

March 17, 2015

The Honorable Thomas McLain Middleton
Chairman, Senate Finance Committee
3E Miller Senate Office Building
Annapolis, MD 21401

Re: SB 577 Will Leave Maryland Consumers Unprotected

Dear Chairman Thomas Middleton and members of the Senate Finance Committee:

Public Knowledge, Rural Broadband Policy Group, AARP Maryland, Appalshop, Center for Media Justice, Center for Rural Strategies, Common Cause Maryland, the Kentucky Resources Council, May First/People Link, Media Alliance, and The Utility Reform Network (TURN) (collectively “Public Interest Advocates”) submit this letter to express our opposition to SB 577 (“the Bill”). Public Interest Advocates are consumer advocacy groups from around the country that promote communications policies to ensure everyday Americans continue to have access to ubiquitous, reliable, quality, and affordable communications platforms. Public Interest Advocates write now to warn the Senate Finance Committee that SB 577 will leave Maryland consumers unprotected against rate hikes, and poor service, and will remove Maryland’s state and local authorities from the broader conversation about the future of our changing communications networks.

Our nation is currently in the midst of multi-faceted technology transitions to 21st Century networks. There are still many unanswered questions about the future of our communications networks and the role of federal, state, and local authorities in those networks. While these transitions are both inevitable and full of opportunities for everyday consumers, the broader policy discussion over how federal and state agencies should handle these changes is just beginning. For example, the Federal Communications Commission (“FCC”) recently closed its deadline to accept public comments regarding how the FCC should handle the legal, policy, and technical aspects of the transition.¹ Meanwhile, in Congress, leaders in the House of Representatives and Senate are indicating their interest in revisiting and revising the Communications Act of 1934, the bedrock of our national communications policy.²

In the face of these technological and political changes, Maryland must not remove itself from the conversation by tying the hands of its Public Service Commission when so many variables are still unknown. Indeed, the Public Service Commission must be robustly equipped to handle all of the unanticipated opportunities and challenges that will undoubtedly arise during

¹ *Ensuring Customer Premises Equipment Backup Power for Continuity of Communications*, PS Docket No. 14-174, *Technology Transitions*, GN Docket No. 13-5, *Policies and Rules Governing Retirement of Copper Loops by Incumbent Local Exchange Carriers*, RM-11358, *Special Access for Price Cap Local Exchange Carriers*, WC Docket No. 05-25, *AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, RM-10593, Notice of Proposed Rulemaking and Declaratory Ruling (rel. Nov. 25, 2014).

² *See Thune, Pai Express Support for #CommActUpdate*, House of Representatives Energy & Commerce Committee (June 25, 2014), <http://energycommerce.house.gov/blog/thune-pai-express-support-commactupdate>.

the course of the transitions, to ensure Maryland residents can continue to rely on communications networks that are as good or better than the networks they have known for decades.

Maryland cannot simply strip consumer protections and rely on federal law to protect Maryland's residents, which is exactly what SB 577 does. For one, no Maryland resident can know what the federal law governing the phone network will even be in five or ten years. It would be ill-advised to throw away the Public Service Commission's ability to act on the basis of federal authority that Congress has explicitly expressed interest in revising. And even under the current law, state commissions need their own independent authority to protect local users regardless of what actions the FCC can take. For example, when Verizon announced its plan to replace its wireline phone and DSL service in Fire Island, NY with a voice-only fixed wireless product called Voice Link, the New York Public Service Commission ("NY PSC") played a crucial role in making Verizon reveal the limitations of Voice Link's features, quality, and reliability, which ultimately led to unprecedented consumer outcry and Verizon announcing that it would build fiber service in the community instead. Had the NY PSC been unable to uncover information about Voice Link and stop Verizon from abandoning its wireline customers, Fire Island residents might today only have a new, untested wireless service that did not have the same quality, reliability, and features of the wired network that preceded it. Similarly, the Maryland Public Service Commission must be able to protect everyday consumers against such upheavals, especially the rural, elderly, and low-income consumers who would be hardest hit by a transition gone wrong.

Public Interest Advocates also oppose the substance of SB 577. The Bill largely removes the Public Service Commission's oversight of basic telephone service, making Maryland's residents vulnerable to rate hikes, poor quality of service, and unreliable networks. In addition, even though many Americans have become "wireless only" in recent years, a majority still have landlines at home or keep both wireless and landline phones because they need the wireline phone's reliability, connection quality, and self-power during power outages.³ Traditional landline networks also support medical alert devices, fax machines, and home security systems—functions that fiber, wireless, and VoIP voice services often do not currently provide. The Senate Finance Committee must remain attuned the needs of Maryland citizens who continue to rely on basic telephone service.

Comparisons to other states that have deregulated their phone service provide important cautionary tales for Maryland now. In California, state deregulation led to a 260% increase in rates for measured phone service,⁴ while in Ohio rates have increased the maximum \$1.25 per month since the state passed a deregulatory law in 2010.⁵ If Maryland passes similar deregulatory measures in SB 577, residents can only expect to see the same dramatic price increases for their own phone services, even while quality and reliability safeguards disappear.

³ John B. Horrigan, PhD, *Consumers and the IP Transition: Communications Patterns in the Midst of Technological Change* (Nov. 2014), <https://www.publicknowledge.org/assets/uploads/blog/Consumers.IP.Transition.FINAL.pdf>.

⁴ David Lazarus, *Since deregulation, landline costs skyrocket*, L.A. TIMES (Dec. 5, 2013), <http://www.latimes.com/business/la-fi-lazarus-20131206,0,1884243.column#axzz2n1M4KypS>.

⁵ *PA Deregulation Bill Will Hurt Rural Broadband Access, Hike Phone Rates*, SpeedMatters (Nov. 13, 2013), <http://www.speedmatters.org/blog/archive/pennsylvania-dereg-bill-will-hurt-rural-broadband>.

Maryland’s communications networks allow its citizens to conduct business, contact loved ones, and call for help in emergency situations. These services are too vital to the economic and social health of the state to prohibit the Maryland Public Service Commission from acting to protect consumers, especially in the face of impending technological and political changes. As Maryland legislators continue to deliberate on the future of its networks, Public Interest Advocates urge the Senate Finance Committee to ensure Maryland’s communications networks serve five core values: service to all, consumer protection, network reliability, competition and interconnection, and public safety. These values have served our phone network well for decades and have created one of the most successful communications platforms in the world. Maryland must continue to defend these values and resist ill-advised deregulatory pressures to ensure that the phone network continues to be a network that Maryland residents can rely on.

Respectfully submitted,

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