OHIO TELEPHONE NETWORK TRANSITION COLLABORATIVE

PRESENTATION ON AFFORDABILITY AND COMPETITION FOR PROTECTION OF OHIO CONSUMERS

on behalf of Ohio Telephone Consumers

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February 23, 2016

The transition process is to focus on protecting Ohioans

O.R.C. 749.10(B): "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."

Affordability and competition

- May be intertwined; one can affect the other
- Affordability ensures that consumers can purchase services when available.
  - "Expanded availability of advanced services" is a separate item on the list.
- Competition ensures that customers have alternatives to the services they want and need, so are not bound to a single supplier for comparable services.
- Competition should also lower prices.

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Affordability: Facts to Consider

- 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)

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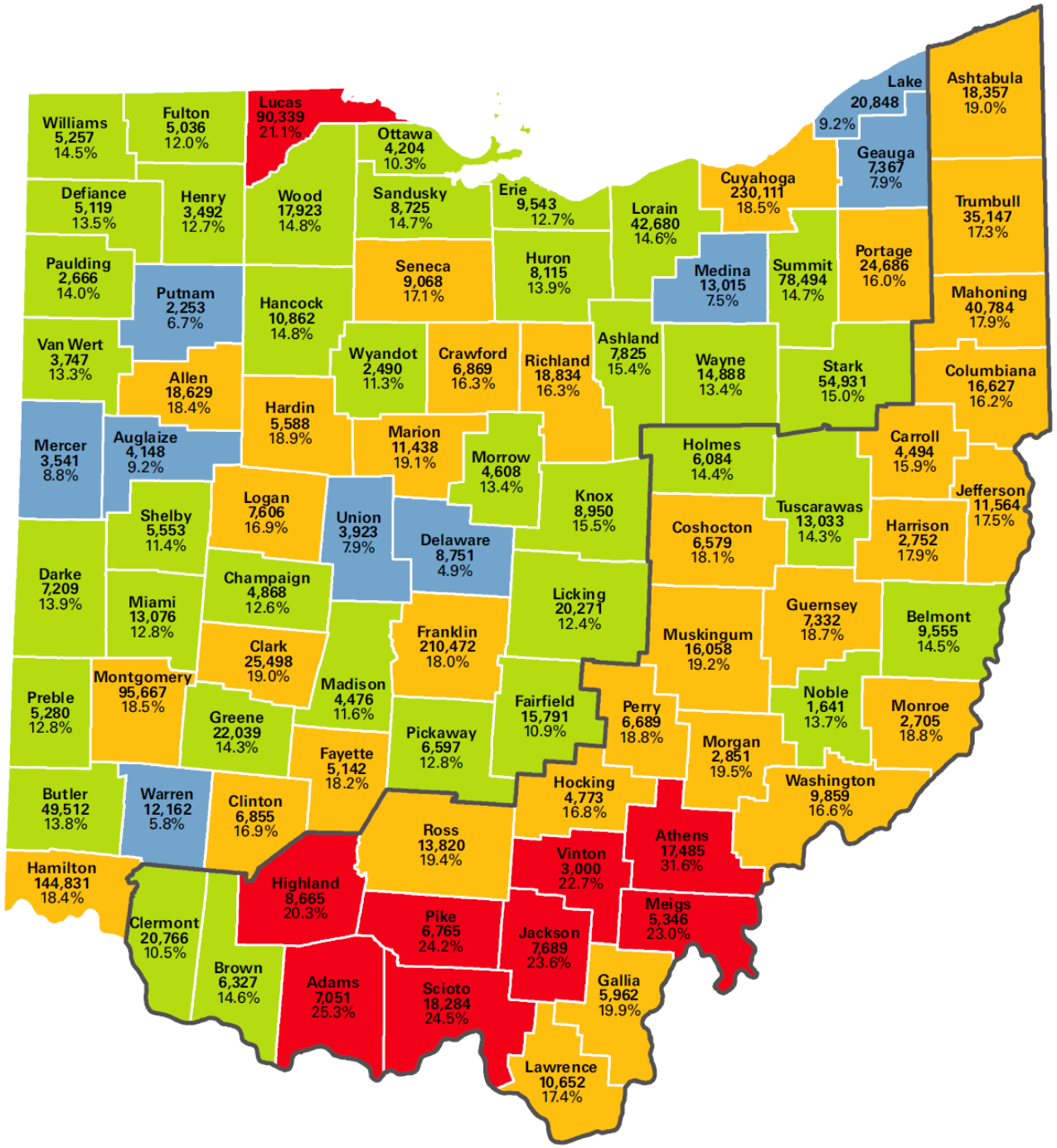
Affordability: Facts to Consider

- More than 1.7 million Ohioans are poor
- Poverty rate in Ohio is 15.9%
- Poverty rate in Appalachian Ohio is 17.8%
- Poverty rate in Cincinnati is 30.9%; in Cleveland, 35.9%
- More than one third of Ohioans have incomes at or below 200% of the Federal poverty guidelines

(ODSA Poverty Report)



Ohio

Poverty in Ohio by County

2010-2014 American Community Survey

Statewide Poverty
1,790,564
15.9%

Percentage County Population in Poverty

- 4.9% - 9.9%
- 10.0% - 15.9%
- 16.0% - 19.9%
- 20.0% - 31.6%
- Appalachian Ohio

This map shows the 2010-2014 American Community Survey estimates of the number and percentage of persons in poverty by county

Source:
2010-2014 American Community Survey, U.S. Census Bureau

Prepared by:
Office of Research
Ohio Development Services Agency
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How do affordability and competition relate to the other statutory tasks of the collaborative?

Again, per O.R.C. §749.10, the tasks are:

- Identifying characteristics of basic service customers in Ohio
- Identifying alternatives available to basic service customers
  - Wireline and wireless; must be affordable
  - And prospects for alternatives
- Identifying basic service customers who will be unable to obtain reasonable and comparatively priced (i.e., affordable) voice service at their homes
  - Submitting that information to PUCO
- Formulating education plans
- The key is protecting customers in the transition

- These are state and federal issues, especially given that O.R.C. §4927.10 depends on FCC approval of withdrawal of Interstate Access Component of basic service

Impact of network transition on affordability

- So far, in the transition, customers continue to face rate increases, including for basic service.
- Unless consumer protections are maintained, consumers will have to choose more expensive – less affordable – bundles and alternatives.
  - As discussed at the January 19 collaborative meeting, it is key that the PUCO uses the proper comparison for comparatively priced service.

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Competition

- Should not be a justification for increasing rates, especially basic service rates, or for reducing consumer protections
  - AT&T rate increases — what may have been affordable at $14.25 is less so at $20.50 (the current rate), much less at $31.51 [including USF, surcharges, taxes];
  - Also CBT (1/26/16) rate increases
  - Reduction of service quality standards that protect consumers

Impact of network transition on telephone competition

- Remember: Harm to competition is harm to consumers (classic economics)
  - Removal of choice
  - Absence of pressure to reduce prices
- No competition in Ohio for basic service
- What has competition increased for consumers?
  - The variety of service, and the variety of facilities over which consumers receive service, have increased, but how much is in fact "IP-driven"?
  - The FCC's unbundling actions do not result in efficient use of facilities; rather, duplication of facilities. (See next slide.)
- There has been much vertical and horizontal consolidation of telephone companies, limiting customer choice

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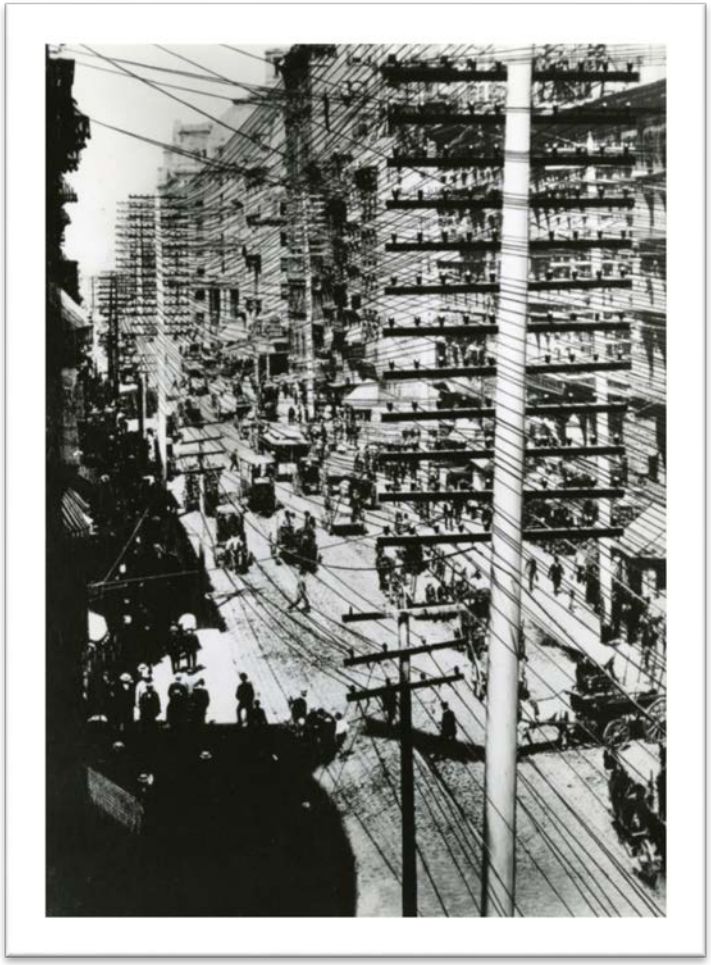
New York, in 1903



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

- Telephone consumers are limited to "intermodal" alternatives like wireless or cable; there may be competition among those modes (e.g., choice of wireless companies)
- Now: competitors lack access to facilities (i.e., incumbent fiber, cable coax, etc.)
- Pre-transition: decreasing access to incumbents' facilities (e.g., limiting UNEs)

Must distinguish impact on consumers between “IP transition” and “copper retirement”

- The “IP transition” is a change of transmission protocol, not necessarily a change in network facilities.
- Basic service can be provided over an IP network
  - Verizon fiber (e.g., as in NY/PA)
- Cable telephone service (coax, fiber) is often IP

- Again, R.C. 4927.10 focuses on withdrawal and protection of consumers’ basic local exchange **service** in Ohio on the exchange level, after withdrawal is permitted on the federal level.
- Ohio law is technologically neutral, and is not about withdrawal of facilities, or IP enabling of facilities.

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CONCLUSION

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

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THANK YOU

Presented by:

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