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Sent: Friday, June 20, 2008 5:35 PM
To: Filings@psc.state.fl.us
Cc: Mason, Carolyn
Subject: Comments on Docket 080159
Attachments: SUNCOM Opinion on PSC Docket 080159.doc

Please find attached DMS/SUNCOM's comments on Docket 080159.

Thank you
c/jg

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Governor Charlie Crist

Secretary Linda H. South

June 20, 2008

Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0870

RE: Docket 080159 - Joint petition to initiate rulemaking to adopt new rule in Chapter 25-24, F.A.C., amend and repeal Rules in Chapter 25-4, F.A.C., and amend rules in Chapter 25-9, F.A.C., by Verizon Florida LLC, BellSouth Telecommunications, Inc. d/b/a AT&T Florida, Embarq Florida, Inc., Quincy Telephone Company d/b/a TDS Telecom, and Windstream Florida, Inc.

SUNCOM Comments regarding Docket 080159:

SUNCOM is a division within the Florida Department of Management Services which buys communications services on behalf of Florida government. All State agencies are required to use SUNCOM under s. 282.103, F.S. and many local governments and eligible private not-for-profits choose to use SUNCOM. As the single largest consumer of communications services in the State of Florida, SUNCOM shares the concerns of large business consumers. But because SUCNOM engages in extensive rebilling for services and detailed enforcement of service standards, our concerns may extend beyond the norm. Thus we comment here.

Emerging Competition

SUNCOM understands the industry's claim to be that mobile phones, Voice over Internet Protocol (VoIP) and the viability of data/voice services from cable companies have brought competition to an industry characterized by natural monopolies.

These comments suggest tempering such conclusions by recognizing the limits of competition and cautioning the PSC to avoid premature abolition of rules for three reasons:

- 1) Based upon SUNCOM's experience in the public sector market, emerging technologies have not yet brought effective competition to voice communications.
- 2) There will likely be little change to competitiveness within the last mile of the data communications market for business consumers.

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3) Large consumers rely upon industry practices and infrastructure that may be reduced or eliminated with abolition of rules.

Consider SUCNOM's current experiences as the largest consumer of most, if not all of these services in Florida. Between Fiscal Years 2005 through 2007, the number of desktop telephones sold by SUNCOM per state employee has remained roughly unchanged.¹

Mobile Phones as Competitive Substitutes

Mobile phones are not yet viewed as a substitute, thus are not competition for, local land-lines in the government sector. If they were, government managers would establish policies giving office staff either mobile phones (with unlimited minutes) or desk phones, but not both. While we believe that there are diminishing barriers to implementing such policies and they will ultimately be selectively established, we have no information today indicating that any of our customers have done so. Mobile phones are now widely treated as compliments rather than substitutes in Florida government for land-line phones. This in fact results in more payments to the industry rather than less.

VoIP as a Competitive Substitute

The promise of VoIP for most consumers comes from the possibility of using their existing data connections (e.g. Internet) to make long distance phone calls (incrementally) free. But because a ubiquitous VoIP public network does not exist, VoIP consumers must pay to use the traditional Public Switched Telephone network (PSTN) for most VoIP calls. So the VoIP benefit of free long distance is very limited.

The extensive capital investment, maintenance and depreciation of VoIP assets render VoIP an exceptionally expensive way to obtain other marginal features (beyond free long distance) not now provided by traditional business phones. So the minimal offsetting value currently provided by VoIP investments provide poor returns that are common among early adopters of new technologies.

Therefore, VoIP is not now a cost effective substitute for land-line phones. This is why SUNCOM has not sanctioned independent efforts among our customers to implement VoIP.

However, SUNCOM does now provide VoIP services through telecommunications providers to satisfy customer demands to be on the cutting-edge without requiring significant capital investments. SUNCOM has also sought hardware contract proposals that will include VoIP and is now designing a common Florida government-wide VoIP network that will deliver long distance cost avoidance.

Our economies of scale make us better postured than any other telecommunications customer in Florida to obtain these VoIP savings (from a common network). In spite of this, we do not expect these savings to be significant in the near term even after a common network is established. Large businesses achieve savings from implementing such networks only when

¹ Full Time Equivalent Positions were obtained from the FY 2006/07 State of Florida Workforce Annual Report. Desktop telephones were obtained from SUNCOM billing records which included Centrex mainstations and Direct Inward Dial (DID) numbers.

the business need is uncommonly narrow (e.g. almost all long distance calls are inter-office on a common network) since most calls today use the PSTN.

Last Mile of Data Communications

Cable companies indeed provide robust competition for telephone companies in the last mile of data communications for residential consumers. Small offices consisting of one or two staff can also use this means of connecting to their parent office or the Internet as long as they are willing to accept cable level quality of service. Naturally, this establishes a phone service alternative with VoIP as well, albeit with the limitations of using the PSTN as mentioned above.

However, cable is not now a viable option for Florida government data communications due to bandwidth, availability and quality of service limitations. While there may instances where government entities use the cable alternative in small remote offices, one major SUNCOM customer recently abandoned such an approach in favor of a telephone company based data transport alternative.

Large Consumer Reliance Upon PSC Rules

Without industry-wide requirements for service quality, availability and data collection, vendors will reduce or eliminate the associated resources. Presumably, this was the intent behind their petition. This will lead to demands for concessions from large business consumers like SUNCOM and higher prices when we seek, what will become, the nonstandard availability, performance and data for rebilling and performance monitoring purposes. Thus, in addition to losing the tools to protect small consumers, large consumers such as SUNCOM will lose some ability to protect themselves while being subject to the adverse conditions that come with natural monopolies. Examples include:

- 25-4.0185 Periodic Reports
- 25-4.0201 Audit Access to Records
- 25-4.023 Report of Interruptions
- 25-4.066 Availability of Service
- Etc.

Conclusion

As the largest single consumer of communications services in Florida, SUNCOM agrees with the industry that emerging technologies such as mobile phones, cable modems and VoIP will eventually change the telephony landscape and bring some competition to an industry characterized by natural monopolies. But the natural monopoly over the last mile of wired data communications will at best become an oligopoly and virtually none of the promise of emerging competition in voice communications has been realized among SUNCOM's customers. Therefore, widespread premature abolition of rules in anticipation of competition will likely cause disruptions and harm to consumers.

SUNCOM however, is sympathetic to conditions where telephone companies must compete with entities that are not subject to PSC regulations. SUNCOM recommends that policy makers consider options that foster fair competition and avoid jeopardizing the accountability power of consumers.

Sincerely,

s/ Charles Ghini, Director
Telecommunications and Radio Services

CG/CM/lc