

Consumer Advocates, ISPs Urge CPUC to Take Action On Local Telephone Competition

*New Study Shows Californians Could Save \$220 million If
Regulators Succeed In Opening Local Phone Markets to Competition*

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(San Francisco, October 2, 2001) – State and national consumer organizations, seniors groups, and local Internet service providers from the steps of the California Public Utilities Commission (CPUC) today called on the Commission to oppose Pac Bell's telecommunications deregulation plan.

At the same time, a new study released today by the Consumer Federation of America (CFA) estimates that California consumers could save as much as \$220 million per year on their phone bills if local markets are genuinely open to competition. Authored by Dr. Mark Cooper, CFA's Director of Research, the study also examines the reasons behind the failure of local phone competition in California, and what regulators can do to remedy the situation.

This morning the coalition members released a letter outlining their concerns. The letter was signed by representatives of the following organizations: The Utility Reform Network (TURN), Utility Consumers' Action Network (UCAN), Gray Panthers, Consumer Federation of America, and the California ISP Association (CISPA).

"California should be leading the country in local phone competition, but instead it's one of the nation's laggards, trailing even behind some of the most rural states like Iowa and Georgia," said Dr. Mark Cooper, Director of Research at the Consumer Federation of America. "And, if regulators don't take firm action to boost local competition before PacBell is given the green light to offer long distance, Californians will miss out on hundreds of millions of dollars in savings each year."

"After five years of fighting tooth and nail against the market-opening provisions of the Telecom Act, Pacific Bell still has a virtual monopoly on local phone service in California," said Michael Shames of Utility Consumers' Action Network (UCAN). "If the CPUC is serious about looking out for the interests of consumers, it should use Pacific Bell's long distance application as leverage to loosen the company's grip on the local phone market, and give competition a chance to really take off."

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Regina Costa, TURN's Telecommunications Research Director, said, "The lack of local phone competition is evidenced by Pacific Bell's failure to establish service order processes and cooperate in resolving operational issues, producing disrupted service for consumers who want to switch. Pacific Bell should not be allowed into the long distance business until it stops harming consumers in this way."

In the letter, the groups urged the CPUC to take the following steps to address the deficiencies in the local telephone market:

- **Stop Wholesale Price Gouging:** The CPUC needs to put an end to wholesale price gouging by lowering the prices that Pacific Bell is allowed to charge competitors for network access, and ensure that all competitors have fair and open access to the telecommunications grid.
- **Curb PacBell's Unfair Business Practices:** The Commission should use heavy fines to penalize Pacific Bell if it doesn't put an end to the use of unfair business practices, or if it doesn't live up to promises to keep its local markets open.
- **Secure PacBell Promise of No Legal Attack:** Secure a commitment from Pacific Bell and its parent company SBC Communications, that it will not try to undermine the Commission's authority on its long distance application through legal action, as has been SBC's strategy in the past.
- **Apply California's Public Interest Test:** The CPUC should require that PacBell and SBC to prove that their plans for long distance entry comply with California's four-point public interest test, and that their plans won't harm consumers.

"Internet users need to pay attention to Pacific Bell's plan, because if you look under the hood, the Internet runs on phone lines," said David Simpson, founder and legal counsel for the California ISP Association. "A Pac Bell monopoly means higher Internet prices and no meaningful choice of service providers or content."

"PacBell would like nothing better than to rush the CPUC into making a quick decision on its long distance application," concluded Cooper. "But for consumers who stand to lose if Pacific Bell succeeds, it's vital that local phone markets are wide open to competition first."

The full text of the documents are available online:

- Letter: http://www.consumerfed.org/calif_localcomp_letter_200110.pdf
- Study: http://www.consumerfed.org/calif_localcomp_200110.pdf

Information on the groups is available online at:

- Consumer Federation of America: <http://www.consumerfed.org/>
- The Utility Reform Network (TURN): <http://www.turn.org/>
- Utility Consumers' Action Network (UCAN): <http://www.ucan.org/>
- Gray Panthers: <http://www.graypanthers.org/>
- California ISP Association (CISPA): <http://www.cispa.org/>