

STATE OF NEW YORK

Public Service Commission

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Update on Residential Competition for Telecommunications Services in NYS

Albany, NY—4/18/07—The New York State Public Service Commission (Commission) today received a report from staff of the Department of Public Service regarding the results of a statewide Residential Telecommunications Consumer Survey. The survey provides a snapshot into the current status of residential competition for telecommunications services in New York State. Survey results indicate that approximately 95 percent of the survey's respondents have the choice of two alternatives—cable, wireless or Internet-based—to traditional wire-line phone service.

“The findings of the Residential Telecommunications Consumer Survey provide valuable insight into consumers’ views on competition, pricing, and overall satisfaction with telecommunications services,” said Commission Chairwoman Patricia L. Acampora. “The survey results provide additional data about New York’s telecommunications markets and how residential consumers are benefiting from competition among the various alternative technologies.”

In the April 2006 Order, the Commission issued its policy statement which addressed, among other things, the status of competition. The Commission stated that every month, a substantial number of customers in New York switch from their Incumbent Local Exchange Carrier (ILEC) to an alternative provider to obtain savings, innovative services and other value added offerings. The Commission directed staff to monitor the market and to report back in 12 months.

To better understand New York's competitive telecommunications markets, and as a follow-up to the Commission's directive to report on the status of competition, staff conducted a statewide survey of residential consumers regarding the telecommunications services subscribed to, satisfaction with the service offerings of telecommunications providers, awareness of alternative services, and consumer switching behavior. More than 1,500 residential wire line consumers were contacted from a randomly selected list of New York published and unpublished residential telephone numbers to complete the survey questionnaire. The sample survey size was divided between upstate consumers in six telephone area codes (716, 585, 315, 607, 518, and 845) and the remaining area codes for downstate consumers. Highlights of the survey findings are indicated below.

Subscriptions to Telecommunications Services

Survey results indicate that approximately 25 percent of the survey respondents obtain their telephone service from a provider other than an incumbent local exchange carrier. Other results of the survey relative to customer subscriptions to telecommunications services indicate the following:

- 82 percent of survey respondents subscribe to either cable or satellite television;
- 69 percent of survey respondents have cellular phones;
- 54 percent of survey respondents have high-speed Internet services;
- 7 percent of survey respondents reported they have Internet telephone service; and
- The highest penetration rates for Internet telephone service and high-speed Internet service were for consumers in the higher income-brackets and the 35 or younger age bracket.

Customer Satisfaction with Telecommunications Services

Overall, customers with at least two telecommunications services options are slightly more satisfied with their residential telephone service than customers who do not have two options. The satisfaction level for the 95 percent of the respondents with two platform options is 93 percent. The satisfaction level of survey respondents without alternative platform options is 90 percent. Other survey results concerning customer satisfaction with telecommunications service providers and service offerings include:

- 93 percent of survey respondents subscribing to Internet-based telephone service being satisfied with the service;
- 91 percent of survey respondents subscribing to cellular telephone service being satisfied with the service, 90 percent being satisfied with available cellular service providers, and 87 percent being satisfied with the available cellular calling plans; and
- 94 percent of survey respondents subscribing to high-speed Internet service being satisfied with the current service, and over 82 percent being satisfied with the available high-speed Internet providers and service plans.

Consumer Awareness of Alternative Technologies

To evaluate consumer awareness of various alternative technologies, survey respondents were queried regarding familiarity with cable and Internet telephone service. Overall, 66 percent of the survey respondents knew the cable company in their area offers telephone service with downstate survey respondents (69 percent) being more aware of cable telephone service than upstate (60 percent) survey respondents. As to familiarity with Internet telephone service, 37 percent of survey respondents were aware of the availability of Internet telephone service in their area. Similarly, more downstate (39 percent) survey respondents were familiar with Internet telephone service than upstate survey respondents (35 percent).

Customer Switching Behavior

In evaluating survey results, staff determined that the price of a service is the most significant factor in motivating consumers to switch telephone service providers. Over three times as many respondents would consider switching telephone service as a result of a change in price, than survey respondents that would consider switching for improved reliability which was the next highest factor identified as a motivator for switching telephone services. Twenty-two percent of survey respondents indicated a willingness to consider relying exclusively on cellular telephone service and over 40 percent indicated a willingness to switch to cable telephone service.

The results of the Residential Telecommunications Consumer Survey, when available, may be obtained from the Commission's www.dps.state.ny.us Web site by accessing the Commission's Documents section of the homepage. Many libraries offer free Internet access. Survey results can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223, (518-474-2500).