State of Connecticut

Office Of Consumer Counsel

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Connecticut General Assembly

Energy & Technology Committee, March 7, 2013

SB 1036 - An Act Concerning Telecommunications Service

OCC Testimony

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Energy & Technology Committee

SB 1036 An Act Concerning Telecommunications Service

OCC Testimony, March 7, 2013

The OCC testified before the Energy & Technology Committee on February 21, 2013 in opposition to **RB 6402 "AAC Modernizing The State's Telecommunications Law**," (The Telephone Deregulation Bill).

The bill in question in this testimony, **SB 1036 An Act Concerning Telecommunications Service**, described as being "to determine the feasibility of modernizing telecommunications service," adopts one of several recommendations of the OCC in its testimony on RB 6402, the Telephone Deregulation Bill. Thus, the two lines of this bill presents a possible solution to the severe problems presented in RB 6402. The OCC will therefore present testimony on how the solution presented by this bill *may* help resolve the problems identified in the Telephone Deregulation Bill, RB 6402.

The OCC continues to believe, however, that allowing an ongoing FCC proceeding to thoroughly examine the issues presented by the Telephone Deregulation Bill and issue a national solution is the General Assembly's best course of action.

The OCC strongly opposes a legislative fiat declaring that the only providers of basic wireline telephone service in this state, the two telephone companies, will be granted the authority to terminate their service with mere notice to PURA, or to operate without quality of service standards or penalties. For most of the provisions of this bill to merit passage, actual competition in the market must exist, not merely in claims of the telephone companies, or because a state law has decreed its existence.

There has been no factual demonstration that there exists competition, i.e., actual alternative providers of basic wireline telephone service active in the Connecticut market. In the absence of actual competition, terminating an essential telephone service for nearly one million consumers will leave them with no phone service. The removal of quality of service regulations will allow provision of poor quality service without competitive pressure to regulate bad behavior. The lack of a regulatory process for protecting consumers such termination of service or dismissing service quality

standards in the absence of effective completion, is completely unreasonable and will spell disaster for many customers and the market itself.

AT&T filed a Petition with the FCC on November 7, 2012, outlining their plans to "clear away the regulatory underbrush" governing the company's older landline and DSL networks. [1] The OCC's primary suggestion to the Energy & Technology Committee in opposing the Telephone Deregulation Bill was for the state's General Assembly to step back and allow the ongoing FCC proceeding to thoroughly examine the issues presented by this bill and issue a national solution. This was requested of the FCC by AT&T and is a result clearly preferable to 50 states each enacting their own piecemeal versions of a transition plan to new telephone technology. The FCC has accepted AT&T's petition and that docket is proceeding apace in Washington, D.C. with input from dozens of stakeholders from across the United States.

As a second-best solution, the OCC suggested that because there is nothing in the record before the General Assembly to substantiate the telephone companies' claims as to the "robust competition" pressuring their core basic wireline service in the Connecticut market, PURA should initiate a contested-case investigatory docket to study this and other crucial market issues affecting the feasibility of modernizing telecommunications service before the General Assembly takes any action without objective evidence. For example, the circular logic of the telephone company claims is demonstrated by their contention that service quality standards are no longer vital . . . because of their claim that the market is competitive, and thus that consumers have a multitude of choices for services and providers.

By utilizing the experts and procedures of the state's utility regulatory agency, the General Assembly will allow all interested stakeholders to participate in developing an objective evidentiary record that will substantiate future decisions based on presumptions of competition and how best to address the inevitable change of technology presently occurring for telephone service in the industry.

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[1] AT&T *Petition to Launch a Proceeding Concerning the TDM-to-IP Transition* (filed Nov. 7, 2012) (AT&T Petition) http://www.att.com/Common/about_us/files/pdf/fcc_filing.pdf

While allowing the FCC to make these determinations on the national level is the best solution, **SB 1036** is a better solution for the General Assembly than merely issuing a legislative fiat declaring that there exists robust competition for wireline basic telephone, thus allowing for termination of that service by the two telephone companies, accompanied by an elimination of all service quality standards. If passed, the Telephone Deregulation Bill will gut the state government's ability to ensure safe and reliable service for landline phones used by thousands of its citizens. At the least, provisions should be required to be part of the legislation providing for adequate lead time for careful planning and approval by a knowledgeable and strong regulatory authority, not merely 30 days' notice, in addition to the availability of competent companies ready to take over the infrastructure and customer base. Only PURA has the statutory authority and expertise to evaluate objective, substantiated evidence to determine whether the telephone market in this state has sufficient competitive pressures to regulate marketing behavior by these global telephone companies operating in Connecticut.

Instead of simply accepting the industry's mere claims of "robust competition" in this state for basic telephone services, what is needed is a thorough a contested-case investigation by PURA of the truth of that claim, with input from all affected parties.

Both AT&T and Verizon claim to be disadvantaged in the "competitive" fight for customers in Connecticut, wishing to "level the playing field," they are indeed regulated by CT in a unique way, subject to C.G.S. § 16-1(23) "Telephone companies." Perhaps these companies should be proposing a bill to change that status, or asking PURA to help them change it. But, this unique status continues to be necessary to protect all consumers, residential and business, as well as the telecommunications market in this state. As the market is currently structured, there cannot be a level playing field because AT&T and Verizon are in a uniquely superior infrastructure and marketing position relative to all other providers.

Consumers, including seniors, still require state regulation to provide them with the historic protections to regulate quality of service, and if this bill passes, such protection will be needed to preserve the very existence of telephone service itself for many of these customers. Connecticut customers

will lose fair billing and collection rights, protections against unauthorized charges, and the ability to file a complaint and have it resolved by the PURA.

Rather than voting blindly without benefit of proven facts, the General Assembly should order PURA initiate a regulatory contested case proceeding to investigate the status of the imputation standard.