

Testimony of Jim Bellina

President and CEO, AMA TechTel Communications

Mr. Chairman and committee members, thank you for the opportunity to present testimony before your committee.

I am President and CEO of AMA TechTel Communications, a competitive provider of voice and data service operating in West Texas. We are a traditional facilities based CLEC operating in Amarillo and Lubbock and we offer landline replacement voice and broadband service over our own network in small rural markets throughout West Texas. We have approximately 80 local employees and in the past five years have invested more than \$20,000,000 in infrastructure and distributed local payroll of more than \$15,000,000. I have been involved in providing telecommunications services in rural America for more than 20 years and in rural Texas for more than 5 years.

Today you are considering testimony on the interim study charge to analyze the state of the telecommunications market in Texas, including the costs and benefits of full deregulation of the market; the impact and viability of the Texas Universal Service Fund, and Provider of Last Resort (POLR) requirements. Your consideration is both relevant and timely given recent decisions to reduce TX Universal Service Fund disbursements and the pending approval for deregulation of 90 rural markets.

Deregulation Authority

Senate Bill 980 granted Incumbent Local Exchange Carriers (ILECs) the exclusive right to petition to deregulate a market with a population of less than 100,000 if there are two competitors operating in all *or part* of the market. The only requirement for these competitors is that they be unaffiliated with the ILEC, and provide voice communications service. Each of the metrics that you would normally consider when evaluating a competing carrier including the price, availability and quality of the service are excluded from consideration; all replaced by the single metric “operates in all *or part* of the market.” In practical application, this provides the ILEC the ability and sole authority to deregulate any market. Recent deregulation applications demonstrate sufficient competition in markets with populations of less than 500, and indeed one carrier has stated that the combination of satellite internet service and VoIP clears the regulatory hurdle for competition “everywhere.” While the statute includes language that appears to require meaningful competition to deregulate a market, in practice the bar is set so low that the language has no effect. To be clear, we disagree with this reading of the statute. We believe that the legislature intended for deregulation to require robust competition as evidenced by having two real competitors. Nonetheless the prevailing view is that “operates in all or part of the market” is all that is required and all that can be considered.

Relief of Provider of Last Resort Requirements

With deregulation, the ILEC is relieved of its POLR obligation, meaning that it can choose to serve, or not serve, any customer in the market. In a market with robust competition this is not an issue as the abundance of consumer choice creates a buyer's market. Other markets, however, require ongoing regulation including POLR to ensure that services are available to all Texans at reasonable rates.

Elimination of Competition

In my experience it is not generally possible to serve rural and remote markets with fewer than 500 households without high cost support. In rural markets Carriers are supported by the Texas High Cost Universal Service Plan (THCUSP). Texas has had a long standing policy of portability of support to enable a competitive carrier seeking to deploy service into rural exchanges to receive the same per line support that the ILEC receives.

Many rural exchanges have been underserved for years. Rural competitors including AMA TechTel fill this void by investing to deploy new technology into rural markets. The competitor brings innovation, new products and consumer choice to the market and wins significant market share. However, a deregulated market is no longer eligible to receive THCUSP support. An ILEC that is losing customers in a supported rural market could use deregulation to effectively eliminate its competitor's ability to profitably serve the market. As a result of deregulation, technology in the market will move backward, customer choice will be eliminated, and consumers will have no price protection.

Reconsideration of Deregulation Policies for Rural Texas

ILECs are currently deregulating markets that do not have robust competition resulting in the elimination of THCUSP support in markets that have never been operated profitably without support. We believe there are better ways to target deregulation in order to obtain the benefits of competition, and to ensure that support is only provided where it is necessary. We will provide specific proposals for your consideration in the coming weeks and look forward to working with you on the development of solutions to these challenges in the coming session.