

STORAGE NAME: h0831.uco
DATE: March 10, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
UTILITIES AND COMMUNICATIONS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 831
RELATING TO: Network Access Reduction
SPONSOR(S): Rep. Clemons and Merchant
STATUTE(S) AFFECTED: s. 364.163
COMPANION BILL(S): Similar to SB 954
ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) UTILITIES AND COMMUNICATIONS
(2)
(3)
(4)
(5)

I. SUMMARY:

Section 364.163, Florida Statutes, provides for network access. Under this section "network access" means any service provided by a local exchange telecommunications company to a telecommunications company certificated under chapter 364 or licensed by the Federal Communications Commission. Interexchange carrier (long distance) companies are charged rates to access the local exchange company's network. Any local exchange telecommunications company whose current intrastate switched access rates are higher than its interstate switched access rates in effect on December 31, 1994, is required to reduce its intrastate switched access rates by five percent each year beginning October 1, 1996.

This bill requires access rates for local exchange companies with less than 3 million basic local telecommunications access lines in service on July 1, 1995 to be reduced to the level in effect on March 1, 1997 for local telecommunications with more than 3 million basic local telecommunications service access lines in service on July 1, 1995 which would include all local exchange companies except BellSouth Telecommunications, Inc.

This bill would cause a reduction in the amount charged to long distance companies for access to a local exchange company's network.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 364.163, Florida Statutes, provides for network access. Under this section "network access" means any service provided by a local exchange telecommunications company to a telecommunications company certificated under chapter 364 or licensed by the Federal Communications Commission. It does not include local interconnection arrangements, provided in section 364.16, Florida Statutes, or the resale arrangements provided in section 364.161, Florida Statutes. A local exchange telecommunications company is defined by section 364.02(6), Florida Statutes as "any company certificated by the [Public Service Commission] to provide local exchange telecommunications service in this state before June 30, 1995."

Basic local telecommunications service is defined by section 364.02(2), Florida Statutes, as:

voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

There are currently 12 local exchange companies operating in Florida. They are: ALLTEL Florida, Inc., BellSouth Telecommunications, Inc., The Florida Telephone Company, Inc., Frontier Communications of the South, Inc., GTE Florida Incorporated, Gulf Telephone Company, Indiantown Telephone System, Inc., Northeast Florida Telephone Company, Inc., Quincy Telephone Company, St. Joseph Telephone & Telegraph Company, Sprint-Florida Incorporated, and Vista-United Telecommunications.

Basic local telecommunication service is subject to price regulation to the extent provided in section 364.051, Florida Statutes.

Access Lines

The following are the are the number of access lines for the Florida local exchange companies as of December 1995:

BellSouth	5,384,687	Quincy	12,464	Indiantown	3,265
GTE	2,016,976	Vista-United	11,846	Florida	2,079
Sprint	1,710,409	Gulf	8,654		
ALLTEL	68,638	NE Florida	7,144		
St. Joseph	27,024	Frontier	3,761		

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Subsection (1) of section 364.163, Florida Statutes, provides that the rates for network access services for each local exchange company shall be capped at the rates in effect on July 1, 1995 and shall remain capped until January 1, 1999. Upon the date of filing its election under this section (for price regulation under section 364.051 rather than rate regulation), the access rates are capped at the rates in effect on that date and remain capped for three years. According to the Public Service Commission, all local exchange companies except Quincy, ALLTEL, Northeast Florida, and Florala have elected price regulation.

Subsection (6) of that section provides that any local exchange telecommunications company whose current intrastate switched access rates are higher than its interstate switched access rates in effect on December 31, 1994, shall reduce its intrastate switched access rates by five percent each year beginning October 1, 1996. A local exchange telecommunications company will be relieved of this requirement if it reduces its rates by a greater percentage by the relevant dates or earlier. The reductions made pursuant to the Public Service Commission Order No. PSC 94-0172-FOF-TL. This order provided, among other things, that BellSouth reduce its access rates.

Subsection (7) of that section provides that the reductions for switched access rates shall become effective on October 1 of each relevant year. It also provides that any telecommunications company whose rates are reduced must decrease its customer long distance rates by the amount necessary to return the benefits of the reduction to its customers.

Access Charges

Seven local exchange telecommunications companies are at parity between their current intrastate access rates and the December 31, 1994 interstate rates. Those companies that are at parity are:

BellSouth -- current rate=\$.0489: December 31, 1994 rate=\$.0583

Florala -- current rate=\$.1522: December 31, 1994 rate=\$.1687

Gulf -- current rate=\$.1214: December 31, 1994 rate=\$.1681

Indiantown -- current rate=\$.1138: December 31, 1994 rate=\$.1328

Northeast Florida -- current rate=\$.1136: December 31, 1994 rate=\$.1268

Quincy -- current rate=\$.1341: December 31, 1994 rate=\$.1662

St. Joseph -- current rate=\$.1306: December 31, 1994 rate=\$.1728

The following companies are not at parity:

GTE -- current rate=\$.1208: December 31, 1994 rate=\$.0597

Sprint --

(Centel) current rate=\$.1436: December 31, 1994 rate=\$.0578

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(United) current rate=\$.1214: December 31, 1994 rate=\$.0690

Vista-United -- current rate=\$.1594: December 31, 1994 rate=\$.1298

ALLTEL -- current rate=\$.1183: December 31, 1994 rate=\$.0902

Frontier -- current rate=\$.1076: December 31, 1994 rate=\$.1010

B. EFFECT OF PROPOSED CHANGES:

This bill would require that any local exchange telecommunications company with less than 3 million basic local telecommunications service access lines in service on July 1, 1995 shall reduce its intrastate switched access rates to the level in effect on March 1, 1997 for local telecommunications companies with more than 3 million basic access lines in service on July 1, 1995. This would require the access rates for all local exchange companies to be at least the same level as those of BellSouth Telecommunications, Inc. on the dates specified in the bill.

The bill further provides that the switched access rate reductions would become effective on July 1, 1997. It would maintain the provision that rate decreases proposed in tariff revisions filed by the telecommunications companies with the Public Service Commission are presumed valid, but the bill would conform the effective date to July 1, 1997.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No

(3) any entitlement to a government service or benefit?

No

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION ANALYSIS:

Please see "Effect of Proposed Changes" section above.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

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1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

According to Public Service Commission estimates the following would be the impact on the three largest local exchange companies for a 1 percent reduction in switched access charges.

BellSouth \$2,072,800

GTE \$1,463,062

Sprint \$1,802,450

It is unclear whether the reduction in revenue for the local exchange companies would result in telephone rate increases.

2. Direct Private Sector Benefits:

According to section 364.163, Florida Statutes, any telecommunications company which has a reduction in the intrastate switched access rate "shall decrease its customer long distance rates by the amount necessary to return the benefits of such reduction to its customers." This bill would reduce the access rate that interexchange carrier companies (long distance companies) would have to pay to local telephone companies.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate at this time.

D. FISCAL COMMENTS:

None.

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IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON UTILITIES AND COMMUNICATIONS:

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