

**Kansas House Committee on Utilities and Telecommunications  
Testimony of Steve Hahn, President - AT&T Kansas  
February 6th, 2013**

Good morning, Mr. Chairman and members of the Committee. My name is Steve Hahn. I am the President of AT&T Kansas and I am here in support of HB 2201.

The communications industry is in the midst of an exciting time. Over the past several years, we've seen incredible leaps in technology, innovation and connectivity. It is no secret that the world of communications is evolving, but what may be surprising is the speed at which our world is moving. A little over fifteen years ago, "communications" meant "voice," and local voice telephone service was a regulated monopoly service. Today, communications is anything and everything enabled by broadband IP platforms, and that monopoly is gone forever. In the 22 states in which AT&T operates a wireline network, fewer than 3 out of 10 homes connected to the traditional telephone network actually subscribe to traditional telephone service. Kansas mirrors that national trend, with an average of 3,200 Kansas households dropping their traditional landline service every month over the last decade. During that same time period, broadband subscriptions in Kansas have risen more than 1,800%. And today, there are nearly as many wireless subscriptions as there are people in this state. Clearly, Kansas consumers have voted with their feet and their pocketbooks. They are leading the transition to IP broadband and mobile networks – and they want more, they want it everywhere, and they want it all the time.

AT&T is adapting to this rapid change in consumer demand and we support modernization of state policies that help us provide the services Kansas consumers and businesses want. However, we also recognize the need to adopt policies that balance consumer benefits and recognize the different business models, operations and regulatory governance of the many Kansas companies that provide these important communications services.

HB 2201 is a sensible piece of legislation, developed during months of discussions and negotiations, which will benefit all Kansans by lowering Kansas Universal Service Fund (KUSF) fees, reducing unnecessary and counterproductive regulation on competitive companies while providing stability for other companies as they adapt for the future.

### **HB 2201 Lowers Monthly KUSF Fees for Kansas Voice Communication**

#### **Customers**

This legislation will lower the monthly KUSF fee paid by virtually all Kansans. The current Kansas regulatory model includes a pool of money called the Kansas Universal Service Fund. It is funded by almost every voice service subscriber in the state, whether traditional landline, voice over Internet Protocol (VoIP), or wireless. The largest portion of the KUSF is the High Cost Fund, which today stands at approximately \$54M/year. The High Cost Fund subsidizes the cost of providing traditional landline voice service to consumers who lived in areas that are difficult (expensive) to serve. This bill eliminates the subsidy given to AT&T and reduces or phases out the subsidy given to others. In the first year, there will be a reduction of approximately \$9.4M. And, the bill requires further reductions in subsequent years totaling millions more. These reductions should reduce the KUSF surcharge on all customers' bills.

### **HB 2201 Modernizes Communication Policy for Competitive Companies**

Upon passage of HB 2201, AT&T will have the same freedom to design, build and maintain our networks that our competitors enjoy today. For instance, current law requires AT&T to provide a traditional landline to any customer anywhere in its geographic territories. This rule was designed in the monopoly era when AT&T had market dominance and the traditional landline was the primary way by which customers communicated. Today, only AT&T has this obligation in its geographic territories. Since 2000, however, AT&T has lost more than 77% of those customers. Moreover, customers are overwhelmingly choosing other ways to communicate, primarily wireless and VoIP. Forcing one company to comply with this law – designed for a vastly different

time and set of circumstances – today creates a competitive disadvantage. HB 2201 removes barriers to true competition and treats all competitive companies equally.

Let me be clear – this legislation is not an attempt to leave customers behind – and we are on the record saying so. We are committed to doing our very best to provide all of our customers with services built on an IP broadband architecture, to expand access to our advanced network and, for those few we cannot reach with a broadband service, whether wireline or wireless, that they still be able to keep voice service. That’s our goal and our commitment to our customers. We are very cognizant that no one should be left behind.

Since 2008, AT&T has invested more than \$850 million in our Kansas networks – helping to bring customers the advanced services they want. In the last two years alone we have tripled the coverage of our wireless network in Kansas, while at the same time upgrading large portions of it to deliver a high quality mobile internet experience. We continue to improve and expand our award-winning U-verse suite of services that include TV, high speed internet and voice service. And we continue to invest. Just last November we announced Project Velocity IP (VIP) – a three-year \$14B investment plan to significantly expand our wireline and wireless IP broadband networks across the country. Making sensible policy reforms contained in HB 2201 will help us realize the full potential of this investment in Kansas.

In addition, HB 2201 reduces unnecessary regulation that applies to all the competitive companies in the state. As an example, current law, designed in 1996, requires competitive companies to record, track and report set service metrics. These rules were intended to serve as a substitute for competition. In today’s highly competitive marketplace where customers move freely among numerous different providers and technologies, these rules are unnecessary and cause the competitive companies, not to mention the Kansas Corporation Commission itself, to expend resources on paperwork and filing.

This proposal is not groundbreaking. Rather, it is the next logical step in what has been a steady march toward the 1996 Telecommunications Act's stated goal of "increasing competition and reducing regulation." Nearby states like Oklahoma, Missouri and Arkansas have already adopted similar policies, joining larger states like Texas and Florida. Consequently, their regulatory framework makes them attractive for private sector investment. Kansas should follow suit.

### **HB 2201 Provides Stability for Rural Companies to Adapt to the Future**

AT&T's goal is to move aggressively toward new and better communication networks - advanced, high-speed, and mobile networks that are a critical platform for connecting Kansans and growing the state. We believe that the policy reforms included in HB 2201 create a framework that will help accelerate the deployment of those networks. However, we also believe that there is not a "one size fits all" policy solution. Kansas has a diverse group of communications companies of varying size and level of regulatory governance. I believe this legislation provides all the companies in Kansas the stability needed to adapt to the rapidly changing communications landscape.

This is not a new issue for the Legislature. Since 1996, the Kansas Legislature has made sensible and forward-looking updates to state telecommunications policy to reflect changes in the marketplace, technology, and customer demand. HB 2201 is another step in that process. This policy lowers the KUSF, clears the path for investment in advanced networks, and provides stability for the future.

HB 2201 is truly a win-win-win for Kansas consumers, communication companies and the state's economic future. I urge your support and would be happy to answer any questions.