

# Pennsylvania Telephone Association

*"The Communications  
Leader in Pennsylvania"*

## The Friday Report

February 13, 2009

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### INDUSTRY NEWS

- The National Association of Regulatory Utility Commissioners (NARUC) is poised to consider three telco policy resolutions at its winter meeting in Washington, D.C. next week; including the issues of the role of states in collecting broadband deployment data, a comprehensive review of the FCC, and expanding Lifeline to include broadband services. With regard to the Lifeline matter, the FCC last fall solicited comments on a pilot program, and the NARUC resolution proposes a three-year pilot for Internet service providers. The document also suggests that any company receiving universal service support should also be required to participate in the program.
- More cabinet nominee troubles for President Obama this week as Republican Senator Judd Gregg has withdrawn his name from consideration for the Secretary of Commerce post. Obama had been praised for nominating a Republican to fill the position, the pursuit of which has already been abandoned by New Mexico Governor Bill Richardson as he is the subject of an ongoing investigation regarding the awarding of a state contract to a political donor. Gregg cited philosophical differences with the Obama administration on the economic stimulus legislation which the President is poised to sign and the President's recent decision to remove the Census Bureau from the auspices of the Commerce Department and have the agency report directly to the White House.
- The New York Stock Exchange warned Vonage this week that unless it gets its market cap north of the \$100 million mark, it risks de-listing on the exchange. The company's "net worth" has dropped by \$2.2 billion since May 25, 2006, the day it went public. It now has a market cap of approximately \$77 million and the NYSE reminded Vonage this week that it must be valued at \$100 million for 30 consecutive trading days to stay listed.
- Charter Communications announced this week that it intends to file for Chapter 11 bankruptcy by April 1. The company said that the agreement will allow it to reduce debt by approximately \$8 billion. CEO Neil Smit said that Charter's cable, Internet, and telco operations will continue through the debt restructuring process.
- The New Hampshire Public Utilities Commission has given the green light to Comcast to begin offering telco service in the territories of three TDS companies. The Commission did not find Comcast's proposal to be "unfair" to the RLECs even though the companies had raised concerns regarding the types of service Comcast would offer, the Commission's statutory authority to endorse the application and the interconnection process.

- An analysis released this week by Pike & Fischer concludes that while DirecTV is king of high-definition television, Verizon and its FiOS service are close behind. The report shows that DirecTV offered 104 HD channels as of January 2009 and Verizon was offering 103. While Comcast markets a large selection of HD movies, the company offers only about 40 HD channels according to the P&F study.

## **LEGISLATIVE NEWS**

- All five PUC Commissioners appeared before the House Consumer Affairs Committee yesterday in an information hearing on the agency. During his remarks and in response to questions, Chairman Jim Cawley acknowledged that: regulation of the telephone industry is “asymmetrical”, 29 telcos have reached 100 percent broadband deployment by December 31, 2008, that the Commission “thinks” it can do “spot checks” to make sure the 100 percent threshold has been met, and that Chapter 30 restricts the Commission from regulating anything but basic telephone service.

## **CONGRESS NEWS**

- Massachusetts Senator John Kerry has been tapped to head the newly reconstituted communications and technology subcommittee. On Thursday, the senator announced that his primary focus will be the digital TV transition, expanding broadband access, promoting diversity in media ownership, and working on a nationwide interoperable public safety network.
- A bi-partisan group of House members and senators banded together this week to promote copper theft legislation; following the lead of the Pennsylvania Legislature which passed a bill on the matter last session. The Metal Theft Prevention Act would require scrap metal dealers to document their transactions and would prohibit transactions of more than \$75 for scrap metal.

## **THE DAILY NUMBERS**

- 7,200,000,000

While the exact number is still fluctuating a bit, the number most often cited with regard to the size of the broadband deployment provisions of the economic stimulus legislation is \$7.2 billion. Reportedly, the bill would make grant money available to local governments building wireless and fiber networks and apparently will not provide tax credits for Internet investments, something Verizon and other large carriers were counting on. Some analysts estimated that Verizon stood to gain perhaps as much as \$2 billion in tax saving from the buildout of its FiOS network under that specific provision.

## **QUOTABLE**

- *“My member companies are, in many respects as advanced as any sitting before you today and are truly telecommunications, as opposed to simply telephone, companies. I realize that for the sake of our hearing today, putting some traditional boundaries around the panels made sense, but all of us are in pursuit of the customer who wants telephony, video, Internet data, and wireless services. In that sense we are much more similar than dissimilar.”*

- *“As Congress continues its debate of the broadband deployment provisions of the economic stimulus package and how unserved areas of the nation are to be made broadband recipients, it should be comforting for you to know that your constituents have a statutory guarantee that their local telephone company will provide them with broadband service.”*
  
- *“As similar as telecommunications providers are with regard to the array of services they offer, there are marked differences from a regulatory perspective. Act 183 established the framework for a less onerous regulatory environment for the traditional telecommunications industry. To date, the results have been mixed. Our goal with Act 183 was to make us more like our unregulated competitors and, quite frankly, we’re not there yet. And, the longer it takes for us to be an unfettered competitor in today’s market, the longer it will take for your constituents to truly enjoy the benefits of the competitive marketplace.”*
  
- *“Obviously, our battle is on many fronts, we are losing access lines to competitors, we remain more stringently regulated than our competitors, and we need to invest in cutting edge technology to hold onto the customer base that we have. To make a difficult situation slightly more interesting, there are competitors in Pennsylvania who refuse to pay access charges period; a situation we are in the midst of combating as we speak.”*

Excerpts from the Wednesday testimony of the PTA President before the House Consumer Affairs Committee.