



Correcting the Record: Verizon's Arguments Against HB 4257

In testimony provided to the House Energy & Technology Committee on December 2, 2009, Verizon's Paul Fuglie presented arguments against House Bill 4257. In every case, Verizon's arguments were rejected by the workgroup that helped craft the bill and by the House when it voted 101-5 to pass it. Below are the major objections raised by Verizon in its testimony along with counter arguments based on the content of HB 4257 as passed by the House.

- **Verizon claims HB 4257 is a redistribution program that favors small companies over large companies.** In truth, the bill gradually eliminates \$16 million in revenues that small companies currently collect as payment for the use of their networks from large companies. Far from being a "new subsidy" or "new tax," large companies have been compensating small companies for network access for years and those costs are built in to Verizon's pricing plans. As written, small companies will phase down their access rates over time which will save Verizon and other large providers millions of dollars annually.
- **Verizon claims HB 4257 won't protect customers from large rate increases.** In truth, the bill's transition to a new compensation system over a reasonable period of time saves small companies from having to immediately raise prices significantly, which is what they would have to do under Verizon's preferred timeline. It is the loss of revenues that small companies will experience when they reduce their intrastate access rates that creates pressure to raise prices. HB 4257 provides a gradual transition to avoid this pressure.
- **Verizon claims HB 4257 predominately impacts a select few companies.** In truth, the bill is written to strictly limit reimbursement for the specific amount of revenues small companies lose as their intrastate access are lowered. Companies losing the most revenues will receive exactly what they lost, not a penny more. Eventually, reimbursement will be phased out completely.
- **Verizon claims HB 4257 is not competitively neutral because it does not require the participation of VoIP providers.** In truth, the bill recognizes that the FCC has not ruled that VoIP providers can be subject to state regulation in this area. The bill contains a provision that would require the MPSC to rule on the issue should the FCC change its policy.
- **Verizon claims HB 4257 lacks due process because the MPSC is provided specific, not generic, authority.** In truth, the MPSC participated in every House workgroup meeting and has had significant input into the bill's provisions. The bill does not leave a great deal of discretion to the MPSC because that would create uncertainty for providers and consumers.

- **Verizon claims HB 4257 lacks transparency because impacted providers are not required to publicly disclose confidential competitive data.** In truth, every company that stands to lose revenues and get temporary reimbursements voluntarily submitted data to the MPSC months ago under a confidentiality agreement. The MPSC then verified the data using independent sources whenever possible. It is Verizon that has not submitted data to substantiate its claims of harm. The bill's treatment of confidential data is the same as other provisions of the Michigan Telecommunications Act.
- **Verizon claims HB 4257's transition period is too long.** In truth, a previous version of the bill would have continued reimbursing small companies indefinitely. The House-passed version limits reimbursements to 12 years and it provides for two interim reductions during that period. Forcing small companies to relinquish \$16 million in annual revenues too quickly would cause them to raise prices, slash investments or layoff employees.
- **Verizon claims it can't support HB 4257 because of the impact it will have on consumers and competition.** In truth, the bill takes the exact amount of money that flows between companies today and restructures those payments until it eliminates them over a reasonable period of time. These charges have been factored into pricing plans for years. As access charges are reduced during the transition, Verizon's customers should benefit if the company passes on its access cost savings in the form of lower prices.