-service stronghold, then the San Antonio-based telecommunications giant might be more concerned about the competition from facilities-based providers.

In essence, facilities-based providers own and service their own switches and networks. And increasingly, those switches and networks

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are either glass-fiber-based or fixed-base-wireless systems. As such, they can provide local-service business customers with local voice, long-distance and high-speed data transmission—all on one bill.

Pete Miller, the Indiana general manager for Adelpia Business Solutions in Indianapolis, is building a \$25 million glass-fiber network throughout the state that will initially serve local business customers in Indianapolis, Fort Wayne, Elkhart, Goshen and South Bend.

“We can offer customers a switch, local voice, long distance, high-speed Internet and frame relay capabilities,” Miller says. “And we’re offering actual service on our own network.” Adelpia, which is owned by a 50-year-old Pennsylvania cable-television provider, early this year opened offices in Indianapolis and Fort Wayne, where service will become available next spring.

Another local-service competitor is

Teligent. Headquartered in St. Louis, Teligent offers service through a fixed wireless base. Essentially, Teligent delivers broadband services over its local networks by placing small antennas on the rooftops of office buildings. Those antennas

send digital voice and data signals to a Teligent base station, which routes the signals to a Teligent broadband switching center.

Not surprisingly, Teligent, which has 34,000 customers nationwide and is a recent arrival in Indianapolis,



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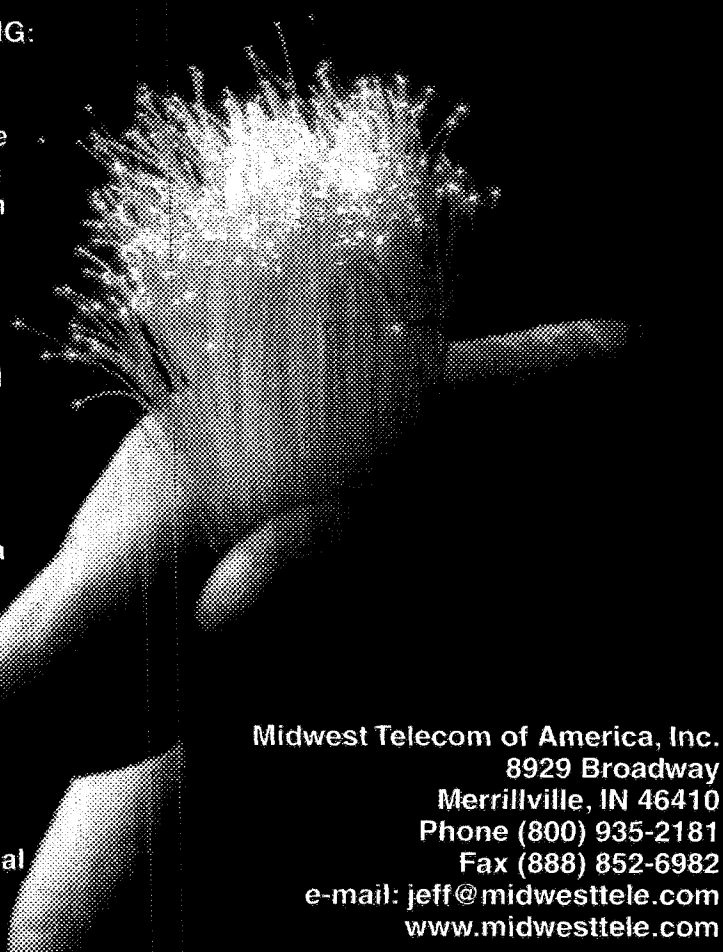
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makes it a point to develop personal contacts with the managers of all of those suburban office buildings that front the interstates in metropolitan Indianapolis.

Teligent, which built a multimillion-dollar, state-of-the-art switching facil-

ity near the Indianapolis International Airport, touts its reliability and price advantages to business customers. "We'll save them 20-40 percent over other local exchange companies," says Marc Zucker, sales manager for Indianapolis and Cincinnati.

GETTING BACK ON TRACK

And what of SBC/Ameritech? "We're right on the cusp of having service levels back where they need to be," says Mike Marker, Ameritech Indiana's Indianapolis spokesperson.

SBC/Ameritech realized earlier this year that it had allowed its workforce levels in Indiana and the Midwest to dip too low, as a result of retirements and a hiring freeze during the merger. Many of those retirements involved technicians critical to keeping the system running. All the while, the number of installations and repair requests kept rising.

"Last year," Marker says, "Ameritech Indiana installed more phone lines than at any time in its history. In the last five years alone, nearly 20 percent of the company's phone lines have been installed."

Marker says Ameritech Indiana has responded to the workforce problem. Parent SBC/Ameritech deployed resources into Indiana beginning in mid-September, and Ameritech Indiana is in a hiring blitz. The company is growing its all-important network organization, including technicians, construction and engineering personnel. "The network organization overall will have grown by 25 percent this year," Marker says, adding that Ameritech Indiana will be doing additional hiring in 2001.

This past summer, Ameritech Indiana reached 20,000 pending orders for both repair and installation. In the first week of November, the company had 8,441 pending repair and installation orders, according to the IURC.

Ameritech Indiana's goal is to respond within five days on pending installation orders, and on no-dial-tone service repairs within 24 hours. The company spent \$90 million on its fiber-optic network in Indiana last year, and its Project Pronto is an ambitious plan to make DSL widely available in Indiana and the Midwest over the next 12 to 18 months.

As the reigning ILEC in Indiana, Ameritech Indiana may yet prove to be a formidable competitor to all of those CLFCs moving into the state. ■



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