

HB 539- Written Testimony of Christopher Dimock, OneEighty Communications, Inc., Billings, MT

- OneEighty Communications is a native Montana company. Started in 1995 as an Internet Provider called WTP, the company has grown and transformed to become a full service business telecommunications company serving the Billings and Bozeman markets with nearly 40 employees and a payroll of over \$2 million. Since we started offering telecommunications services in Montana, we have brought technological progress and lower prices to Montana businesses and consumers. We are a company who knows and delivers the true meaning of customer service, with no currently logged complaints by the MT Public Service Commission. We have attracted a lengthy and impressive list of business and government customers in our market who support us because we are innovative, competent, customer focused and strong members of our community. The company has been nationally recognized for its active involvement in improving the telecommunications industry. We receive NO government subsidies and earn every dollar of our revenue from our customers. Yet we have managed to eek out month-to-month profitability since shortly after inception and continue to reinvest all our earnings and cash flow back into the business.
- The wire-line telecommunications playing field has changed dramatically with the advent of (and growth in) competitive telecommunication. The federal Telecommunications Act of 1996 enabled competitive access at wholesale cost based rates to the telecom infrastructure that the Bell companies built on the backs of captive ratepayers over the prior 6 or 7 decades. Qwest has a superior position as they own almost all the fiber and wires bought by the ratepayers in their service areas. Qwest remains a near monopoly provider of wire-line telecommunications services in Montana in the most populated markets they serve.
- Companies like OneEighty Communications either build their own network or pay Qwest to use this network of infrastructure at regulated access rates that provide cost recovery **plus a guaranteed rate of return**. OneEighty is one of the larger direct facility based competitors to Qwest in Montana, yet OneEighty is five one-hundredths of one percent (0.05%) of the size of Qwest on a revenue basis and three percent of the size of Qwest, Montana. That is right – Qwest is **2,000 times larger** than OneEighty Communications. And Qwest receives government subsidies and remains a rate of return utility – assured they can recover their expenses and make a return on their investment. OneEighty Communications is the type of company that the 1996 Telecom Act envisioned and provided for; one that could grow, invest its capital in local communities and yet be allowed to use the infrastructure (at a fair cost) that the ratepayers had paid for in the decades before. We are making a difference in our markets. This is not the time to change the rules.
- HB 539 deregulates all telecommunications services except the primary lines into a home or business. The change in definition of a “regulated service” will have a profound negative impact on competitive telecom in Montana. This bill will mostly affect businesses, as these are the customers with multiple lines - most residential customers only have one line (a primary line). The recent FCC Triennial Review Remand Order effectively removed the access used by most wire-line competitors in the residential market. In reality, HB 539 states that the primary line will be regulated, but what it is really doing is deregulating business telephone service in general as most business owners buy multiple local phone lines in a bundle from a single provider and will not make a distinction between their one regulated line and the rest of their service.
- The competitive telecommunications market in Montana is in its infancy and not sufficiently competitive to justify deregulation of all local telecommunications services except primary lines. The business customers’ lines are where competition lives in Montana. The MTA map shows that local wire-line phone service customers are divided up based on geography and in almost all of Montana there is only one option for wire-line services, be it Qwest, MidRivers, 3 Rivers or other smaller companies. I would like to ask you to consider the number of local telephone companies you can choose from for your home or business service! Only in the business market is there any noticeable competition and then only in a few markets. This bill will snuff out this competition by eliminating the terms, conditions and service quality regulation for non-primary line services and allowing Qwest to effectively crush their nettlesome wholesale customers/competitors

- The analogy comes to mind of the 2000 pound gorilla and the mouse. If you put the two of them in an arena and stand back to watch the outcome, the fact that the stronger opponent can simply outmuscle the weaker is a fait d'accompli, and should not be surprising. Passing HB539 and effectively removing regulatory oversight is tantamount to doing this to competitive telecom in Montana. If you support competition and the beneficial effects it has for business and consumers in MT. You must vote against this bill.
- Prematurely deregulating a substantial portion of the telecommunications services in this state should be a much more deliberative process than submitting this bill. The fact that legislators appear not to have been told of the magnitude of the implications of the bill appears to have further short circuited the time available for reasoned discussion, and suggests a reason to set it aside.
- This bill is not about fairness and competition. Qwest's incentive to seek deregulation in Montana is not to decrease prices in Montana, because it can, and should, already be doing that. The impact of HB 539 will be on Montana consumers who will be subject to unannounced and unpredictable price swings, such as are currently occurring in the energy market. Given Qwest's record of grossly exceeding their allowed rate of return in MT in a regulated environment, it is difficult to envision how they will be more restrained without regulation.
- If the proposed legislation were approved, prices for business services would be unregulated, and promotions would not be subject to PSC approval. It is difficult to conclude that Qwest has any intention of lowering the tariffed rates most of their customers pay because they can do that without this bill. The net effect of passing this bill would be that Qwest would use their financial resources to drive competition out of their service areas with short-term, targeted price reductions, and subsequently raise rates back to the tariffed monopoly levels. It will be a fatal blow to telecommunication competition to further deregulate Qwest in Montana.
- To the extent Qwest may suggest they need this relief to compete with companies who offer broadband and video services, it is inaccurate. Those services are not regulated currently. This bill is a Trojan horse to deregulate Qwest voice services.
- I realize that this is a sensitive subject, but I would have you recall the claims made before power was deregulated in this state. People suggested that prices would drop, competition would flourish, and angels would sing! The fact is that free markets can work well, but pushing legislation through without adequately assessing the consequences can have a devastating impact on industry, as we all know too well.