

Hang Up on Higher Phone Rates AARP and Consumers Union oppose HB 789

HB 789 will allow SBC and Verizon to raise the price the of basic phone service in Texas. Affordable basic telephone rates are important for the millions of Texas consumers who have a home phone line with few if any add-on services.

When SBC and Verizon are given the power to raise rates, they do—and significantly. Since the Legislature allowed SBC and Verizon to set the price for caller ID, voicemail and other add-on services in the mid-1990's, consumers have been hit with price increases up to 400%.

HB 789 makes an unfair trade off between long distance and local service prices. The bill requires SBC and Verizon to cut the “access charges” they levy on long distance calls within the state before they can raise basic rates. This is a bad bargain for average Texas families. While Texas' in-state access charges are high, it is not fair to make local service customers pay more so that high volume long distance customers can pay less. Because the telecommunications is a declining cost industry, the Public Utility Commission should be allowed to cut access charges that are priced above cost, and have authority to reject basic phone rate increases that are not justified.

Competitive forces for basic phone service are extremely weak. Dominant telephone companies such as SBC and Verizon have a statewide market share of 84% for residential lines. In rural areas, these companies have a 91% market share. What minimal competition that does exist is for bundled service packages costing \$50 per month or more. That's far above the basic affordable telephone price that many Texans rely on.

New technologies are not effective competitors for dominant telephone companies. These technologies are not true substitutes for basic phone service or require consumers to pay significant more for the same level of service.

Wireless is growing, yet few are completely “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 telephone service remains more expensive than landline service for low-volume phone-service users.

Voice over Internet Protocol (VOIP) is an Internet-based service that requires a high-speed Internet connection that adds \$20 to \$45 a month to a consumer's phone or cable bill, and another \$30 per month for Internet-based phone service. This high price service is not an option for the roughly 70 percent of households that don't have high-speed Internet.

Hang up on higher phone rates. Vote no on HB 789.

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