

Senate Utilities Committee
Jay Allbaugh
February 16, 2005



Thank you Mr. Chairman and members of the Committee, I am Jay Allbaugh, Vice President of Government & Public Affairs for Cox Communications.

We appreciate your allowing us to present opposing views to SB 120.

Cox is not a proponent of regulation for regulation's sake. Rather, Cox supports regulation that generates and sustains robust telephone competition.

Cox supports measured, reasonable and thoughtful deregulation of local telephone markets -- when it is demonstrated that a local telephone market has robust and sustainable facilities-based competition. However, Cox questions whether adequate competition exists in Kansas' local telephone market:

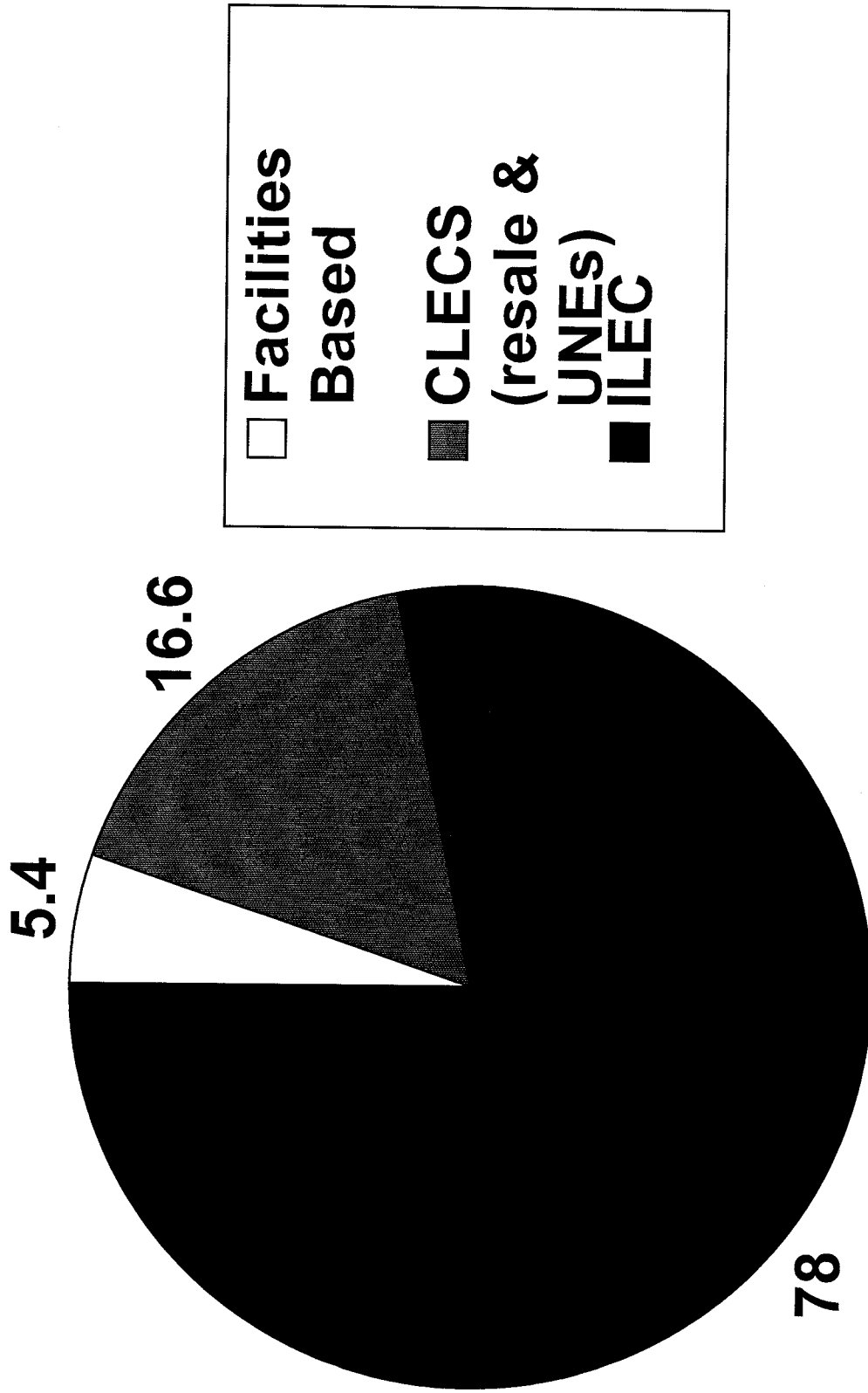
1. Just last year the subject matter experts at the KCC stated that "No competitor has amassed a significant share of the market. Thus, competition is not yet firmly established." [Wichita Eagle, 2/21/04, *Telephone Firms Seek Removal of Regulation*]
2. Since the time the KCC made the above statement about the absence of competition in Kansas, the FCC eliminated UNE-P as we know it. UNE-P was one of the major sources of local telephone competition, especially in more rural areas. FCC data shows that elimination of UNE-P has already caused a reduction in the use of UNE-P. As of June 30, 2004 UNE-P was responsible for 66% of the CLEC access lines in Kansas and 14% of the total CLEC market share. To the extent any level of competition exists in Kansas today, elimination of UNE-P will have a dramatic and downward impact on that level into the future.
3. Also since the aforementioned KCC comments, SBC announced plans to purchase AT&T, which will make SBC the largest telecom provider in the United States and further enhance its power and market dominance.
4. Finally, recent FCC data confirms the KCC's statement that there is no sustainable local phone competition in Kansas.
 - a. 78% of the market is held by ILECs
 - b. 16.6% is held by ILECs and lease to CLECs (resale and UNEs)
 - c. Only 5.4% is held by facilities based CLECs, such as Cox.

Cox does not support piecemeal deregulation through legislation without any understanding of: whether and to what extent local telephone competition exists; what level of deregulation, if any, is appropriate; and what the impacts of deregulation would be on competitors and consumers.

Rather, Cox supports the completion of a thorough study of the state-of-the-state of local competition in Kansas by the subject matter experts at the KCC, and upon a finding that robust, sustainable local telephone competition exists; Cox supports a measured, reasonable, and thoughtful deregulation of the local telephone market.

As Cox Communications continues to make a facilities based investment in Kansas, we would encourage the legislature to take into consideration the true state of sustainable competition in this state.

Kansas Access Line Market Share



Data based on the December 2004 Federal Communications Commission's report on local telephone competition.