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Fairfield, Montana 59436

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**3 Rivers' Testimony Opposing HB539**

3 Rivers agrees with some of Qwest's statements concerning a competitive market. They agree that fully competitive services do not need regulation

What 3 Rivers does not agree with is Qwest's assertion that a competitive market for access lines exists in today's market in Montana. To deregulate non-competitive services will cause harm to all telecommunications customers in the state of Montana. We can still see and feel the effects of one deregulation experiment that went awry.

The number of access lines that Qwest serves has decreased in the last few years, just as they have for many of the other incumbent local exchange carriers. Qwest attributes this decrease to direct competition for wireless carriers, when in fact it is due largely to other factors including the availability DSL internet service. Subscribers, especially residential, in the past used a second line for a dialup internet service, now with most of the carriers providing DSL their customers are not longer requiring the need for the second line. In many of the service areas there are non-telephone providers, such as Bresnan, entering the market, and reducing the need to a second line. The DSL providers may be competition for Qwest but they are competing for DSL internet service not for access lines.

The wireless is not a substitute for wire line service. There are consumers that have dropped their wire line service and are strictly wireless but they are far and few between and also, 3 Rivers acknowledges that the younger generation is more apt to only have wireless service. But most of the current wireless subscribers maintain a wire line service and use the wireless to complement their wire line service. This is especially true in the business world. Businesses need services and functions such as fax facilities and internet services that are not readily available at this time from wireless. And businesses typically need multiple lines which can not be provided by wireless.

Qwest has a substantial market share in the state of Montana and their market share provides them with market power. The deregulation of the Qwest services will give them the power to put financial pressure on carriers directly competing with them. 3 Rivers competes with Qwest in the Shelby and Conrad exchanges through the use of their own facilities. If Qwest were allowed to deregulate all access lines, their market power would be enable them to charge prices below their cost and most certainly below 3 Rivers cost. In conversation with Qwest, 3 Rivers expressed a concern that if this legislation were to become law, that Qwest would charge the tariff price for the primary access line and charge nothing for any additional access lines. A Qwest official assured 3 Rivers that this was not their intention. To be honest, 3 Rivers has no reason to believe the Qwest official for a couple of reasons. Qwest has not always been straight forward with 3 Rivers in the past and if the option was available to use their financial muscle to take subscribers from 3 Rivers, it would be irresponsible for Qwest not to do so. 3 Rivers competes in the Shelby and Conrad markets very favorably by providing a high level of service and a presence in the community. Everything has a price and deregulation would allow Qwest to charge a price way below cost, and one could not blame a customer from taking advantage of the cheaper price, but would that customer benefit from the reduction in service also.

3 Rivers adamantly opposes HB539. Deregulation is appropriate in certain situations but this most certainly not one of them. To give Qwest or any carrier the ability use their

market power to drive competitors out of the market is not appropriate. 3 Rivers urges the committee to give HB539 a "no pass".

Thank you,

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### 3 Rivers Telephone Cooperative, Inc. Information.

3 Rivers Telephone Cooperative, Inc., headquartered in Fairfield Montana, provides state-of-the-art telecommunication services to over 20,000 subscribers in a 13-county area from Browning to Lima and parts in between. 3 Rivers operates over 5,000 route miles of telephone line, including over 850 miles of fiber optic cable, and serves more than 17,000 square miles of territory.

In addition, the Cooperative owns subsidiary companies that also provide service across rural Montana. 3 Rivers DBS Inc, a Direct TV Affiliate also based in Fairfield, provides satellite television to over 18,000 subscribers. 3 Rivers PCS Inc., dba 3 Rivers Wireless, provides digital wireless service throughout central and eastern Montana

The Cooperative and its subsidiaries employ over 200 people to offer a wide range of services including Internet, Broadband, long distance services, digital wireless services (PCS), calling features such as Call Waiting and Caller ID, Voice Mail, Business Phone Systems, Direct Broadcast Satellite systems and programming, interactive video conferencing, business key systems and an impressive selection of telephones and related equipment.