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Consumers paying billions due to misallocated telecom costs

Silver Spring, MD – Aug. 22, 2006 – The National Association of State Utility Consumer Advocates (NASUCA) today told the Federal Communications Commission (FCC) that “seismic changes” in the type of services provided over local telephone lines have resulted in consumers overpaying billions of dollars in their local telephone rates.

In comments and affidavits filed today, NASUCA argues that cost allocation procedures have not kept pace with today’s telecommunication environment. Telephone companies have invested billions of dollars in their networks to provide unregulated long-distance and high-speed Internet data services. However, based on antiquated FCC “separations” rules, most of these costs are still allocated to local telephone customers’ bills.

“It is unfair that local telephone customers subsidize huge investments in unregulated technologies that do not assist in their ability to make calls within their community. This is an issue of fundamental fairness,” said David Bergmann, chairman of the NASUCA telecommunications committee and assistant consumers’ counsel with the Office of the Ohio Consumers’ Counsel. “The FCC’s procedures and rates need to be updated and, according to our experts, that should result in lower local telephone bills.”

According to NASUCA’s experts, if costs were properly assigned to the unregulated ventures the costs support, local telephone customers could see lower “subscriber line charges”, which are line-item fees included on all monthly local telephone bills. In addition, through the possibility of separate proceedings by state regulators, the lowering of basic local service rates could also occur.

As telephone technology has moved from an analog system supporting voice services to a more modern digital environment supporting Internet and data-based usage, the method used by the FCC to assign the cost of these technology upgrades to customers has not changed. The FCC is in the process of examining its “separations rules” which dictate how these costs are assigned to the parts of telephone companies’ business that cause, and benefit from, the expenses.

About NASUCA

The National Association of State Utility Consumer Advocates (NASUCA) is an association of 44 consumer advocates in 41 states and the District of Columbia. NASUCA’s members are designated by the laws of their respective jurisdictions to represent the interests of utility consumers before state and federal regulators and in the courts.

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