

Testimony of Ted Heckmann
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Senate Finance Workforce Subcommittee
In Support of Sub. H. B. 64

Chairman Beagle, members of the Senate Finance Workforce Subcommittee, thank you for the opportunity to testify before you today on the telecom provisions included in House Bill 64. My name is Ted Heckmann, and I am the Managing Director of Regulatory and Government Affairs for Cincinnati Bell Telephone Company. I also currently serve as chairman of the Ohio Telecom Association, representing all incumbent local exchange carriers in the state of Ohio. I am here to support the IP transition language, not only on behalf of my company, but for all the members of the OTA. Let me also add that you have a letter from Charley Moses, the President of the OTA, expressing support for this proposal from the industry.

Mr. Chairman, this proposal is intended to “clear the path” of state legal and regulatory obstacles or delays in the implementation of an FCC-approved transition plan to the internet protocol (“IP”) telecommunications network of the future. It is an effort to make sure the jurisdiction of the respective agencies, the FCC and the PUCO, is respected but that the exercise of jurisdiction is also coordinated in a manner that will benefit consumers and the public interest.

The telephone network that we use today relies, in part, on the same system of copper wires that has served Americans for more than a century. This copper-based telephone network was originally built solely to carry basic voice services, such as local and long distance phone calls. Today, that network can fairly be described as “legacy technology.” Throughout its history, the telephone network has evolved and kept pace with new technology in order to

provide more efficient, improved and more robust services. From electromagnetic switching to analog to digital services, the network has changed and improved to offer greater functionality to consumers. Increasingly, Americans are subscribing to a variety of new, advanced communications services offered on the copper-based network, on alternative platforms, and on hybrids that combine some elements of both.

The term “IP Transition” is often used as a short-hand expression for multiple technology transitions that are ongoing today. The physical networks that transmit communications services are changing from networks built for one specific purpose (such as telephone calls) to IP-based networks built for a variety of purposes (including broadband, video, data, voice and others). Transitioning these networks often involves a change in the physical equipment that the network uses to transmit signals, and a change in the language, known as “Internet Protocol” or “IP,” that the equipment uses to communicate. Providers are also transitioning the pathways that make up communications networks, from the copper wire that was mainly used in legacy networks, to optical fiber, wireless technology, and coaxial cable that are increasingly used in IP networks. As part of the IP Transition, the legacy services that customers currently receive on copper networks are transitioning to advanced services that can take advantage of the capabilities of IP networks. The “IP” transition is a continuation of the technological evolution that has been taking place in the telephone network since its inception.

The FCC is planning in earnest for the IP Transition. We expect that the FCC will have a comprehensive plan in place within several years, and the state commissions, like the PUCO, will have a role in implementing that plan. The provisions before you are needed now to ensure that monopoly-era regulations do not stand in the way of the transition away from the legacy

network of the past. The bill will position Ohio to be more prepared for, and to take full advantage of, the IP Transition.

There are two major improvements in this proposal over previous similar proposals passed by the legislature. The legislation directs the PUCO to immediately begin a collaborative process with all interested parties to focus on the IP transition planning underway at the FCC and on the issues of universal connectivity, consumer education and protection, public safety, reliability, expanded availability of advanced services, and competition. The collaborative process will assist the PUCO and the industry as the transition progresses. The collaborative process could identify customers that may be eligible for the fail-safe mechanism, to address any market failure. It would allow a residential customer of an ILEC whose basic local service is scheduled to be transitioned to “self-identify” by filing a petition with the PUCO asserting that they will be unable to obtain reasonable and comparatively priced voice service upon the carrier’s withdrawal of basic local exchange service. Alternatively, the collaborative process described above may also identify such a customer.

The bill provides for a 90-day timeframe for resolution by the PUCO. If, during that process, no willing alternative provider of reasonable and comparatively priced voice service is identified, the PUCO may order the ILEC to provide such voice service for up to one year. Voice service can be provided via any technology. During that time, the situation will be re-evaluated. If it is determined that no alternative reasonable and comparatively priced voice service is available, the order may be extended by the Commission for one additional year. If, at the end of the second year, no alternative reasonable and comparatively priced voice service is available, the PUCO may order the withdrawing or abandoning carrier to continue to provide a reasonable and comparatively priced voice service, indefinitely, to the affected customer,

utilizing any technology or service arrangement. The PUCO will define “reasonable and comparatively priced voice service” in its rulemaking, within specified statutory parameters.

This is enabling, interim legislation that will permit an orderly transition from the legacy network and certain services provided over it to the network of the future that delivers services that customers increasingly want and demand. It is about modernizing our regulatory framework in Ohio so we remain an attractive place to invest the telecom industry's capital dollars.

Cincinnati Bell has been an Ohio Headquartered Company for more than 140 years. Its ILEC footprint covers Southwest Ohio, Northern Kentucky and Southeast Indiana. Since the year 2000, Cincinnati Bell has lost approximately 69% of its Ohio Residential Access Lines. What this signifies is that competition is alive and well in Cincinnati Bell's territory. The PUCO has recognized that all of Cincinnati Bell's 12 exchanges are competitive. Customers have options/choices whether that is Wireless Services or Facilities Based services from multiple vendors. Back in April of last year, the USTA (national telecom association) presented a trend analysis that predicted by end of 2015 that wireless only households would have 47% share of the voice market, Interconnected VOIP would have 35% and ILEC switched would have 18% of voice market. These trends are very indicative as to why it is important for this legislation to be passed.

Please understand that this bill is not about transitioning customers to a wireless option as some have asserted. In fact, Cincinnati Bell is in the process of shutting down its wireless network effective March 31, 2015. Going forward, all Cincinnati Bell customers will be hard wired over an all optical fiber network or over a fiber-copper hybrid network. Either architecture will provide our customers with far greater bandwidth and much faster broadband speed than is available over the legacy copper network. What we are trying to do is provide our customers a

more advanced network fully capable of providing the services that they are demanding. For this to fully happen, Ohio's public policy and laws need to be aligned with the leading states in order to continue to attract the necessary investments and the high-tech jobs that they bring. This bill will put us on a good path for the transition from the network of the past to the network of the future.

Mr. Chairman and members of the Committee, I thank you very much for your time this afternoon. I urge your support for the bill and I would be pleased to answer any questions.