

Rick Hays testimony
Energy & Telecommunications Interim Committee
Nov. 22, 2005

I am Rick Hays, president of Qwest's operations in Montana located here in Helena. We employ about 400 employees and provide a variety of communications services to 350,000 customers across Montana.

I want to follow up on Mike and Geoff's information and present some concepts the three of us and our organizations have been discussing since this past legislative session.

Some of you recall that a bill, HB 539 was brought before the House Federal Relations, Energy and Telecommunications Committee this past session. The bill arrived late in the session and the telecommunications industry ran out of time to fully articulate our objectives with the bill given the complex, competitive nature of our industry.

We have taken a look at that legislation and attempted to balance concerns we heard in that committee hearing with the changes in technology and policy just presented to you to develop some fundamental concepts for legislation in 2007.

We have three fairly basic concepts we are recommending:

Remove the Public Service Commission's regulation of promotional offerings by regulated telephone companies making it similar to the way their competitors operate;

Second, maintain the PSC existing regulation over all basic telephone lines into all homes or businesses providing basic local telephone service and

Third, prohibit any company from pricing its competitive products or services below their cost and give the regulated companies the choice of opting into this legislation if they choose.

The second item, regulation over all telephone lines, residential or business is the only significant change from the way it was drafted in HB 539. In that legislation, it would

have maintained PSC regulation only over the first or primary line into a home or business.

In general, I'd like to tell you what these concepts would accomplish. First however, let me hit a couple of points about what these three concepts do not do.

They are not intended, nor will they deregulate phone service in Montana.

Under this proposal, the Public Service Commission would continue to regulate all the basic unlimited usage lines into a residence or business.

It proposes no change to the existing regulation of wholesale products or services used by the competitive local telephone companies like McLeod, 180 Communications, Blackfoot, Essen or the more than 30 similar companies that do business with Qwest in that manner today.

But here's what this proposal would accomplish:

It will allow the 9 regulated telephone companies like Century, Citizens, Qwest, Lincoln and others to better respond to a changing marketplace by allowing those companies to offer special promotions and rebates to customers without going through a regulatory approval process.

This proposal would apply only to promotions, rebates or other special offers and still requires regulated phone companies to file all such offers with the Commission when they offer them to the public.

Why is this important? It will help encourage more offers and choices for Montana consumers. Such a process was adopted several years ago by most of the states in Qwest's 14-state region. And when companies bring more choices to consumers, consumers win. Streamlining promotional activities will be good news for consumers.

Second, the proposal reconfirms and defines the PSC's regulation of home and business local phone service in Montana.

Every business and every home that has traditional phone services will continue to have completely regulated service. Not some businesses or some homes – every business and every home and every line serving them. The price will continue to be regulated by the PSC as well as all other aspects as they have been for the past many years.

The other accessory services such as Caller ID, long distance services provided by these regulated companies would be regulated by the competitive marketplace rather than the Commission.

It is no longer necessary to have PSC oversight over those optional services since they are the services where customers have choices and options.

This proposal would make Montana statutes more current with the expansive, ever-changing industry regulated telephone companies face today. This industry, even in Montana, is no longer limited to small, medium and large telephone cooperatives and companies. Wireless, cable and internet companies are already formidable competitors in this marketplace and becoming more so every day.

In fact of the approximately 20,000 telephone lines in Montana Qwest lost last year, the majority of them were to wireless companies.

The Federal Communications Commission even declared Montana's local telephone market competitive three years ago in December 2002 after an exhaustive 2-year study.

The last point of this proposal simply says the regulated telephone companies must price its competitive products so that they cover their costs. Some people believe this is

already in other parts of the Montana statutes. But to ensure it never becomes an issue, it would be added as a part of these other points.

The final point also makes it optional for the companies to opt into the proposal. Since some companies have different financial and customer service issues to address, it provides an option to the companies.

We have tried to simplify the proposal and help move the regulation of this industry in Montana at least somewhat closer to neighboring states and more importantly more closely to the marketplace and customer choices that exist today.

Thank you.

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