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Testimony of David D. Kerr, President, AT&T Kansas
In support of SB 350
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Good morning Chairman Emler, and members of the committee. I am David Kerr, President of AT&T Kansas. I appreciate the opportunity to speak to you today in support of Senate Bill 350.

Last year, I appeared before you to support the advancement of Senate Bill 120, a bill which would have changed state law to more accurately reflect the competitive marketplace in Kansas. You may recall that we, SBC at the time, took a secondary role in that bill, instead opting to focus our efforts on a regulatory solution over the summer.

Indeed, an enormous amount of effort was put into the regulatory process. My company filed an application for "price deregulation" of most services in the three largest cities in Kansas (Kansas City, Topeka, and Wichita). We filed thousands and thousands of pages of documents and spent, including state assessments to pay for the Commission's and CURB's time, over \$400,000 on the case. Unfortunately, and despite what we believe was overwhelming evidence showing a fully competitive and evolved marketplace, the efforts failed to provide meaningful regulatory relief. It became apparent throughout the proceedings that the parties, the KCC staff and the Commissioners struggled to agree on a definition of "competition" or determine when it exists. The resolution of that dilemma is embedded in Senate Bill 350, which will provide much needed clarity and a bright-line test for competitive designation.

Today's competitive landscape looks nothing like it did ten years ago when the current law was written, with more cell phones than traditional landline phones in Kansas, with cable companies providing a full array of services, and with more than 80% of Kansans having access to broadband, allowing new technologies such as Voice over Internet Protocol (VoIP) to provide yet another meaningful option to consumers.

Since last year when you considered Senate Bill 120, and despite doomsday predictions from our opponents that the industry was heading for a collapse, competition is flourishing. In this ever expanding marketplace, traditional landline companies have only 33% of the communications connections in the state, and AT&T Kansas has 33% fewer lines today than in 2001. This is happening because consumers have more choices than ever before. In the last year, wireless companies have spent millions expanding and upgrading their networks. Cable companies continue to bring phone service to more and more communities, including here in Topeka. And VoIP companies like Vonage made significant upgrades to their systems to offer E911 service.

Also, in the last year states all around Kansas, including Colorado, Iowa, Missouri, Oklahoma, and Texas, have updated their telecom rules to match today's marketplace. These states join two other states in our region, Nebraska and Arkansas, that updated their telecom laws years ago.

Senate Bill 350 would allow the marketplace to function without unneeded government intervention in competitive markets. This bill will define competition, providing precise direction in competitive markets, and allow "price cap" companies to fully compete in competitive markets. History has shown that when the marketplace is allowed to function without government intervention, customers enjoy the benefits of new products and better prices. As they say, the proof is in the pudding, and the benefits of competition can clearly be seen in the price and expanded availability of wireless, long distance and broadband services. Clearly, similar benefits will occur in the local service arena when market-based pricing is embraced.

Some opponents may claim that prices will increase, trying to convince you there are no "alternatives" available or "competitors" competent enough to compete on a sustained basis. The existence of both national and strong local cable companies offering voice service and the predominate use of cell phones, excluding the existence of the many other alternatives, addresses this allegation. If committee members are like most Kansans, nearly everyone has a cell phone. Taken together, the wireline, cable, and wireless competitors would more than satisfy the telecom needs of all subscribers in these cities if AT&T Kansas itself disappeared and stopped providing service tomorrow.

We've done our best to make Senate Bill 350 a simple bill, focusing on competition-related issues. The most significant provisions of this bill will not be triggered until a "bright line" test is passed. As of today, only 17 residential exchanges would pass the test under this bill. Of course that will change as competition continues to develop. Just recently, the local cable provider announced they will offer phone service in Salina, which was not included in our review. There's no doubt in my mind that the cable companies in Kansas will soon offer service to many if not all of their customers in Kansas.

It is time to update our laws to match the realities of today's competitive marketplace. I urge your support of these changes and thank you for your consideration of these important issues.