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BILL NO.: **House Bill 447**
Wireless Landline Telephone Service – Prohibition and Study

COMMITTEE: **Economic Matters**

HEARING DATE: **February 6, 2014**

SPONSOR: **Delegates Mitchell, et al.**

POSITION: **Support**

House Bill 447 would prohibit certain regulated telephone companies from replacing regulated landline or wireline telephone service with a certain wireless telephone service, and prohibit the Public Service Commission (“Commission”) from authorizing such a replacement. In addition, the Commission would be required to report to the Senate Finance Committee by December 14, 2014 on the impact of such a replacement on a variety of regulated telephone service quality, reliability and comparability issues. The Act would remain effective only through May 31, 2015.

The Office of People’s Counsel (“OPC”) supports House Bill 447 as it calls for a “time out” and study before a regulated telephone company could undertake actions that negatively impact residential (and business) users of regulated landline (wireline) telephone services. Simply put, OPC wants to ensure that customers of regulated landline service continue to receive regulated service that is comparable in quality, reliability and compatibility to existing service provided

through copper or fiber lines, without additional cost or inconvenience, and that they do not find themselves users of Voice Link or other unregulated substitute services from the telephone company without proper disclosures and consent.

The focus of House Bill 447 is wireline local telephone service, or “Plain Old Telephone Service” (POTS), as it is often described.¹ This service has been regulated by the Public Service Commission for almost a hundred years to ensure the quality, availability and reliability of telecommunications services that also are affordable and reasonably priced. In this State, Verizon Maryland is the predominant regulated telephone company, the incumbent local exchange carrier (ILEC). Verizon Maryland provides basic local service through copper and in some areas fiber, lines. The Bill applies to this regulated service, and would prohibit the *replacement* of the regulated service with Voice Link, an unregulated wireless service. It does *not* apply to unregulated services providers, including those that provide cellular phones, Voice Over Internet Protocol (VoIP) or wireless home phone services such as Walmart’s Straight Talk Wireless Home.

It is no secret that the companies operating the local exchange (or landline) network want to abandon their copper-based services, which continue to provide generally reliable telephone service to millions of consumers. Lowell McAdam, the Chairman and CEO of Verizon Communications, the parent of Verizon Maryland, has stated that his vision is “we are going into

¹ See Section 1(a), which refers to a “telephone company that provides local exchange access service.”

the copper plant areas, and every place we have FiOS², we are going to kill the copper...that is a pot of gold.”³

In those areas where Verizon has not deployed FiOS, the announced intention of Verizon Communications is to eventually replace copper-based service with wireless service. As Mr. McAdam stated in June 2012: “And then in other areas that are more rural and more sparsely populated, we have got LTE⁴ built that will handle ...those services, and so we are going to cut the copper off there.”⁵ Since Verizon began winding down its FiOS expansion in 2010, and stopped deploying FiOS to new areas, significant portions of Maryland - Baltimore City, Prince George's County, Western Maryland and the Eastern Shore - do not have FiOS, that is, fiber deployment of the facilities that provide for regulated voice as well as the other non-regulated services from Verizon. Thus, those customers would be at risk of a replacement of their current regulated landline service with Verizon's wireless service, known as Voice Link.

Replacement of copper lines with wireless telephone systems presents a number of issues, as discussed below. This potential replacement became a source of controversy and consumer angst after Hurricane Sandy hit the States of New York and New Jersey in October 2012, when Verizon announced its intention not to fix the utility customers' copper-based services in certain areas after the storm, instead replacing those services with Voice Link. Consumer opposition,

² FiOS is the trade name given to Verizon's fiber-optic communications network to the premises, which can provide voice, video and data services on a stand-alone basis or as a bundled service (the so-called “Triple Play”).

³ June 21, 2012 Guggenheim Securities Symposium, Comments of Lowell McAdam. See http://www.huffingtonpost.com/bruce-kushnick/want-to-know-what-verizon-and-att-really-tell-their-investors_b_4640640.html. (McAdam Comments)

⁴ LTE is an acronym for Long Term Evolution (e.g., 4G LTE), and is a standard for wireless communication of high-speed data.

⁵ McAdam Comments.

and that of the New York Attorney General, resulted in a change of Verizon's plan for Fire Island households. However, Verizon New Jersey continued to pursue the use of Voice Link to replace wireline service in Mantoloking, New Jersey as a substitute for wireline service disrupted by Hurricane Sandy.

Verizon Maryland has asserted that it does not currently market Voice Link in Maryland, and is not intending to *replace* regulated local telephone service with an unregulated Voice Link service. However, it appears that some Maryland households or businesses have Voice Link services. Given the consumer concerns about the service quality and reliability in New York and public statements of corporate officials, OPC believes that the "time out" is a necessary and reasonable precaution to ensure that Maryland residential consumers are not the recipients of Voice Line in lieu of repair or replacement of their existing wireline service, if it is not a regulated service and not a fully comparable service.

A review of Verizon's 15 page "Terms and Conditions of Service" for Voice Link confirms the consumer concerns that Voice Link is not a comparable service. For example, Voice Link requires a separate power source, and has limited battery back-up power, in comparison to the much more reliable copper landline service. Additional concerns include, but are not limited to, Voice Link's admitted lack of support for:

- Medical alert or other health monitoring services
- DVR services, fax machines and credit card machines
- Deaf relay services

- DSL or Dial up with modem services
- Monitored home security systems
- Certain Calling features

Complaints also have been made about the overall quality and reliability of the voice service itself, and the 911 connection. These consumer concerns go to the very issue of comparability of this service, and whether it is a truly comparable replacement for current regulated landline service in terms of the quality and reliability of service. These issues are of importance to landline telephone users, but are of particular concern to customers that are older, or with medical conditions or disabilities. House Bill 447 simply ensures that appropriate time and attention is paid to these issues *before* any steps are taken to replace one service with another.

The recent FCC order, issued on January 31, 2014, does not address or eliminate the current issues that are the subject of House Bill 447. In light of the changes in technology, it simply authorizes voluntary service-based experiments to test “real world applications of planned changes in technology that are likely to have tangible effects on consumers.”⁶ These experiments will permit stakeholders “to make data-driven decisions about ...technology transitions.”⁷ In fact, such experiments could help decision-making at the State level, but only if the data is provided *before*, not after, decisions are made that affect the service provided to consumers. The bill does not present a challenge to non-regulated telecommunications services or to technological innovation; it does provide some assurance that wireline customers do not lose existing benefits as a result of technological changes.

⁶ FCC Order 14-5, p. 4, para. 5.

⁷ *Id.*, p. 1, para 1.

OPC does have one suggestion regarding the current May 31, 2015 end date in the bill. To the extent that the Commission identifies or confirms service quality and reliability problems related to VoiceLink at the end of 2014, there may not be sufficient time for the Commission to address those problems before the May 31, 2015 date. A change of the date to December 31, 2015 would provide more assurance that identified problems could be addressed before the deadline.

For all these reasons, OPC recommends a FAVORABLE REPORT on House Bill 447.