



**Testimony of Steve Hahn, President - AT&T Kansas
HB 2201
Senate Committee on Utilities
March 12, 2013**

Good afternoon, 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 live 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. And AT&T will no longer draw a subsidy from the Kansas Universal Service Fund for high-cost support.

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 or abandon certain markets – 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.

Also, HB 2201 removes the statutory requirement that AT&T participate in the Lifeline program. Lifeline is an important service and we do not have immediate plans to get out of the Lifeline market. What HB 2201 does, consistent with the spirit of the bill, is put AT&T on equal footing with our competitors by making participation in the program optional. Under current law, AT&T is the only provider that is mandated by state law to participate in the program in all of our exchanges. Again, while we have no immediate plans to change our Lifeline participation status, it is important to note that in every AT&T exchange there are at least 4 and as many as 14 other companies that offer or are certificated to offer Lifeline services. In many of these exchanges, wireless Lifeline providers offer free monthly service and a free phone. Nationwide, more than 70 percent of participants in the Lifeline program use wireless service, taking advantage of the mobility and data capabilities of wireless technology. Clearly, there is a vibrant market for Lifeline customers.

Under the provisions of HB 2201, all communications companies will remain subject to federal truth in billing standards, as well as the Kansas Consumer Protection Act which is enforceable by the Kansas Attorney General and the local district and county attorneys throughout the state. Consumers also have private options, under both the KCPA, and through organizations like the Better Business Bureau. All of these complaint mechanisms are the same and just as available for telecommunications issues as they are for the vast majority of other consumer matters today. The KCC will maintain its role in protecting consumer interests by collecting and sharing consumer information, as well as referring complaints to companies as it currently does for wireless and other communications services. This is in addition to the element of consumer protection that competition brings by giving customers alternatives; consumers can and will vote with their feet and pocketbooks by leaving a company with which they are unhappy or dissatisfied.

Since 2009, AT&T has invested more than \$725 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 includes 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.

HB 2201 is not groundbreaking legislation. 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. It was amended in the House Committee on Utilities and Telecommunications to address several technical, industry and KCC concerns and was ultimately passed unanimously from Committee and by the full House by a 118-1 margin. 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, communications companies and the state's economic future. I urge your support and would be happy to answer any questions.