

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 957 (Delegate Stern, *et al.*)
Environmental Matters

Telephone Companies - Structural Separation

This bill requires an “incumbent local exchange carrier” to structurally separate its retail and wholesale operations into two separate and independent businesses, consistent with Public Service Commission Proceedings. An “incumbent local exchange carrier” is defined as a telephone company that provided telephone services to a majority of the access lines in the State at the time the Federal Communications Act of 1996 was enacted.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Enforcement could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The newly created “retail affiliate” is defined as a telephone company that provides local retail telecommunications services and the newly created “wholesale affiliate” is defined as a local telephone company that provides telecommunications services to local exchange carriers and to retail affiliates.

The retail affiliate operates as a competitive local exchange carrier and the wholesale affiliate owns and operates all the network facilities that existed prior to the separation. The affiliates may not jointly own or control network facilities or the land, building, poles, conduits, or rights-of-way in which network facilities are located.

The retail and wholesale affiliates must keep separate books, records, offices, accounts, directors, and employees, and may not favor each other in business transactions.

All business transactions between two affiliates must be at arms length, in writing and subject to prior approval by the Public Service Commission (PSC). The PSC may not approve a transaction until all the interested parties have had an opportunity to be heard and the PSC finds that: (1) the proposed transaction does not discriminate against competitive local exchange carriers; and (2) the transaction will not result in any cross-subsidization between the retail and wholesale affiliates.

The PSC may adopt: (1) streamlined procedures for reviewing transactions between the retail and wholesale affiliates; (2) enforcement measures for violations, including auditing; and (3) any other measures deemed necessary to implement the bill's provisions. The PSC must begin proceedings to implement the bill's provisions by August 1, 2001. The proceedings must include, in addition to providing all interested parties an opportunity to submit proposals and comments, establishing a code of conduct governing the relationship between the retail and wholesale affiliates to insure that neither grants the other undue preference or advantage in business transactions.

The PSC shall submit a report on the status of competition in local exchange telephone service in the State and the implementation of this Act to the Senate Finance Committee and to the House Environmental Matters Committee on or before January 13, 2002, and complete proceedings before February 1, 2002.

Current Law: None applicable.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the People's Counsel, Public Service Commission, Department of Legislative Services

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