

## Hang Up on Higher Phone Rates AARP and Consumers Union's comments on SB 332

**Does Texas really need to pass a telecom deregulation bill this session?** No. Texas needs to extend the cap on basic local service due to the lack of competition for affordable phone service. Other action is premature because significant telecom reform will occur at the federal level in the next two years.

**Competitive forces are weak.** SBC and Verizon dominate 84% of Texas' residential phone market in their service areas. 91% in rural areas. What competition that does exist is for bundled services that cost \$50 per month or more. That's far above the basic affordable phone price many Texans rely on.

**New technologies are not effective competitors for dominant phone companies.** Wireless is growing, yet few are "cutting the cord." The reason is that wireline and wireless telephone services are not good substitutes for one another in terms of reliability, quality and access to emergency service. Wireless remains more expensive than landline service for low-volume phone users. Voice Over Internet Protocol (VOIP) requires a high-speed Internet connection that adds \$20 to \$45 a month to a phone or cable bill, and another \$30 per month for the Internet-based phone service. This high priced service is not an option for the roughly 70 percent of households that don't have broadband.

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### Principles of consumer-friendly telecom reform

**Extend the cap on basic local telephone service.** Since over one million Texans get only basic local telephone service, it is critical it stays affordable. There is virtually no competition for these customers since competitor companies target higher-profit customers who buy add-ons through bundled service.

**No deregulation before effective competition.** Effective competition must exist before key pricing, service quality and oversight protections are lifted through more deregulation. The PUC should be empowered to get the data needed to assess the level of competition, especially at the local level (within a telephone exchange). The market test to determine effective competition should not assume that wireless or other new technologies are substitutes for traditional landline service or that high population areas are competitive. The default assumption should be that areas are not fully competitive until proven that they actually are competitive.

**Reduce inflated access charges and Universal Service Fund payments.** The PUC should be allowed to cut access charges that are priced above cost. The PUC should study the USF subsidy and be empowered to make cuts if the Legislature does not do so in 2007. Cuts in these subsidies should not be "made up" by increases in other services.

**A baseline of service quality standards.** The PUC must keep the authority to track and enforce broad service quality standards.

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