

Call America Reinvents Itself

By Dan Logan
January 2002



Call America—Part I

The California telecommunications industry is a forest of big, entrenched telecommunications companies and powerful but slow-moving government agencies. In this forest, can small telecommunications companies find patches of sunlight where they can thrive?

Several are betting they can, among them Jeff Buckingham, 43, who is in the final stages of re-launching Call America, a San Luis Obispo company he originally co-founded in 1983. He sold Call America to GST Telecommunications in 1996; GST went bankrupt in 2000 and was bought by Time Warner Telecommunications.

With almost 20 years in the telecommunications industry and as a former president of Caltel, the California Association of Competitive Telecommunications Companies, Buckingham is informed, opinionated and entertaining. Silicon 2.0 profiled him in October, 2000, when he was focusing on ranching. Not long after he deemed the time right to start a new telephone company. Call America received PUC approval for his new company on November 29, 2001. He expects to start signing customers in February.

Silicon 2.0 writer Dan Logan got together with Buckingham in mid-November at his office in San Luis Obispo to learn more about the second incarnation of Call America.

This is the first part of a two-part article that will show how entrepreneurs are working to make a place for themselves among the large phone companies.

S20: Jeff, what services do you plan to offer at Call America?

[Call America will be] a facilities-based Competitive Local Exchange Carrier (CLEC), which is pretty much the highest level of certification to be a phone company. The only thing that's higher is if you're going to start digging up streets. We don't need to do that. Up until a few years ago, if you had CLEC authority, you automatically had the authority to dig up streets.

The market Call America will address is similar to what we addressed before, but it will have different products and services. Most businesses in San Luis Obispo [county] don't have qualified telecommunications managers—they're too small for that. And that was the role Call America played, we were kind of a trusted friend to help them make those decisions. And we happened to provide a lot of services. But if we don't provide them, we'll tell them who does.

S20: The telecommunications industry seems to be hurting at the moment. Why do you think there's room for small phone companies in the market right now?

[A] window is opening up which will allow companies to go out and offer real telephone services—not just resell Pacific Bell services, but take the pieces similar to Pacific Bell's. You can also take those components and develop products that are different than Pacific Bell offers. Different combinations of pricing, calling areas, you name it, you just have to use the economics, listen to your customers and provide the services.

S20: Why is this window opening?

Even since the Telecommunications Act of 1996, [companies have been allowed to] resell Pac Bell services. But that model really does not work. I don't know of any company that resells Pac Bell services that considers it a successful model for the long run. They do it as a stopgap, as a short-term measure, to augment something else they do, but as a business in itself it won't work. The gross margin is only 17 percent.

S20: So the Telecommunications Act was the regulatory leverage you needed?

To me, the opening of the UNE-P window in California is the beginning of local telephone competition. UNE-P, which stands for unbundled network elements—platform, is part of the Telecommunications Act.

The FCC and the California Public Utilities Commission are involved in UNE-P. The FCC paved the way. California has set its own rates and generally been more on the pro-competition side than the FCC, but less competitive [from a pricing standpoint] than many states.

For example, there is UNE-P in New York, Illinois, Texas. In those states the percentage of the market that the Bells hold is noticeably less than in California. It's still way above 80 percent, but it's noticeably less than in a state like California, where they've thwarted competition.

I'll tell you, we are on the verge of a renaissance of small telecommunications companies in California. And part of what's going to drive that is the PUC has stated that probably by the end of the year, it will force Pac Bell to align UNE-P rates with where they ought to be. To give you an example, they're 8-11 times higher in California than in Texas. UNE-P is available in California now but the rates are such that only business services make sense. Residential will not work under the current rates.

S20: What does UNE-P do?

One thing we fought for as an industry was [for you to be able to] take all the pieces that comprised telephone service and buy them from the phone company at mandated rates. And you could buy some of the pieces, or all of the pieces. The phone company didn't object to our being able to buy some of the pieces, but they really didn't like us to be able to buy all of the pieces.

S20: So, if the UNE-P rates drop, will the small competitors be in the clear?

Monopolists like the regional Bell operating companies (RBOCs) will do just about anything to protect their privileged status,

[S20: The Tauzin-Dingell bill, H.R. 1542, a bill that would give the RBOCs the authority to offer certain data services before they are authorized to offer long-distance voice service, is a focal point in the telco struggle. The vote on the bill will not occur till March or later.]

Take the Tauzin-Dingell bill, which is supported by all the Bells. They're promoting it as a pro-competitive bill, which is a big, fat lie.

Apparently Tauzin Dingle would eliminate some unbundling requirements [although] it does not directly eliminate UNE-P. [But] let's be clear, there is no place for UNE-P in a Bell "dream world."

What do you see as Call America's progression toward success?

In a place like San Luis Obispo, for there to be telephone competition, the way it has to happen—there's only one infrastructure out there, and competitors have to be able to access that infrastructure and build a customer base. Once the base is built and the revenue is flowing, then they can start to design their own ways to provide the service and move off the monopoly business. But until that happens, there is no business.

Of course, the monopolists argue that [the competitors] not [real businesses] because they're not building real stuff. We refuted that argument in the long distance business where we started out reselling AT&T services and using their pieces to build our own network. Later, once we had a demand, there was an entire structure that was overbuilt many times, and there are many, many legitimate competitors.

It has happened on the long distance side. It hasn't happened on the local side because the Bell companies are incredibly good at lobbying the government agencies to prevent any kind of competition.

S20: What would be your prescription for a competitive telephone market?

[Senator] Fritz Hollings (D—South Carolina) is planning a bill that will force structural separation of monopoly companies nationwide. That's what needs to happen—where the monopoly infrastructure is actually owned by a kind of nonprofit company that operates on behalf of everybody that uses it, and Pac Bell and other companies would buy from that company just like Call America would. They would have to compete in the marketplace for business. That scares them to the core.

Frankly, I think the chance of Hollings passing such a bill is pretty small; but it sends a message to them, they'll have to defend themselves.

S20: How is it possible to function at all if you're at the mercy of Pac Bell?

[Call America] earned the respect of the people who worked with us at Pac Bell. The [people we dealt with at Pac Bell] knew we were an honest company, doing a good job and even though the rest of the company was out to kill us—they took care of us, so part of what we have to do as a group is find these people at Pac Bell. And work with them and get ourselves positioned so we're getting the right kind of service.

S20: Seems kind of scary to be reliant on Pac Bell for infrastructure.

I think the important factor isn't who controls the infrastructure, it's who controls the product. That's what has an impact on the customer's experience in using the product.

If we can't control that product, if the customer needs something done and we can't get it done, then we have a problem.

With the underlying elements from Pac Bell, we can control [the products] electronically. For carrying long distance we're going to work with a friend of mine—really the last privately owned long distance company in California, so we matter to them.

S20: Is there any competition besides the RBOCs?

Some of the biggest companies were able to downsize themselves enough to be profitable and start growing again, such as Time-Warner. And a lot of other small companies are making money regionally that you don't hear of.

S20: What will the California telephone industry environment be like?

I think there'll be a lot of small, competitive CLECs. In Texas right now there's a ton of them and I think it's going to generate a lot of activity, and it's going to be good for customers in small towns.

Call America—Part II

Dan Logan
P.O. Box 899
Cambria, CA 93428
805.927.4818
805.927.0515
HeyDan@danloganbooks.com

In the first part of our interview with Jeff Buckingham in the January issue, Buckingham gave his views on the current telecom environment in California. In this concluding part of the interview, Buckingham describes the Call America he wants to create, and how he will attempt to grow and prosper where some adventurous entrepreneurs are fighting for elbow room with the large phone companies.

S20: Why did you sell the first Call America?

I never wanted to sell Call America the first time, but I thought I had to. In retrospect, we probably would have survived, though it would have been painful to get to the window that's opening now.

My plan was always that when [this window opened], I [would] start another company. I figured I'd have a lot of money to do it myself and have fun doing it. In the meantime, GST went bankrupt, and it hurt us pretty bad financially. [My wife and I] couldn't finish our house and we're living in a mobile home out there at the ranch—and we're perfectly happy doing that.

S20: What will Call America offer?

The products we're actually going to offer are local telephone services, which is something we really couldn't offer before. We did package some Pacific Bell services, but that was only something we did to help customers out, it wasn't a core part of our business.

And we'll also offer long distance services, which is still a fine business to be in, but it's not a business where the revenue stream can sustain a business any more because the dollars spent on long distance calls are so much smaller.

S20: Who will be Call America's typical customer?

Our target customer is somebody who has a business, understands how to run a business, and appreciates the fact that someone is willing to go the extra mile for them, and is willing to work with us, and not demand that everything be tested for two years before they try it.

[At Call America] we were willing to do a lot of things on a one-time basis. But when you build variability into the model, you make mistakes. We would say, look, we'll try stuff with you, but we'll make mistakes. Just give us a call, let us know, and we'll always be fair. Just always understand that we haven't tested all these things. And most people were able to understand that. Every now and then I had someone call up and cancel.

For instance, we were the first company to offer one phone number for in-state and out-of-state [800 numbers]. And we did that by combining the usage in another city and piping it all back to San Luis Obispo. People were having two 800 numbers because of jurisdictional requirements of the FCC and PUC.

S20: What will the new Call America be like?

What it's really called is a lifestyle company—people like to work there, customers like being part of it. We're not trying to get anywhere except to continue to grow and to be financially viable, and to do a good job for our customers.

The great life I want to live is growing a company in a small town with people I love. Friends stop in to chat with you, everybody's connected. That's the kind of life I want.

This time, I would like to work with this company as long as I'm in the working world. I tried retirement and it didn't work for me.

As long as you make a living, that's all that really matters. You don't have to go for the big score. The Big Score doesn't make day to day life pleasant. If you have a guy who comes in a suede suit, a fancy car and throws a bunch of money on your desk and tells you he can make your life great—we've already lived that nightmare.

S20: Which regions will Call America serve?

Initially, San Luis Obispo county.

S20: Will you offer service in Santa Barbara County, as the original Call America did?

Unfortunately, Santa Barbara is served by Verizon, and most people who work with Verizon are aware of that situation and how bad it is for everybody involved. Verizon has a model that won't work [for companies that want to resell Verizon services]. Not only that, they're so uncooperative, you can't even find out what the pricing is. Nobody I know has the rates.

We're trying to pressure the PUC to force Verizon to step up to the plate with everyone else in the industry. They've been amazingly good at hiding out and not stepping up to the plate to open their markets to competition.

Sooner or later they're going to have to. It's going to happen. When that happens, yes, we'll be in Santa Barbara. We also had a tremendous business in Monterey and Salinas and we have a lot of contacts up there, people who want to work with us.

S20: Will you offer cell phone service?

Cell phone service is one of the things people ask us to provide. It's almost always because they want us to sell it to them cheaper. That doesn't really add a lot of value to the proposition.

S20: What about other small phone companies? Will they sprout like weeds?

In California, [there are] only two that I know of all my friends that didn't sell their companies. And they're both still in business and looking at UNE-P [unbundled network elements—platform] and other methods to provide local telephone service to their customers.

There are a number of people who are starting companies that are going to do things similar to Call America or are thinking about it. We're all trying to work our way through the maze, because Pac Bell creates a maze with the intent of slowing you down as much as possible, and our goal is to get it done as quickly as possible. I've been publicizing all this and helping these guys, then they get some new ideas and help me, and we all work together to build a new industry.

I think we'll see a lot of small companies providing service. I think there will be a number of small companies even on the Central Coast, beating for customers.

S20: Will you work with any of these small competitors?

[We'll] find every possible advantage we can. It's a matter of making good deals with other suppliers of services.

My view has always been there's lots of opportunity. If I'm not the right guy to be serving them, I think it is fine [to recommend someone else].

We want to try to find ways to work with them to serve our common customers. My view has always been that there are plenty of potential customers, and we don't have to stomp each other.

The kind of companies I like to work with are the companies that I can call the president at 11 on a Saturday night and say "I have a problem, here's what's going on," and he's glad I did.

Hopefully, [UNE-P] will open the window, so that smaller companies can get started again in California, buy local service, build a base of business, then continue to service their customers. Once you have those bases built, companies are going to get very innovative about holding onto those customers, and finding ways to serve them with additional services.

S20: Does Call America and other small telcos stand a chance against the big telcos?

In California, with this happening I predict that we will see Pac Bell and its parent company SBC in a similar position to where AT&T is today. They've lost more than half their market share. They're really too big to adequately serve a customer.

Anybody who has to deal with a big company these days...it's pitiful. [Those companies] got big in an effort to protect themselves from competition, but in doing so they distanced themselves from their customers.

Pac Bell--here's a company that never has to worry about where the next dollar is coming from. They would actually have to make a living like the rest of us do. It terrifies them.

S20: What has been the reaction to the Call America restart?

Old employees have been calling and volunteering their services till Call America gets off the ground, telling me, "I get can't seem to get beyond this Call America thing."

E N D