

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Scott Emler at 9:30 A.M. on February 17, 2005 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Bruce Kinzie, Revisor of Statutes' Office  
Diana Lee, Revisor of Statutes' Office  
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Jay Allbaugh, Cox Communications, Wichita  
Rachel Reiber, VP, Everest Connections, Lenexa  
Mark Johnson, Nu Vox Communications, Kansas City, MO  
John Federico, Kansas Cable Telecommunications Assn.

Others in attendance: See attached list

Chairman opened for action on:

**SB 93 - Eminent Domain for wind energy projects**

Moved by Senator Lee, seconded by Senator Francisco, amend SB 93 as shown on the attached balloon prepared by the Revisor's Staff. Motion carried. (Attachment 1)

Moved by Senator Lee, seconded by Senator Pine, SB 93 be passed out favorably as amended.

The Chairman cautioned the committee that this is an unprecedented step in terms of limiting eminent domain for utilities and should be taken cautiously. The committee needs to make it quite clear whether the intent is that this apply to all utilities, generation, transmission, telecommunication, etc., or it means to limit this to the siting of wind generators.

Taddiken questioned whether language should be placed in the bill to show the actual intent. Staff indicated language to set out the specific intent could be added.

Moved by Petersen, language be added to S.B 93 to make the intent clear. No second.

Substitute motion by Senator Taddiken, seconded by Senator Petersen, further amend S.B. 93 with a conceptual motion "except for the restrictions contained in this subsection, the provisions of this subsection shall not limit or restrict the authority of a public utility to use the power of eminent domain authorized under subsection (a)". Motion carried.

Moved by Senator Lee, seconded by Senator Reitz, S.B. 93 be passed out favorably with both amendments as stated in prior action. Motion carried.

Chair continued hearing on:

**SB 120 - Telecommunications, regulation thereof, KUSF**

**Opponents**

Jay Allbaugh, Cox Communications, Wichita, stated there is not sustainable competition yet in Kansas for several reasons set forth in his written testimony. For these reasons, Cox questions whether adequate competition exists in Kansas' local telephone market to require further regulation. Cox Communication does not support piecemeal deregulation until a full understanding of the following things is gained: (1) to what extent local competition exists in Kansas; (2) what deregulation, if any, is appropriate; (3) what impact would deregulation have on competitors; (4) what effect would deregulation have on consumers. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on February 17, 2005 in Room 526-S of the Capitol.

Rachel Reiber, Vice President, Everest Connections, Lenexa, set out their specific concerns on the impact that deregulation would have on providers and consumers. **S.B.120** will not result in long-term benefits to consumers and telecommunications companies. (Attachment 3)

Mark Johnson, NuVox Communications, (presented for Ed Cadieux) noted that NuVox is a competitive local exchange carrier which has done business in Kansas for a number of years. The point he addressed is the prospect of discriminatory pricing which is where a carrier gives one customer a certain price and another customer for the same service another price. This legislation would allow that to occur throughout the state of Kansas. The whole State under the terms of this legislation would be deregulated. (Attachment 4)

John Federico, Kansas Cable Telecommunications Assn., quoted from an article in Prospectus written in November 2004 ....“deregulation is always a tricky business, on the one hand the whole purpose of economic regulation in the first instance is to prevent dominate incumbent firms from exercising their considerable market power. While often a difficult balance, throughout the history of the telecommunications industry, policymakers have prudently opted to seek solid evidence of workable competition before deregulating incumbents. It’s stark contrast where the FCC has decided to wing it, such as in the case of providing the Bells with pricing flexibility for special access services. The results have been a disaster. After all, as the old maxim goes, competition policy should focus on probabilities, not upon possibilities.” .... Voice over Internet Protocol (VoIP) is one of the basis of this legislation. A survey showed there will be a tremendous shift of customers from land line to voice in the future. Can the committee predict with accuracy the impact that price deregulation would have on the rural parts of Kansas? (Attachment 5)

The Chairman announced that two opponents were yet to be heard and due to the lack of time, the hearing on **S.B. 120** would be continued on Monday, February 21.

Approval of Minutes

Moved by Senator Taddiken, seconded by Senator Reitz, minutes for the meetings of the Senate Utilities Committee held on February 15, 2005 and February 16, 2005 be approved. Motion carried.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 5

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: FEBRUARY 17, 2005

Name	Representing
Paul Johnson	PACK
Debbie Vignatelli	SBC
DAVID KERN	SBC
MARK SCHREIBER	Westar Energy
LARRY BERG	MIDWEST ENERGY
DAVE HOLTHAUS	KEC
JUDITH BARD	SPRINT
elli Quinn	KLA
Brent Haden	KLA
TERRY HOLDRON	KFB
Danielle Noe	Johnson County Government
Sarah Novascone	Federico Consulting
July Maly	KAC
Kimberly Cline	Aquila/Everest
John Beverlin	MARGERY STARR'S OFFICE
Chris Wilson	KOC

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: FEBRUARY 17, 2005

Name	Representing
Nelson Knueger	Everest
Kristin Schmitt	Sprint
P. Sue Donoho	Sprint
Wade Haygood	Sprint
Julie Heen	Heen Law Firm
Colleen Jernison	COX
Linda Langston	COX
Robin Jernison	Tallgrass Ranchers
Jay Allbaugh	COX
Dave Holtzhus	KEC
HARRY BERG	MIDWEST ENERGY
Mark Schreiber	Westar Energy
BIZUCS BIZHAM	KEPCO
Whitney Jamron	Empire
Nick Deeslet	Great Plains Energy

1 or upon any stream of water ~~or, to take and use the water of any stream~~  
2 in such manner as to interfere with or in any ~~wise way~~ hinder, delay or  
3 injure any milling or irrigating improvements already constructed or lo-  
4 cated along or upon any stream of water; or to diminish the supply of  
5 water flowing to or through any established irrigating canal. ~~Provided~~  
6 ~~further, That~~ In case of the erection of a dam, ~~the report of the com-~~  
7 ~~missioners;~~ instead of defining the quantity and boundaries of the land  
8 overflowed, ~~the report of the commissioners~~ shall designate particularly  
9 the height of such dam.

10 (b) No person, corporation, partnership, cooperative or company  
11 shall have the power to appropriate land or easements in the manner  
12 provided in K.S.A. 26-501 through 26-516, and amendments thereto, or  
13 under any other statute granting persons, corporations, partnerships, co-  
14 operatives or companies the power of eminent domain to the extent the  
15 power is invoked for the appropriation of land or easements for:

16 ~~(1) The siting or construction of wind powered electrical generators~~ the  
17 ~~or turbine; or~~

18 ~~(2) the siting or construction of electrical transmission lines to or from~~  
19 ~~any wind powered electrical generator or turbine.~~

, including the towers. Nothing in this subsection shall prohibit the connection  
of wind powered electrical generators or turbines by the use of lines, when  
such generators or turbines are connected to the same station power grid.

20 Sec. 2. K.S.A. 17-618 is hereby repealed.

21 Sec. 3. This act shall take effect and be in force from and after its  
22 publication in the statute book.

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.



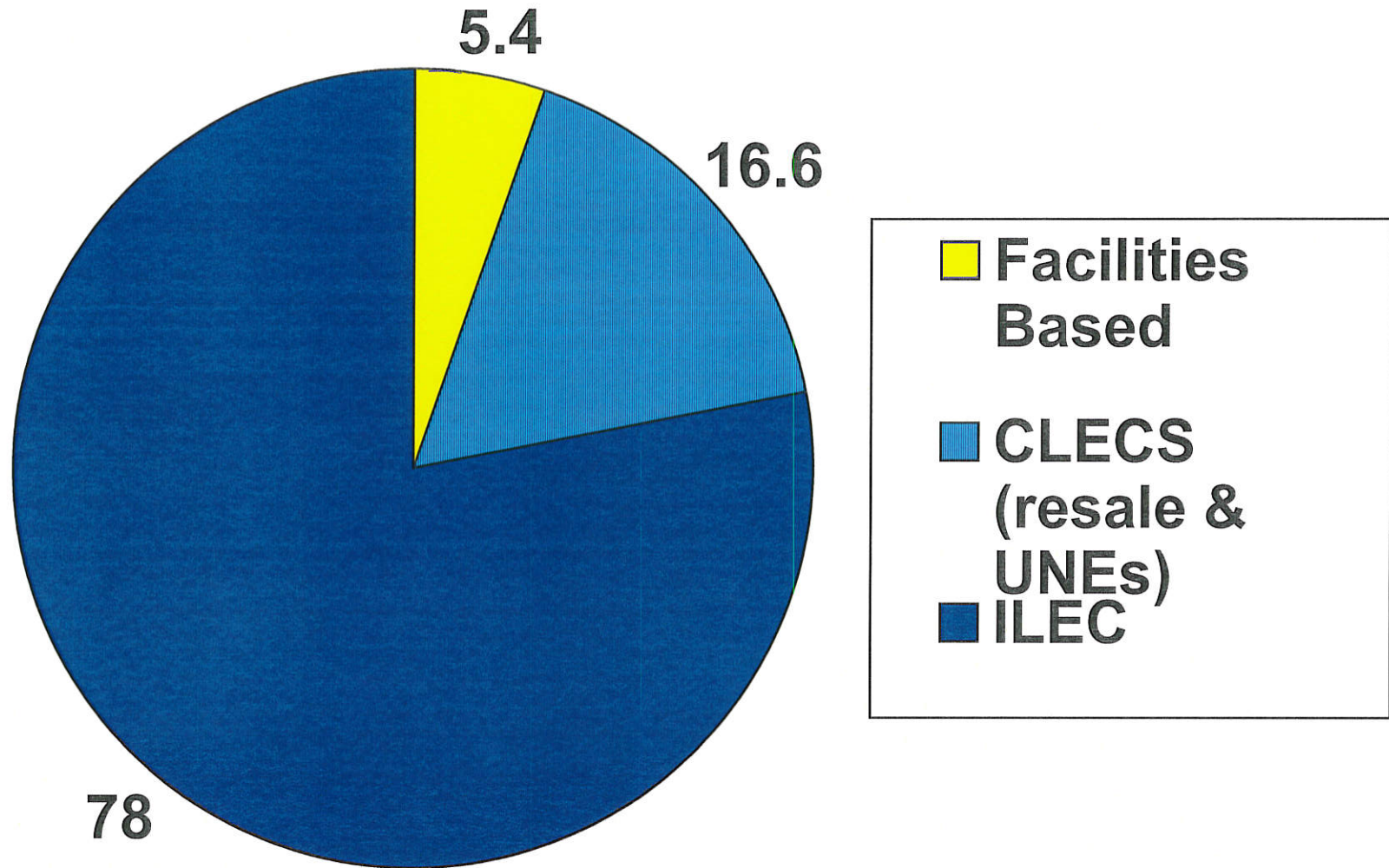
Cox does not support piecemeal deregulation through legislation without any understanding of: whether and to what extent local telephone competition exists; what level of deregulation, if any, is appropriate; and what the impacts of deregulation would be on competitors and consumers.

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

2-3



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



Testimony of  
Rachel Lipman Reiber  
Vice President of Regulatory and Government Affairs  
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### **In Opposition to S120**

I am appearing here today on behalf of Everest Connections, a facilities-based provider of telephony, video and high-speed Internet service offering service in Lenexa, Shawnee and Overland Park, as well as south Kansas City, Missouri. Yesterday we appreciated the opportunity to make a presentation on Everest, so you already have most of the factual data concerning the scope of our operations in Lenexa, Overland Park and Shawnee.

Today, Everest appears in opposition to this bill because it would deregulate the telecommunications industry statewide and would completely remove SBC from KCC oversight. (Everest does not compete with Sprint). Everest believes that if S120 is passed, the legislature is giving the green light to SBC to engage in predatory pricing, which will lead to the final demise of competition. This bill has the potential to drive niche players, such as Everest, from the playing field.

Everest believes it is particularly inappropriate to grant incumbent providers of local exchange service deregulation in light of the fact that they continue to receive large subsidies from both federal universal service funds and state universal service funds. Attached to this testimony is an exhibit from the federal universal service funds website indicating projected disbursements from the high cost fund for all Kansas providers. Note that United Telephone Company of Kansas (Sprint) receives in excess of \$1.4 million in federal subsidies per month; this adds up to approximately \$16.4 million per year. SBC receives in excess of \$47,000 per month. That adds up to \$564,000 per year. Sprint and SBC are also recipients of KUSF dollars. Last year Sprint received more than \$10 million from KUSF. SBC received nearly \$9 million from KUSF.

Everest does not dispute that these companies serve customers in high cost rural areas. Subsidies are part of regulation. If these companies are deregulated, they should not receive subsidies from the federal universal service fund and from KUSF.

On February 4, 2005, the Federal Communications Commission released its long-awaited order known to those of us in the trade as the *USTA II Remand* or *Triennial Review Remand Order*. This order sets forth the rules for pricing of network facilities that competitors lease from SBC and other incumbent telecommunications providers.

While we continue to review and digest the 178-page document, it appears that competitors' wholesale prices are going to increase exponentially. We are barred by SBC from telling you exactly how much, but it is fair to say that our wholesale costs will more than double. To simultaneously permit SBC to lower its retail rates will result in a price squeeze that will doom competition. All this at a time when SBC has just announced it will merge with AT&T, one of its fiercest rivals.

Although Everest has been a survivor of the shakeout in the telecommunications sector so far, passage of this bill will make Everest's survival much more tenuous. Everest will not be able to survive a price squeeze by SBC as it provisions service to business customers. It will not be able to survive targeted discounts offered only to Everest residential customers.

As you evaluate this bill, please ask yourself whether this bill offers long-term benefits to consumers or whether it offers some short term benefits to consumers with long term benefits to the company's two sponsors, SBC and Sprint.

Here are some of Everest's specific concerns with S120:

Page 8, line 1 requires that the Commission SHALL deregulate within an exchange area any individual residential service or service category upon a demonstration by a requesting telecommunications carrier that there is at least one telecommunications carrier or other entity providing basic local telecommunications service to residential users." This includes cell phone carriers. How many areas in Kansas are there where there is not one cell phone provider? Everest doubts there are any. Wireline services would be deregulated state-wide.

What impact would this have on consumers? The answer is found at page 8, line 22, where it states, "if the services of a local exchange carrier are classified as price deregulated under this subsection, the carrier may thereafter adjust its rates for such price deregulated services upward or downward as it determines appropriate in its competitive environment." If the telecommunications industry were to be deregulated, Everest believes that prices would fall dramatically in the Kansas City area, where competition is robust. Prices would likely increase in areas where there is little or no competition.

Another area of concern is on page 5, line 28, "Any new telecommunications service offered after August 1, 2005, and packaged or bundled offerings defined by this subsection are price deregulated and not subject to price regulation by the commission." This language would negate the language in subsection (j), which states "unless otherwise approved by the commission, no service shall be priced below the price floor, which will be long-run incremental cost and imputed access charges." Everest is concerned that this language will provide the opportunity for incumbents to "give away" or significantly reduce below incremental cost, the price for local service in packages that include satellite television, wireless service and DSL high speed Internet service. Because Everest is a small company that covers only a small portion of the Kansas City

metropolitan area, it is particularly susceptible to targeted marketing efforts that lack the necessary oversight to ensure that services are not priced below cost.

This bill provides the opportunity for incumbents to raise prices in other areas of the state, where consumers may not have similar alternatives. Although this bill is premised on the assumption that wireless service and wireline service are interchangeable, for many individuals, wireless service may not be a suitable alternative to traditional wireline service.

Everest is particularly concerned about the sentence that begins on page 8, line 26, "customer –specific pricing is authorized on an equal basis for all telecommunications carriers for services which have been price deregulated." Everest is not sure what this means. Does this mean that any provider of telecommunications services can charge any price to any person for any service? If so, this opens the door to targeted marketing efforts by large incumbents who can endure short-term pain in the form of predatory pricing to force small players, such as Everest, out of the market.

#### Conclusion

SBC's recent announcement that it is acquiring AT&T signals the end of an era, when AT&T was a serious rival and competitive threat to SBC. More and more competitors are either falling by the wayside or being snapped up by the huge players, such as SBC, who still have market share in excess of 50%. This bill will not result in long-term benefits to consumers. It is likely to lead to predatory pricing, with low prices for consumers in the short run, while SBC attempts to eliminate its competitors. After SBC's rivals are out of the picture, there is little doubt that prices would return to their previous levels – with annual increases that outpace the increase in the cost of living.

TESTIMONY OF ED CADIEUX ON BEHALF OF  
NUVOX COMMUNICATIONS IN OPPOSITION TO S120  
BEFORE THE SENATE COMMITTEE ON UTILITIES

Chairperson Emler, Vice-Chair Apple and Members of the Committee:

Thank you for the opportunity to present this testimony. My name is Ed Cadieux. I am Senior Regulatory Counsel for NuVox Communications. I am a licensed attorney in the State of Missouri and I practice both before the Kansas Corporation Commission (and various other state public service commissions) and the Federal Communications Commission. I have 25 years of experience in legal and regulatory aspects of communications law and public policy.

NuVox is what can be referred to as a landline competitive local exchange carrier ("CLEC"). NuVox was founded in 1998. It provides competitive local exchange and high-speed internet services in across 16 states and 48 cities across the Midwest and Southeast. NuVox has a significant operational presence in Kansas, with networks providing local and long-distance voice services and broadband internet service to 1300 small to medium-sized business customers in the Kansas City and Wichita metropolitan areas. To serve its customers, NuVox leases "last-mile" loop facilities, central office collocation space and some interoffice facilities from SBC, which NuVox then combines with its own digital transmission and switching equipment.

NuVox comes before the Committee today to state its opposition to S120. Simply

stated, this legislation would have two primary results, both of which are bad for Kansas consumers and businesses and bad for the State's economy. First, *the bill is a prescription for significant rate increases for many residential customers of the incumbent local exchange carriers*. Second, *the legislation would create a market structure that will enable incumbent local exchange carriers to thwart the further development of telecommunications competition in Kansas*.

As a starting point for assessing this proposed legislation, it is important to understand that despite all of the hype and hyperbole coming from some quarters, the level of telecommunications competition at this point in Kansas is relatively modest. According to the FCC's most recent data, *the incumbent local exchange carriers (SBC, Sprint, etc.) continue to hold nearly 80% market share*.

The next important fact to understand is that the limited competitive inroads in Kansas that have occurred have come primarily from carriers like AT&T, MCI, NuVox and Birch – CLECs that to varying extents lease unbundled network elements (“UNEs”) from the incumbent LECs. In that regard it is significant to note that the FCC – in its new rules issued earlier this month -- has ordered a significant roll-back of the availability of UNEs. *A crucial portion of the FCC's new rules is the elimination of the Unbundled Network Element Platform (“UNE-P”), which has been the method relied upon by national carriers like AT&T and MCI to offer their popular flat-rate local and long-distance calling plans, and the method used by carriers like Birch Telecom to serve some of its small business customers*. The FCC's new rules also cut back on the availability of certain “high capacity” UNEs that carriers like NuVox and Birch use – in combination with their own switching equipment -- to serve small to medium-sized



business customers. So in that respect also, the new FCC rules will produce a more challenging cost structure for CLECs and make any increases in CLEC market share very difficult to come by.

Because a significant portion of the current, albeit limited, level of competition is based on UNE-P availability, the FCC's elimination of that provisioning method will inevitably reduce the CLECs' collective market share well below the 20% level. That result is made all the more certain by a parallel and related event – SBC's acquisition of AT&T and Verizon's acquisition of MCI. When those acquisitions close, that portion of the CLEC Kansas market share will disappear. The FCC's roll- back of UNE availability – which has been anticipated for many months -- and the leaving from the scene of AT&T and MCI are not unrelated events – clearly the impending elimination of UNE-P was a significant factor in AT&T and MCI planting “:for sale” signs that SBC and Verizon acted on.

While these events at the FCC and on the merger front point to a substantially reduced level of competition from landline CLECs, the incumbent LECs focus on wireless carriers and VOIP competition from cable providers as a justification for removal of rate oversight by the KCC. The real question this presents is whether competition from these non-landline sources is sufficiently developed to constrain incumbent LECs from raising their local exchange rates if KCC rate supervision were to be eliminated. NuVox believes that answer to that question is a clear, “no”.

The best estimate (again from FCC data) is that only about 5% of customers have “cut the cord” by disconnecting their landline phone in favor of their wireless phone as a

full substitute. The vast majority of wireless phone customers retain their landline phones – i.e., most customers view their wireless phones as complimentary to their landline phones. Most observers would agree that it would take a substantially higher substitution rate of wireless for landline phones before that phenomena would constrain the incumbent LEC from raising its landline local exchange rates if KCC rate supervision were to be removed. Also relevant to that equation is the fact that the two largest incumbent LECs in Kansas – SBC and Sprint – are affiliated with two of the three largest wireless carriers in the country (Cingular Wireless and Sprint PCS, respectively). So, in some of the cases where customers do disconnect their landline phones in favor of wireless, the dollars flow back to SBC and Sprint via other pockets.

With respect to cable VOIP service as a competitive alternative to incumbent LEC landline local exchange service, the key point to recognize is that VOIP is in its infancy – it is completely untested in terms of its power to act as a pervasive substitute for landline local service. As a threshold matter, VOIP service generally requires the customer to have a broadband connection. Thus, for the substantial portion of the residential customer base that has not found a need for a cable modem or DSL broadband connection, VOIP generally is not even available as an alternative to be considered. For those customers that do have broadband connections, their willingness to use VOIP as a substitute for landline local exchange service is untested and unknown.

More generally, the issue of whether one particular service constitutes a meaningful substitute for another service (meaning that its availability is sufficient to constrain price increases to the other service) is often not an easy question and can only

be answered properly when judged in the context of expert testimony and through the informed judgment by an impartial, expert decision-maker. Kansas, like virtually all other states, has an administrative body – the KCC – whose Commissioners and Staff are experts in the area of telecommunications.

In light of the circumstances discussed above, what would one expect to occur if S120 were to be enacted? Because of the roll-back of landline CLEC competition (due to the new FCC rules and the Bell Company acquisitions of AT&T and MCI) and because non-wireline forms of competition are not sufficiently developed to exert meaningful competitive pressure, it is virtually certain that removal of KCC rate supervision will result in increases (and potentially substantial increases) for residential local exchange service, particularly for those customers who have no need for a highly bundled service package. For example, residential customers who only need local or local and long-distance service, but not DSL, are likely to see their rates go up. Why? Because they will – particularly with the demise of AT&T and MCI -- have no alternative to the incumbent LEC for that type of non-bundled or lightly bundled service. This fact will not be lost on the incumbent LECs and they will know that they can maximize profits by loading rate increases on that captive portion of their customer base.

This, in turn, will arm the incumbent LECs with an additional war chest to escalate their efforts to lock-up and insulate against competition in the business market. Over the last several years, incumbent LECs (and SBC in particular) have refrained from general reductions in their rates for business services but instead have waged aggressive “winback” promotional campaigns, targeting special deals at customers who have moved

their business to a CLEC. In this manner, incumbent LECs deny the benefit of overall rate decreases to the broad base of their business customers but instead engage in targeted, discriminatory deal-making to directly blunt CLEC gains. If enacted, S120 would significantly expand the incumbent LECs ability to engage in these discriminatory pricing tactics by expanding that customer-specific pricing authority. If the incumbent LECs are also freed from KCC rate supervision for their residential services, the increased revenues that the incumbents will garner from residential rate increases will almost certainly be used to accelerate these customer-specific, "lock-up" deals, making it that much more difficult for meaningful competition to develop in Kansas.

Kansas has a statutory structure that is designed to support telecommunications competition and that deregulates in a sensible manner – i.e., where the facts and circumstances show that competition has reached a sufficient level to ensure reasonable prices for consumers and businesses without the need for KCC supervision. S120 would gut that structure and substitute a system that will guarantee higher rates and less competitive choice. NuVox urges the Members of the Committee to vote no on S120.



Kansas Cable Telecommunications Association

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## Testimony in Opposition To SB 120

**John J. Federico, JD  
On Behalf of the  
Kansas Cable Telecommunications Association**

**Senate Utilities Committee  
February 16, 2005**

The Kansas Cable Telecommunications Association respectfully requests that you vote NO on SB 120. The KCTA does not endorse additional regulation on any of its competitors but does advocate that additional factors be carefully considered before removing *existing* regulation, put in place to alleviate barriers to market for telecommunication competitors.

No one can argue that competition benefits the consumer. But in order to have competition, you need competitors. The KCTA fears that the passage of SB 120 would create a realistic scenario whereby the ILEC's, who currently enjoy a dominate share of the Kansas telephone market, would be in a position to "price out" other competitors trying to offer competitive services.

Before voting on SB 120, the KCTA respectfully asks the Committee to consider whether they know the extent of what true facilities based competition exists today? Or whether they can predict with accuracy the impact that price deregulation would have on the rural parts of the state serviced by SBC & Sprint? Or why the telecommunications industry would benefit from simply addressing the price-deregulation component of the industry and not: inequities of an unbalanced telecommunications tax structure; or those problems related to an inconsistent right of way/easement use agreements.

It is worth repeating that the KCTA does not stand before you advocating for additional regulation or government intervention. We do however favor that careful consideration be given to the negative impact on increased competition by being the first state in the country to pass this type of "de-reg" legislation. We do however strongly support that before any de-regulation bill be passed by this legislature, that an in-depth, comprehensive legislative and regulatory study be done to measure with a high degree of accuracy the true state of telephone competition in the state and the aforementioned inequities of other aspects of the telecommunications regulatory and tax environment.

**Please Vote No on SB 120**

**Senate Utilities Committee  
February 17, 2005  
Attachment 5-1**



February 02, 2005

Consumers Are Cool To VoIP: Survey

Forrester survey finds that only 13% are interested or very interested in using the technology.

By Preston Gralla

Despite a significant industry push, consumers are cool to VoIP, with only 13% interested or very interested in using the technology, according to a new survey by Forrester. Only 43% have even heard of the technology, and only three percent of consumers are using it, the survey of 1,132 online households concluded.

The Forrester report, "Who Wants To Buy VoIP?" also found that consumers will have to see significant savings before considering using VoIP over their existing phone service. It concluded, "The needle on interest doesn't move until consumers can save at least \$15 on their combined local and long-distance spending. At this point, the consumers surveyed who are 'very willing' and 'extremely willing' to purchase VoIP more than doubles to 38%. At a savings of \$25, the percentage skyrockets to 52%."

Consumers would be most willing to consider VoIP services from their local phone companies, with 38% of respondents pointing to that as their top choice. In second place was a wireless carrier, with nearly a third of respondents. Specialty VoIP carriers such as Vonage were cited by only 19% of respondents.

Despite the low interest in VoIP, consumers who are using the service report a high satisfaction rate with it. Approximately 90% of existing users are satisfied with the pricing, 80% are satisfied with the features, and approximately 70% satisfied with the voice quality and billing. More than 70% would be willing to recommend their VoIP service to a friend.

The leading provider of VoIP service today is Vonage, with 30% of the market, according to the survey, with both Skype and Cablevision coming in with 13%.