

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 787

Annual Reports on the Telecommunications Industry

**SPONSOR(S):** Long

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 1818

---

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Utilities &amp; Telecommunications</u>	<u>(ref. removed)</u>	<u></u>	<u></u>
2) <u>Jobs &amp; Entrepreneurship Council</u>	<u></u>	<u>Cater</u>	<u>Thorn</u>
3) <u></u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

---

**SUMMARY ANALYSIS**

HB 787 amends s. 364.386, F.S., relating to the Public Service Commission's (PSC) annual report to the Legislature on the status of competition in the telecommunications industry. The bill changes the annual report due date from December 1 to July 1. It also provides a deadline for the PSC to send data requests to providers of local exchange telecommunications services and for these providers to respond.

The bill also provides, that in lieu of responding to the PSC's data request, a provider of local exchange telecommunications services may provide the PSC a copy of FCC Form 477 filed with the Federal Communications Commission (FCC), which must identify Florida-specific access line data.

The bill does not have a fiscal impact on the PSC.

This act shall take effect upon becoming law.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

**Provide Limited Government**-The bill provides that telecommunications companies may provide the PSC with a copy of a form filed with the FCC, with Florida-specific data in lieu of responding to a PSC data request related to its annual Competition Report.

### B. EFFECT OF PROPOSED CHANGES:

#### Background

Section 364.386, F.S., requires the Public Service Commission (PSC) to annually provide a report to the President of the Senate, Speaker of the House of Representatives, and the majority and minority leaders of the Senate and House of Representatives, a report on the status of competition in the telecommunications industry (Competition Report or report). The report must be submitted by December 1 of each year and is to contain a detailed exposition of the following:

1. The overall impact of local exchange telecommunications competition on the continued availability of universal service.
2. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
3. The ability of consumers to obtain functionally equivalent services at comparable rates, terms, and conditions.
4. The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
5. What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.
6. Any other information and recommendations which may be in the public interest.

In order to prepare its annual Competition Report, the PSC sends out data requests to incumbent local exchange companies (ILECs)<sup>1</sup> and competitive local exchange companies (CLECs).<sup>2</sup> The Competition Report discusses the status of competition as of May 31 of each year. Current statutes do not restrict the information the PSC may request, nor do they provide an alternative means of response through federally required reports.

The FCC, through its Form 477,<sup>3</sup> collects data on local telephone competition and broadband internet access. Companies are required to file Form 477 by September 1 of each year for the reporting period of January 1 through June 30, and by March 1 of each year for the reporting period of July 1 through December 31. This information is compiled into a Local Telephone Competition Status Report that is issued every six months.<sup>4</sup>

---

<sup>1</sup> An Incumbent Local Exchange Company means a "Local exchange telecommunications company," which is defined in s. 364.08(8), F.S., as any company certificated by the commission to provide local exchange telecommunications service in this state on or before June 30, 1995.

<sup>2</sup> A "Competitive Local Exchange Company" is defined in s. 364.02(5), F.S., as any company certificated by the commission to provide local exchange telecommunications services in this state on or after July 1, 1995.

<sup>3</sup> The current FCC Form 477 can be downloaded at : <http://www.fcc.gov/formpage.html>.

<sup>4</sup> These reports are available at: <http://www.fcc.gov/wcb/iatd/comp.html>

## **Proposed Changes**

The bill amends s. 364.386, F.S., relating to the PSC's annual Competition Report to the Legislature. The bill changes the due date of the report from December 1, 1996, and on an annual basis thereafter, to July 1, 2008, and on an annual basis thereafter.

The bill also creates s. 364.386(1)(b), F.S., requiring the PSC to make an annual request to providers of local exchange telecommunications services by March 1, 2008, and by March 1 of each year thereafter, for the data required to complete the Competition Report.

In lieu of any other information required by the PSC to complete this report, the bill requires providers of local exchange telecommunications service to provide on or before April 15 of each year, **either**,

1. A copy of the FCC Form 477 filed with the FCC, which must identify Florida-specific access line data; **or**
2. A response to the PSC's annual data request.

The PSC has raised a concern that requiring the companies to respond by April 15 for a report due on July 1 would put the publication of the Competition Report on a compressed time schedule, allowing only approximately 75 days to complete the report. In order to complete the report, the data must be analyzed and a written analysis prepared. The PSC must also approve the report at a publicly noticed Internal Affairs conference, and time must be allowed for proofing and printing the report. Currently, the report is delivered to the Legislature closer to 120 days from when the data requests are due. The PSC also points out that occasionally companies do not timely respond to the data request, requiring additional time for its staff to follow-up.<sup>5</sup>

According to the PSC, allowing companies to file Form 477 in lieu of responding to the PSC's Florida-specific data request may negatively impact the quality of its annual Competition Report. One reason is that Form 477 does not provide market penetration data such as the number of access lines by ILEC territory; however, Form 477 requires companies to provide a list of zip codes where they provide service. The PSC would also lose its ability to ask additional questions to gain insight on the market. The PSC's data requests have historically contained questions related to market barriers to entry, customer take rates on bundled packages, and the impact of merger activities.

This act shall take effect upon becoming law.

### **C. SECTION DIRECTORY:**

Section 1 Amends s. 364.386, F.S., relating to reports to the Legislature.

Section 2 This act shall take effect July 1, 2007.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

#### **1. Revenues:**

None

---

<sup>5</sup> The PSC's 2006 Competition Report indicates that "CLECs that did not respond to the original due date of July 14, 2006, [of the original data request], were mailed a second letter on July 20, 2006. Commission staff also telephoned the CLECs that did not respond."

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Telecommunications companies may see some reduced costs due to having the option of providing FCC Form 477 in lieu of responding to the PSC's annual data request.

D. FISCAL COMMENTS:

None

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

D. STATEMENT OF THE SPONSOR

Each year the Florida Public Service Commission is required to make an annual report to the Florida Legislature on the progress of the competitive market in the telecommunications industry. The Public Service Commission has traditionally required telecommunications companies to provide detailed information regarding competitive issues. The Federal Communications Commission and the Legislature have continued to deregulate the industry. Many segments of the industry such as voice over internet, inter exchange telephone companies and other alternative service providers do not even respond to PSC requests as these have been declared exempt from regulation or data provision.

In addition, the PSC's reporting requirements have become burdensome requiring telecommunications companies to formulate data in formats and reports not similar to other reports prepared by the industry for the Federal Communications Commission. This data compilation involves the use of manpower and many hours of work which are detrimental to the competitiveness of the telecommunications industry. These

record keeping expenditures would be better placed into competitive efforts improving telecommunication services.

This legislation would amend the statute requiring this report to streamline the reporting requirements to allow filing of the same report furnished to the Federal Communications Commission with Florida data broken out by local exchange. This local Florida data compilation can be done easily by computer program. This will streamline the response and save much time and effort while accomplishing the goal of the PSC to have accurate Florida specific data.

This bill would also give the flexibility to the telecommunications company to respond directly to the PSC as is currently done. This additional information as some carriers now provide on a voluntary basis is helpful to the commission and companies are free to continue to provide it should they choose to do so. The bill should continue to provide sufficient information for the report to be provided to the Legislature yet ease the reporting requirements and the cost to telecommunications companies.

#### **IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**