

Pocket Facts: Texas Telecommunications

- The rates charged by the four largest incumbent wireline phone companies in Texas fall approximately \$600 million short of the cost of providing local residential service.
- State regulations for local residential telephone service cross-subsidies cost Texans at least \$200 million annually.
- Any competitor seeking to sell local phone service must compete against incumbents who are forced by regulation to price local phone service below cost.
- When federal regulations for long distance were loosened, rates fell 68 percent between 1984 and 2003.
- Today, state regulations can make it more expensive to make a call from Houston to Dallas than from Los Angeles to New York.
- There are four potential types of cross-subsidy flows: local to long distance, urban to rural, business to residential, and subsidies from purchasers of special services (i.e. voicemail) to purchasers of basic service.

Policy Recommendations

- Allow the price of basic local phone service to rise to reflect cost.
- Eliminate the cross-subsidy from intrastate long distance to local telephone service.
- Fund universal service programs by some means other than distorting prices, such as by a fixed monthly charge on phone bills.
- Reduce the cost of universal service programs by more careful targeting.
- Avoid stifling new technologies.

See Back For Study Information.

Texas Telecommunications:
Everything's Dynamic Except The Pricing

By Robert W. Crandall, Ph.D.
Brookings Institution

And

Jerry Ellig, Ph.D.
Mercatus Center at George Mason University

Published January 2005 by the Texas Public Policy Foundation.

Available online at:
<http://www.texaspolicy.com/pdf/2005-01-telecom.pdf>
or by calling (512) 472-2700.

