



**OHIO TELEPHONE NETWORK TRANSITION COLLABORATIVE  
PRESENTATION ON AFFORDABILITY AND COMPETITION FOR  
PROTECTION OF OHIO CONSUMERS**

**Office of the Ohio Consumers' Counsel  
on behalf of Ohio Telephone Consumers**

**Presented by David C. Bergmann  
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**I. Introduction**

We appreciate this opportunity to address consumer issues and we appreciate that the Ohio General Assembly named the Ohio Consumers' Counsel as a member of this collaborative group.

The collaborative process is intended to focus on protecting Ohioans, regarding the ongoing changes in the technology of the telephone network. Ohio Revised Code §749.10(B) states:

The collaborative process shall focus on the internet-protocol-network transition processes underway at the Federal Communications Commission and the issues of universal connectivity, consumer protection, public safety, reliability, expanded availability of advanced services, **affordability**, and **competition**. The collaborative process shall ensure that public education concerning the transition is thorough. (Emphasis added.)

Affordability should ensure that consumers can afford the price of services when available.

(Note that "expanded availability of advanced services" is a separate item from affordability on the list of concerns from O.R.C. §749.10.)

Competition should ensure that customers have alternatives to the services they want and need, so they are not bound to a single supplier for comparable services. Competition should also lower the prices that consumers pay for telephone service.

Affordability and competition relate to the other statutory tasks of the collaborative. Per O.R.C. §749.10, the tasks are:

- Identifying the characteristics of basic service customers in Ohio.
- Identifying alternatives available to basic service customers.
  - Both wireline (whether copper, coax or fiber) and wireless.
  - And identifying the future prospects for alternatives.
  - A service that is not affordable is not a true alternative.
- Identifying basic service customers who will be unable at their homes to obtain reasonable and comparatively priced voice service. That voice service must be affordable if basic service is withdrawn.
  - Submitting that information to the PUCO.
- Formulating education plans for the transition.

## **II. The key is protecting customers in the network transition.**

These are state and federal issues. They are joint federal/state issues, especially given that the withdrawal of Ohio basic telephone service under O.R.C. §4927.10 cannot occur unless the FCC first approves removing the Interstate Access Component of basic service.

Here are facts to consider regarding affordability:

- About 25% of consumers aged 65 and older have only a landline phone (Census Bureau)
- About one-third of consumers aged 65 and older have household income of less than \$25,000 (Census Bureau)
- 63% of Americans cannot afford an unplanned \$500 car repair bill (Bankrate.com survey)
- More than 1.7 million Ohioans are poor (ODSA Poverty Report)



**A. The impact of the network transition on affordability of rates for consumers**

In the transition that has occurred so far, customers continue to face rate increases, including for basic service. As discussed above, affordability is a theme that runs throughout the search for service alternatives for consumers. Consumer protections must be maintained when incumbent phone companies want to withdraw basic service. Otherwise, consumers will have to choose more expensive bundles and alternatives that are less affordable, or even unaffordable. As discussed at the January 19 collaborative meeting, it is key for consumer protection that the PUCO use the proper comparison for comparatively priced service.

**B. Competition**

Competition should not be a justification for increasing the telephone rates consumers pay, especially basic service rates, or for reducing consumer protections. There have been AT&T rate increases. What may have been affordable for consumers at \$14.25 per month is less so at \$20.50 (the current rate), and much less at \$31.51 (including USF, surcharges, taxes). Also, Cincinnati Bell has had rate increases as of January 26, 2016. Further, there has been a reduction of the service quality standards that protect Ohio consumers.

**C. The impact of the network transition on telephone competition to serve consumers**

Harm to competition is harm to consumers. That is a principle of classic economics. Consumer harm results from the removal or reduction of choice of (affordable) telephone services. Consumer harm results from prices that rise due to the absence of price pressure from competitors.

There is no competition in Ohio for consumers choosing basic telephone service. Competition has developed for bundled services, but not stand-alone basic service.

Competition has increased some things in Ohio for consumers, but those things are not necessarily helpful for consumer protection during the network transition. The variety of services has increased. And the variety of facilities over which consumers receive service has increased. But the changes in services or facilities that consumers see are not necessarily “Internet Protocol (“IP”)” driven or “network transition” driven.

The FCC’s unbundling actions do not result in efficient use of facilities for competitive services to consumers; rather, they result in duplication of facilities. For an historical reference to extreme duplication of facilities, see this photo from New York City in 1903.



There has been much vertical and horizontal consolidation of telephone companies. But more consolidation means less choice of providers for consumers.

**D. What has harmed competition, and thus harmed consumers, in the network transition?**

Telephone consumers are largely limited to “intermodal” alternatives like wireless or cable. There may be competition within some of those modes (e.g., choice of wireless companies), but not between, e.g., wireline and wireless.

Now in the transition, competitors lack access to facilities (i.e., incumbent company fiber, cable coax, etc.) so they are not able to provide competition for consumers.

Even before the transition, there was decreasing access to incumbent phone company facilities (e.g., limiting unbundled network elements (UNEs)).

**III. Basic telephone service can be preserved for Ohioans even with the transition of the network.**

The “IP transition” is a change of transmission protocol. The transition is not necessarily a change in network facilities. Basic telephone service can still be provided over an IP network, such as what Verizon has done in New York and Pennsylvania. Cable telephone service, using coax or fiber, is often IP. Advanced services can be provided over copper, fiber, and coax.

Again, O.R.C. §4927.10 focuses on protecting consumers from losing affordable telephone service if basic local exchange **service** in Ohio is withdrawn on the exchange level. That withdrawal of Ohioans’ basic phone service could occur after withdrawal is permitted by the federal government.

Ohio law is technologically neutral. It is not about withdrawal of facilities or IP enabling of facilities. It is about ensuring that consumers have reasonable and comparatively priced alternative service if their telephone company is allowed to withdraw basic service.

#### **IV. Conclusion**

The Ohio Consumers' Counsel has two points, in conclusion:

- Consumers should have affordable telephone service before and after the telephone network transition.
- Competition's role in the network transition should include providing consumers with affordable alternatives to basic telephone service.