



# REPORT ON HB 3065 (2019) CARRIER OF LAST RESORT

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# REPORT ON HOUSE BILL 3065 (2019) CARRIER OF LAST RESORT OBLIGATION

## Executive Summary

The requirement that a telecommunications provider be designated as a carrier of last resort (COLR) has helped ensure that all Oregonians have access to voice telephony. COLR obligations were created to ensure that, when an incumbent local exchange carrier (ILEC) was granted the exclusive right to serve a designated service territory, the ILEC would provide service to all customers within that service territory.

In HB 3065 (2019), the Legislature directed the PUC to investigate the continuing relevance of the COLR obligations. Today, many customers can obtain voice telephony through a variety of technologies from numerous providers.

Following a nine-month public process that included broad public engagement and five workshops, the PUC has concluded its investigation and presents the following findings:

### **Finding #1: Communications are of Vital Importance to Oregonians.**

In an era with many service providers and diverse communication options, the ability to communicate is often taken for granted. The COVID-19 pandemic and the tragic wildfires that have recently swept Oregon are an acute and important reminder that the ability to communicate is of vital importance to Oregonians.

### **Finding #2: Landline Voice Telephony Remains Important to Many Oregonians**

Despite dramatic changes to the telecommunications industry, landline voice telephony remains important to many Oregonians. Even with the increase in cellular and other calling options, approximately 250,000 residential customers have retained landlines due to the lack of competitive options, service quality issues, health concerns, or personal choice.

### **Finding #3: COLR Obligations for Landline Voice Telephony Remain Relevant Today**

Competition has not eliminated the need for a COLR. The lack of a requirement that competitive providers serve remote or high-cost areas, as well as the unreliability of non-terrestrial voice telephony, leave many customers, particularly in rural areas, without service alternatives. Eliminating the COLR obligation statewide would risk leaving a material number of Oregonians behind.

#### **Finding #4: COLR Policies Could be Updated to Reflect Competition**

Oregon has taken numerous steps to update voice telephony regulation to reflect competition, and could make additional changes to update COLR requirements. With the presence of competitive providers, the possibility exists that, for some urban parts of the state, ILECs could be relieved of the COLR obligations with minimal impacts to customers.

#### **Finding #5: Numerous Challenges and Complications Face COLR Reform**

Information and regulatory barriers face COLR reform. The data about competitive services is hard to collect and generally proprietary. In addition, the Federal Communications Commission (FCC) generally regulates competitive providers and technology, limiting Oregon's ability to ensure customer protections.

#### **Finding #6: The Legislature Should be Cautious with COLR Reform & Finding #7: Complementary Programs Must be Considered as Part of COLR Reform**

The Legislature should be cautious with COLR reform, and must consider any reforms in conjunction with other programs that support universal voice telephony. These include state and federal Universal Service Funds and Oregon Lifeline, which subsidize the cost of voice telephony in high-cost areas and provide monthly bill credits to low-income Oregonians, respectively.

#### **Finding #8: Promoting Universal Broadband Access Promotes Universal Voice Service**

Meeting the broader policy goal of universal access to broadband would effectively moot the need for a COLR obligation for voice telephony, as broadband service can provide both information and voice services. More than a quarter of Oregonians live in areas that are unserved, underserved, or have older technologies that will not be able to meet the digital demands of the very near future.

#### **Finding #9: There are Numerous Challenges to Achieving Universal Broadband Access**

Many challenges exist with unifying the treatment of providers that are subject to different regulations but increasingly providing homogeneous services towards a goal of ubiquitous broadband access. In the absence of direct regulatory authority, Oregon can explore the use of recent actions to promote broadband development and other incentives to move toward universal access to broadband in the state.