



Before
The Ohio House Agriculture And Natural Resources Committee
Written Testimony on Amended Substitute House Bill 490
(Ohioans' Basic Telephone Service)

By
Bruce J. Weston
Ohio Consumers' Counsel
Office of the Ohio Consumers' Counsel

November 14, 2014

Chairman Hall, Vice Chairman Thompson, Ranking Minority Member Cera, and members of the House Agriculture and Natural Resources Committee, thank you for this opportunity to provide testimony. The Office of the Ohio Consumers' Counsel is the state's representative for Ohio's residential utility consumers. My testimony relates to the part of this legislation that affects Ohio's utility consumers with regard to basic telephone service. This consumer issue appears in the Bill on lines 6308 to 6309, lines 6348 to 6358 and lines 6366 to 6378. **I recommend that you protect Ohioans, including rural Ohioans, by removing this deregulatory legislation from the Bill. The legislation is premature and detrimental to Ohioans.**

The Bill contains deregulatory measures for Ohioans' use of basic telephone service. Basic telephone service means dial tone for a flat monthly rate, with access to 9-1-1, operator services, telephone relay services for the hearing impaired, caller ID blocking on a per-call basis, directory assistance and long distance service, among other things.

I tend to favor competitive markets over regulation. But the act of deregulating does not mean that a market has effective competition or will have effective competition for consumers. That point is applicable to this deregulatory legislation. For example, consumers and business users can carry a cellphone. But the lack of signal on that cellphone in many rural areas of Ohio means that wireless service as an alternative to the local phone company's service is lacking for those consumers and businesses.

The telephone companies seek this legislation to, among other things, allow for state consistency with the *future* policy of the Federal Communications Commission (FCC). There is no need for Ohio policymakers to rush to judgment. The FCC is engaged in an historic transition of the public switched telephone network to an Internet-based network. That transition will take time—potentially a long time—to implement. More needs to be known about the FCC's plans, which could be a year or more in development. The General Assembly can reach an informed conclusion in the future about how price and quality protection should be assured for Ohioans using basic service in light of federal policy. The need for legislation is not now.

Moreover, this legislation that the telephone companies seek would yield to federal regulators too much, too soon, about Ohio's telephone policymaking. The deregulatory action of the Bill, in proposed Revised Code Section 4927.10 (lines 6366 to 6378), will be timed to occur when the FCC "adopts" its new policy for telephone service. The FCC's adoption of policy, when it occurs, will be a relevant consideration for Ohio policymakers. But Ohio should not default, through this legislation, to the timing of a future federal decision on telephone service that affects Ohioans, including rural Ohioans, without yet knowing what that FCC policy will be.

Here are some of the Bill's specific mechanics that I have addressed above. Upon the FCC's adoption of an order, the Bill would allow telephone companies to abandon basic service with only 30 days of notice to the consumer and the Public Utilities Commission of Ohio (PUCO). (Lines 6348 to 6349) This proposal for allowing abandonment of basic service by mere "notice" from the telephone company gives the telephone company, and not the PUCO, control over when customers could lose basic service. That is a bad idea for Ohioans. This abandonment of service based on mere notice (and not a request for PUCO approval) could be done without PUCO review. And apparently the abandonment of basic service could be done without any need for proof by telephone companies that there are alternative providers capable of serving the affected customers.

The amendment could allow telephone providers to eliminate their basic landline service and leave consumers with less-reliable service, no service, or higher-priced alternatives (i.e. cable or cellular). Those higher priced alternatives may include service bundles (phone, internet and cable) that some customers do not need or want.

My above testimony about the Bill's questionable default to federal policy is based on the new Section 4927.10 that the Bill would insert in the Revised Code. That new provision (lines 6366-6376) would exempt the telephone companies from the prohibition in Ohio law against abandoning basic service, if the FCC adopts an order allowing telephone companies to withdraw the interstate access component of basic service.

Ironically (or inexplicably), the industry is seeking this legislation despite there already being a law that allows for withdrawal of service. That law is R.C. 4927.11(C). But that law, unlike this Bill, provides that the industry must prove its proposal to the satisfaction of the PUCO. That makes sense, for Ohioans who depend upon the PUCO for protection of their utility bills and service quality. Moreover, the General Assembly has already legislated significant deregulation of telephone service in Revised Code Chapter 4927 with S.B. 162 (2010). This Bill is not needed.

The Bill also would undermine the state policy ensuring the availability of adequate basic local exchange service throughout the state, R.C. 4927.02(A)(1). This result would occur from giving telephone companies the option of providing either basic service **or** the newly referenced “voice service” as defined in the FCC’s rules. (Lines 6308-6309) But basic service as defined in Ohio law and voice service are not the same. At least three key elements of basic service are missing from voice service: (1) access to telecommunications relay services for the deaf; (2) caller ID blocking on a per-call basis, which is utilized by victims of domestic violence and other customers; and (3) access to operator services and directory assistance, which are most beneficial to the elderly and those who do not have Internet access.

Even where telephone companies transition to Internet protocol networks, there should be some guarantee that customers have a basic telephone service available. Not all customers will want all the added features that can be made available through Internet protocol networks, and certainly not all will want their voice service bundled with Internet access and video (either by

cable or satellite). The current law provides pricing and service protections for residential and small business customers.

On June 4, 2013, the Governing Board of the Office of the Ohio Consumers' Counsel approved a Resolution for consumer protection on this same subject. The Board—a nine-member body appointed by the Ohio Attorney General—voiced its support for “maintaining the most basic telephone service with price and quality protections for consumers....” The Resolution is attached to this testimony.

I look forward to working with Members of the Committee and the General Assembly on telephone policy, including any future policy adopted by the FCC. Please avoid this premature and detrimental legislation. Ohio policy should advance our state's interest in ensuring the availability of basic telephone service for Ohioans, which has benefits for their families, their communities and the development of their economy. I appreciate that the General Assembly, to date, has protected those benefits of basic service for Ohioans. Thank you.

Resolution

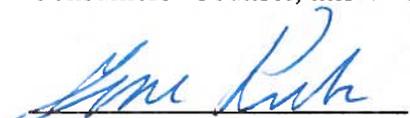
Governing Board of the Office of the Ohio Consumers' Counsel

In Support of Basic Local Telephone Service for Ohio Consumers

- WHEREAS,** Ohioans are dependent upon electricity, natural gas, telephone and water services; and
- WHEREAS,** It is the policy of the state of Ohio to ensure the availability of adequate basic local exchange service to citizens throughout the state; and
- WHEREAS,** Basic local telephone service is an essential service to thousands of consumers, especially elderly and rural consumers; and
- WHEREAS,** Ohio law requires incumbent local telephone companies to provide basic local telephone service, on a reasonable and nondiscriminatory basis, to all persons in their service areas who request basic local telephone service; and
- WHEREAS,** Ohio law provides pricing and service quality protections for basic local telephone service; and
- WHEREAS,** The pending state budget bill (Am. Sub. H.B. 59) may be amended with language that, among other things, could allow incumbent local telephone companies, in as soon as two years and at their option, to transfer customers from regulated basic local telephone service to an unregulated "voice service" that would not have pricing and service quality protections.

THEREFORE, BE IT RESOLVED, that the Governing Board of the Office of the Ohio Consumers' Counsel supports maintaining the most basic telephone service with price and quality protections for consumers and further recommends that, if this subject is to be considered, the subject should be considered in a stand-alone bill separate from the budget bill.

I verify that this Resolution has been approved by the Governing Board of the Office of the Ohio Consumers' Counsel, this 4th day of June 2013.



Gene Krebs, Chairman

Governing Board of the Office of the Ohio Consumers' Counsel