

HB 618 – Telecommunications service competition

HB 618 is a re-regulatory bill. It tightens the screws on non-rural, historically monopolistic, local telecom companies that have already been partially deregulated.

HB 618 does two things:

- 1) Consistent with the 1996 Telecom Act and FCC rules¹, HB 618 delegates to the Montana PSC the authority to determine which elements should be unbundled. The PSC is in the best position to determine what elements competitors should have access to in Montana.
- 2) HB 618 requires Qwest to sell its unbundled network elements to competitors at rates that it implicitly sells to itself. For example, Qwest would not be allowed to price a wholesale service at a rate higher than its retail rate.

The result of HB 619 is that many Montanans will have a choice in their local telephone service provider.

The federal 1996 Telecom Act contained a deal: if large regional local phone companies like US West/Qwest opened their networks to competition, then they would be allowed to enter the lucrative long distance market.

Qwest received federal authority to provide long distance service in Montana on 12/23/2002. In a little more than two years, Qwest has added 4.6 million long distance customers nationally, penetrating 34% of its in-region market. In 2004 alone, Qwest doubled its amount of long distance customers (2.2 million to 4.6 million)—more than a 100% increase.²

In the last nine years, competitors in Montana have added only about 17,000 lines, less than 5% of the total number of local lines served by Qwest in Montana (approx. 365,000), and only 3% market penetration state-wide.³

HB 618 is designed to carry-out the intent of the federal 1996 Telecom Act. Competitive local carriers need to have access to network elements at economically viable wholesale prices in order to offer their services, giving many Montanans a choice in their local phone service provider.

¹ See, e.g. 47 U.S.C. §521(d)(3) and the *FCC's Triennial Review Order*, 18 FCC Rcd. 16978 at para. 191.

² See Qwest's Fourth Quarter Earnings Report, Released Feb. 15, 2005. (http://media.corporate-ir.net/media_files/nys/Q/reports/q_q404er.pdf)

³ See *Trends in Telephone Service*, Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, released May 2004. (http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/trend504.pdf).