

**TESTIMONY BY
ROBERT R. PUCKETT, PRESIDENT
OF
THE NEW YORK STATE TELECOMMUNICATIONS ASSOCIATION, INC.
BEFORE THE
JOINT LEGISLATIVE HEARING OF THE SENATE FINANCE AND ASSEMBLY
WAYS AND MEANS COMMITTEES**

FEBRUARY 10, 2014

THANK YOU CHAIRMAN DEFRANCISCO AND CHAIRMAN FARRELL, SENATORS AND ASSEMBLY MEMBERS FOR GRANTING ME THE OPPORTUNITY TO PRESENT THIS TESTIMONY TODAY REGARDING THE PROPOSED EXECUTIVE BUDGET.

MY NAME IS ROBERT PUCKETT. I CURRENTLY SERVE AS PRESIDENT OF THE NEW YORK STATE TELECOMMUNICATIONS ASSOCIATION (NYSTA). OUR MEMBERS INCLUDE 35 TELECOMMUNICATIONS CARRIERS AND OVER 100 SUPPLIERS , VENDORS AND OTHERS SUPPORTING THE INDUSTRY. OUR 35 TELECOMMUNICATIONS CARRIER MEMBERS INCLUDE LARGE CARRIERS SUCH AS AT&T, SPRINT AND WINDSTREAM AND ALL OF THE SMALLER REGULATED INCUMBENT LOCAL EXCHANGE CARRIERS THROUGHOUT THE STATE SUCH AS MIDDLEBURGH TELEPHONE COMPANY AND ONEIDA COUNTY RURAL TELEPHONE COMPANY. MY MEMBERS' NETWORKS REPRESENT THE "CENTRAL NERVOUS SYSTEM" OF THIS STATE'S TELECOMMUNICATIONS NEEDS AND OF TODAY'S INFORMATION BASED ECONOMY. THEY PROVIDE

EVERYTHING FROM POTS (PLAIN OLD TELEPHONE SERVICE) TO NETWORKS CAPABLE OF PROVIDING HIGH SPEED INTERNET AND VIDEO SERVICES.

I AM HERE TODAY TO ADDRESS PART R OF GOVERNOR'S PROPOSED 2014 – 2015 TRANSPORTATION, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION BUDGET. PART R CONTAINS THREE PROPOSALS. I AM HERE TO TALK IN SUPPORT OF TWO OF THOSE PROPOSALS. THE THIRD PROPOSAL DEALS WITH THE ISSUE OF SHARED METERING AND DOES NOT IMPACT MY MEMBERS, SO I WILL NOT ADDRESS THAT PROPOSAL.

THE FIRST PROPOSAL CONTAINED IN PART R WOULD GRANT THE PUBLIC SERVICE COMMISSION THE RIGHT TO WAIVE CERTAIN SECTIONS OF PUBLIC SERVICE LAW APPLICABLE TO THOSE CARRIERS REGULATED BY THE COMMISSION AFTER NOTICE AND HEARING. NYSTA FULLY SUPPORTS THIS CHANGE.

VERY FEW, IF ANY, INDUSTRIES IN NEW YORK HAVE SEEN THE EXTENT OF CHANGE THAT HAS OCCURRED IN THE TELECOMMUNICATIONS INDUSTRY OVER THE LAST 10 YEARS. THE INDUSTRY IS NO LONGER PROVIDING A MONOPOLY SERVICE WITH ONLY THE INCUMBENT REGULATED CARRIERS PROVIDING TELEPHONE SERVICE IN THE STATE. CONSUMERS CAN NOW AVAIL THEMSELVES OF AN ARRAY OF TELECOMMUNICATIONS SERVICES FROM NUMEROUS PROVIDERS, WHETHER THEY BE CLECS (COMPETITIVE LOCAL EXCHANGE CARRIERS), WIRELESS CARRIERS, CABLE TV PROVIDERS,

VOIP PROVIDERS SUCH AS VONAGE AND OTHER "OVER THE TOP" PROVIDERS. MOST OF THESE OTHER PROVIDERS ARE NOT REGULATED BY THE COMMISSION. THE 40 INCUMBENT LOCAL EXCHANGE CARRIERS REGULATED BY THE COMMISSION HAVE COLLECTIVELY LOST OVER 60% OF THEIR LANDLINES OVER THE LAST 11 YEARS.

I NOW ESTIMATE THAT OF ALL THE TELEPHONES IN NEW YORK, THE INCUMBENT CARRIERS ONLY SERVE APPROXIMATELY 15-20% OF THE TOTAL MARKETPLACE. THEY ARE NO LONGER THE MONOPOLY PROVIDERS OF TELEPHONE SERVICE IN NEW YORK, YET THEY MUST OPERATE UNDER LAWS BEING ADDRESSED BY THE GOVERNOR'S PROPOSAL THAT WERE ALL ORIGINALLY ESTABLISHED IN 1910, WITH THE EXCEPTION OF PSL 101(a), WHICH WAS ESTABLISHED IN 1912.

GRANTING THE COMMISSION THE FLEXIBILITY TO WAIVE CERTAIN PORTIONS OF LAW WILL HOPEFULLY BENEFIT THOSE CARRIERS REGULATED BY THE COMMISSION. THERE IS NO REAL PUBLIC VALUE IN MAINTAINING THE EXISTING PROCESS. TO IMPLEMENT AND FOLLOW THE CURRENT LAW TAKES A LOT OF STAFF TIME AND PROCESS, FOR BOTH THE COMMISSION AND THE COMPANIES. STREAMLINING THIS PROCESS AND INSTITUTING REGULATORY REFORM WILL NOT ONLY CUT THE COST OF GOVERNMENT BUT THE COST OF BEING REGULATED IN NEW YORK. GIVEN THAT THESE REGULATIONS ARE OUTDATED, MONOPOLY ERA REGULATIONS IT IS IN THE BEST INTERESTS OF

THE STATE, BUSINESS AND CONSUMERS TO LIMIT THESE REGULATIONS AND STREAMLINE THE PROCESS

IT IS ALSO IMPORTANT TO NOTE THAT THIS PROPOSAL ALLOWS FOR STREAMLINING REGULATIONS BUT STILL ALLOWS FOR NOTICE AND A HEARING BEFORE ANY FINAL ACTION IS TAKEN BY THE COMMISSION. IN ADDITION, THIS PROPOSAL APPLIES TO A LIMITED NUMBER OF PROVISIONS AND DOES NOT CHANGE ANY REGULATIONS THAT GOVERN SERVICE QUALITY OR ACCESS TO SERVICE. INDEED THERE ARE PORTIONS OF THE PUBLIC SERVICE LAW, INCLUDING PORTIONS COVERED IN THE PROPOSAL, THAT MY ORGANIZATION WOULD NOT SUPPORT WAIVING IN CERTAIN SITUATIONS. THE COMMISSION MUST FIRST PROVIDE NOTICE AND HEARING BEFORE TAKING ANY PERMANENT ACTION WHICH WILL ALLOW FOR A THOROUGH DEBATE CONCERNING ANY CHANGES THAT THE COMMISSION MAY BE CONSIDERING.

THUS, THE PROPOSAL STRIKES AN APPROPRIATE BALANCE. BETWEEN DECREASING REGULATION AND MAINTAINING OVERSIGHT.

THE SECOND PROPOSAL CONTAINED IN PART R CONCERNS PUBLIC SERVICE LAW SECTION 221, WHICH DEALS WITH CABLE TELEVISION FRANCHISES. NYSTA ALSO SUPPORTS THIS PROPOSAL. THE PROPOSAL WOULD PROVIDE THE COMMISSION ADDITIONAL FLEXIBILITY IN THE FRANCHISE APPROVAL

PROCESS BY ALLOWING FRANCHISES TO BE DEEMED AUTOMATICALLY CONFIRMED AFTER FORTY-FIVE DAYS UNLESS THE COMMISSION BELIEVES THAT THE PUBLIC INTEREST REQUIRES THE COMMISSION'S REVIEW AND A WRITTEN ORDER. SUCH FRANCHISES MUST FIRST MEET THE STANDARDS OF THE COMMISSION AND BE APPROVED BY THE LOCAL MUNICIPALITY.

NYSTA BELIEVES THIS IS AN IMPORTANT FIRST STEP IN STREAMLINING THE FRANCHISE APPROVAL PROCESS. THIS IS ESPECIALLY TRUE GIVEN THE ENORMOUS COSTS EXPERIENCED BY ALL VIDEO PROVIDERS WHO MUST UNDERTAKE THE FRANCHISE PROCESS IN EVERY TOWN AND VILLAGE IN WHICH THEY OPERATE. AS WITH THE OTHER PROPOSAL DISCUSSED HEREIN, ADOPTING THIS CHANGE WILL ALSO ALLOW THE PROCESS TO BE MORE STREAMLINED AND EFFECTIVE THEREBY HELPING TO REDUCE REGULATION AND THEREFORE THE COST OF REGULATION AND THE COST OF DOING BUSINESS.

IT IS NO SECRET THAT NEW YORK HAS A REPUTATION OF BEING A STATE WITH A BURDENSOME REGULATORY LANDSCAPE. PART R OF THE TED BUDGET IS A WELCOME STEP IN REDUCING OUTDATED, DUPLICATIVE REGULATIONS NO LONGER APPROPRIATE IN TODAY'S TELECOMMUNICATIONS MARKETPLACE. NOT ONLY WILL TELECOMMUNICATIONS PROVIDERS BENEFIT FROM THE CHANGES, BUT ALSO THEIR CUSTOMERS AND STATE TAX PAYERS BY REDUCING THE COSTS

INCURRED BY PROVIDERS AND THE STATE ALIKE IN OPERATING UNDER AN OUTDATE REGULATORY REGIME.

THEREFORE WE APPLAUD ANY AND ALL EFFORTS TO REVIEW EXISTING PUBLIC SERVICE LAW AND WELCOME RATIONAL AND REASONABLE CHANGES THAT WILL LEVEL THE PLAYING FIELD AND RECOGNIZE THE NEW MARKETPLACE.

ON BEHALF OF MY MEMBERS, THANK YOU FOR THE LEADERSHIP EXHIBITED IN THE PAST BY BOTH HOUSES ON THESE CRITICAL ISSUES. I HOPE WE CAN MOVE FORWARD TOGETHER IN ENSURING NEW YORK'S ECONOMIC SUCCESS IN THE FUTURE.