

SENATE COMMITTEE ON BUSINESS AND COMMERCE
TESTIMONY OF KRISTIE C. INCE
VICE PRESIDENT REGULATORY AFFAIRS
TW TELECOM
INTERIM CHARGE HEARING
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State of Telecommunications Market
Telecommunications Service Discounts - HB 2128/SB 773 Discounts

Mr. Chairman, Members of the Committee, I am Kristie Ince, Vice President of Regulatory Affairs for tw telecom, which is a facilities-based competitive telecommunications provider that provides an array of telecommunications, data and internet services to small, medium and large business customers in major markets across Texas and the United States.

I sincerely appreciate the opportunity to speak to the Committee today regarding the mandatory discounts for private network services that the larger ILECs must provide to educational institutions, libraries, hospitals, and telemedicine centers. These discounted services were first mandated by HB 2128, in 1995, and were expanded (to include health centers) and continued in 2011 (for another four years) by SB 773.

You heard testimony earlier today that the Texas telecommunications market today is competitive and diverse. It is. But there are still laws and regulations that cause harm to competition and to competitors, most notably, the mandatory discounts for the competitive services required by SB 773. However well-intentioned these service discounts were at the time they were adopted 17 years ago, the Legislature needs to recognize how much the telecommunications market has changed since these discounts were first implemented and realize the negative effects they have on competition as a whole.

The “private network services” covered by SB 773 include broadband services and customized or packaged network services that include digital services for voice, video, and data. All of these services are offered by competitive providers in Texas. However, the steeply discounted prices (not higher than 10% over cost) that must be offered by AT&T, Verizon and other Chapter 58 companies to schools, libraries and medical centers means that no competitor, especially ones that have built their networks without public guarantees or assistance, can compete for these customers. In other words, by requiring our direct competitors to offer these private network services at such

artificially low rates not only lowers the market price for these services, it completely shuts down competition for these products in these sectors. In a truly "competitive market," there is simply no place for a law that requires *any* carrier to offer a service a capped rate. These mandated discounts essentially create a monopoly market for these services. As a further strain on competition, small companies who are required to offer these services actually get to recoup the difference between the capped rate and the market rate from the Texas Universal Service Fund!

Since 1995, the Texas Legislature has been on a deregulatory track with respect to telecommunications policy. To continue to regulate the price of these services is completely contrary to that 17-year path. There is no other sector for which prices (beyond basic local telecommunications service) in the telecommunications market are capped.

Lastly, the Legislature should explore why public universities continue to need this rate-capped price when tuition at these institutions has been deregulated and they charge technology fees to students.

We urge the Legislature needs to determine whether this market can transition to competitive market rates or if a program could be instituted to allow all carriers to compete for services in this market.

Tw telecom appreciates the opportunity to provide this testimony and looks forward to working with the Committee and stakeholders on this issue.