



Recommendations of AARP regarding

SB 1036 An Act Concerning Telecommunications Service

Energy and Technology Committee

March 7, 2013

AARP is a membership organization that helps people 50+ live their best life. AARP is a nonprofit, nonpartisan social mission organization with nearly 600,000 Connecticut members. AARP's mission includes support for affordable utilities and access to affordable and reliable telecommunications services.

SB 1036 An Act Concerning Telecommunications Service, calls for a docket from the Public Utilities and Regulatory Authority (PURA) "to determine the feasibility of modernizing telecommunications service," AARP would like to make two recommendations concerning this proposed legislation.

First, AARP would like to recommend that the docket called for in SB 1036 be a contested proceeding. Second, AARP recommends that the findings of the docket not be implemented until the transition petition that AT&T filed with the FCC on November 7, 2012 outlining their plans governing the company's older landline and DSL networks is resolved.¹ AARP has filed comments with many concerns regarding AT&T's petition and does not believe Connecticut should move forward with deregulation of landline phone service when too many issues at the FCC are in flux.

I am including AARP's testimony for the record regarding our opposition to HB 6402, AAC Modernizing Connecticut's Telecommunications Laws, as we expect our issues concerning that legislation to be the focal points that are taken up by the PURA if SB 1036 becomes law.

Testimony of Coralette M. Hannon, Senior Legislative Representative

AARP National Financial Security & Consumer Affairs Team

Opposing Raised BILL NO. 6402, AN ACT MODERNIZING THE STATE'S TELECOMMUNICATIONS LAWS

¹ AT&T *Petition to Launch a Proceeding Concerning the TDM-to-IP Transition* (filed Nov. 7, 2012) (AT&T Petition) http://www.att.com/Common/about_us/files/pdf/fcc_filing.pdf

AARP appreciates the opportunity to comment today on *An Act Modernizing the State's Telecommunications Laws*. AARP represents nearly 600,000 members in Connecticut. The reliability and affordability of the state's telecommunications infrastructure are essential to the elderly, whether they live in urban Bridgeport neighborhoods or in the hilly towns of Litchfield County. There are many reasons that a reliable network is important to Connecticut's citizens, foremost of course being dependable access to 9-1-1 emergency services.

Extreme weather in recent years underscores the importance of a reliable network and of regulatory oversight to ensure reliability. In January 2013, state regulators in Virginia issued a detailed report demonstrating that Verizon was ill-prepared for the June 2012 derecho and so was not able to keep its network running during the bad weather.² Staff at the Virginia Corporation Commission (the counterpart to the Public Utilities Regulatory Authority ("PURA")) referred to an "ongoing lack of routine maintenance" and observed that the June derecho put thousands of Virginia citizens at risk. The FCC also investigated Verizon's preparedness for the summer derecho. On January 10, 2013, the FCC's Public Safety and Homeland Security Bureau ("Bureau") released a report entitled "Impact of the June 2012 Derecho on Communications Networks and Services" in which it concludes:

. . . [A]bove and beyond any physical destruction by the derecho, 9-1-1 communications were disrupted in large part because of avoidable planning and system failures, including the lack of functional backup power, notably in central offices. Monitoring systems also failed, depriving communications providers of visibility into critical network functions. In most cases, the 9-1-1 and other problems could and would have been avoided if providers had followed industry best practices and available guidance.³

Connecticut citizens deserve the same level of state regulatory oversight of AT&T's service quality as do Virginia citizens. Bill No. 6402 would lessen oversight of the reliability of AT&T's network, putting households and businesses at risk.

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 Connecticut'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. Bill No. 6402 would raise new and unnecessary risks for Connecticut consumers.

² http://www.scc.virginia.gov/newsrel/c_911out_13.pdf

³ Federal Communications Commission, Public Safety and Homeland Security Bureau, *Impact of the June 2012 Derecho on Communications Networks and Services: Report and Recommendations*, rel. January 2013, at 1. The report is available at: <http://www.fcc.gov/document/derecho-report-and-recommendations>.

Bill No. 6402 would affect many important aspects of Connecticut's telecommunications policy and change the regulatory oversight of the state's incumbent local exchange carriers ("ILECs"). AT&T serves the vast majority of Connecticut and Verizon serves Greenwich, Connecticut. This testimony refers to AT&T because AT&T's footprint includes most of the state, but the points that are made are equally applicable to Verizon. The bill would benefit AT&T's shareholders. The bill would harm AT&T's consumers. Today, AARP focuses on five key provisions in the proposed legislation that would harm the well-being and safety of our members:

1. Section 1 would eliminate the annual audit of AT&T and Verizon – an audit which now enables Connecticut to assess how many millions of dollars AT&T is shifting out of Connecticut to give to its shareholders.
2. Section 4b would unreasonably and unnecessarily expand the definition of competitive services, causing yet more consumers to lose regulatory protection.
3. Section 4c would eliminate PURA's ability to reclassify services as noncompetitive.
4. Section 5 would allow AT&T to withdraw services upon 30 days' notice, and furthermore to do so without regulatory review.
5. Section 6 would sharply curtail PURA's regulatory oversight of AT&T and Verizon, jeopardizing network reliability and service quality, and putting our members' safety at risk.

This testimony focuses in particular on Section 4c, Section 5, and Section 6, and it also addresses Section 1 and Section 4b. AARP's silence on other provisions in Bill No. 6402 does not connote acquiescence. AARP discusses each of these five sections in more detail below. For the reasons set forth in this testimony, AARP urges the Committee to reject the proposed legislation.

Section 1: Bill No. 6402 would benefit AT&T's shareholders and would harm consumers

The legislation would eliminate the existing requirement for an annual comprehensive audit and report of AT&T's and Verizon's accounts and operations in Connecticut. This would be a setback to consumers. The audit is a valuable tool that can be used to show, for example, when AT&T is moving money out of Connecticut to its corporate parent or to an out-of-state affiliate; to see if AT&T is investing in Connecticut; to assess its overall returns and profits.

AT&T is the major telecommunications company in Connecticut and offers services that are essential to the public safety and welfare of Connecticut's households and businesses. The evolution of telecommunications technology and markets does not alter regulators' need for comprehensive information about AT&T's operations and its accounts. The audit is an important regulatory tool that enables PURA to see where the money that AT&T collects from its Connecticut consumers is going.

AT&T is making plenty of money – there is clearly ample money to invest in its wireline network as well as in new technology.

AT&T's fourth quarter 2012 report to its investors underscore the profitability of AT&T's operations throughout its national footprint:

- "Consolidated revenues of \$32.6 billion, up 0.2 percent versus reported results for the year-earlier period, and up 2.8 percent excluding Advertising Solutions and Superstorm Sandy impact." (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 1)
- "Record cash from operations of \$39.2 billion and record free cash flow for full-year 2012." (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 1)
- "\$4.4 billion in stock buybacks in the fourth quarter with 126.6 million shares repurchased; for the full year, the company repurchased 371 million shares, or about 6 percent of shares outstanding, for \$12.8 billion." (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 1)
- "\$23 billion returned to shareowners in 2012 through dividends and share repurchases." (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 1)
- Wireline consumer revenue grew 3% over the year (mostly due to U-verse and other broadband)(AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 2)
- Total fourth quarter wireline revenues were \$14.9 billion (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 8)
- Wireline segment operating income margin was reported as 12.0% (AT&T Investor Briefing, 4th Quarter 2012, January 24, 2013, at p. 13)

Investor information is instructive but does not replace state-specific financial information that is presently provided in the annual comprehensive audits of AT&T's Connecticut operations and accounts.

State-specific financial information is valuable and helps the state assess how much money AT&T is investing in Connecticut and how much it is moving out-of-state to affiliates and to its corporate parent. AARP believes that legislators and regulators should not be left in the dark. Section 1 would eliminate important information, creating a new unequal playing field between telephone companies and the regulators charged with protecting the public interest.

Section 4b would unreasonably and unnecessarily expand the definition of competitive services, causing yet more consumers to lose regulatory protection.

The language at Section 4 (b)(4) reads that the following service will be deemed competitive: "a telecommunications service provided by a telephone company to a residential customer who subscribes to two or more services, including basic local exchange service, broadband services, any vertical feature or interstate toll provided by a telephone company affiliate, or toll services provided by another carrier." The new portions of this section are the insertion of "broadband services" and "or toll services provided by another carrier." So, if a basic local exchange service ("BLES") subscriber chooses to find their own

toll provider, apparently they would then lose valuable consumer protections. Similarly, if a customer purchases basic local exchange services and broadband services that purchase would render the underlying basic local service “competitive” thereby eroding consumer protection.

As an aside, AARP recognizes that cable companies have been successfully wooing those AT&T customers that want triple-play offerings at prices of close to \$100 per month (see Figure 1 below), but a duopoly does not protect even these consumers, let alone those seeking more affordable options. Moreover, the state Legislature should be wary of the friendly duopoly, like the Verizon/cable companies’ recent cross-marketing agreements. This represents a trend toward cooperation not competition between ILECs and cable companies, which will benefit the companies but harm consumers.

Section 4c would eliminate PURA’s ability to reclassify services as noncompetitive.

Presently PURA has the authority to reclassify services as noncompetitive. Section 4c would eliminate that important regulatory tool. Sometimes predictions about markets are wrong, or sometimes markets simply change and become less competitive as a result of market concentration. Certainly in the banking industry, premature deregulation of mortgages led to serious consumer harm and policy makers have revisited the level of regulation that is necessary.

There is no conceivable benefit to consumers of eliminating this regulatory tool for PURA, and there is potential harm. Furthermore, AARP is unaware of how, if at all, AT&T’s hands are tied by the mere existence of an option that likely is rarely used, but that serves as an important regulatory backstop. If, as AT&T typically contests, competition exists, then AT&T should not be concerned about this provision. If enacted, it would be possible for AT&T to encourage customers to migrate to services that are considered competitive (through promotions, marketing, discounts, etc.), and then freeze those classifications despite changes in the market.

In summary, simply because a service has been deemed competitive, PURA may determine that at some point in the future it does not actually confront market-disciplining competition. The ability to *reclassify* services based on relevant evidence is essential.

What if it turns out that AT&T migrates all of its customers to “competitive” services, and then proceeds to raise rates astronomically and allow service quality to deteriorate? PURA should not lose its ability to reclassify services. Furthermore, what possible harm to AT&T exists for PURA to retain this authority: *if markets are truly competitive, and AT&T can make a showing of such competition, then if PURA were ever to seek to reclassify a service (an unlikely event) AT&T can quash that effort. It would seem that AT&T’s interest is to get everything deemed competitive and then to “freeze” that classification forever. Things change – why tie regulators’ hands unnecessarily?*

Section 5 would inappropriately allow AT&T to determine unilaterally when and where it wishes to withdraw services

Section 5 would allow AT&T to withdraw services on 30 days' notice in communities of its choosing and without the PURA's oversight. AARP opposes this section. It seems that with the proposed language, AT&T could stop offering a bundle that consists of simply basic local exchange service and call waiting, for example. Although AT&T may insist that Section 5 would leave basic local exchange service ("BLES", or "POTS") intact, that purported protection would be in form and not substance. That is, although Section 5 would not allow AT&T to withdraw noncompetitive services, as soon as a customer purchases an additional feature or service, under the existing statutory framework, that "bundle" is categorized as competitive. Section 5 would hamper a consumer's choice to keep BLES and then also buy one or two competitive services. It would restrict consumer choice (i.e., if AT&T withdraws a la carte call waiting, for example, customers must then move to AT&T's more expensive "competitive" bundle offerings – consumers would need to choose between regulatory protection (provided in the rare instances where consumers purchase stand-alone basic service) and availing themselves of features such as call waiting, caller identification, etc.

Instead, PURA, not AT&T, should determine when and where it is in the public interest for AT&T to withdraw competitive services. AARP acknowledges that Section 5 does not affect non-competitive services, and, therefore, the legislation would not enable AT&T to withdraw "barebones" basic local service. But, absent information to the contrary, AARP assumes that many of its members subscribe to AT&T's local exchange service as part of a "bundle," and that therefore the service they purchase is considered competitive. Local exchange service, i.e., a dial tone, is an essential service, whether it is purchased along with long distance and call waiting or purchased on a stand-alone basis. In any event, AT&T should be asked how many of its customers would be affected by this provision, i.e., how many customers subscribe to services that have been designated as competitive.

Furthermore, if this provision were implemented, AT&T would have a compelling incentive to market its competitive services aggressively to expand the base of customers that would lack regulatory protection. AT&T may insist that consumer advocates' sole concern is the protection of the "barebones" stand-alone basic local service. This is wrong. AARP seeks oversight of basic local exchange service whether it is provided as part of a bundle or on a stand-alone basis. The term "bundle" can be misleading. A "bundle" or "package" that consists of basic local service, toll and call waiting is a far cry from a "triple play" bundle consisting of voice, broadband access to the Internet and video.

Decisions about when and where and if AT&T should be allowed to walk away from its services should be made by a neutral body that has the mandate to ensure that corporate-driven decisions are consistent with the public interest. AT&T (and its predecessor company SNET) have enjoyed a century of unique access to public rights of way and the deployment of poles and infrastructure using a guaranteed stream of ratepayer funds, among other benefits as the incumbent telephone company, and should not now be allowed to walk away from those customers and services it considers less profitable than, for instance, its more expensive wireless services. Furthermore, Section 5 would seem to be based on the erroneous assumption that customers have reasonable substitutes. This is not so. Cable bundles are more expensive and the voice component of cable bundles does not work during sustained outages. Wireless service is spotty in rural areas, and is priced higher. Moreover, very few older adults have only

wireless service: if they have wireless service, most use it in addition to rather than instead of wireline service.

Section 6 of Bill No. 6402 would unnecessarily jeopardize the quality of Connecticut's infrastructure, precisely at a time when extreme weather has underscored the essential link between network reliability and public safety.

Section 6 would remove service quality protection for those services offered by AT&T and Verizon that have been deemed "competitive." Service quality protection would continue only for non-competitive services. There are two fundamental flaws with the proposal. First, although many services have been deemed competitive, we do not yet have truly effective competition and so consumers of all services, those that have been classified as competitive as well as those that remain as noncompetitive, require protection from service quality deterioration. Second, if AT&T's proposal were adopted, it would have a compelling incentive to encourage its noncompetitive customers to migrate to "competitive" services so that AT&T could dodge oversight of the reliability and quality of its services.

AT&T may tell you not to worry, that its proposed legislation would not affect regulators' oversight of the quality of plain old telephone service ("POTS"). POTS is a non-competitive service. AT&T would also have you believe that because the legislation proposes to remove service quality oversight only from competitive services, Connecticut citizens are not at risk. But, AT&T would be wrong for several reasons.

First, whether a consumer purchases a bundle of POTS and call waiting or only purchases POTS from AT&T, that consumer still needs to be able to count on a reliable network and know that he or she can turn to the regulator if the POTS is out of service for days on end. Yet, in Connecticut, if a customer buys POTS and call waiting, that service is considered competitive. If AT&T has its way, and I buy just POTS, I would be protected and if my neighbor buys POTS and also buys call waiting (or caller identification or long distance service), suddenly her service is considered competitive. But if her house is on fire, she needs to be able to reach 9-1-1 just as reliably as I do. Her purchase of caller identification does not make a reliable network any less important to her.

AARP disagrees that these extra services make the service competitive, but that is the way the *existing* policy works. I am here today not to dispute existing regulations but instead to explain that the proposed legislation, piggybacked on to today's service classifications, would jeopardize AARP's members and other Connecticut consumers. I am not here today to discuss whether adding call waiting to POTS truly makes that service competitive because that issue has already been addressed by past legislation. I am here to tell you that because of the way that services are classified as competitive in Connecticut, if AT&T gets its way, hundreds of thousands of customers would lose protection. AT&T could walk away from faulty outside plant. AT&T could ignore customers' request to repair their dial tone. Consumers would be at risk.

AT&T may tell you not to worry, that consumers can “vote with their feet.” If AT&T has its way, AT&T can abandon its POTS by allowing its service quality to become so awful that consumers walk away from the copper network. Who would that benefit? More than likely, AT&T Wireless, which offers a service that is priced at vastly higher rates would benefit. Consumers would be harmed. As mentioned previously, wireless is spotty in rural areas, does not work during prolonged power outages (when consumers’ batteries are not charged; because wireless networks are not set up to sustain extreme weather related outages), and is expensive. Bill No. 6402 would potentially hasten AT&T’s neglect of its basic network, benefiting AT&T’s shareholders and harming AT&T’s consumers.

How many of AT&T’s customers fall into the noncompetitive category? I don’t know. AT&T knows.

How many of AT&T’s customers fall into the competitive category? I don’t know. AT&T knows.

What have the trends been in the past few years? Is AT&T actively marketing features and products to encourage customers to migrate from the services that are classified as noncompetitive to services that are classified as competitive? I don’t know. AT&T knows.

What tactics does AT&T employ to encourage consumers to migrate to competitive services? I don’t know. AT&T knows.

You could ask AT&T for some very basic information. Separately for each of the past three years, how many local exchange service lines did AT&T offer as part of a competitive bundle; and how many local exchange service lines did AT&T offer on a noncompetitive basis? AT&T knows. If you are being asked to consider changes to telecommunications law in Connecticut, you deserve to know, too.

AT&T is asking you to consider sweeping legislation. You shouldn’t have to make policy in the dark. And more importantly, if the bill passes, AT&T will have a compelling incentive to migrate its remaining noncompetitive customers to competitive services. How might AT&T do that? AT&T can offer a promotional offering- let’s say, six months of free caller identification – customers migrate from just basic local service to basic local and caller identification, and suddenly they are considered “competitive” customers.

I am here to explain to you that all consumers who purchase basic local exchange service, regardless of whether they buy additional features and services, need to know that AT&T will repair their service, and that if AT&T refuses to do so in a timely manner, consumers can turn to PURA. Now, the PURA oversees AT&T’s service quality for all of AT&T’s consumers, whether they purchase just noncompetitive or competitive services. The important thing is that if AT&T has its way, only the customers that simply buy POTS would be protected. That would be a huge setback for Connecticut, placing its consumers at risk. Toward what end? What exactly could AT&T do for consumers that it cannot now do? Why doesn’t AT&T want to meet reasonable service quality standards and be held accountable to do so?

AT&T’s service quality track record is poor; Section 6 would facilitate further loss of network reliability.

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 AT&T ignores customers when they report that their dial tone lines are out of service, the answer is not less regulation. Therefore, the Legislature should reject AT&T's proposal to narrow drastically the scope of regulatory oversight of AT&T's network service quality.

Regulatory oversight is essential. There is ample evidence that market forces are not sufficient to cause AT&T to maintain its network adequately and to restore out of service lines that its customers report. In Docket No. 08-07-15, *Petition Of The Office Of Consumer Counsel For Enforcement Of Quality Of Service Standards For The Southern New England Telephone Company d/b/a AT&T Connecticut*, Petition, Decision, July 24, 2008, state regulators found that AT&T failed to fix lines in a timely manner. In a subsequent proceeding, Docket No. 10-04-12, *DPUC Proceeding Pursuant To Section 16-41 Of The General Statutes Of Connecticut To Determine Whether The Southern New England Telephone Company d/b/a AT&T Connecticut Should Be Fined For Failure To Comply With Quality Of Service Standards For The Provision Of Telecommunication Services*, Decision, March 2, 2011, the Department imposed a penalty of \$1,120,000 on AT&T for its persistent failure to comply with the state's service quality standards.

In summary, minimum service quality standards should apply to all dial tone lines regardless of whether they are provided in a purportedly competitive bundle or as a non-competitive stand-alone basis. AT&T should not be able to dodge service quality requirements simply because POTS is bundled with other services and therefore is classified as a competitive service.

If an elderly person needs to reach 9-1-1, the telephone connection should work reliably (i.e., be repaired in a timely manner), regardless of whether that elderly person also purchases other services, thereby rendering that service as "competitive." AT&T has a bad track record and its unacceptably bad service quality provides compelling evidence that the existing levels of competition fail to protect consumers.

AARP is unaware of any evidence to suggest that AT&T has improved its service quality. A reliable telephone connection is essential for the elderly, for those in rural areas with poor wireless coverage, and indeed for all households, as recent natural disasters have underscored. This is no time to be eliminating PURA oversight of service quality.

Connecticut's vulnerable population relies on AT&T's wireline infrastructure

AT&T may tell you about the 3.36 million wireless customers in Connecticut⁴ and may refer to the high percentage of households in Connecticut that use wireless service. I am not here today to dispute the fact that the vast majority of people who are old enough to hold and operate a phone use cell phones. What AT&T will not tell you is this: about 90% of people who are aged 65 or older continue to subscribe to wireline service. There are about 517,000 people over age 65 in Connecticut. That means we have approximately 465,000 elderly who rely on a wireline connection to the network. Across all age groups,

⁴ FCC Local Competition Report, Table 18.

approximately 70 percent of people continue to rely on a wireline connection to the network. Why does this matter? This means that households use their cell phones *in addition* to their landline. AARP does not dispute the trend of “cord-cutting” (that is, disconnecting the landline). But we are looking at legislation that would take effect in *today’s* markets. *Today*, nine out of ten elderly are not cord-cutters – they rely on their wireline service. Today, across all demographics, seven out of ten continue to use wireline service.

If the legislation passes, AT&T can turn its back on its wireline customers, allowing service quality to deteriorate yet further, forcing its customers to migrate to the more expensive and less reliable wireless service.

Legislators should dismiss scare tactics about purported investment in Connecticut.

AT&T will talk about advanced technology, modernizing its laws, moving forward, making a transition. AT&T is singing the same tune to the Federal Communications Commission in a federal proceeding regarding the “transition to an IP network.”

AT&T may try to depict AARP as stuck in a rotary telephone past. I urge you to look beyond AT&T’s rhetoric. I am here today to tell you that AARP supports ubiquitous affordable and reliable advanced technology – affordable broadband services, affordable wireless services, affordable wireline service. AARP recognizes the value of telemedicine to the elderly, Internet access to shut-ins, cell phones for those on the move. But as we forge ahead we should not abandon key consumer protections during the transition. Connecticut can move forward with modernizing its network while simultaneously protecting its consumers. Contrary to what you will hear today from AT&T, achieving the two goals can and must go hand in hand. If AT&T gets its way, AT&T will move forward for its shareholders – moving money that it could invest in making its network reliable instead to its out-of-state corporate parent or its out-of-state affiliate companies – and AT&T will move backwards for its customers.

AT&T may tell you that if it doesn’t get its way it will invest in other states. I urge you to look beyond that rhetoric. AT&T is telling each and every state the same thing. Before SBC and the previous AT&T merged, SBC (one of the “baby Bells” that Judge Greene created at the time of divestiture in 1984) was Connecticut’s incumbent local telephone company, and here in Connecticut, before it was SBC, it was SNET (Southern New England Telephone Company). Throughout all these mergers, it is the same network that was built with monies from consumers. SBC and now the new AT&T have a long history of regulatory scare tactics, threatening to withhold money if it does not get the regulatory relief it seeks (price cap regulation, relaxed regulation, the ability to merge with another company).

In this instance, Hurricane Sandy reminded us that new technology is not yet ready to protect consumers during extreme weather – wireless networks did not work. The phone service that cable companies offer as an alternative to AT&T’s POTS – a service that in telecom jargon is called VoIP - does not work for more than six to eight hours during power outages.

AARP welcomes new technology for its members, but during this transition to new technologies, it is critically important to understand its limitations. Whether an elderly person lives in a rural area with

spotty wireless coverage, or simply is most comfortable with her existing telephone service, she continues to rely on the network that AT&T/SNET has operated for a century in this state, uniquely benefitting from public rights of way, etc. With these unique benefits come responsibilities.

Extrapolating from national statistics, AT&T likely services one million (approximately 30%) of Connecticut's 3,360,000 wireless customers.⁵ Surely, AT&T Wireless does not constrain the rates or quality of AT&T/SNET's customers. Let's be clear about AT&T's strategic interests. It is lobbying states across the country and it is lobbying the Federal Communications Commission to get out from beneath all regulatory oversight.

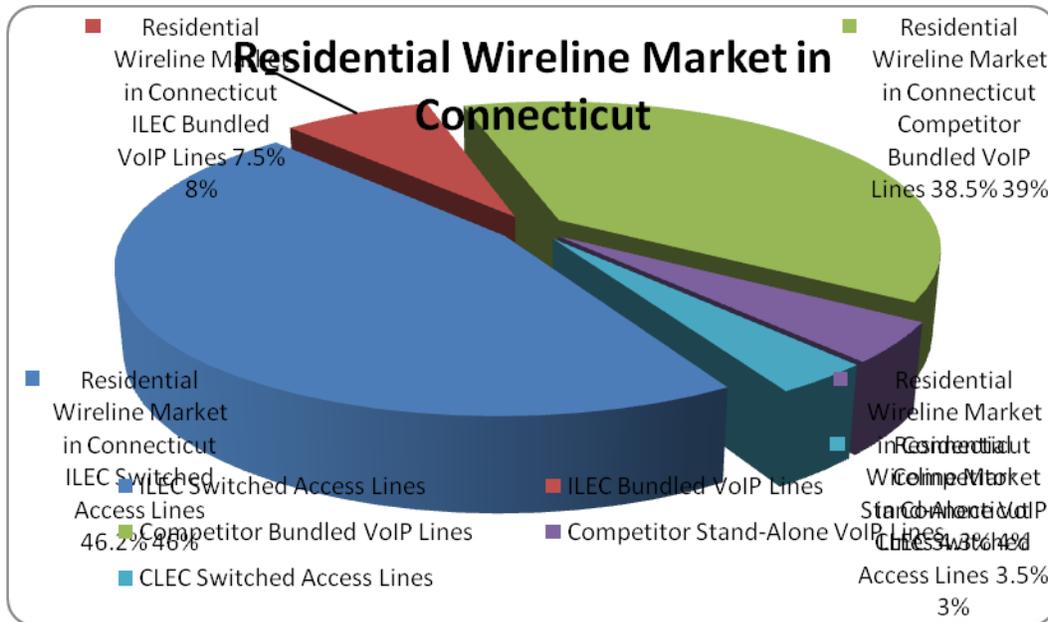
Bill 6402 is bad for consumers.

Telecommunications markets in Connecticut are dominated by a cable-telco duopoly.

In any given community in Connecticut, there are two major players – AT&T (in Greenwich, Verizon serves approximately 20,000 – 25,000 customers), and a cable company. Cablevision, Comcast, Cox, Charter, and Metrocast do not compete with each other, but instead serve their respective franchise areas. A duopoly does not provide effective competition. The following graphic illustrates the duopolistic nature of the residential local telephone market in Connecticut. Almost 54% of the lines are provided by the ILEC, 38.5% are CLEC VoIP lines bundled with Internet access service (i.e., cable modem), 4.3% are stand-alone VoIP lines served by competitors, and just 3.5% of the total residential telephone lines in Connecticut are served by CLEC switched access lines.⁶

⁵ This estimate is based on nationwide subscribership data reported by the FCC. In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services, WT Docket No. 10-133 (Terminated), Fifteenth Report, rel. June 27, 2011, ("Fifteenth Mobile Wireless Competition Report"), Table 14. The FCC has not yet released its Sixteenth Report. Verizon serves approximately 32% of the nation's wireless subscribers. Id.

⁶ FCC Local Competition Report, at Table 10.



Conclusion

In conclusion, network reliability is essential for the economic well-being of the state as well as for the health and safety of its citizens. Imagine an elderly person, perhaps with limited mobility, residing on the 15th floor of an apartment building. The lights are out. The heat doesn't work. The elevator isn't functioning. Imagine the difference between that person being able to pick up a telephone and call someone for help and her picking up the telephone and the dial tone not working because AT&T has neglected to repair and maintain its network. Be sure that AT&T is using its monies gained in Connecticut for the benefit of Connecticut consumers.

Imagine an elderly person living in a rural town with spotty wireless service. Let's suppose she has subscribed to AT&T's service for a half century, paying her telephone bills reliably month after month, and let's suppose she also subscribes to caller ID and so she is considered to be buying a competitive service. If Bill No. 6402 were enacted and her dial tone malfunctioned, she would no longer have regulatory protection. Under the *existing* regulatory system, AT&T is letting its service quality fail. This is a matter of life or death for some of our members – if they have a stroke, a heart attack, a burglary, a house fire, can they call 9-1-1 and know that their service will work? AARP welcomes a modern network, but new technology does not represent progress if consumers lose network reliability.

Let's keep AT&T accountable for where it puts its money. Let's give PURA the tools its needs to examine AT&T's finances, to oversee AT&T's service quality and network reliability. Let's make sure that, if predictions about competition are not realized that PURA retains the authority it now has to reclassify services as noncompetitive.

AARP does not oppose migration to new technologies. But state regulators, not AT&T, should decide how best to protect consumers during that transition. AARP urges you to reject the fundamentally flawed Bill No. 6402.

Thank you for the opportunity to contribute to this important discussion about Connecticut's telecommunications laws.

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