



Testimony of David D. Kerr, President of SBC Kansas
In support of Senate Bill 120
Before the Senate Utilities Committee
February 16, 2005

Mr. Chairman, members of the committee, I am David Kerr with SBC, and I'm pleased to be here this morning to convey our support for Senate Bill 120. SBC believes Senate Bill 120 is a good vehicle to bring Kansans much closer to realizing the benefits of full competition.

In 1996 when most of the state's telecommunications laws were revised, long distance was a lucrative market, cell phones were still quite large and expensive, broadband was available to only a few, and no one would have believed that any Kansan, of any age, could make phone calls through the Internet. Regardless of your views, no one can deny that technology and competition have fundamentally changed the telecommunications industry. Indeed, the world of communications has evolved the last decade, but most of the rules regulating phone companies have not.

Price regulation and competition are not intended to coexist. Price regulation is to be used in place of competition. For over 100 years, the nations' phone companies operated under price regulation because there was no competition. It is a new day—competition for communications services in Kansas is robust. Consumers may now choose among numerous providers and technologies for their telecommunications services, including competitive local exchange companies (CLECs), wireless providers, cable providers, and Voice Over Internet Protocol (VOIP) providers. Here are the facts:

First, in Kansas, more than 30 percent of customers that used SBC wireline services four years ago have migrated to another provider or form of technology for their telecommunications needs. According to FCC reports, CLECs using "traditional" telephone technologies serve at least 22 percent of such lines in Kansas. In SBC exchanges, we estimate CLECs serve about 30 percent of lines – about 398,000, as of the end of 2004. These include CLECs like Birch and Sage, and many cable companies. Second, the number of wireless customers in Kansas nearly equals that of traditional phone company customers. We have also found that many people bypass their traditional wireline service altogether for wireless. Third, new technologies, such as VOIP (used by many cable companies and start-ups), are available to any consumer with access to a broadband connection, including about 83 percent of consumers in SBC exchanges with access to DSL and/or cable modem broadband service. These VOIP plans start at about \$25 per month for unlimited calling throughout the United States and Canada.

Updating the state's telecom laws to make them technology neutral will benefit customers in Kansas and should be a top priority for the state. The American Legislative Exchange Council (ALEC), the National Conference of State Legislators (NCSL) and the National Governors' Association all passed policy statements last year calling for a level playing field that is technology neutral.

Incumbent Local Exchange Carriers, like SBC, Sprint and the rural companies, face significantly more price regulation than competitors. Consumers choose the services that best fit their needs: they don't discriminate between technologies. State statutes shouldn't either.

With passage of Senate Bill 120, companies like SBC would still be far more regulated than our competitors, but this bill is a needed step in the evolution of communications policy. The pricing flexibility offered by SB 120 will provide consumers the value of additional products, better pricing packages and more innovative services. Full competition is good for consumers and it's time to give it to them.

I will be happy to answer questions at the appropriate time.

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