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MEMORANDUM

DATE: June 4, 2012

TO: All House Members

FROM: Representative Scott Boyd
43rd Legislative District

RE: Proposed Legislation to Deregulate the Telecommunications Industry

The telecommunications industry in the Commonwealth and throughout the United states has changed dramatically over the past decade. With the innovative development of cell phones, smart phones, tablet computers and Voice over Internet Protocol (VoIP) consumers have numerous options and methods readily available to communicate with each other. Voice, internet and television services can be accessed through subscriptions to a traditional telephone utility, a cable company or a wireless service provider. However, only telephone utilities are subject to state regulation that dictates how, when, where and to whom service must be provided.

This regulatory framework worked well when traditional telecommunications utilities were the only game in town. However, these same utilities, as a result of competition to provide voice service from the cable and wireless industries, are losing, on average, 10% of their landline customers per year. This is significant because local service provided by regulated carriers to rural areas is subsidized through rates charged in urban and suburban areas. The telecommunication industry has quickly evolved into a business environment where regulated carriers are at a competitive disadvantage with the unregulated wireless and VoIP service providers.

Consumers are migrating to carriers that are able to provide the same local calling service as the regulated phone company but are not subject to the same regulatory mandates. Regulating some service providers and not others inhibits competition within the Commonwealth. Additionally, regulated telecommunications carriers are required to continue to invest in antiquated copper service lines that are not able to meet the ever increasing consumer demand for data usage and innovative service offerings. It is also more costly to repair and replace copper lines than to deploy the coaxial, fiber optic and wireless technologies used by the unregulated competitive telecommunications carriers. Finally, services provided through a bundled package and long distance service has already been deregulated in the Commonwealth. I believe that it is now time to take another step and gradually move toward deregulating local telephone service for the following reasons:

- Permitting regulated telecommunications carriers to explore and invest in innovative ways to provide service could result in more reliable and less costly service options, particularly in rural areas.

- Regulation is a barrier to competition. Take the wireless industry – this industry is not subject to either rate or quality of service regulation and yet consumers have numerous carriers and service options to choose from and can easily switch from one carrier to another if they are dissatisfied.
- Regulation stifles technological development and advancement. Again, using the wireless industry as an example, there is a constant stream of new and innovative products coming into the market to meet consumer demand for faster, better, more efficient service.

My legislation will amend Chapter 30 of Title 66 (Public Utilities) to phase out regulation of telecommunications utilities by the Public Utility Commission and permit the development of free market competition between traditionally regulated telecommunications carriers, cable companies, VoIP carriers and wireless carriers. I believe that creating a level playing field throughout the telecommunications industry will provide consumers with more service options from a diverse selection of service providers.

Importantly, the bill does not repeal or otherwise eliminate a telecommunications carrier's obligation to deploy broadband throughout its service territory as required by current law. The bill will do the following:

- Permit immediate designation of non-rural exchanges (density zones 1, 2 and 3) as competitive.
- Permit designation of rural exchanges (density zone 4) as competitive on or after January 1, 2016.
- Retains telecommunication carrier broadband deployment obligations pursuant to 66 PA C.S. §3014.
- Requires that telecommunications carriers continue to provide basic-only service to all consumers that subscribe to the service as of the effective date and until the customer requests that the service be discontinued or January 1, 2016 whichever is earlier.
- Permits revenue neutral rate adjustments for non-competitive services once a year, limited to the rate of inflation.
- Eliminates reporting requirements for non-rural exchanges designated at competitive and for all exchanges as of January 1, 2016.
- Requires LB&FC to provide a report to the General Assembly regarding the availability of voice service in the Commonwealth prior to January 1, 2015.
- Relieves carriers of the requirement to file tariffs with the Public Utility Commission (PUC) but permits carriers to file and maintain price lists with the PUC.
- Retains PUC oversight of quality of service standards related to protected services including the safety, reliability, privacy, termination and restoration these services.
- Retains PUC oversight of sales, mergers or acquisitions of telecommunications carriers except reorganization or other transaction between a carrier and its parent company, subsidiary or affiliate where 20% ownership is held by the same persons or entities or any transaction that does not involve the transfer of customers.
- Prohibits the PUC from mandating that a specific technology be used to provide service.

- Retains the obligation to provide Lifeline service but permits the service to be provided over any available technology.

If you would like to cosponsor this legislation, please contact Nicole Wilbourn at 717-783-6422 or via e-mail at nwilbour@pahousegop.com.