

**STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL**

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BILL NO.: Senate Bill 142 – Public Service Commission -
Charges for Directory Assistance

COMMITTEE: Finance

HEARING DATE: January 30, 2013

SPONSOR: Senators Pugh, et al.

POSITION: Oppose

Senate Bill 142 would require the Public Service Commission to allow telephone companies to charge whatever the companies choose to charge for directory assistance calls in excess of the first two “free” directory assistance calls made by residential customers each monthly billing cycle. The Bill removes the current requirement that telephone companies show, through evidence scrutinized in an evidentiary hearing, that any charges to be imposed for directory assistance calls must “protect consumers by providing affordable and reasonably priced directory assistance service; encourage the development of competition, and are in the public interest.” The Office of People’s Counsel OPPOSES Senate Bill 142.

Twice in recent years Verizon sought a Commission order that would allow the Company to charge residential customers for directory assistance calls in excess of the mandated two per month.¹ Twice, the Office of People's Counsel objected and OPC's expert witness testified that the charges were unwarranted and unsupported. Twice, the Public Service Commission rejected the request because it could find neither compelling evidence nor good public policy reason under the existing law to allow Verizon to impose the charges. The PSC noted that Verizon provided no evidence that its proposals would do anything to encourage the development of competition and that, in fact, the public interest would be harmed, stating:

We are not, however, prepared to hold that there is an intrinsic public interest in improving the efficiency of markets at any cost, particularly when the "reforms" required to fulfill that "interest" will increase costs to consumers. Indeed, competition is supposed to increase the range of available alternatives and *reduce* prices to consumers, not create new opportunities for Verizon and other to *charge* for services that currently are included within regulated local telephone service. Put another way, we struggle to see how the public interest is served by reducing the number of free DA calls so that Verizon and competitors both are allowed to increase prices for DA calls that are now free.²

¹ Case Nos. 9125 and 9270.

² *In the matter of the Proposal of Verizon Maryland, Inc. to Reduce the Residential Monthly Directory Assistance "Free" Call Allowance*, ___Md. PSC ___ (Case No. 9270), Order No. 84727, pp.9-10 (March 2, 2012).

The Office of People's Counsel believes the PSC got its analysis exactly right in 2012, and that nothing has occurred in the past year to change that assessment.

OPC recognizes that changes are occurring at a rapid pace when it comes to telephone and broadband use in residential homes. However, those changes are occurring more rapidly for some households compared to others. According to a recent survey (August-September 2012) conducted by the Pew Research Center's Internet & American Life Project,³ there are significant differences in such things as broadband access in homes, smartphone ownership and internet usage when it comes to age, income and education levels, ethnicity and residence in an rural rather than urban area. For example, only 62% of adults ages 50-64 have broadband at home, and only 39% of adults over the age of 65. Eighty-five percent of adults with incomes over \$50,000 annually have it, while only 46% of adults with incomes less than \$30,000 a year do so. For adults with no high school diploma, the percentage is even less: 34%.

Smartphones also can provide alternative access to the Internet. However, as with home broadband access, there are significant differences in smartphone ownership by age, household income and income level. For example, the national survey findings indicate that 11% of adults over 65 have smartphones, as do 35% of adults with household income of less than \$30,000, and 21% of adults with no high school diploma. OPC understands that access and ownership results may be different for Maryland specifically, and in fact, we would expect higher rates

³See [http://www.pewinternet.org/Static-Pages/Trend-Data-\(Adults\).aspx](http://www.pewinternet.org/Static-Pages/Trend-Data-(Adults).aspx) for details on the survey.

overall. However, there is no reason to expect that the demographic disparities would be different for Maryland households.

The import of these demographic differences is simply this: Adults who are older or with lower incomes or less education have less immediate access to the Internet for directory assistance. They will be disproportionately impacted by this bill, since they are more likely than other adults to have the need for directory assistance and be subject to additional expenses if they make more than two calls per month.

Therefore, to protect residential customers from having to pay an unknown and unlimited amount for each directory assistance call over the monthly allotment of two, the Office of People's Counsel respectfully requests an **UNFAVORABLE** report.