

Written Testimony
The Ohio House
Public Utilities Committee
Testimony on Sub. Version House Bill 402

by
Earl Goldhammer, Executive Council Member

On Behalf of the

AARP Ohio

February 20, 2018

Chair Cupp, Vice-Chair Carfagna, Ranking Member Ashford, and members of the Committee. AARP appreciates the opportunity to provide written comment today on Substitute House Bill 402. AARP represents nearly 1.5 million members in Ohio. The reliability and affordability of basic phone service are essential to our members and to older residents generally, whether they live in downtown Cleveland or in the foothills of the Appalachian mountains. I will explain today why AARP opposes Substitute House Bill 402 and why Substitute House Bill 402 is not in the public interest.

The bill would not benefit Ohioans nor would it promote economic development in Ohio's communities. Instead, it would place the public safety of residents at risk, impede the work of public responders, and enable phone companies to allow their networks to deteriorate. Moreover, it would drastically raise the price of an essential service, harming the state's most vulnerable customers.

A reliable network is essential for dependable access to 9-1-1 emergency services.

There are many reasons that a reliable network is important to Ohioans, foremost of course being dependable access to 9-1-1 emergency services – a network is as strong as its weakest link and so the quality of the dial tone line is essential to public safety. This bill, by eliminating oversight of service quality, would jeopardize the condition and quality of the phone network, upon which many Ohioans, especially older ones and those who live in rural areas of the state, rely.

Ohio should avoid the path of other states that have found that they prematurely lessened oversight of their phone companies' service quality. Other states have been and are in the process of investigating serious service quality concerns and are seeking ways to re-assert oversight of phone companies' service quality (for example, in California, Maryland, New York, Wyoming). Substitute House Bill 402, by removing critically important regulatory oversight of the condition and quality of the public network, would open the door to service quality problems in Ohio, making it harder for regulators to detect and prevent out-of-service phone lines.

AARP has looked hard to locate the public benefits that might flow from the bill. We have not found any. The bill would not increase the incentive for phone companies to roll out advanced telecommunications to those communities that are being left behind. Instead it would facilitate phone companies' neglect of the network upon which the state's most vulnerable citizens continue to rely. Extreme weather patterns are increasingly prevalent – a reliable network that functions during power outages and in areas of spotty cell service is of paramount importance to the safety and well-being of communities and residents in this state.

AARP members depend on basic phone service and are far less likely to “cut the cord” than is the general population.

AARP members count on dial tones to connect them to public safety, medical services, and more. Three out of four persons aged 65 and over rely on landlines and most of these persons subscribe to incumbent phone companies' landlines, that is, AT&T's and Frontier's basic phone service.

The reason that the typical landline of choice by older persons is AT&T's and Frontier's dial tone is that they are far less likely to subscribe to broadband Internet access than are their younger counterparts – therefore many older persons lack the broadband platform that is required to support the primary wireline alternative to the ILECs' service (the Voice over Internet Protocol service offered by cable companies). Only 51 percent of persons 65 and over have broadband in the home. Moreover as people's age increases, that percentage declines yet further. And as residents' income declines, broadband adoption declines yet further. Again, without the

broadband platform, *there is no wireline alternative for the residential customer. There is not a competitive landline option. Again, 75% of persons aged 65 and over continue to live in homes with landlines.*

Table 1
Broadband Adoption Among Older People Lags Adoption
by the General Population¹

Broadband Adoption	18-29	30-49	50-64	65 and over
Percent with Broadband at Home	77%	81%	75%	51%

Moreover, broadband adoption varies significantly among those 65 and over, with broadband adoption declining as age increases, as is shown in Table 2 below.

Table 2
Broadband Adoption Among Older People Declines As Age Increases²
All Incomes

Broadband Adoption	65-69	70-74	75-79	80 and over
Percent with Broadband at Home	66%	61%	41%	28%

¹ Pew Research Center. "Internet Broadband Fact Sheet," January 12, 2017 <http://www.pewinternet.org/fact-sheet/internet-broadband/>

² Pew Center in "Tech Adoption Climbs Among Older Adults," Pew Research Center, May 17, 2017.

Broadband adoption among older people also declines among those with lower incomes, as Table 3 shows.

Table 3
Broadband Adoption Among Older People Declines As Income Declines³
Persons 65 and older

Broadband Adoption	< \$30K	\$30-50K	\$50-75K	\$75K and over
Percent with Broadband at Home	27%	50%	75%	87%

Older persons are disproportionately vulnerable to the harmful effects of House Bill 402.

To be clear, without a broadband connection (which older persons and rural residents are less likely to have), customers cannot avail themselves of the primary wireline alternative to basic services – that is, Voice over Internet Protocol or VoIP. Putting these facts together brings me to my key point -- older residents and rural communities are disproportionately vulnerable to the harmful effects of the premature deregulation of traditional wireline service that Substitute House Bill 402 would authorize:

- The bill would raise rates for an essential service (allowing basic phone service rates to increase by 20 percent (see proposed changes to Sec. 4927.12)).
- The bill would eliminate important service quality protections. (Among other proposed changes to the statute, Sec. 4927.02 (11) of Substitute House Bill 402 states: “Allow and encourage competition and market forces to determine the availability, prices, terms, and other conditions of providing telecommunication s services.” AARP fully supports the development of competition but where it does not yet exist, consumers need the protection of regulatory oversight of essential services such as basic local exchange

³ Id.

service. *If competition exists, why do phone companies need your approval to raise rates by 20 percent?*

- The bill would eliminate important state regulatory oversight of mergers and transfers (Sec. 4905.402) and instead would defer to the decision of the Federal Communications Commission, requiring PUCO approval only when there is no pending application with the FCC or when, although there is an FCC application, the FCC waives the exercise of its authority. State regulators have unique, distinct, and important expertise that the FCC cannot provide. Substitute House Bill 402 would eliminate that key role for Ohio regulators, which would harm Ohioans.

Substitute House Bill 402 would diminish the adequacy of basic phone service in Ohio, harming older consumers and rural communities.

Sec. 4927.02. (A) of Substitute House Bill 402 would change the policy of Ohio from ensuring “the availability of adequate basic local exchange service or voice service to citizens throughout” the state to ensuring “the availability of voice service to citizens throughout.”

By removing the reference to “adequate basic local exchange service” the proposed legislation would open the door to the substitution of inferior services (such as the Voice Link service that Verizon has attempted to offer to its customers in other jurisdictions), thus harming consumers, especially those who live in rural areas. New technology should not lower the quality of voice service.

Market forces are insufficient to yield affordable reliable basic phone service.

The bill inappropriately relies on market pressures to yield safe and adequate service at reasonable rates. Sec. 4927.02 (11) of Substitute House Bill 402 states: “Allow and encourage competition and market forces to determine the availability, prices, terms, and other conditions of providing telecommunication s services.” AARP supports measures to encourage competition but where it does not yet exist, for example, in rural communities, regulatory oversight is insufficient to protect consumers from rate increases and service quality. *Market forces for basic dial tone service are insufficient to yield affordable reliable phone service.*

Please realize that the older persons who live in your communities, the older persons who first responders need to be able to reach reliably in good weather and bad weather, and your parents and grandparents who continue to use their landlines are especially vulnerable to the harmful consequences of Sub. House Bill 402 -- they disproportionately rely on landline service. And please realize that when phone companies maintain their networks, those networks provide dial tone service that works during prolonged power outages – unlike cell phones and unlike VoIP service.

Please don't rely on broad assertions of competition to protect consumers. In any given community, there are two major players in the landline market– either AT&T or Frontier and the cable company. Cable companies do not compete with each other, but instead serve their respective franchise areas. A phone company-cable company duopoly does not provide effective competition. Moreover, as the age of residents increases, the likelihood that they have the broadband platform in their home necessary to support the cable companies' phone alternative declines, meaning that older persons disproportionately rely on AT&T's and Frontier's wireline services. By the way, if competition is as widespread as the bill's proponents would claim, why do AT&T and Frontier need to be able to *raise* rates?

One of the ILECs' most persistent arguments for deregulation is that consumers have many alternative services that they can obtain from the ILECs' competitors, including cable companies and wireless telecommunications providers. Particularly for older consumers, “competitive” alternative services are often an inadequate substitute for stable wireline phone service. Older consumers are less likely to be “cord-cutters” – that is, willing to rely exclusively on a mobile wireless phone. Mobile wireless alternatives can be more expensive (and require per-person rather than per-household subscriptions); both fixed and mobile wireless services may be less reliable during emergency conditions (due to network congestion on shared transmission paths). Coverage can also be a problem in rural areas and in certain building structures. Those on fixed incomes are less likely to be able to afford the multi-service bundles of video programming, Internet access, and voice service that are often typically promoted by cable companies.

Service quality protections that apply to ILECs under existing law are extremely important to ensuring safe and reliable universal service. Unless and until an ILEC upgrades existing network facilities to newer, more reliable technology, it should retain the obligation to maintain its existing network in good working order. In several states, there have been investigations triggered by concerns that the ILEC was allowing its network to deteriorate in locations where it deemed service unprofitable and where no investment in replacement facilities was under way.

Substitute House Bill 402 lacks any benefits for consumers or the public interest.

AARP has looked hard to try to find something in Substitute House Bill 402 that might conceivably be beneficial for AARP's members or for the broader public interest. We have found nothing. We are perplexed by the need for this legislation and urge you to focus your efforts instead on more important matters concerning Ohio's communications infrastructure. This bill is an unfortunate distraction from far more pressing matters.

Please understand an important point --- *AARP welcomes new technology* – provided that it is reliable, easy to use, and affordable. In particular, AARP welcomes initiatives to facilitate broadband adoption as well as to encourage broadband deployment in unserved rural areas and underserved urban neighborhoods. Indeed, we stand ready to work with you on legislative initiatives to make sure that all Ohioans, young and old, are on the right side of the digital divide. Broadband Internet access is critically important to aging in place – it enables telemedicine, overcomes social isolation, supports civic engagement and enables distance learning, among other things.

But Substitute House Bill 402 has nothing to do with bringing advanced telecommunications and broadband to the state's older citizens. It is a step backward, not the step forward that Ohioans deserve. Substitute House Bill 402 would harm the state's most vulnerable citizens:

- Prices for basic dial tone line service could skyrocket.
- Incumbent phone companies could neglect their copper networks, allowing outside plant to deteriorate, leading to increased numbers of out-of-service dial tone lines, jeopardizing

public safety. Other states, such as New York, Maryland, and California have all recently investigated concerns about service quality.

Many Ohioans continue to rely on ILECs' phone service

AARP acknowledges that cable companies and wireless companies have made inroads into markets that have traditionally been served by AT&T and Frontier. Despite these inroads many Ohioans rely on basic local exchange service. The continuing and significant reliance by Ohioans on ILECs' phone service underscores the importance of ensuring a smooth transition to new technologies. The most recent FCC data (as of December 2016) show that 1,135,000 (that is, more than one million) Ohio households continue to rely on ILECs' voice service. ILECs provide almost half (47%) of all residential landlines in Ohio. Approximately 1,207,000 households rely on Voice over Internet Protocol, which requires a broadband platform. Older persons are less likely to have broadband. Rural communities are far less likely to have broadband. Therefore, the VoIP offerings of cable companies do not constrain the rates and quality of ILECs' basic local exchange service.

Substitute House Bill 402 does not offer consumers or communities any benefits.

While incumbent phone companies have often asserted that they will invest more readily in states with greater deregulation, they have never substantiated this claim. In reality, they are more likely to invest in locations they consider the most likely to generate profits and not in those areas where costs are high or revenue opportunities are low. This helps to explain why investments have flowed more consistently into certain urban/suburban areas than into more rural locations. It also helps to explain why competitive options are not uniformly available to consumers in different communities.

It is important that the Legislature not simply take at face value the ILECs' promises and threats about future investments and assertions of purported competitive pressures. A network that is not maintained, outside plant that is neglected and a dial tone that is not repaired in a timely manner all pose an unnecessary risk to Ohio's households, jeopardizing citizens' ability to reach public safety. A more modern network should not mean a less reliable one. Modern laws should bolster public safety; they should not place it at risk. Sub. House Bill 402 would raise new and

unnecessary risks for Ohio consumers. Sub. House Bill 402 would potentially hasten phone companies' neglect of their basic network, benefiting their shareholders and harming their consumers. A network is as strong as its weakest link. If basic service (i.e. POTS) doesn't work, households and businesses cannot reach 9-1-1 services. If phone companies are allowed to ignore customers when they report that their dial tone lines are out of service, the answer is not less regulation.

Conclusion.

For all of these reasons, AARP urges you to reject Substitute House Bill 402. We appreciate the opportunity to comment on this critical matter and welcome the opportunity to work with you to ensure that Ohio consumers retain access to affordable, reliable, high quality telecommunications service.

Thank you for the opportunity to share our written testimony.