

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 030867-TL**

**DOCKET NO. 030868-TL**

**DOCKET NO. 030869-TL**

**DIRECT TESTIMONY OF DR MARK N. COOPER**

**ON BEHALF OF AARP**

**REDACTED**

**October 31 , 2003**

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1 **STATEMENT OF QUALIFICATIONS**

2

3 **Q. PLEASE STATE YOUR NAME.**

4 A. My name is Mark N. Cooper. I am Director of Research of the Consumer Federation  
5 of America (CFA). I am also President of Citizens Research.

6

7 **Q. PLEASE DESCRIBE YOUR EXPERIENCE.**

8 A. Prior to founding Citizens Research, a consulting firm specializing in economic,  
9 regulatory and policy analysis, I spent four years as Director of Research at the Consumer  
10 Energy Council of America. Prior to that I was an Assistant Professor at Northeastern  
11 University teaching courses in Business and Society in the College of Arts and Sciences and  
12 the School of Business. I have also been a Lecturer at the Washington College of Law of the  
13 American University co-teaching a course in Public Utility Regulation.

14 I have testified on various aspects of telephone and electricity rate making before the  
15 Public Service Commissions of Arizona, Arkansas, California, Colorado, Connecticut,  
16 Delaware, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa,  
17 Kentucky, Manitoba, Maryland, Missouri, Montana, New Jersey, New York, North Carolina,  
18 Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia,  
19 Washington, Wisconsin, and Wyoming, as well as the Federal Communications Commission  
20 (FCC), the Canadian Radio-Television, Telephone Commission (CRTC) and a number of  
21 state legislatures.

22 For two decades I have specialized in analyzing regulatory reform and market  
23 structure issues in a variety of industries including telecommunications, railroads, airlines,  
24 natural gas, electricity, medical services and cable and broadcast television. This includes  
25 approximately 250 pieces of testimony split fairly evenly among state regulatory bodies,

1 federal legislative bodies, and federal administrative bodies.

2 I have participated in several §271 proceedings under the Telecommunications Act of  
3 1996 (hereafter, “the Act” or “the 1996 Act”). For the Consumer Federation of America I  
4 have filed comments at the FCC in the proceedings involving Ameritech-Michigan,  
5 BellSouth South Carolina and Louisiana, SBC California, Texas and Missouri, Bell Atlantic-  
6 New York, and Verizon Massachusetts. I have also participated as an expert witness on  
7 behalf of others in several §271 and related proceedings as follows: Oklahoma Attorney  
8 General in the early arbitrations in that state and I assisted that office in its preparations for  
9 the second §271 proceeding in that state; Texas Office of Public Utility Counsel; Public  
10 Counsel Section of the Washington State Attorney General’s Office; Office of Consumer  
11 Advocate of Pennsylvania; Office of Consumers Counsel of Ohio; and, Citizens Utility  
12 Board of Wisconsin.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. I have been asked by AARP to evaluate the proposals for rate rebalancing put before  
16 the Florida Public Service Commission (hereafter the “Commission”) by BellSouth, Verizon  
17 and Sprint (hereafter “the Companies”). In my testimony I provide a comprehensive  
18 framework for evaluating the Companies’ proposals on rate rebalancing that is consistent  
19 with the statute but leads to a very different conclusion than the ones provided by the  
20 Companies. The Companies have proposed a radical and rapid rate rebalancing based on a  
21 narrow, theoretical view of the ancient history of the telecommunications industry. The  
22 statute, on the other hand, requires the Commission to base its decision on the contemporary  
23 telecommunications marketplace.

24 I show in my testimony that the rebalancing proposed by the Companies fails to meet  
25 the conditions laid out in the statute on every major point. The rate increases will cause a

1 dramatic increase in the contribution of basic residential local service to the common costs of  
2 the company without significantly enhancing competitive entry. The rate increases will not  
3 benefit residential ratepayers. On the contrary, it will cost them dearly as a class. Even if  
4 residential ratepayers made a substantial number of intrastate toll calls qualifying for savings  
5 under the rates alleged to be reduced, there is absolutely no evidence of how intrastate toll  
6 rates will be reduced and, more importantly, how they will be reduced in programs available  
7 to residential customers. Moreover, my clients, older Floridians, will be particularly hard hit  
8 by this rate rebalancing. Thus, on these three grounds – elimination of a subsidy,  
9 stimulation of competition, and delivery of benefits to consumers – the proposed rate  
10 rebalancing fails the test set out by the legislature.

11 I also point out in my testimony that the pursuit of parity between intrastate and  
12 interstate access rates, which the legislature has set as a fourth condition, is a bad public  
13 policy. The federal authorities have decided to allow long distance companies to have a free  
14 ride on the telephone network. Following their example will not benefit consumers.

15

16 **Q. WHAT DO YOU RECOMMEND?**

17 A. Given that the rebalancing does not meet the goals of the statute, the Commission  
18 should reject each of the Companies' petitions. If the Commission determines that  
19 rebalancing should be implemented, I believe it should require that the increase in monthly  
20 rates be allocated between residential and business customers in proportion to their access  
21 minutes. It should also spread the rebalancing over four years to minimize the negative  
22 impact on older Floridians, who tend to make fewer long distance calls and are likely to  
23 suffer negative effects of rate rebalancing over the long term.

24

25

1 **THE STATUTORY TEST**

2 **Q. HOW DID YOU DETERMINE WHAT THE STATUTORY TEST IS?**

3 A. I read the statute but found that while portions of the statutory test to warrant  
4 Commission approval of the rebalancing petitions of the Companies are clear, the meaning,  
5 or intent, of other portions of the statute are unclear without reference to the legislative  
6 debates in the Florida House and Florida Senate. Therefore, I reviewed the legislative record.

7

8 **Q. WHICH PORTIONS OF THE STATUTE DO YOU FEEL ARE RELATIVELY**  
9 **CLEAR AND STRAIGHTFORWARD?**

10 A. The test the Companies acknowledge they must pass in order to increase their  
11 residential and single-line business customers' monthly rates is laid out in Section 364.(1),  
12 F.S., which states:

13 **364.164 Competitive market enhancement.--**

14 (1) Each local exchange telecommunications company may, after July 1,  
15 2003, petition the commission to reduce its intrastate switched network access  
16 rate in a revenue-neutral manner. The commission shall issue its final order  
17 granting or denying any petition filed pursuant to this section within 90 days.  
18 In reaching its decision, the commission shall consider whether granting the  
19 petition will:

20 (a) Remove current support for basic local telecommunications services that  
21 prevents the creation of a more attractive competitive local exchange market  
22 for the benefit of residential consumers.

23 (b) Induce enhanced market entry.

24 (c) Require intrastate switched network access rate reductions to parity over a  
25 period of not less than 2 years or more than 4 years.

26 (d) Be revenue neutral as defined in subsection (7) within the revenue  
27 category defined in subsection (2).

28 Subsections (c) and (d) are seemingly straightforward enough, although I have been advised

1 that not only did each of the Companies apparently renege on the terms of years promised to  
2 the Legislature for implementing the rate increases (three years for BellSouth and four each  
3 for Verizon and Sprint, purportedly to “reduce the ‘rate shock’ to their customers”), they also  
4 had their petitions dismissed by the Commission for trying to institute the second, and final,  
5 round of rate increases a mere 367 days after the first round.

6

7 **Q. IS THE INTENT OF SUBSECTION (b) TOTALLY CLEAR (b)?**

8 A. No. While this subsection is seemingly more clear, the legislative debate and  
9 statements by the legislation’s supporters appear to state that the Florida Legislature intended  
10 that “competition would have to be proven to result” as opposed to merely being more likely  
11 to result from residential and single-line business rates being increased at the levels  
12 requested.

13

14 **Q. WHAT SUPPORT DO YOU HAVE FOR THIS VIEW?**

15 A. In his introduction of the House bill to the full House on April 30, 2003,  
16 Representative Mayfield said the following at Pages 5 and 6 of the excerpted transcript of  
17 those proceedings, which is attached as Exhibit MNC-7:

18 Now, members, let me tell you what the bill does not do, does not do.  
19 It does not raise rates. It does not contain any mandatory language that  
20 requires rate increases. It does not require the PSC to grant any petition from  
21 any company unless the Commission is completely satisfied that two  
22 conditions are met: Competition has to be created, and residential customers  
23 have to benefit. The PSC is going to be responsible for sitting in judgment  
24 and making sure that those two things take place before it will grant any  
25 petition.

26

27 (Emphasis supplied.)

28

29 Representative Ritter, co-sponsor of the House bill, said the following at Pages 8 and 9 of  
30 MNC-7:

1 This bill is better than last year's bill. And I was fortunate to work on that  
2 one as well, but this is a better piece of legislation, more consumer friendly,  
3 more competitive, will bring competition in, will lower our rates.  
4

5 And Representative Mayfield did a fabulous job of explaining it, so I just  
6 want to say this. My parents live on a fixed income. They are basic single-  
7 service residential customers. They are also my most vocal constituents. I am  
8 fortunate to have my mother and father living in my district. They know  
9 where and when to reach me any day, any hour, any time. If I thought that  
10 this bill would raise my parents' local rates, I wouldn't be supporting it here  
11 today. This bill does not do that, which is why I'm able to give it my full  
12 support today.  
13

14 (Emphasis supplied.)  
15

16 Then, on the next day when the House voted out the Senate bill, Representative Mayfield  
17 said the following in response to a question from Representative Clarke, at Pages 4 and 5  
18 of MNC-8:

19 Representative Clarke, that's exactly what it does. It moves the political  
20 process one step away from rate changes or possible rate changes. It sets forth  
21 provisions which will require the Public Service Commission to sit in  
22 judgment and to determine two factors: One, will the petition to change rates  
23 create competition in the local marketplace; and two, will it be beneficial to  
24 residential customers. Before any changes can take place, that has to be  
25 determined by the PSC.  
26

27 (Emphasis supplied.)  
28

29 Representative Littlefield stated within his remarks in support of the legislation, at Page  
30 24 of MCN-8:

31 And I think that it's important to create competition so that consumers have  
32 the benefit of choice. And we have heard over and over again in our policy  
33 that when you give people choice, you empower them. And I simply say,  
34 power to the people, vote for this bill. And this bill -- let me -- just one more  
35 point, and I'm finished. And I promise I also will not go as long as the first  
36 one who spoke in opposition.  
37

38 This bill, when you look closely at it, you will find that the Public Service  
39 Commission is serviced or given a clear blueprint as to how to make the  
40 residential market more competitive while protecting the residential  
41 consumer.  
42

1 (Emphasis supplied.)  
2

3 Representative Garcia, in his remarks supporting the legislation, said the following at Page  
4 32 of MNC-8:

5  
6 This is what this bill does. It gives the ability for more competition. Forget  
7 about the phone ringing. I'm getting rid of my local landline right now  
8 because I don't use it anymore. It's always on the cell phone. And when the  
9 time comes, we're going to have more wireless services going all around the  
10 place. And this is what we're trying to do with this bill, is promote more  
11 competition.  
12

13 (Emphasis supplied.)  
14

15 And, lastly from the House side, while closing on the bill and urging a vote for it,

16 Representative Mayfield said the following at Page 45 of MCN-8:

17 But, members, look, this bill is about creating competition. It's about  
18 creating competition. It's about creating competition.  
19

20 (Emphasis supplied.)  
21

22 **Q. THE HOUSE SEEMS TO HAVE BEEN EMPHATIC THAT ACTUAL**  
23 **COMPETITION MUST BE SHOWN TO RESULT BEFORE THE COMMISSION**  
24 **CAN INCREASE LOCAL RESIDENTIAL RATES, DID THE SENATE EXPRESS**  
25 **SIMILAR REQUIREMENTS?**

26 A. Yes, in fact, the Senators seemed even more insistent than the House members that  
27 competition would have to be shown to actually occur before the Commission could raise  
28 local rates. For example, Senator Haridopolos, the legislation's Senate sponsor said the  
29 following in opening the Senate debate on the bill:

30 This legislation will build on the 1995 legislation bringing competition to  
31 local markets, and this gives the PSC the absolute authority to set prices and  
32 consumer protection.  
33

34 Page 2 of MNC-9. (Emphasis supplied.)  
35



1 Again, at Page 3 of MNC-9, Senator Haridopolos sought to reassure Senator Campbell that  
2 “the Public Service Commission [would] have the authority to deny or condition a rate  
3 rebalancing requested by the companies” saying:

4 Yes, Senator from the 32nd. They have this very strict language in Section 15  
5 of the bill which says that the -- the language as outlined making sure that it  
6 must be in the best interests of residential customers and bring local  
7 competition to the market before they would look at the rates.

8

9 SENATOR CAMPBELL: Are there any other criteria for the petition?

10

11 SENATOR KING: Senator Haridopolos to respond.

12

13 SENATOR HARIDOPOLOS: Throughout Section 15 they outline,  
14 specifically in Sections 1 through 9, each of the criteria. But the main  
15 criterion I thought we were looking at most closely would be again for the  
16 PSC to decide is there increased competition and will this benefit local  
17 customers.

18

19

20 **Q. IS THERE ADDITIONAL DEBATE FROM THE SENATE DISCUSSING THE**  
21 **REQUIREMENT THAT COMPETITION BE SHOWN TO RESULT AND THAT**  
22 **RESIDENTIAL CUSTOMERS MUST BE SHOWN TO BENEFIT?**

23 A. Yes, actually there is a very significant dialogue showing that the Senate sponsor and  
24 Senate supporters of the legislation fully intended both that (1) competition must be shown to  
25 result and (2) that residential customers be shown to benefit by the petitions being granted. I  
26 would like to pinpoint a number of the additional examples of this intent, starting with  
27 Senator Haridopolos assuring Senator Siplin that the legislation would not “impose an  
28 automatic increase on our customers, on our citizens in the State of Florida:”

29 SENATOR SIPLIN: Thank you. Senator from the 26th, will your bill impose  
30 an automatic increase on our customers, on our citizens in the State of  
31 Florida?

32

33 SENATOR HARIDOPOLOS: That's a very good question. Absolutely not.  
34 As I think -- I know you worked on the bill with me. This is very clear that  
35 the Public Service Commission has absolute control over costs and prices.  
36 And again, to make it clear to the members, the only way that a rate increase

1 could take place is only if the mandates or conditions are met, and that is that  
2 it must be in the best interests of residential customers and must bring local  
3 competition before they can look at rates.

4  
5 Pages 8 and 9 of MNC-9. (Emphasis supplied.)

6  
7 Later, Senator Haridopolos attempts to reassure Senator Cowin, who is concerned about how  
8 granting these petitions will affect her rural constituents, who, she says of: "It's obvious, it  
9 seems to me, that their local rates will go up. And I don't know where that competition will  
10 come from. Senator Haridopolos responds, saying, starting at Page 18 of MNC-9:

11  
12 SENATOR HARIDOPOLOS: Senator Cowin, I think you bring up a very  
13 legitimate issue and an issue of concern to a lot of persons. I think what gives  
14 me comfort as I read through the bill, especially in Section 15, it clearly  
15 delineates, it clearly mandates that -- it says to the areas we're hoping to open  
16 up to competition that there must be a benefit to residential customers and  
17 there must be competition in the market before they can adjust these rates.  
18 That's the comfort level that I have in the bill. If there is no competition, if it's  
19 not in the best interests of the customer, their rates cannot be increased. And  
20 again, we're giving that discretion to the Public Service Commission, and  
21 we're going to have persons from the background of Jack Shreve and others  
22 defend before the Public Service Commission saying that this is not the right  
23 thing to do, raise rates in this area. Also, you have a provision which was not  
24 in the previous bill of having the carrier of last resort. That's expanded all the  
25 way now to 2009, and I think that will also benefit the rural areas which  
26 have legitimate concerns about this bill.

27  
28 But I think those two key points, saying there must be competition  
29 and it must benefit the local customer, is really the key provision. And I think  
30 you might see -- it might take longer for competition, but that also means that  
31 the rates will not go up in these noncompetitive areas.

32  
33 Seeking to tie Senator Haridopolos to the specifics of the bill regarding the  
34 necessity of finding both actual competition and residential benefits, Senator Cowin  
35 puts this question to him, at Page 19 of MNC-9:

36  
37 SENATOR COWIN: A follow-up and then another question. So I guess I'm  
38 hearing you say that in a rural community, that if the telephone rates don't  
39 have competition or the rates don't go -- and the rates won't go up if there isn't  
40 competition for those people that don't have any long distance, or are you  
41 looking at it as a total picture and saying overall, there will be parity,

1 because overall the long distance rates -- where is the geographic region for  
2 competition for rural communities? Is that a separate entity?  
3

4 (Emphasis supplied.)  
5

6 Senator Haridopolos reassured Senator Cowin, saying, starting at Page 19 of MNC-9:  
7

8 SENATOR HARIDOPOLOS: I believe, Senator Cowin, as the bill clearly  
9 states, that what you're going to have here is simply, as the PSC looks at each  
10 -- as the company asks in a particular jurisdiction to raise rates, they're going  
11 to look at the parameters of the area they're looking at specifically, and they're  
12 going to ask those two basic questions, will it benefit customers, and is there  
13 true competition. And I think that's what we want to hand to the professionals  
14 at the PSC, this very type of question.  
15

16 Later in the debate, Senator Haridopolos addresses Senator Sebesta's concerns about the

17 extent of the Commission's authority and discretion to approve or reject requested local rate

18 increases, as well as the fate of families earning above the Lifeline eligibility level that might

19 "suffer" as a result of the large rate increases. Senator Sebesta asked:

20 SENATOR SEBESTA: Thank you, Mr. President. Senator, I voted no on this  
21 bill last year and was, as you know, leaning no this year. I've been listening  
22 very intently to what you and our fellow Senators have been saying. I guess I  
23 have two questions for you.  
24

25 One, can you tell me beyond a shadow of a doubt that whether these rates will  
26 go up or down is subject to the Public Service Commission and how they  
27 decide?  
28

29 SENATOR KING: Senator Haridopolos to respond.  
30

31 SENATOR HARIDOPOLOS: I can say without a doubt it will be the  
32 complete job of the Public Service Commission to decide the rates one way or  
33 the other, without question.  
34

35 SENATOR SEBESTA: Okay. Follow-up, Mr. President?  
36

37 SENATOR KING: Follow-up.  
38

39 SENATOR SEBESTA: Number two, the folks that I am most concerned  
40 about here -- now, the Lifeline project is wonderful, and the telephone  
41 companies are to be commended for that. That's really wonderful. But that  
42 takes it to \$23,000 a year for a family of four. What I'm most concerned  
43 about is that next chunk, let's say the next 20,000, because even at \$43,000 a  
44 year, for a family of four. man, they're still struggling. And if they're looking

1 at an up to \$7 a month rate increase, that's 100 bucks a year in pre-tax. That's  
2 a chunk for a family that's really suffering. What do we do about them?

3  
4 SENATOR HARIDOPOLOS: Well, I believe with this bill, the true intent of  
5 the bill is true competition. We've been waiting for a long time for this true  
6 competition. We've been at it since 1995. And I think with this bill, we've  
7 already heard testimony in our committee about how companies are ready to  
8 come in now that there's going to be true competition. And I think you're  
9 going to see the phone rates not go anywhere near these increases that you've  
10 spoken about.

11  
12 SENATOR SEBESTA: One last follow-up, Mr. President?

13  
14 SENATOR KING: You're recognized.

15  
16 SENATOR SEBESTA: Thank you, sir. So as you said a minute ago, rates  
17 will not be allowed to go up unless there is new competition in the area?

18  
19 SENATOR KING: Senator Haridopolos to respond.

20  
21 SENATOR HARIDOPOLOS: That is correct. There must be competition,  
22 and it must be in the benefit of residential customers.

23  
24 SENATOR SEBESTA: I think you just sold me.

25  
26 SENATOR HARIDOPOLOS: Thank you, sir.

27  
28 Pages 22-24, MNC-9. (Emphasis supplied.)

29  
30 Finally, in closing on his bill and in urging his fellow Senators to approve it, Senator  
31 Haridopolos issued his final assurances regarding the safeguards of the legislation, saying,  
32 beginning at Page 43 of MNC-9:

33 SENATOR KING: Senator Haridopolos to close.

34  
35 SENATOR HARIDOPOLOS: Thank you, Mr. President. I appreciate the  
36 spirited debate. I think the most important thing is this political football game  
37 is finally over.

38  
39 I remember when I filed this bill two years ago in the House, there were  
40 lobbyists lined up on both sides. And what we have finally done is, the  
41 Legislature I think has come together and looked at an issue to finally increase  
42 competition, but with the important ingredient of oversight. I think everyone  
43 in this room understands the professionals we have at the Public Service  
44 Commission, and that's where we're going to put this political football to bed.  
45 We're going to take it out of the Legislature and put it in the professionals'

1 hands where citizen groups and persons alike can make sure that if there is  
2 any discussion about rates, the persons can be there to defend the right of the  
3 consumer.  
4

5 I think this bill is all about competition and innovation, and I think that's  
6 what America is all about, competition and innovation.  
7

8 I want to thank Senator Siplin for his good work on this bill, as well as  
9 Senator Smith and others, and, of course, the Chairman, Senator Bennett, for  
10 bringing all sides together. This has been a long time in coming, as Senator  
11 Smith has said. And I think that we have finally put this political football to  
12 bed, and I think it's time for us to move forward  
13 and trust competition in the same way we trusted competition to make the  
14 United States.  
15

16 Thank you.  
17

18 (Emphasis supplied.)  
19

20 **Q. WHAT DO YOU CONCLUDE THE LEGISLATURE INTENDED FROM THE**  
21 **STATEMENTS QUOTED ABOVE?**

22 A. While all the quoted statements by the legislation's sponsors and supporters might  
23 seem a little tedious, their specificity and repetition leave me with two clear conclusions:  
24 One, the Florida Legislature intended that the Commission must find that actual local  
25 competition will result in specific geographic areas (meaning individual rural versus  
26 individual urban rate zones) before it can consider raising basic local residential rates, and  
27 two, the Companies must also prove that their residential customers will benefit before their  
28 local rates can be increased as requested.  
29

30 **Q. DO YOU BELIEVE THAT THE COMPANIES HAVE PROVEN THAT**  
31 **LOCAL COMPETITION IN ALL OF THEIR GEOGRAPHIC SERVICE AREAS**  
32 **WILL RESULT IF LOCAL RATES ARE INCREASED AS REQUESTED?**

33 A. No, none of the Companies have remotely provided such proof for any of their  
34 geographic service areas, let alone all such rural and urban areas. Rather, as I discuss below,

1 the most the Companies have accomplished is to have presented an unfounded theory that  
2 increasing their residential customers' rates from 35 to 90 percent over the course of two  
3 years and a day will automatically increase the level of local competition by some undefined  
4 amount. The Companies attempted proof does not begin to meet the Legislature's test.

5  
6 **Q. WHAT ABOUT THE REQUIREMENT THAT RESIDENTIAL CUSTOMERS**  
7 **MUST RECEIVE DEMONSTRABLE BENEFITS BEFORE THEIR RATES CAN BE**  
8 **INCREASED AT THE UNPRECEDENTED LEVELS DEMANDED BY THE**  
9 **COMPANIES?**

10 A. Well, Subsection (a) of 364.164, F.S. is clearly perplexing and more than a little  
11 obtuse in what is intended to be proven before the Commission can increase local rates. I  
12 suspect that there are more technical objections to the sentence structure, but it strikes me  
13 that it is some type of "run on sentence" with more than one misplaced modifier.

14  
15 **Q. WHAT DO YOU MEAN?**

16 A. Just look at the language:

17 In reaching its decision, the commission shall consider whether granting the  
18 petition will:

19 (a) Remove current support for basic local telecommunications services that  
20 prevents the creation of a more attractive competitive local exchange market  
21 for the benefit of residential consumers.

22 As discussed below, I have concluded that there is no "current support for basic local  
23 telecommunications services," which means the petitions should be denied outright. If there  
24 is no support or subsidy for local service, then it is impossible for such support to be removed  
25 by rate increases. However, even if there were some level of support for local service and it  
26 was removed to some degree by rate increases, the test for meeting the remaining

1 requirements of Subsection (a) is far from clear. For example, what does “prevents the  
2 creation of a more attractive competitive local exchange market” mean? And, what did the  
3 Florida Legislature intend by the phrase “for the benefit of residential consumers?” That the  
4 language is so awkward is likely the result of the industry drafting the entire bill.<sup>1</sup> Despite  
5 the confusion necessitated by the wording of this factor, I am confident that the Florida  
6 Legislature intended that residential customers be shown to receive actual net financial  
7 benefits in the form of lower overall monthly bills through offsetting reductions in intrastate  
8 toll rates required by the new law.

9

10 **Q. HOW DO YOU COME TO THIS CONCLUSION DESPITE THE**  
11 **CONFUSING LANGUAGE OF SUBSECTION (a)?**

12 A. Again, as with the “actual competition” requirement, it is clear from the floor debate  
13 in both the Florida House and Florida Senate that the Legislature intended that residential  
14 customers receive actual financial benefits and that they result primarily from the potential of  
15 “breaking even” or even “winning” on the total monthly telephone bill as a result of taking  
16 advantage of the promised lower intrastate toll rates. Although she clearly confused the fact  
17 that only intrastate toll rates, not interstate tolls, must be reduced for some period in sync  
18 with the local rate increases, the House bill’s co-sponsor, Representative Ritter, tried to make  
19 the point that residential customers might see financial benefits from the legislation when she  
20 said:

21 In closing, let me say this. If you are worried about the politics of this bill,  
22 let me suggest that many of the things that have been done on the floor of this  
23 house during this session are far more damaging than what is being done in

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<sup>1</sup> Statement of Representative Richardson at the April 9, 2003 meeting of the House Committee on Business Regulation: “As you all know, this has been a very delicate process to come to where we are now. It’s involved a lot of negotiation. The industry has worked together in good faith to provide us with the product that we are looking at this morning Representative Attkisson. This is not a bill that was written by legislators. It was a proposal brought to us by the industry, that they agreed upon. And they have done an excellent job and it certainly is a product that I can support. (Emphasis supplied.)

1           this particular piece of legislation. If you are worried, please do not worry  
2           about this piece of legislation. You are lowering rates for your constituents.  
3

4           And as for those of us who live in South Florida and have elderly  
5           constituents, first of all, might I suggest that many of our constituents have  
6           computers, and they are e-mailing us on many things, including prepaid  
7           tuition. And might I also suggest that many of our elderly constituents have  
8           families who live out of state, and our constituents make numerous long  
9           distance phone calls to those people who live in the Northeast predominantly,  
10           and those constituents will see a direct reduction in their phone bills as a result  
11           of this piece of legislation.  
12

13          Page 22 of MNC-8. (Emphasis supplied.) There are many references to the absolute  
14          necessity of the Commission finding “a benefit for residential customers” in the above-cited  
15          floor debates in both chambers. Furthermore, both the industry and the legislation’s sponsors  
16          and supporters made numerous statements in committee meetings to the effect that residential  
17          customers would have to benefit and that the chief way they would be able to benefit would  
18          be by making intrastate toll calls at the promised lower rates.<sup>2</sup>  
19

20          **Q.     IS IT POSSIBLE TO DETERMINE WHETHER RESIDENTIAL**  
21          **CUSTOMERS CAN “BREAK EVEN” OR “WIN” BY MAKING A CERTAIN LEVEL**  
22          **OF INTRASTATE TOLL CALLS AT THE REDUCED RATES PROMISED BY THE**  
23          **LEGISLATION’S SUPPORTERS?**

24          A.     No, it is, in fact, impossible for anyone, including this Commission, to make such a  
25          determination for the very reason that there is not one word of testimony in any of the three  
26          cases stating at what levels intrastate toll rates will be reduced in IXC programs or products  
27          available to residential customers. The costs, or detriments, to the residential customers are  
28          specifically known in the event the petitions are granted. If the petitions are granted, we  
29          know that all of BellSouth’s local residential rates will increase by as much as \$3.86 a month,

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<sup>2</sup> AARP is now in the process of having portions of both House and Senate committee meetings transcribed with the intention of supplementing the statements by supporters of the legislation that lowered intrastate toll rates could lead to “break even” or “winning” total monthly telephone bills.



1 or by \$46.32 a year. Verizon’s residential rates will increase by \$4.61 a month, or \$55.32 a  
2 year, and Sprint’s will dwarf the others’ and increase by \$6.86 a month, or by \$82.32 a year.  
3 Those are increases of from 35 to 51 percent for BellSouth’s residential customers,  
4 depending upon their rate group, from 38 to 47 percent for Verizon’s residential customers  
5 and increases of from 60 to 90 percent for Sprint’s customers. These increases do not  
6 include the significant taxes and fees that accelerate as a percentage of the base bill. By  
7 contrast, the purported “residential benefits.” at least as they relate to lower intrastate toll  
8 rates are not stated and are unknowable because the major IXCs serving the state are not  
9 parties to these cases and have not disclosed how they will apportion the access fee  
10 reductions between their products available to residential or large business customers.<sup>3</sup>

11 Even if it were possible to calculate potential net financial savings from the promised  
12 reductions in intrastate toll calls, which is not the case, it is likely that many residential  
13 consumers, especially the elderly, would not make a sufficient number of “qualifying”  
14 intrastate toll calls to achieve overall net savings on their monthly bills.<sup>4</sup>

15

16 **Q. ARE THERE OTHER REASONS TO BELIEVE THAT RESIDENTIAL**  
17 **CUSTOMERS WILL NOT RECEIVE ANY ACTUAL BENEFITS IF THESE**  
18 **MASSIVE RATE INCREASES ARE APPROVED?**

19 A. Yes. I discuss a number of additional reasons why residential customers will not  
20 benefit from these increases in a later section of my testimony dealing with the “distribution  
21 of benefits and costs of rebalancing.”

22

---

<sup>3</sup> The absence of the IXCs as parties to this case and the inability to calculate potential residential savings as a result of lowered intrastate toll rates is the basis for AARP’s Motion to dismiss for failure to join indispensable parties, which motion had not been ruled upon when this testimony was filed.

<sup>4</sup> To date, the overwhelming number of residential consumers testifying before the Commission in its series of customer service hearings have testified that they make few, if any, qualifying intrastate toll calls.

1 **THE LOOP AS A COMMON COST**

2

3 **Q. IS THE LOOP A SHARED FACILITY WHOSE COSTS ARE COMMON TO**  
4 **A NUMBER OF SERVICES?**

5 A. Yes, the loop is a common facility to many services and should be considered a  
6 common cost of those services. One can readily see this by applying Dr. Taylor's mind  
7 experiment to long distance calling.

8 Dr. Taylor asked the Commission to think about an incumbent local exchange  
9 company that chooses to drop long distance service and only provide local service. Would  
10 the company need a loop to provide that service? The answer is obviously yes. Therefore,  
11 he says the loop is a cost of local service.

12 I agree, but the problem is that he never performs the same mind experiment for long  
13 distance service. Think about an incumbent local exchange company that chooses to drop  
14 local and only provide long distance service. Would it need a loop to provide service? The  
15 answer is obviously yes.

16 When you conduct both experiments, you discover that the loop is a shared cost of  
17 both services. The same is true of DSL service, which has lately become a focal point of  
18 much incumbent local exchange company (ILEC) attention. This debate has been going on  
19 almost since the beginning of the industry.

20 Much the same is true of the mind games played by other witnesses. Caldwell (p. 9)  
21 states that when a customer contacts the telephone company and asks for local service, the  
22 customer causes the loop to come into existence. But, if the customer contacted the phone  
23 company and asks for long distance, but not local, the desire for long distance would cause  
24 the same loop to come into existence.

25 Cost causation cannot be resolved by asking only one question, or by deciding which

1 question to ask first. The telecommunications network is a multi-service network that enjoys  
2 substantial economies of scale and scope (falling average cost as more products are added to  
3 share joint and common costs). It has been that way from its inception. The loop is a  
4 telecommunications facility used to complete all telephone calls -- local, intraLATA long  
5 distance, and interLATA long distance. It is also used to provide enhanced services. Today,  
6 it is also used for DSL services. It is impossible to complete an interLATA long distance call  
7 without a loop. Moreover, when the loop is in use to complete an interLATA long distance  
8 call, it cannot be used simultaneously to complete another call.

9

10 **Q. DO HISTORIC PATTERNS OF INVESTMENT AND CONTEMPORARY**  
11 **ECONOMIC BEHAVIOR REVEAL THE FALLACY OF ATTRIBUTING LOOP**  
12 **COSTS TO ONLY BASIC LOCAL SERVICE?**

13 A. Yes. History shows that the integration of the long distance network into the local  
14 network (they actually started as two separate networks) raised the cost of the integrated  
15 network. Since the integrated network costs more as a result of the addition of long distance,  
16 it is reasonable to assume that long distance causes costs in the integrated network.  
17 Historical analysis of why telecommunications investments were actually made shows that  
18 most telecommunications technologies were deployed for and used by business customers  
19 first. Hence, it is more reasonable to assume that those customers caused the investment. In  
20 other words, complaints that business customers and long distance users pay too much  
21 actually ignore the historic pattern of cost causation.

22 In truth, since the first decade of the last century, the network, including the loop, has  
23 been consciously designed to provide local and long distance service and business and  
24 residential service. Long distance was not an afterthought; it was always a forethought,  
25 included in the design, development and deployment of the network. Vertical services have

1 been included in economic analyses of network design and architecture for over two decades.

2 Now that the Companies are intensely competing to sell bundles of services, the  
3 fiction that local service causes the loop cost should be put to rest once and for all. The  
4 economic evidence that the telecommunications network is a multi-product enterprise  
5 enjoying economies of scale and scope is overwhelming.

6 ♦ On the supply-side all long distance calls use the network exactly the same way  
7 local calls do. Vertical services (like Call Waiting, Call Forwarding and Caller  
8 ID) and new digital services (like DSL) are supported by all parts of the network.  
9 Basic service accounts for about one-quarter of total revenues generated per line  
10 because the line is shared by an ever-increasing array of services.

11  
12 ♦ On the demand-side, customers expect to receive long distance service when they  
13 order telephone service. Vertical services are strong complements of basic  
14 service. If a provider sells basic service to a customer, competitors are very  
15 unlikely to sell that customer Call Waiting.

16  
17 ♦ Companies are eager to sell local service and long distance service bundled  
18 together.<sup>5</sup> One-stop shopping is an integral part of providers' business plans. In  
19 such a bundle, why is local service the "cost causer," as the LECs and IXCs  
20 claim, and long distance the free rider?

21  
22 A reasonable basis to determine the allocation of shared costs is to analyze the  
23 facilities and functionalities necessary and actually used in the production of goods and  
24 services. In order to produce a long distance call IXCs need distribution plant, as well as  
25 switching plant and transport plant. Instead of basing economic analysis on a guess about  
26 what consumers really wanted when they purchased a bundle of services, the Commission  
27 should rely on a "service pays" principle. That is, services that use facilities should be  
28 considered to benefit from the deployment of those facilities and every service that uses a  
29 facility should help pay for it.

30

31

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<sup>5</sup> Providers are also intensely interested in bundling many more services, such as Internet and data services, in addition to local and long-distance calling.

1 **Q. IS THERE A LEGAL BASIS FOR TREATING THE LOOP AS A COMMON**  
2 **COST?**

3 A. The Telecommunications Act of 1996 certainly understood the economics of the  
4 industry and sought efficient entry across a broad range of services.

5 • The Act promotes the deployment of advanced telecommunications  
6 services and information technologies and insists on a sharing of joint and  
7 common costs.

8  
9 • The Act repeatedly recognizes that advanced services and basic service are  
10 linked.

11  
12 • The Act recognizes that competitive and non-competitive services will be  
13 commingled on the network and its purpose is to advance this multi-  
14 product network.

15  
16 The law directly addresses the revenue responsibility of these various services. The  
17 cross-subsidy and joint cost language of 47 USC 254 (k) addresses this point:

18 Subsidy of Competitive Service Prohibited – A telecommunications carrier  
19 may not use services that are not competitive to subsidize services that are  
20 subject to competition. The Commission, with respect to interstate services,  
21 and the States, with respect to intrastate services, shall establish any necessary  
22 cost allocation rules, accounting safeguards, and guidelines to ensure that  
23 services included in the definition of universal service bear no more than a  
24 reasonable share of the joint and common costs of facilities used to provide  
25 those services.

26  
27 This policy recognizes two distinct steps that are necessary to have fair and efficient  
28 pricing in an emerging, partially competitive environment -- a strict prohibition on below  
29 cost pricing for competitive services and a reasonable recovery of joint and common costs  
30 across services that share facilities. The Conference Report states this principle more  
31 vigorously. The Conference Committee Report clarifies the standard for cost allocation by  
32 adopting the Senate report language --

33 The Commission and the states are required to establish any necessary cost  
34 allocation rules, accounting safeguards, and other guidelines *to ensure that*  
35 *universal service bears no more than a reasonable share (and may bear less*  
36 *than a reasonable share)* of the joint and common facilities used to provide

1 both competitive and noncompetitive services.<sup>6</sup>

2

3 In pursuit of universal basic service, this language establishes a reasonable share of joint and  
4 common costs allocated to basic service as an *upper* limit.

5 The FCC, the states, and the courts have found consistently and repeatedly that the  
6 loop is a common cost. The courts recognized this almost three quarters of a century ago in  
7 Smith v. Illinois.<sup>7</sup> Many of the states have formally recognized this in comments in federal  
8 proceedings<sup>8</sup> and in their own cost dockets.<sup>9</sup>

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<sup>6</sup> Conference Report, p. 129, *emphasis added*.

<sup>7</sup> 282 U.S. 133 (1930)

<sup>8</sup> The Texas Public Utility Commission, the Nebraska Public Service Commission, the New Hampshire Public Utilities Commission, the New Mexico State Corporation Commission, the Utah Public Service Commission, the Vermont Department of Public Service and Public Service Board, and the Public Service Commission of West Virginia. In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996 p. 18; "Comments of the Idaho Public Service Commission" In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996, p. 17; "Comments of the Public Utility Commission of Texas" In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996, p. ii; "Initial Comments of the Pennsylvania Public Utility Commission to the Notice of Proposed Rulemaking and Order Establishing Joint Board" In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996, p. 7; "Initial Comments of the Virginia Corporation Commission," In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996, p. 5; "Comments of the Staff of the Indiana Utility Regulatory Commission" In the Matter of Federal-State Joint Board on Universal Service, Before the Federal Communications Commission, FCC 96-93, CC Docket No. 96-45, April 12, 1996, p. 9.

<sup>9</sup> "Report of Glenn P. Richardson, Senior Hearing Examiner Application of GTE South Incorporated For Revisions to Its Local Exchange, Access and Intra-ATA Long Distance Rates, Commonwealth of Virginia State Corporation Commission, Case No. PUV950019, March 14, 1997, p. 84; Application of the Mountain States Telephone and Telegraph Company doing Business as U.S. West Communications, Inc., for Approval of a Five-Year Plan for Rate and Service Regulation and for a Shared Earnings Program, Colorado Public Utilities Commission, Docket Nos. 90a-665T, 96A-281T, 96S-257T, Decision No. C97-88, January 5, 1997, pp. 42-43; Decision and Order Rejecting Tariff Revisions, Washington Utilities and Transportation Commission v. U.S. West Communications Inc., Docket No. UT-950200, April 11, 1996 pp. 83-84; Department of Utility Controls' Investigation Into the Southern New England Telephone Company's Cost of Providing Service, Department of Public Utility Control, Docket No. 94-10-01, June 15, 1995, pp. 24-25; Report and Order, In Re: US West Communications, Inc., Utah Public Service Commission, Docket No. 95-049-05, November 6, 1995, p. 95; Final Decision and Order, In Re US West Communications Inc., Iowa Utilities Board, Docket No. RPU-95-10, May 17, 1996, p. 295, 306; Final Decision and Order, In Re US West Communications Inc., Iowa Utilities Board, Docket No. RPU-94-1, November 21, 1994; In the Matter of the Application of GTE Southwest Incorporated and Contel of the West, Incorporated to Restructure Their Respective Rates, New Mexico State Corporation Commission, Docket NO. 94-291-TC, Phase II, December 27, 1995. pp. 11, 14-15; New England Telephone Generic Rate Structure Investigation, New Hampshire Public Utilities Commission, March 11, 1991, DR 89010, slip, op., pp. 39-40; Order No. 18598, Re: Investigation into Nontraffic-Sensitive Cost Recovery, Florida Public Service Commission, 1987; Docket No. 860984-TP, pp. 258, 265-266; Order No. U-15955, Ex Parte South Central Bell Telephone Company, Docket No. 1-00940035, Louisiana Public Service Commission,

1 **Q. DID THE TELECOM ACT OF 1996 CHANGE THE FACT THAT THE**  
2 **LOOP IS A COMMON COST?**

3 A. No it did not. In a series of rulings to implement the 1996 Telecom Act, the FCC has  
4 constructed a comprehensive paradigm that starts from the fundamentally correct premise  
5 that the loop is a shared cost. The FCC began in the local competition docket by recognizing  
6 that the loop is a shared cost of local, long distance and the other services that use the loop.  
7 As discussed above, separate telecommunications services are typically provided over shared  
8 network facilities, the cost of which may be joint or common with respect to some services.

9 The costs of local loops and their associated line cards in local switches, for  
10 example, are common with respect to interstate access service and local  
11 exchange service, because once these facilities are installed to provide one  
12 service they are able to provide the other at no additional cost.<sup>10</sup>

13  
14 The FCC followed that decision with its proposed rulemaking on access charge  
15 reform, in which it reaffirmed the observation that the loop is a common cost.

16 For example, interstate access is typically provided using the same loops and  
17 line cards that are used to provide local service. The costs of these elements  
18 are, therefore, common to the provision of both local and long distance  
19 service.<sup>11</sup>

20  
21 In the reform of the separations process, the FCC has stated the economic reasoning  
22 and analysis which underpins this treatment of the loop:

23 Nearly all ILEC facilities and operations are used for multiple services. Some  
24 portion of costs nonetheless can be attributed to individual services in a  
25 manner reflecting cost causation. This is possible when one service, using  
26 capacity that would otherwise be used by another service, requires the  
27 construction of greater capacity, making capacity cost *incremental* to the

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September 5, 1995, p. 12; In Re Formal Investigation to Examine and Establish Updated Universal Service Principles and Policies for Telecommunications Services in the Commonwealth, Docket No. 1-00940035, September 5, 1995, p. 12; In the Matter of a Summary Investigation into IntraLATA Toll Access Compensation for Local Exchange Carriers Providing Telephone Services Within the State of Minnesota, Minnesota Public utilities Commission, Docket No. P-999/CI-85-582, November 2, 1987, p. 33.

<sup>10</sup> Federal Communications Commission. First Report and Order: Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, ¶678.

<sup>11</sup> Federal Communications Commission, In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charges: Notice of Proposed Rulemaking, CC Docket Nos. 96-262, 94-1, 91-213, 95-72, ¶ 237.

1 service. The service therefore bears a causal responsibility for part of the cost.  
2 The cost of some components in local switches, for example, is incremental  
3 (i.e. sensitive) to the levels of local and toll traffic engaging the switch. Most  
4 ILEC costs, however, cannot be attributed to individual services in this  
5 manner because in the case of joint and common costs, cost causation alone  
6 does not yield a unique allocation of such costs across those services. The  
7 primary reason is that shared facilities and operations are usually capable of  
8 providing at least one additional service at no additional cost. In such  
9 instances, the cost is *common* to the services. For example, the cost of a  
10 residential loop used to provide traditional telephony services usually is  
11 common to local, intrastate toll, and interstate toll services. In a typical  
12 residence, none of these services individually bears causal responsibility for  
13 loop costs because no service places sufficient demands on capacity to  
14 warrant installation of a second loop....

15  
16 Both incremental cost and stand-alone cost (which are usually expressed per  
17 unit of output) are greatly affected by the way we choose to define the  
18 increment and the service class. The incremental cost of carrying an  
19 additional call from residences to end offices, for example, is zero if the  
20 residences are already connected to end offices, but the incremental cost of  
21 establishing such connections is the cost of the loops.<sup>12</sup> (emphasis added)  
22

23 Most importantly, the FCC's methodology for estimating costs of basic service for  
24 purposes of identifying high cost areas is consistent with its logic of properly allocating loop  
25 costs. Two of the ten criteria it establishes for specification of a cost model require similar  
26 treatment of joint and common costs:

27 (2) Any network functionality or element, such as loop, switching, transport,  
28 or signaling, necessary to produce supported services must have an associated  
29 cost...

30 (7) A reasonable allocation of joint and common costs must be assigned to the  
31 cost of supported services. This allocation will ensure that the forward-  
32 looking economic cost does not include an unreasonable share of joint and  
33 common costs for non-supported services.<sup>13</sup>  
34

35 As public policy has introduced more and more competition into the industry, the  
36 shared nature of the loop has become more evident, not less. Today the most vigorous  
37 competition is for bundles of service that include both local and long distance. That is where

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<sup>12</sup> Federal Communications Commission, In the Matter of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board. Notice of Proposed Rulemaking, CC Docket No. 80-286, November 10, 1997 (hereafter, Separations NPRM), pp. 14-15.

<sup>13</sup> FCC, Universal Service Order, ¶ 250.



1 the action is for both the CLECs and ILECs. In fact, the FCC has declared it official policy  
2 that the states in the Triennial Review proceedings should consider all the revenues  
3 associated with the loop.

4 Despite relatively widespread agreement on such broad general statements  
5 concerning implicit support flows, this area is more complex than it might  
6 initially appear. The existence of “below cost” residential local exchange  
7 service rates does not mean that such customers are “unprofitable” to serve.  
8 Determining whether a customer class is desirable to serve requires a  
9 comparison of costs and all potential revenues from the class, which will  
10 substantially exceed the local exchange service rate. In addition, describing  
11 certain rates as being “above or below cost” itself involves complex questions  
12 concerning how costs should be defined. <sup>14</sup>

13  
14  
15 **Q. DOES THE STATUTORY DEFINITION OF BASIC SERVICE REQUIRE**  
16 **THE COMMISSION TO TREAT THE LOOP AS A COST OF BASIC SERVICE?**

17 A. Not at all. The fact that the statute lists the functionalities that should be made  
18 available as part of basic service does not mean the cost of those functionalities must be  
19 attributed to basic service. Several of the functionalities identified are required to be made  
20 available with other services as well.

21  
22 **Q. WHAT ARE THE IMPLICATIONS FOR THE CURRENT PROCEEDING OF**  
23 **TREATING THE LOOP AS A COMMON COST?**

24 A. Once the loop is recognized as a shared cost and the total revenues from all the  
25 services it supports are taken into account; once the nature of competition as it is actually  
26 occurring in the marketplace is taken into account, it becomes quite evident that the  
27 proposals to rebalance rates fails the first two tests under the new statute:

---

<sup>14</sup> *Report and Order on Remand and Further Notice of Proposed Rulemaking, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 01-338; 96-98; 98-147, August 21, 2003, Para. 157.*

- 1       • Rate rebalancing does not eliminate a subsidy to basic local service; it simply  
2       increases the contribution of basic local service to the shared costs of the network.  
3
- 4       • Rate rebalancing will not stimulate enhanced market entry and greater competition.  
5       The competitors treat local and long distance as a bundle. It will not affect their entry  
6       significantly.  
7

8

9       **Q.     ON WHAT EVIDENCE DO YOU BASE THE STATEMENT THAT RATE**  
10      **REBALANCING MERELY INCREASES THE CONTRIBUTION FROM BASIC**  
11      **SERVICE TO COMMON COSTS?**

12           A. The Companies' cost studies make it apparent (see Exhibit MNC-1). The loop is  
13      by far the largest cost that the Companies attribute to basic local service. Sprint declares that  
14      90 percent of basic service costs are associated with the loop.<sup>15</sup> While Sprint's claim about  
15      the share of loop costs in the total cost of basic service is the highest, the other Companies'  
16      cost studies show similarly high levels. If the loop is treated as a common cost, there is no  
17      doubt that the prices charged for basic service are far greater than the costs that are properly  
18      attributed to basic service. A comparison of UNE prices for all three companies with the  
19      average revenue for basic service leads me to conclude that while the precise level of  
20      contribution from basic service to common costs varies somewhat between the companies,  
21      there is no doubt that for all three basic service revenues more than cover costs, once the  
22      loop, network interface device and port are treated as a common cost.

23           In standard rate cases, this observation would lead to a debate over the relative level  
24      of contribution to common costs, and a variety of different approaches to marking up direct  
25      costs to ensure recovery of common costs would be discussed. Exhibit MNC-2 shows that if  
26      the loop is treated as a common cost between the three primary services being bundled in the  
27      market – local, vertical services and long distance – basic local service already makes a much

---

<sup>15</sup> Sprint-Florida, Petition, p. 11.

1 larger contribution in absolute dollar terms than the other two services, but the rate of mark-  
2 up is higher on long distance.

3 In this proceeding, however, we do not have to proceed to that step, since the statute  
4 lays out a simple standard. Rates are to be rebalanced only if they are removing support for  
5 basic service. If the loop is treated as a common cost, that simply is not the case.

6

7 **COMPETITION IN FLORIDA AND THE IMPACT OF REBALANCING**

8

9 **Q. DO YOU AGREE WITH THE ANALYSIS OF COMPETITION PRESENTED**  
10 **TO THE COMMISSION BY THE COMPANIES?**

11 A. No. I disagree with both the depiction of the current status of competition and the  
12 impact that the Companies claim their rate rebalancing proposals will have on it.

13

14 **Q. WHAT FLAWS DO YOU FIND IN THE COMPANY ANALYSIS OF THE**  
15 **CURRENT STATE OF COMPETITION?**

16 A. The Companies have painted an unnecessarily negative picture of competition in  
17 Florida at present and have vastly overestimated the impact that rate rebalancing will have on  
18 competitive entry in Florida.

19

20 **Q. IN WHAT WAYS HAVE THE COMPANIES PAINTED AN**  
21 **UNNECESSARILY NEGATIVE PICTURE OF COMPETITION IN FLORIDA?**

22 A. The current status of competition is mixed. I have developed three measures of  
23 competition for residential customers – intensity, balance and extensiveness (see Exhibit  
24 MNC-3). I measure intensity as the percent of residential customers who have switched to  
25 competitors. On this measure, Florida is in the middle of the pack. It ranks 22<sup>nd</sup> among the

1 states for which residential numbers have been broken out by the FCC. Since most of the  
2 states for which the FCC does not give a residential breakdown are small and  
3 noncompetitive, that is probably its overall national ranking.

4 I measure the extensiveness of competition as the percentage of zip codes without a  
5 competitor (noncompetitive) and the percentage with six or more competitors (competitive).  
6 Florida ranks first and eighth on these.

7 I measure balance as the ratio of the percentage of CLEC customers who are  
8 residential to the percentage of ILEC customers who are residential. If CLEC competition  
9 were balanced, we would expect them to be attracting residential customers in the same  
10 proportion as ILECs and we would see a ratio of 1. For Florida, the ratio is .58 and it ranks  
11 33 among the 39 states.

12 Compared to the national picture, Florida is high on some aspects of competition, low  
13 on others and average on others. However, compared to the other BellSouth states, it is  
14 doing very well. It beats all the other BellSouth states on extensiveness. It beats all the other  
15 BellSouth states on intensity, except Georgia. It is in the middle of the BellSouth pack on  
16 balance.

17 There is evidence that even on the measures where Florida is not leading the  
18 BellSouth states, great strides have been made. The above analysis is based on FCC statistics  
19 through the end of 2002 and there are reasons to believe that things have gotten better since  
20 then. Florida has only recently resolved the pricing of Unbundled Network Elements  
21 (UNEs). The reduction of the UNE-P rate in September of 2002 was substantial and its  
22 impact is not fully reflected in these figures. In fact, there appears to have been a very  
23 substantial effect of the new UNE rate on the balance of competition (see Exhibit MNC-4).  
24 After the finalization of UNE rates, competitors made major strides in extending competition  
25 into the residential sector.

1           Moreover, in that same time frame, the penetration of CLECs into the residential  
2 market grew faster in Florida than in any other BellSouth state (see Exhibit MNC-5 above).

3

4       **Q.     HOW DOES THE COMPANY ANALYSIS OVERESTIMATE THE IMPACT**  
5 **OF RATE REBALANCING ON COMPETITION?**

6       A.     First, the Companies blame the weaknesses of competition on price, repeatedly  
7 asserting that increasing the price of basic local telephone service will make it more attractive  
8 and induce entry. Yet, other factors present barriers to entry. In fact the competitors in  
9 Florida were twice as likely to cite operating support systems and interconnection problems  
10 as barriers to entry as price.<sup>16</sup>

11           Second, it has become clear that competition for bundles is where the action is in  
12 telecom competition. Competitors have always been competing primarily to win customers  
13 for a bundle of local and long distance service. Lately they have begun to emphasize “all-  
14 you-can-eat” bundles of local, long distance and calling features. The shifting of costs from  
15 intraLATA long distance to basic service will have little, if any impact on this competition,  
16 since both are in the bundle.

17           As far back as the first §271 application approval in New York, competition has been  
18 about a bundle of services. MCI, which spearheaded competition in New York, offered a 5  
19 percent discount off of local, worth about \$1.50. However, it offered an additional \$5  
20 discount if the customer took both local and long distance from them. The customer could  
21 choose any long distance plan. Clearly, the emphasis was on the bundle of local and long  
22 distance.

---

<sup>16</sup> Office of Market Monitoring and Strategic Analysis, Florida Public Service Commission, Telecommunications Markets in Florida: Annual Report on Competition, as of June 30, 2002, December 2002, p. 44.

1           The Neighborhood Program, rolled out earlier this year by MCI took this approach to  
2 another level. It offers unlimited local and long distance for a fixed price. Interestingly, the  
3 incumbents have responded with bundles of their own. We now have AT&T and Sprint also  
4 offering similar bundles. One leading industry analyst estimates that 30 million subscribers  
5 have switched to these bundles.

6           A competitor who is focused on bundles of local and long distance is indifferent to  
7 rate rebalancing. Since both services are included in the bundle, the shifting of cost recovery  
8 from intraLATA long distance to basic service is irrelevant.

9           As noted above, the FCC has recently concluded in the Triennial Review that all the  
10 revenues that can be captured must be considered.

11           A glance at the development of competition from both the ILEC and the CLEC sides  
12 suggests the process. ILECs have captured a large share of the long distance market quickly  
13 after they are allowed to sell long distance in their service areas. By the end of this year,  
14 with virtually all incumbents allowed to sell in all their markets, they are likely to have  
15 almost one-third of the residential long distance accounts (see Exhibit MNC-6). It is almost  
16 certain that virtually all of these customers are taking both local and long distance from them.  
17 Competitors are likely to have about the same level of local accounts by the end of this year.  
18 The leaders in this competition are the long distance carriers, who are certainly capturing  
19 both local and long distance.

20           The intermodal competitors about which the Companies make so much are even more  
21 heavily into bundles. Their packages include other services (video, high-speed Internet) and  
22 cost a great deal more. Rate rebalancing has little impact on the economics of their  
23 competitive position.

24

1 **Q. IS THERE DIRECT EVIDENCE ON THE IMPACT OF RATE**  
2 **REBALANCING ON THE LEVEL OF COMPETITION?**

3 A. The studies the companies relied upon cannot separate out the effects of rate  
4 rebalancing on the level of competition. Moreover, most of the examples of rate rebalancing  
5 discussed in Mr. Gordon's Testimony took place before the 1996 Act.<sup>17</sup> Therefore, it would  
6 be difficult to separate out the effects of rate rebalancing as such from the effects of the  
7 general level of rates. However, two of the states mentioned, Maine and Ohio did rebalance  
8 rates after the 1996 Act. Exhibit MNC-7 shows the change in ILEC line counts for Florida  
9 and these two states, since Florida began to lower its UNE rates. Cumulatively, competition  
10 has grown faster in Florida than in these two rebalancing states. Moreover, Florida has  
11 grown just as fast as the nation, since it reformed UNE prices.

12

13 **Q. IF RATE REBALANCING WILL NOT STIMULATE COMPETITION,**  
14 **WHAT WOULD?**

15 A. The clear implication of this analysis is that lowering UNE prices are one of the keys.  
16 Continuing to smooth out the operating support issues is also important.

17

18 **DISTRIBUTION OF BENEFITS AND COSTS OF REBALANCING**

19

20 **Q. WILL RESIDENTIAL CUSTOMERS BENEFIT FROM RATE REBALANCING?**

21 A. No. It is highly unlikely that residential consumers as a class will receive a direct  
22 benefit as a result of the rate rebalancing proposed by the Companies. Virtually all of the  
23 rate increases for basic local service are imposed on residential consumers. The Companies  
24 have allocated around 90 percent of the basic local service increases to residential consumers,

---

<sup>17</sup> Gordon, pp. 38-43.

1 while single-line business customers take the remainder. Moreover, multi-line business, or  
2 “big business” telephone customers will experience no local service rate increases at all if  
3 these petitions are approved. However, business customers account for a substantial part of  
4 intrastate long distance. Since the cost of all long distance minutes will be reduced, business  
5 customers, in general, and big business customers, specifically, are likely to enjoy a  
6 reduction in rates at least in proportion to their usage and totally out of proportion to the local  
7 rate increases, if any, they will experience.

8

9 **Q. ARE THERE OTHER PROBLEMS WITH THE DISTRIBUTION OF**  
10 **INSTATE ACCESS FEE REDUCTIONS BETWEEN RESIDENTIAL AND**  
11 **BUSINESS CUSTOMERS?**

12 A. Yes, as I mentioned earlier, the distribution of the savings in intrastate toll rates as  
13 between the residential and business programs, or products, to be offered by the IXC's has not  
14 even been disclosed in these cases so that the ability of any given residential customer to  
15 calculate any potential “benefit” from breaking even on his or her total monthly bill is  
16 precluded. As I said before, this is the basis for AARP’s pending motion to dismiss the  
17 cases.

18 The new law allows the IXC's to allocate the access fee reductions to their business  
19 and residential customers in any way they wish so long as some part of the reductions goes to  
20 each class of customers. The worst case scenario would be that 99 percent of the flow-  
21 through access reductions would be applied to intrastate toll products targeted to multi-line  
22 business customers, who receive no local rate increases, while only 1 percent would be made  
23 available to residential customers, who will pay for the vast majority of the increases in local  
24 rates.



1 Many customers testifying at the public hearings held to date have stated that they  
2 make few, if any, intrastate toll calls that would qualify them for potential savings, even if  
3 the intrastate toll reductions were flowed through in a fair manner.

4 In order to ensure that residential consumers at least break even on the rate  
5 rebalancing, the Commission should require that the increase in basic monthly charges be  
6 allocated in proportion to access minutes of use between the classes.

7

8 **Q. HOW WILL OLDER FLORIDIANS FARE UNDER THE RATE**  
9 **REBALANCING SCHEME?**

10 A. My clients, older Floridians, are likely to be particularly hard hit by rate rebalancing.  
11 Older consumers tend to make fewer long distance calls. In a recent survey conducted by  
12 AARP,<sup>18</sup> they reported making half as many calls as the rest of the population. This is  
13 consistent with other research.<sup>19</sup>

14 Given this distribution of usage, the Commission should spread the local rate  
15 increases across four years, if at all. This will cushion the blow for older Floridians, the  
16 segment of the population that is least likely to benefit from the rebalancing.

17

18 **Q. BUT WOULDN'T LIFELINE ASSISTANCE HELP MRS. HOWTON BY**  
19 **PROVIDING FINANCIAL ASSISTANCE AND BY PROTECTING HER FROM THE**  
20 **RATE INCREASES?**

21 A. Yes, for some customers it would provide temporary protection from the rate  
22 increases.

---

<sup>18</sup> AARP, *Consumer Understanding of Pricing Practices and Savings Opportunities in the Long Distance Telephone Industry*, 2000

<sup>19</sup> Division of Research and Regulatory Review, *The Affordability of Residential Local Telephone Service in Florida*, February 1999.

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**Q. WHY DO YOU SAY “TEMPORARY PROTECTION FROM THE RATE INCREASES?”**

A. Because the statute the rate increases are filed under provides that Lifeline recipients can only be protected from the increases until parity is achieved, which will be in as few as two years. After parity is achieved it would appear that these Companies would be allowed to and perhaps forced to increase Lifeline monthly rates by the same amounts being sought for all the rest of their residential customers, lest they be guilty of discriminatory rate practices. It’s true that BellSouth has proposed to “expand” the rate increase protection to four years and Sprint to three years, while Verizon proposes no additional protection, but it is questionable whether the law will allow such an expansion.

In any event, the protection against these rate increases is only temporary, irrespective of whether it is for two years or four, and the Lifeline recipients will have to eventually deal with these huge increases. The suggestion that increased competition will bring the rates back down to current levels or even lower in the next two to four years is not credible. Rate increases of this magnitude will impose significant hardship on low income households.

**Q. WHAT IS THE SUREST WAY TO PROTECT LIFELINE RECIPIENTS FROM THE HARM REPRESENTED BY THESE HUGE MONTHLY RATE INCREASES?**

A. The most obvious and the surest way to avoid exposing Lifeline recipients to the proposed rate increases is for this Commission to not approve them for any customers.

**Q. DO YOU THINK THERE WILL BE INDIRECT BENEFITS OF RATE REBALANCING?**

1 A. From the residential consumer point of view some of the claims for indirect benefits  
2 are a little far fetched. The notion that consumers will benefit from rebalancing because they  
3 will substitute intraLATA or intrastate-interLATA calls for interstate calls does not ring true  
4 for residential consumers. You cannot call your children in Sarasota when they live in  
5 Saratoga.

6 **Q. DO YOU HAVE AN OVERALL VIEW ON THE RELATIVE LIKELIHOOD**  
7 **OF RESIDENTIAL CUSTOMERS RECEIVING “BENEFITS” FROM THE DENIAL**  
8 **OF THE PETITIONS VERSUS THEM BEING APPROVED?**

9 A. Yes. From any number of perspectives most, if not all, residential telephone  
10 customers will benefit far more obviously if this Commission denies the rate increases than  
11 they could conceivably benefit, at least on the evidence presented by the Companies, if the  
12 increases are granted. For example, in the area of the maximum rate increase exposure, if the  
13 Commission denies the increases in these petitions, then basic local residential service  
14 increases are limited to the rate of inflation minus one percent, or a little above one percent  
15 annually under current rates of inflation. By contrast, granting the petitions will result in  
16 increases of from 35 to 90 percent in as few as two years, which can be followed by 20  
17 percent per year increases, year after year, all of which can be imposed without obtaining  
18 Commission approval. The choice should be obvious.

19 The expansion of Lifeline eligibility to 125 percent of the poverty level is  
20 accomplished by the legislation becoming law and is not dependent upon the rate increases  
21 being granted. As I said above, Lifeline recipients will eventually be harmed by the full level  
22 of the requested rate increases unless the petitions are denied.

23

1 Q. IS THERE A RESIDENTIAL CUSTOMER DETRIMENT WITH RESPECT TO  
2 QUALITY OF SERVICE IF THE RATE INCREASES ARE GRANTED?

3 A. Yes there is and it could be significant for residential customers. Currently the  
4 Commission has jurisdiction over the Companies' quality of service by statute and is  
5 compelled to enforce minimal quality of service standards. Some of the largest settlements  
6 reached by the Office of Public Counsel have resulted from the demonstration of repeated  
7 violations of quality of service standards. If the Commission grants the requested rate  
8 increases, then the Companies may unilaterally deprive the Commission of its quality of  
9 service jurisdiction once parity is reached and place the Commission in the position of trying  
10 to reacquire the jurisdiction. However, on the other hand, if the Commission denies the  
11 increases, then it automatically retains quality of service jurisdiction. Once again, the choice  
12 for the benefit of residential customers appears obvious.

13  
14 **Q. WHY DO YOU BELIEVE THAT PARITY IS A BAD POLICY?**

15 A. The FCC has allowed the long distance service to have a free ride on the  
16 telecommunications network. Eliminating the carrier common line charge and all other  
17 contributions to fixed costs violates the principle that services should pay for facilities they  
18 use. Each of the proposals before the Commission zeros out all contributions to fixed costs.

19

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

**EXHIBIT MNC-1:  
BASIC SERVICE COSTS AND CONTRIBUTION  
WHEN LOOP IS A SHARED COST**

**EXHIBIT MNC-1:  
DETAIL ON BELL SOUTH  
BASIC LOCAL RESIDENTIAL COST AND CONTRIBUTION**

Sources: Bell South. Basic Local Service Cost Summary, p. 1; Exhibit DCC2, p. 1.; Response to Citizens 1<sup>st</sup> Interrogatories, 11.

**EXHIBIT MNC-1:  
DETAIL ON SPRINT  
BASIC LOCAL RESIDENTIAL COST AND CONTRIBUTION**

Sources: Sprint-Florida, Inc. Cost of Local Service Study, Residential Cost Summary, Exhibit KWD-2, p .2; Response to Citizens 1<sup>st</sup> Interrogatories, 10.

**EXHIBIT MNC-2:  
BELLSOUTH  
BASIC LOCAL RESIDENTIAL COST, VERTICAL SERVICES AND  
ACCESS CONTRIBUTION**

a/ See Exhibit MNC-1

b/ FCC composite for cost of switching (from Hendrix Exhibit JH-2, page 3 of 3); average residential usage (from Response to Citizens' First Request for Production of Documents, Item 3.

c/ At system average, Response to Citizens' First Set of Interrogatories, Item No. 20, Complete Choice, Area Plus with Complete Choice. Contribution Analysis, Year 1.



**EXHIBIT MNC-3:  
COMPETITION IN THE LOCAL TELEPHONE MARKET**

STATE	INTENSITY		EXTENSIVENESS		BALANCE			
	CLEC RES MKT SHARE % RANK	RES RANK	NO CLECS IN ZIP CODE % RANK	RANK	6 OR CLECS IN ZIP CODE % RANK	RANK	RES RATIO CLEC%/ILEC% RATIO RANK	RANK
New York	23.6	1	5.0	7	52.6	2	0.93	7
Rhode Island	21.2	2	2.8	5	0.0	34	0.97	6
Michigan	20.6	3	8.8	10	39.6	8	0.99	5
Illinois	19.2	4	32.6	27	22.8	13	1.04	2
Nebraska	16.7	5	66.9	38	0.0	38	0.93	8
Kansas	14.6	6	58.6	36	0.9	33	0.82	12
Iowa	14.3	7	36.3	30	0.0	35	1.10	1
Massachusetts	13.4	8	1.0	1	41.5	6	0.77	13
Colorado	13.3	9	26.4	20	19.2	20	0.84	9
Utah	13.1	10	32.3	26	10.9	25	0.83	10
Virginia	13.0	11	21.9	17	21.7	15	1.00	4
District of Columbia	12.6	12	11.1	12	44.4	4	0.76	14
Texas	12.4	13	17.9	15	47.3	3	0.70	23
Georgia	11.6	14	23.5	19	41.5	7	0.74	16
New Hampshire	11.4	15	3.2	6	1.4	32	0.74	17
Minnesota	11.1	16	33.7	28	8.8	26	0.59	32
Pennsylvania	10.7	17	19.5	16	28.9	11	0.61	30
Wisconsin	10.0	18	35.5	29	3.5	29	0.72	20
Arizona	8.9	19	27.5	22	28.9	12	0.71	22
New Jersey	8.6	20	1.5	3	41.7	5	0.83	11
California	8.3	21	10.1	11	37.3	9	0.72	21
<b>Florida</b>	<b>7.7</b>	<b>22</b>	<b>6.7</b>	<b>8</b>	<b>60.9</b>	<b>1</b>	<b>0.58</b>	<b>33</b>
Oklahoma	6.9	23	56.9	35	8.3	28	0.61	31
Arkansas	6.9	24	61.1	37	0.0	37	0.64	28
Ohio	6.9	25	30.0	25	19.3	18	0.73	18
Missouri	6.8	26	48.8	34	11.0	24	0.67	25
Washington	6.2	27	29.8	24	21.8	14	0.58	34
Oregon	5.9	28	17.4	13	2.1	30	0.67	26
Louisiana	5.7	29	26.8	21	20.9	17	0.75	15
Maryland	5.6	30	1.6	4	31.7	10	0.73	19
Mississippi	5.6	31	8.0	9	1.6	31	1.01	3
Indiana	5.4	32	39.8	32	0.0	36	0.70	24
Alabama	5.0	33	36.9	31	8.4	27	0.63	29
Connecticut	4.9	34	1.1	2	21.0	16	0.49	35
Nevada	3.7	35	22.4	18	11.2	23	0.32	37
South Carolina	3.2	36	29.0	23	17.5	21	0.45	36
Tennessee	3.1	37	42.2	33	16.3	22	0.31	38
Kentucky	2.9	38	79.1	39	0.0	39	0.67	27
North Carolina	2.2	39	17.7	14	19.2	19	0.27	39

SOURCE: Industry Analysis Division, *Local Telephone Competition: Status as of December 31, 2002* (Federal Communications Commission, June 2003)

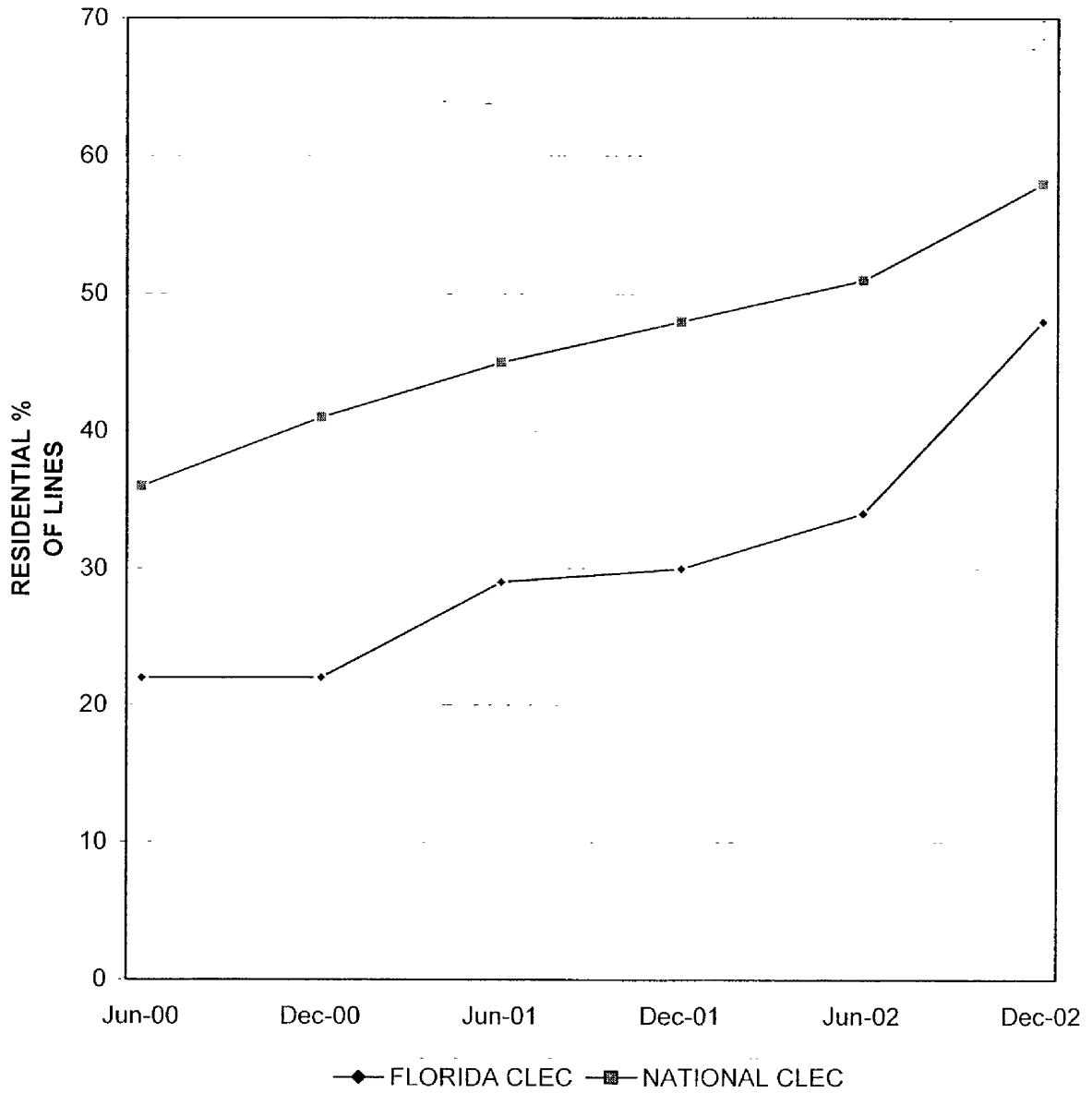
**EXHIBIT MNC-4:  
BELLSOUTH STATES  
CLEC PENETRATION IN RESIDENTIAL/SMALL BUSINESS MARKET**

(% of residential/Small Business Lines Served by CLECs, Ranked by Current Market Share; penetration at entry in bold)

STATE	RBOC	01/00	06/00	01/01	06/01	01/02	06/02	01/03
Georgia	BS	2.62	1.97	4.37	5.14	7.04	<b>9.40</b>	11.60
Florida	BS	2.15	2.19	2.25	2.68	2.94	3.87	<b>7.74</b>
Louisiana	BS	1.10	1.48	1.25	0.60	1.22	<b>2.36</b>	5.65
Mississippi	BS	2.60	*	2.66	2.21	2.81	1.98	<b>5.59</b>
Alabama	BS	0.51	0.40	0.46	0.46	0.77	1.13	<b>5.01</b>
South Carolina	BS	*	*	1.80	0.27	0.65	1.81	<b>3.21</b>
Tennessee	BS	0.76	1.34	1.40	1.57	2.05	2.36	<b>3.14</b>
Kentucky	BS	*	*	2.71	*	*	*	<b>2.86</b>
North Carolina	BS	0.82	0.59	0.65	1.67	1.20	1.06	<b>2.23</b>

SOURCE: Industry Analysis Division, *Local Telephone Competition: Status as of December 31, 2002* (Federal Communications Commission, June 2003);

**EXHIBIT MNC-5:  
RESIDENTIAL CLEC LINES AS A PERCENT OF CLEC LINES**



Source: Industry Analysis Division, *Local Telephone Competition* (Federal Communications Commission, various issues)

**EXHIBIT MNC-6:  
ALLOCATION OF RATE REBALANCING REVENUE INCREASES**

RESIDENTIAL      BUSINESS      TOTAL

**EXHIBIT MNC-6:  
DETAIL ON BELL SOUTH  
ALLOCATION OF REVENUE RATE REBALANCING REVENUE INCREASES**

RESIDENTIAL      BUSINESS      TOTAL

Sources: Bell South, Market Basket Summary of Annual Revenue; Present and Proposed Rates and Revenues

**EXHIBIT MNC-6:  
DETAIL ON SPRINT  
ALLOCATION OF REVENUE RATE REBALANCING REVENUE INCREASES**

RESIDENTIAL      BUSINESS      TOTAL

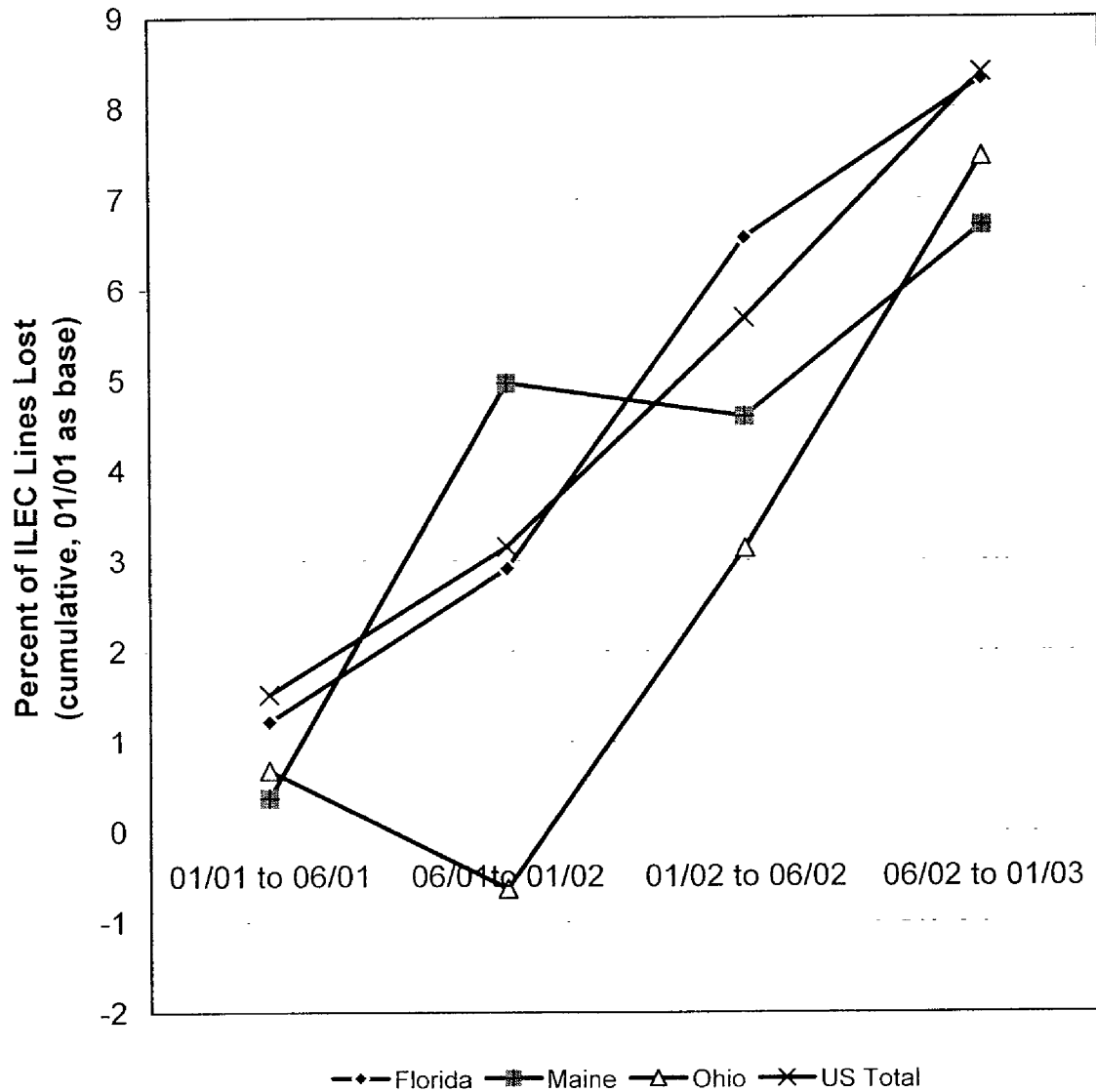
Sources: Sprint-Florida, Exhibit JMF-12.

**EXHIBIT MNC-6:  
DETAIL ON VERIZON  
ALLOCATION OF REVENUE RATE REBALANCING REVENUE INCREASES**

RESIDENTIAL      BUSINESS      TOTAL

Sources: Verizon, Exhibit ODF-2

**EXHIBIT MNC-7:  
COMPETITIVE PENETRATION IN FLORIDA, MAINE AND OHIO**



Source: Industry Analysis Division, *Local Telephone Competition* (Federal Communications Commission, June 12, 2003), Table 9



EXHIBITS MNC-7, MNC-8 AND MNC-9 TO TESTIMONY  
OF DR MARK N. COOPER ON BEHALF OF AARP

OCTOBER 31, 2003

DOCUMENT NUMBER 001

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FPSC-COMMISSION CLERK

BEFORE THE  
FLORIDA HOUSE OF REPRESENTATIVES

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FLOOR DEBATE ON  
HOUSE BILL 1903

---



DATE: April 30, 2003

LOCATION: The Capitol  
Tallahassee, Florida

TRANSCRIBED BY: MARY ALLEN NEEL, RPR  
Notary Public, State  
of Florida at Large

ACCURATE STENOGRAPHY REPORTERS, INC.  
2894-A REMINGTON GREEN LANE  
TALLAHASSEE, FLORIDA 32308  
(850) 878-2221

1 this. It expands Lifeline opportunities, to include a  
2 stand-alone criterion of 125% of the federal poverty  
3 level.

4 And, members, this is the most exciting  
5 thing that the bill does. It fences off intrusive  
6 regulation from emerging technology like  
7 voice-over-internet. It also substantially frees long  
8 distance companies from regulation, while retaining  
9 PSC oversight, including the opportunity to implement  
10 fines, as I mentioned.

11 This bill will do a lot for our state,  
12 members. It will give our citizens the opportunity to  
13 experience the benefits of a competitive market,  
14 including lower costs. It has the needed protections  
15 for the PSC to control the pace of the transition, if  
16 any, if any, to competition. It allows the PSC to  
17 protect and nurture any newly created and enhanced  
18 residential marketplaces.

19 Now, members, let me tell you what the bill  
20 does not do, does not do. It does not raise rates.  
21 It does not contain any mandatory language that  
22 requires rate increases. It does not require the PSC  
23 to grant any petition from any company unless the  
24 Commission is completely satisfied that two conditions  
25 are met: Competition has to be created, and the

1 residential customers have to benefit. The PSC is  
2 going to be responsible for sitting in judgment and  
3 making sure that those two things take place before it  
4 will grant any petition.

5 It does not lower service quality  
6 standards. It does not. The PSC has absolute  
7 authority to veto any effort by any company to lower  
8 or relax service quality standards.

9 It does not provide for 20% annual  
10 increases in rates. It does not. Only the PSC can  
11 grant the petition if a company proves the two  
12 criteria that I indicated just a moment ago. By  
13 sparking competition, this bill will provide the very  
14 mechanism that will prevent annual rate increases.

15 Madam Speaker, as you know, there has been  
16 a lot of rhetoric by the opponents to this bill, and I  
17 am convinced that this bill moves Florida's  
18 telecommunications environment into the 21st Century.  
19 It will make us and our state a leader in reshaping  
20 the telecommunications landscape. It will nurture and  
21 foster the emergence of new technology. It will  
22 provide a better price regulator for service than the  
23 PSC could ever be, competition. That's the ultimate  
24 regulator, competition.

25 It is time for the PSC to use their broad

1 Representative Ritter, you're recognized to make some  
2 comments, opening remarks on the bill.

3 REPRESENTATIVE RITTER: Thank you, Madam  
4 Speaker, and thanks to Chairman Mayfield for allowing  
5 me the opportunity to participate in this legislation,  
6 which we've been working on for three years in this  
7 House.

8 And none of us were here in 1995 when that  
9 Legislature took the right away from the Public  
10 Service Commission and brought it here to the  
11 Legislature to set local and long distance phone  
12 rates. We are not a regulatory body. We are a policy  
13 making body. We should not be in the business of  
14 setting rates. And what House Bill 1903 does is, it  
15 moves the regulation of local and long distance rates  
16 where it rightfully belongs, to the Public Service  
17 Commission. It was a bad decision in 1995 that we are  
18 going to correct in the 2003 legislative session.

19 This bill is better than last year's bill.  
20 And I was fortunate to work on that one as well, but  
21 this is a better piece of legislation, more consumer  
22 friendly, more competitive, will bring competition in,  
23 will lower our rates.

24 And Representative Mayfield did a fabulous  
25 job of explaining it, so I just want to say this. My

1 parents live on a fixed income. They are basic  
2 single-service residential customers. They are also  
3 my most vocal constituents. I am fortunate to have my  
4 mother and father living in my district. They know  
5 where and when to reach me any day, any hour, any  
6 time. If I thought that this bill would raise my  
7 parents' local rates, I wouldn't be supporting it here  
8 today. This bill does not do that, which is why I'm  
9 able to give it my full support today.

10 Thank you, Madam Speaker.

11 THE SPEAKER: Okay. Okay, members. And I  
12 just caution that when we're making open remarks, it's  
13 to introduce the merits of the bills and not -- we'll  
14 get into debate when we're ready to do that.

15 Okay. They have explained the bill. There  
16 are questions of the sponsors.

17 Representative Prieguez, you're recognized  
18 for a series of questions.

19 REPRESENTATIVE PRIEGUEZ: Thank you very  
20 much, Madam Speaker.

21 Chairman Mayfield, assuming for a moment  
22 that the PSC must find that the consumers will  
23 benefit, who are the residential consumers who must  
24 benefit? In other words, can the PSC find that the  
25 people who make a lot of long distance phone calls

Exhibit MNC8

BEFORE THE  
FLORIDA HOUSE OF REPRESENTATIVES



---

FLOOR DEBATE ON  
HOUSE BILL 1903 AND  
SENATE BILL 654

---

DATE: May 1, 2003

LOCATION: The Capitol  
Tallahassee, Florida

TRANSCRIBED BY: MARY ALLEN NEEL, RPR  
Notary Public, State  
of Florida at Large

ACCURATE STENOGRAPHY REPORTERS, INC.  
2894-A REMINGTON GREEN LANE  
TALLAHASSEE, FLORIDA 32308  
(850) 878-2221

1 over vital customer protection. It's going to expand  
2 the Lifeline program to 125% of the federal poverty  
3 level and expand that Lifeline opportunity to 25% of  
4 the subscriber base across the state.

5 And the most exciting thing I think about  
6 this bill, members, what it does, it fences off  
7 intrusive regulation from emerging technologies like  
8 voice-over-internet.

9 Mr. Speaker, that's what the bill does.

10 THE SPEAKER: Are there questions? Are  
11 there amendments?

12 THE CLERK: None on the desk, Mr. Speaker.

13 THE SPEAKER: Show the bill --  
14 Representative Clarke has a question.

15 REPRESENTATIVE CLARKE: Thank you,  
16 Mr. Speaker.

17 Representative Mayfield, I would like to  
18 clarify that what this bill actually does is, it moves  
19 the rate-setting authority back to the Public Service  
20 Commission from the Legislature.

21 THE SPEAKER: Representative Mayfield.

22 REPRESENTATIVE MAYFIELD: Thank you,  
23 Mr. Speaker.

24 Representative Clarke, that's exactly what  
25 it does. It moves the political process one step away



1 from rate changes or possible rate changes. It sets  
2 forth provisions which will require the Public Service  
3 Commission to sit in judgment and to determine two  
4 factors: One, will the petition to change rates  
5 create competition in the local marketplace; and two,  
6 will it be beneficial to residential customers.  
7 Before any changes can take place, that has to be  
8 determined by the PSC.

9 THE SPEAKER: Representative Clarke for a  
10 follow-up.

11 REPRESENTATIVE CLARKE: Thank you,  
12 Mr. Speaker. Does this process with the Public  
13 Service Commission involve public hearings and time  
14 for the public to make their voices known?

15 THE SPEAKER: Representative Mayfield.

16 REPRESENTATIVE MAYFIELD: Absolutely,  
17 Representative Clarke. It is a completely open  
18 process which the Public Service Commission will  
19 follow. It has to conduct hearings. It is completely  
20 open.

21 THE SPEAKER: All right. Are there other  
22 questions? Representative Allen for a question.

23 REPRESENTATIVE ALLEN: Thank you,  
24 Mr. Speaker.

25 Representative Mayfield, it is my

1 of the world's leading telecom providers. This bill  
2 will help to eliminate unnecessary regulation of new  
3 technology and encourage those providers to invest in  
4 new technology that will give consumers new services,  
5 new products, not to mention all of the jobs that will  
6 be created in the State of Florida. The technology  
7 explosion that we have seen over the years is because  
8 there has been competition.

9 I remember the first cell phone that I  
10 bought. It was about the size and weight of a brick.  
11 Now all of us in this Chamber have cell phones or  
12 computers that we can put in our pocket. I was  
13 grateful when I bought my first computer that I had a  
14 pickup truck, because it took a pickup truck to carry  
15 all of the boxes that I had for that first computer  
16 that I bought. But because of competition, I now have  
17 a computer on my desk here that has more storage in it  
18 than ever before. My personal computer that I have at  
19 home is about half this size with as much memory on it  
20 because of competition.

21 And I think that it's important to create  
22 competition so that consumers have the benefit of  
23 choice. And we have heard over and over again in our  
24 policy that when you give people choice, you empower  
25 them. And I simply say, power to the people, vote for

1 this bill. And this bill -- let me -- just one more  
2 point, and I'm finished. And I promise I also will  
3 not go as long as the first one who spoke in  
4 opposition.

5 This bill, when you look closely at it, you  
6 will find that the Public Service Commission is  
7 serviced or given a clear blueprint as to how to make  
8 the residential market more competitive while  
9 protecting the residential consumer.

10 And so, members, I ask you to vote for this  
11 bill. And, Governor Bush, wherever you are, I ask and  
12 encourage you to sign this bill when it arrives at  
13 your desk.

14 Thank you, Mr. Speaker.

15 THE SPEAKER: Representative Fiorentino.

16 REPRESENTATIVE FIORENTINO: Thank you,  
17 Mr. Speaker. Most of us won't talk as long as  
18 Representative Prieguez because he knew the  
19 information. He read the bill, and he had a lot of  
20 facts.

21 I rise in disagreement with this bill. I  
22 understand your intentions of helping the telephone  
23 companies. They certainly were at my office and  
24 lobbying me too. I understand that there's a lot of  
25 reasons that they say they need it.

1 body and have some courage and look into the future  
2 and realize what that future is.

3 Representative Littlefield, you're  
4 absolutely right when you talk about the cell phones.  
5 Who would have thought that cell phones, that we were  
6 going to have laptop computers on our desktops? Who  
7 would have ever thought that?

8 This is what this bill does. It gives the  
9 ability for more competition. Forget about the phone  
10 ringing. I'm getting rid of my local landline right  
11 now because I don't use it anymore. It's always on  
12 the cell phone. And when the time comes, we're going  
13 to have more wireless services going all around the  
14 place. And this is what we're trying to do with this  
15 bill, is promote more competition.

16 At the end of the day, our seniors are  
17 going to be taken care of. They are. Don't let  
18 anyone tell you that our seniors are going to be  
19 thrown under the bus like a lot of people are saying  
20 in this Legislature. That's not going to happen.  
21 And that's why I feel comfortable in voting for this  
22 bill.

23 And you know what? If it is a mailer  
24 against me, I think I did the right thing. I did the  
25 right thing in looking at Florida and saying where

1           This bill is -- its objective is trying to  
2 depoliticize the process of ratemaking or rate changes  
3 or considerations for rate changes and move us one  
4 step back away from that. That's really what the goal  
5 of this bill is all about.

6           Technology is moving so fast in this state.  
7 wireless phone numbers are -- the deployment of  
8 wireless phone numbers are going at a rate so fast,  
9 people five years from now won't even have a phone in  
10 their house. They'll be carrying their phone on their  
11 side just like we do.

12           But, members, look, this bill is about  
13 creating competition. It's about creating  
14 competition. It's about creating competition.

15           Members, I would ask for you to support the  
16 bill.

17           THE SPEAKER: The question now recurs on  
18 final passage of Senate Bill 654. The Clerk will  
19 unlock the machine and the members will proceed to  
20 vote.

21           All members voted? All members voted? All  
22 members voted?

23           The Clerk will lock the machine and  
24 announce the vote.

25           THE CLERK: Ninety-three yeas and 20 nays,

BEFORE THE  
FLORIDA SENATE



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FLOOR DEBATE ON  
COMMITTEE SUBSTITUTE FOR SENATE BILL 654

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DATE: April 30, 2003

LOCATION: The Capitol  
Tallahassee, Florida

TRANSCRIBED BY: MARY ALLEN NEEL, RPR  
Notary Public, State  
of Florida at Large

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PROCEEDINGS

SENATOR KING: Take up and read the next bill.

THE SECRETARY: Committee Substitute for Senate Bill 654, a bill to be entitled "An act related to regulation of telecommunications companies."

SENATOR KING: Senator Haridopolos of the 26th, you're recognized to explain your bill.

SENATOR HARIDOPOLOS: Thank you, Mr. President.

This legislation will build on the 1995 legislation bringing competition to local markets, and this gives the PSC the absolute authority to set prices and consumer protection.

SENATOR KING: You've heard the explanation of the bill by the sponsor. Are there amendments?

THE SECRETARY: None on the desk, Mr. President.

SENATOR KING: Are there questions here or debate?

Senator Campbell, for what purpose?

SENATOR CAMPBELL: Just a couple of questions.

SENATOR KING: You're recognized. He yields.

1                   SENATOR CAMPBELL: Senator, I just want to  
2 verify some facts before I make a decision on how I'm  
3 going to vote on this. Does the Public Service  
4 Commission have the authority to deny or condition a  
5 rate rebalancing requested by the companies?

6                   SENATOR KING: Senator Haridopolos to  
7 respond.

8                   SENATOR HARIDOPOLOS: Yes, Senator from the  
9 32nd. They have this very strict language in Section  
10 15 of the bill which says that the -- the language as  
11 outlined making sure that it must be in the best  
12 interests of residential customers and bring local  
13 competition to the market before they would look at  
14 the rates.

15                   SENATOR CAMPBELL: Are there any other  
16 criteria for the petition?

17                   SENATOR KING: Senator Haridopolos to  
18 respond.

19                   SENATOR HARIDOPOLOS: Throughout Section 15  
20 they outline, specifically in sections 1 through 9,  
21 each of the criteria. But the main criterion I  
22 thought we were looking at most closely would be again  
23 for the PSC to decide is there increased competition  
24 and will this benefit local customers.

25                   SENATOR CAMPBELL: Can I have a series of



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correct, your statement.

SENATOR CAMPBELL: Thank you,  
Mr. President.

SENATOR KING: You bet.

Senator Siplin, I saw you from the 19th  
first. You're recognized.

SENATOR SIPLIN: Thank you, Mr. President.  
For a series of questions?

SENATOR KING: You're recognized. He  
yields. Remember, now, this is third reading. We're  
supposed to be debating, but that's okay, because as I  
recall, we had some problem the bill. You're right.  
Go ahead.

SENATOR SIPLIN: Thank you.

Senator from the 26th, will your bill  
impose an automatic increase on our customers, on our  
citizens in the State of Florida?

SENATOR HARIDOPOLOS: That's a very good  
question. Absolutely not. As I think -- I know you  
worked on the bill with me. This is very clear that  
the Public Service Commission has absolute control  
over costs and prices. And again, to make it clear to  
the members, the only way that a rate increase could  
take place is only if the mandates or conditions are  
met, and that is that it must be in the best interests

1 of residential customers and must bring local  
2 competition before they can look at rates.

3 SENATOR KING: Senator from the 19th for a  
4 follow-up.

5 SENATOR SIPLIN: Before there's any type of  
6 increase from the Public Service Commission, will the  
7 public be advised and will they have participation in  
8 that process and that decision?

9 SENATOR KING: Senator Haridopolos to  
10 respond.

11 SENATOR HARIDOPOLOS: Again, excellent  
12 question. This is the opportunity, just like in any  
13 rate issue, whether it be water or electric. Now, by  
14 having the PSC, you will have your day in court, so to  
15 speak. If you're a consumer group or a person who's  
16 very concerned about the rates of phones, you can  
17 again go before the Commission just like in any trial  
18 and present your case. This is a true opportunity --  
19 I know we had Jack Shreve here just the other day.  
20 The Office of Public Counsel will have that  
21 opportunity so you can present the case and make sure  
22 the interest of the consumers is looked at first right  
23 there at the Public Service Commission.

24 SENATOR SIPLIN: One of the major reasons  
25 why I'm considering voting in favor for this bill is

1 competition will come from.

2 SENATOR KING: Senator Haridopolos to  
3 respond.

4 SENATOR HARIDOPOLOS: Senator Cowin, I  
5 think you bring up a very legitimate issue and an  
6 issue of concern to a lot of persons. I think what  
7 gives me comfort as I read through the bill,  
8 especially in Section 15, it clearly delineates, it  
9 clearly mandates that -- it says to the areas we're  
10 hoping to open up to competition that there must be a  
11 benefit to residential customers and there must be  
12 competition in the market before they can adjust these  
13 rates. That's the comfort level that I have in the  
14 bill. If there is no competition, if it's not in the  
15 best interests of the customer, their rates cannot be  
16 increased.

17 And again, we're giving that discretion to  
18 the Public Service Commission, and we're going to have  
19 persons from the background of Jack Shreve and others  
20 defend before the Public Service Commission saying  
21 that this is not the right thing to do, raise rates in  
22 this area.

23 Also, you have a provision which was not in  
24 the previous bill of having the carrier of last  
25 resort. That's expanded all the way now to 2009, and

1 I think that will also benefit the rural areas which  
2 have legitimate concerns about this bill.

3 But I think those two key points, saying  
4 there must be competition and it must benefit the  
5 local customer, is really the key provision. And I  
6 think you might see --- it might take longer for  
7 competition, but that also means that the rates will  
8 not go up in these noncompetitive areas.

9 SENATOR KING: Senator Cowin for a  
10 follow-up.

11 SENATOR COWIN: A follow-up and then  
12 another question. So I guess I'm hearing you say that  
13 in a rural community, that if the telephone rates  
14 don't have competition or the rates don't go -- and  
15 the rates won't go up if there isn't competition for  
16 those people that don't have any long distance, or are  
17 you looking at it as a total picture and saying  
18 overall, there will be parity, because overall the  
19 long distance rates -- where is the geographic region  
20 for competition for rural communities? Is that a  
21 separate entity?

22 SENATOR HARIDOPOLOS: I believe, Senator  
23 Cowin, as the bill clearly states, that what you're  
24 going to have here is simply, as the PSC looks at each  
25 -- as the company asks in a particular jurisdiction to

1 raise rates, they're going to look at the parameters  
2 of the area they're looking at specifically, and  
3 they're going to ask those two basic questions, will  
4 it benefit customers, and is there true competition.  
5 And I think that's what we want to hand to the  
6 professionals at the PSC, this very type of question.

7 SENATOR COWIN: And I have no problem with  
8 that.

9 As a follow-up, though, on another  
10 question, on the quality of service, let's say they  
11 find out that there's competition and they find out  
12 that they're going to reduce the access fees or  
13 eliminate them, and the local long distance will go  
14 down, and the local rates will go up, and you have  
15 this "kumbaya" on the telephone system in that  
16 particular area. What will happen if the quality of  
17 service is then poor and it's out under the regulation  
18 of the Public Service Commission? What recourse do  
19 people have, the average person, under this new world  
20 phenomena to protect against poor quality of service?

21 SENATOR KING: Senator Haridopoulos to  
22 respond.

23 SENATOR HARIDOPoulos: I think that's a very  
24 fair question. I think there will be two things. One  
25 is the Public Service Commission still has oversight

1 (Applause.)

2 SENATOR KING: Thank you very much for  
3 being here, and thank you very much for the sponsors  
4 and the troop leaders too. We appreciate everything  
5 that you all do on behalf of shaping the direction and  
6 the ideology of our young. Thank you very much for  
7 your time.

8 Okay. Wait a second. Senator Sebesta,  
9 you're recognized for a question.

10 SENATOR SEBESTA: Thank you, Mr. President.

11 Senator, I voted no on this bill last year  
12 and was, as you know, leaning no this year. I've been  
13 listening very intently to what you and our fellow  
14 Senators have been saying. I guess I have two  
15 questions for you.

16 One, can you tell me beyond a shadow of a  
17 doubt that whether these rates will go up or down is  
18 subject to the Public Service Commission and how they  
19 decide?

20 SENATOR KING: Senator Haridopolos to  
21 respond.

22 SENATOR HARIDOPOLOS: I can say without a  
23 doubt it will be the complete job of the Public  
24 Service Commission to decide the rates one way or the  
25 other, without question.

1                   SENATOR SEBESTA: Okay. Follow-up,  
2 Mr. President?

3                   SENATOR KING: Follow-up.

4                   SENATOR SEBESTA: Number two, the folks  
5 that I am most concerned about here -- now, the  
6 Lifeline project is wonderful, and the telephone  
7 companies are to be commended for that. That's really  
8 wonderful. But that takes it to \$23,000 a year for a  
9 family of four. What I'm most concerned about is that  
10 next chunk, let's say the next 20,000, because even at  
11 \$43,000 a year, for a family of four, man, they're  
12 still struggling. And if they're looking at an up to  
13 \$7 a month rate increase, that's 100 bucks a year in  
14 pre-tax. That's a chunk for a family that's really  
15 suffering. What do we do about them?

16                  SENATOR KING: Senator Haridopoulos, you're  
17 recognized.

18                  SENATOR HARIDOPOLOS: Well, I believe with  
19 this bill, the true intent of the bill is true  
20 competition. We've been waiting for a long time for  
21 this true competition. We've been at it since 1995.  
22 And I think with this bill, we've already heard  
23 testimony in our committee about how companies are  
24 ready to come in now that there's going to be true  
25 competition. And I think you're going to see the

1 phone rates not go anywhere near these increases that  
2 you've spoken about.

3 SENATOR SEBESTA: One last follow-up,  
4 Mr. President?

5 SENATOR KING: You're recognized.

6 SENATOR SEBESTA: Thank you, sir. So as  
7 you said a minute ago, rates will not be allowed to go  
8 up unless there is new competition in the area?

9 SENATOR KING: Senator Haridopoulos to  
10 respond.

11 SENATOR HARIDOPOLOS: That is correct.  
12 There must be competition, and it must be in the  
13 benefit of residential customers.

14 SENATOR SEBESTA: I think you just sold me.

15 SENATOR HARIDOPOLOS: Thank you, sir.

16 SENATOR KING: Are there other questions?  
17 we're on questions. Are there questions?

18 Now is there debate? Is there debate?

19 Senator from the 19th, you're recognized  
20 for debate.

21 SENATOR SIPLIN: Thank you, Mr. President.

22 I want to just say a few words as to why  
23 I'm going to vote favorably for this what I believe  
24 good bill. I'm very honored and blessed to be the  
25 chairperson of the Black Business Caucus, whose



1 truth is, they didn't like the idea of deregulation  
2 when it first started. But we've made those  
3 decisions. We are on that path, and so far what we've  
4 done in technology in this country is unprecedented,  
5 and it's unprecedented because it has been based on  
6 what has always worked best for us, and that is  
7 competition.

8           And when you make your vote today, my view  
9 is -- and Senator Haridopolos will say it better, but  
10 my view is this is a simple idea about did we come up  
11 with a plan that says that that Commission that is to  
12 make the final decision is supposed to look to see one  
13 thing, and that is have we enhanced competition, and  
14 if we have enhanced competition, have we encouraged  
15 new entries into the market. Then in the long term,  
16 it won't be short-term winners and short-term losers.  
17 It will be that our state, this industry, and the  
18 whole concept of telecommunications will be a winner,  
19 and I support this bill for that reason.

20           SENATOR KING: Senator Haridopolos to  
21 close.

22           SENATOR HARIDOPOLOS: Thank you,  
23 Mr. President. I appreciate the spirited debate. I  
24 think the most important thing is this political  
25 football game is finally over.

1                   I remember when I filed this bill two years  
2 ago in the House, there were lobbyists lined up on  
3 both sides. And what we have finally done is, the  
4 Legislature I think has come together and looked at an  
5 issue to finally increase competition, but with the  
6 important ingredient of oversight. I think everyone  
7 in this room understands the professionals we have at  
8 the Public Service Commission, and that's where we're  
9 going to put this political football to bed. We're  
10 going to take it out of the Legislature and put it in  
11 the professionals' hands where citizen groups and  
12 persons alike can make sure that if there is any  
13 discussion about rates, the persons can be there to  
14 defend the right of the consumer.

15                   I think this bill is all about competition  
16 and innovation, and I think that's what America is all  
17 about, competition and innovation.

18                   I want to thank Senator Siplin for his good  
19 work on this bill, as well as Senator Smith and  
20 others, and, of course, the Chairman, Senator Bennett,  
21 for bringing all sides together. This has been a  
22 long time in coming, as Senator Smith has said. And I  
23 think that we have finally put this political football  
24 to bed, and I think it's time for us to move forward  
25 and trust competition in the same way we trusted

1 competition to make the United States.

2 Thank you.

3 SENATOR KING: The Senator having closed on  
4 his bill, the Secretary will unlock the machine and  
5 members will prepare the vote.

6 Have all members voted? Have all members  
7 voted? Have all members voted?

8 The secretary will lock the machine and  
9 announce the vote.

10 THE SECRETARY: Twenty-seven yeas, 12 nays,  
11 Mr. President.

12 SENATOR KING: And so by your vote,  
13 Committee Substitute for Senate Bill 654 is passed.

14 (Conclusion of consideration of Committee  
15 Substitute for Senate Bill 654 on April 30, 2003.)

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