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SFA BILL ANALYSIS

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Senate Bill 1342 (Substitute S-2 as reported)
Sponsor: Senator Mike Rogers
Committee: Technology and Energy

Date Completed: 9-26-00

RATIONALE

Over the past several months, the response time to requests for repair or installation of telephone service by Ameritech, Michigan's largest provider of basic local exchange service, evidently has ballooned. According to newspaper reports and the Michigan Public Service Commission (PSC), in March, Ameritech repaired telephones within an average of about 40 hours after they went out of service, but by the end of July, it was taking an average of nearly 88 hours to make repairs. Later reports put the average repair time at 115 hours in August. Reportedly, many customers have had to wait much longer than that--more than seven weeks in at least one case--to have phone lines installed or repaired. In addition, complaints to the PSC about Ameritech's service have increased rapidly. Between January 1999 and February 2000, the PSC apparently received 55 or fewer complaints per month about Ameritech's repairs. By June 2000, that number had increased to 308, and for the final week of July, alone, the PSC received more than 200 complaints. Although Ameritech officials have contended that the problem of delayed repairs results from more severe weather than anticipated, combined with a shortage of line technicians due to a larger-than-expected number of retirements last year, some people believe that the threat of financial sanctions against Ameritech and other basic local service providers that fail to meet reasonable repair response standards is warranted. Further, some people believe that customers should receive a credit on their billing statement when repairs are not made in a timely manner.

CONTENT

The bill would amend the Michigan Telecommunications Act (MTA) to specify that the average response time by a provider of basic local exchange service to a service outage report from a customer could not exceed 36 hours for any given month. A basic local exchange service provider would have to file a report with the Public Service Commission by the fifth day of any month that the average response time to a service outage report from a customer exceeded 36 hours for the preceding month.

In addition to any other penalties allowed under the bill or the MTA, a provider that violated the bill could be fined up to $1 million by the PSC. In determining whether a provider had violated the bill, the PSC could take into account delays caused by events beyond the provider's control.

If a customer's service were reported or otherwise found to be out of service and the outage remained for more than 24 hours, the provider would have to make the following adjustment to the customer's next bill:

-- If the outage were for less than 72 hours, the credit would have to equal the prorated amount of the customer's monthly service rate for the time of service outage.
-- If the outage were for 72 hours or more, the customer would have to receive a credit equal to the prorated amount of monthly service rate for the time of service outage, as well as a credit equal to three times the prorated amount of the customer's monthly service rate for any time of service outage that was over 72 hours.

Proposed MCL 484.2309c

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument
Ameritech's recent problems with untimely responses to phone service outages and new phone installation orders appear to be systemic. The regional provider of basic local exchange service has experienced the same difficulties in other states throughout the Great Lakes region. The company has been ordered by utility regulatory commissions in several states to improve its service and has been subjected to fines and orders to grant credits to affected customers. Michigan should follow suit. Although the PSC can currently level fines against Ameritech for violations of the MTA, the Act should provide the PSC with greater authority to give basic local service providers incentive to address repair requests in a more timely manner and to punish the providers appropriately when they fail to meet timely repair standards. The bill's threat of rather severe financial punishment should provide that incentive.

Also, it should go without saying that people should not have to pay for service they do not receive. The bill would ensure that customers who were without service for over 24 hours would receive credits on their bills, and those who were inconvenienced for more than 72 hours would receive enhanced credits.

Response: Ameritech has put forth a plan in good faith to increase its workforce and training needs, and invest in its infrastructure, in order to improve service time to the 36-hour standard by the end of the year. Assessing large fines and punishing providers would not remedy weather conditions, the worker shortage, or voluminous orders for new service.

Opposing Argument
Customers affected by the service delays, and not the State, should be the beneficiaries of any fines payable by providers. At the very least, the bill should earmark fine revenue for a specific purpose; otherwise, it would simply go into the State's General Fund. Perhaps the money should be credited to the PSC for fulfilling its regulatory responsibilities or be set aside for lifeline service under the MTA, which protects low-income people and the elderly from having telephone service cut off.

Response: Under the bill, customers subjected to outages would receive some compensation, in the form of credits on their telephone bill. With few exceptions (e.g., a portion of slamming and cramming fines under the recent MTA revisions), fines allowed under the MTA are payable to the State. The bill should maintain consistency with that policy. If the fine revenue were earmarked for a specific purpose, it should not be for PSC operations because the prospect of increased revenue could be perceived as providing a financial incentive for the PSC to assess large fines against basic local exchange providers.

Opposing Argument
The bill does not specify how the PSC would have to determine whether a fine was to be assessed or how much a provider should be fined if it violated the 36-hour average response time. The only guidelines in the bill for the PSC to follow are the $1 million maximum and the authority for the PSC to take into account delays caused by events beyond a provider's control.

Response: The PSC should have wide latitude to examine violations on a case-by-case basis and to assess the fines as it determined appropriate for a given violation. In addition, the PSC should consider such events as tornados, ice storms, and lines severed by other parties who dig without notifying the service provider.

Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would allow the Public Service Commission to assess a fine of up to $1 million for a provider that did not meet the requirements of the bill. This bill would increase revenue to the State if any providers were found to be in violation.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.