Consumer Protections for the 21st Century in Telecommunications

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Introduction and Overview

- Issues of Affordability
- Issues of Access
  - Carrier of last resort
Reasonable Customer Expectations of Telecommunications Service

- Service that is:
  - Continuous and reliable
  - Adequate for intended communications purposes
  - Non discriminatory
  - Affordable
  - Accessible

- Adequate notice
  - Service affecting changes, such as terminations
  - Changes in rates
Importance of Affordable Access

• Value of the network increases to each user, with more people connected
• Once, access to a canal, railroad, electricity or highway was essential to an individual’s economic success.
• Today, individual economic success hinges on access to voice service and broadband internet
  – In-home access is requirement of early academic success: K-12 education
  – Decrease in public funding for community resources (libraries) makes in-home access more important
Affordable Access: Landline Still Essential

• Over 3.5 million AOL customers use dial-up
  – AOL added 200,000 new dial up customers in 2011

• Why do consumers subscribe to Landline?
  – Least Cost Option
  – Dialup speed and service is satisfactory
  – Lack of cellular service or high speed internet availability
    • Rural areas
  – Reliable 911
  – Familiarity (elders)

• Problems of all-IP network
  – Phone outages with electric outages
  – 911 accuracy
Affordable Access: the Digital Divide

• 40% of U.S. homes did not have a BB connection through December 2010.
  – Lowest subscribing states (43-50% subscriber rate) had low median incomes
    • AK, AL, TN, WV, OK
  – Wealthier states had higher rates of BB subscribership (70-74%)
    • CT, MA, NH, NJ
    • BUT impoverished areas of wealthy state has low BB subscribership
• Survey by Investigative Reporting Workshop shows lower the income, the less likely the household subscribes to the internet
  – Family income $15,000 or less: 32% adoption rate
  – Family income $150,000 or more: 90% adoption rate
Affordable Access: Lifeline

• FCC’s Modernization Order extends “voice service” definition to cover services supported by Lifeline
  – E.g., IP enhanced networks like VOIP
• States are main administrators of Lifeline funds, and ETC designation
• But many states have legislation in place prohibiting states from regulating VOIP
Ensuring Access for All

• Make products available for consumers in all marketing groups
  – Who needs basic service? (just voice)
    • Define basic service
      – Just voice?
      – Landline versus mobile phone
      – Excluding IP enabled voice service is unreasonable in connected network
    • Low income and elderly
      – Prefer landline
  – Who needs bundled service? (voice plus internet and TV)
    • Lifeline bundles should be affordable If Lifeline customer cannot pay bills, revert to basic service
Other Affordability Issues

- Cramming
- Slamming
- Other Billing Error
  - wrong customer; incorrect charges
- Bundled packages: must offer affordable options
- Prepaid phone cards
- Availability of discount programs
- Availability of payment plans
Affordability Issues on Horizon

• FCC Lifeline Reform Order
  – $9.25 flat rate
    • Reduction from current benefit for many customers
  – Timing of reduction is off in this economy
• Cramming
  – traditionally LL problem, migrating to wireless and text messaging
  – LL providers institute bill block; should expand to IP enabled voice service
• Mobile Payments
Low-Income Assistance Programs

• Lifeline Discount (landline, wireless discount)
  – Applies to landline and wireless telephone service
  – In future, necessary for broadband, as programs below are limited in availability and scope

• Connect to Compete (BB internet discount)
  – Eligibility: child participating in free National School Lunch program; new/non-subscriber; no arrearage
  – Discounted monthly access fee and low-cost computer
  – Training provided
  – Limited 2-3 year offer period
  – http://connect2compete.org

• Comcast Internet Essentials (BB internet discount)
COLR Protections, Historically

- Carrier of Last Resort obligations for Landline
  - must provide local exchange service to a customer seeking to be served in the carrier’s service area
  - State protection can include billing, termination, notice, service quality standards

- Companies cannot cherry pick and serve only most profitable areas
  - “duty to serve”
  - State Public Utility Commission (PUC) can compel companies to serve rural areas, high cost areas, lower income areas
Regulation or Deregulation?

- Legislation proposed in states, prohibiting PUCs from regulating IP enabled voice
- In some cases legislation restricts PUC authority over basic landline service
  - most phone companies use Internet Protocol (IP) in their networks and most phone calls involve the Internet
- Verizon stopping the build-out of FiOS
  - What about service to low income, high cost, or rural areas?
- National Association of State Utility Consumer Advocates 2009 Survey
  - Rates rose in 17 of 20 states that deregulated
  - **Problem for access and affordability**
- After airlines deregulated, new regulations are being added
Summary

- New voice technologies should serve to broaden consumer access, not narrow choices available
  - Landline still needed for some
    - Copper removal reduces options
    - IP enabled voice service and bundles must offer affordable options for all segments of the consumer market
- Lifeline for landline and BB are essential for enhancing the network for all, and keeping low-income and elder customers connected
- Carrier of Last Resort provisions are effective in ensuring all segments of society are served with essential voice service.
Questions

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